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EMPOWERING CREDIT - MORE THAN JUST MONEY

The Socio-Economic Impact of Micro-Finance on Women in Nairobi, Kenya

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SUMMARY

This study examines the socio-economic impact of micro-finance on urban female micro-entrepreneurs in Nairobi, Kenya. Its theoretical framework is empowerment theory in particular and development theories in general. The study examines the impact of micro-finance and the opportunities it offers to female micro-entrepreneurs in the informal sector, and whether credit has an integrating or segregating effect on women's socio-economic situation. Moreover, the study addresses the ways in which micro-finance and credit have affected social and economic equality between the genders, and whether they have relieved women's gender specific problems. In addition, this study considers the extent to which the expectations these particular female entrepreneurs have of micro-finance are fulfilled. The practical objective of my study is to clarify how micro-entrepreneurs have benefited from credit and financial services, how they have used the loans, and how borrowers have repaid the loans. In the analysis, social and economic empowerment are seen to be interrelated; social empowerment is thought to attribute to economic empowerment and vice versa.

Income-earning activities were necessary for women in the empirical data, because being a single mother or the sole breadwinner of the family is common. Therefore, many micro-finance institutes emphasise loans given to women. Female micro-entrepreneurs used their loans most often for buying stock. Women considered that this reduced their daily workloads and increased their income.

Control over credit and the business is seen to be an important indicator of empowerment. In the African context female micro-entrepreneurs' control over their business and loans is not as problematic as in the Asian context. The interviewed women made the decisions in their enterprises and had control over their businesses.

Related activities play important roles in the success of micro-finance programmes and their ability to contribute to women's empowerment. Particularly a solidarity group and personal contacts with credit officers are crucial for social and economic empowerment.

Keywords: development, gender, women, micro-finance, empowerment, informal sector, Kenya

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ABBREVIATIONS

AMFI	The Association of Micro Finance Institutions
CBS	The Central Bureau of Statistics in Kenya
CSO	Civil society organisation
DAWN	Development Alternatives for Women in New Era
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GAD	Gender and Development
ICLS	The International Conference of Labour Statisticians
ILO	International Labour Organisation
K-REP	The Kenya Rural Enterprise Programme
KWFT	Kenya Women Finance Trust
MFI	Micro-finance institution
NGO	Non-governmental organisation
NISS	The Tanzanian National Informal Sector Survey
PGN	Practical gender needs
RoSCA	Rotating savings and credit associations
SGN	Strategic gender needs
UNDP	United Nation's Development Programme
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
USAID	The United States Agency for International Development
WID	Women in Development
WAD	Women and Development

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1. INTRODUCTION TO MICRO-FINANCE AND WOMEN'S EMPOWERMENT

Since the 1990s, micro-finance¹ and sustainable banking with the poor, or so-called social banking, have been in the focus of development debate, and there has been a rapid expansion of micro-credit programmes throughout the developing world. Some of these programmes are or have been successes, some failures. National governments, donor organisations and international and national non-governmental organisation (NGOs) or civil society organisations (CSOs) have presented micro-finance as a crucial ingredient in social and economic development. The Beijing (The Fourth World Conference on Women, 1995) and Copenhagen (The World Summit on Social Development, 1995) agreements include increasing access to credit as a key strategy for the eradication of women's poverty. Despite the fast and vast increase of micro-finance programmes, the demand is assessed to be even more substantial. In 2000 micro-finance institutes² (MFIs) were estimated to serve about 12.5 million people world-wide, whilst it is estimated that there is a demand for services for 500 million people (CGAP 2000, 10). Currently, Kenya is one of the leading countries in the micro-finance field; there are several MFIs working nationally and regionally providing financial services for productive low-income people. In many organisations the majority of the clients are women, and in one organisation, Kenya Women Finance Trust (KWFT) 100 % of the clientele are women. In 1999 a national organ for MFIs in Kenya, The Association of Micro Finance Institutions (AMFI) was established.

The theoretical discussion on the topic of micro-finance as a means of reducing poverty, generating employment and contributing to social development has strong advocates and opponents. The argued benefits of micro-finance can be classified into two main categories: 1) *(women's) social, economic and political empowerment*, and 2) *economic development*. The former, women's social, economic and political empowerment, is the argument most used and debated; micro-finance is viewed critically from the perspectives of women's empowerment and equality between the genders. Empowerment is one of the most widely used development terms and goals of development policy nowadays. The positive outcome of the extensive use and popularity of the term is that a great deal of the development projects today includes women's empowerment as a goal. A negative outcome is that, while becoming

¹ Micro-finance includes credit, savings facilities and insurance, micro-credit includes only credit

² Micro-finance institutions; NGOs or commercial banks offering micro-finance services

popular, it has become an empty buzzword. The concept of empowerment is seldom defined, and even more rarely is defined the way it should be observed or measured. The latter category of the asserted benefits of micro-finance, economic development, includes usually poverty alleviation, financial sector development, enterprise formation and economic growth. This study concentrates mainly on the first category, women's empowerment and equality between the genders as possible outcomes of micro-finance.

Studies on micro-finance have shown both negative and positive impact on women. Positive impact have been e.g. increased income and improved status within the family and larger community. Negative impact have been e.g. increased workload, indebtedness and, somewhat surprisingly, vulnerability to domestic violence. (see Mayoux 1999b, 957) Because of the extensive use of micro-finance, there is a great need for further study of how micro-finance programmes have contributed to women's empowerment. Different cultural and economic context and varying definitions of empowerment add challenges to research.

Women in sub-Saharan Africa have traditionally been active in economic affairs. They contribute, as is expected of them, to family expenditures. The relative activity rates and the extent of female participation in the "gainful activities" i.e. earning incomes outside the household are higher in Africa than in Asia (Sen 1987a, 31-33; see Boserup 1970). Women are economically relatively independent in Africa, and female-headed households are very common particularly in East Africa. Still, the majority of the studies on micro-finance and women's empowerment are made in Asia. Women's status and living conditions are considerably different in Asian and African countries, which raises some difficulties with comparability. Being economically active gives women more independence in the family and community.

Kenya, like other developing countries, suffers from high unemployment rate. Opportunities to find salaried employment are few, especially for uneducated, poor women. Therefore, they seek means of livelihood from the so-called informal sector of the economy. The definition of the informal sector usually includes unregistered micro- and small-scale enterprises, but definitions vary. But, female micro-entrepreneurs suffer from gender specific constraints also in the informal sector. The most significant constraint is deemed to be the lack of access to credit. The low access to credit is often seen to be a major, or the main, obstacle to the

improvement of poor women's economic situation. Thus micro-credit is thought to be a solution for the financial problems of female micro-entrepreneurs.

This study examines the socio-economic impact of micro-finance on urban female micro-entrepreneurs in Nairobi, Kenya. The framework used is empowerment theory in particular and development theories in general. The aim is to examine critically *the impact of micro-finance* and the opportunities it offers to female micro-entrepreneurs in the informal sector, and whether credit has an *integrating or segregating effect on women's socio-economic situation*. Moreover, the study addresses the ways in which micro-finance and credit have affected *social and economic equality between the genders*, and whether they have relieved *women's gender specific problems*. In addition, this study considers *the extent to which the expectations these particular female entrepreneurs have of micro-finance are fulfilled*. The practical objective of my study is to clarify how micro-entrepreneurs have *benefited from credit and financial services, how they have used the loans, and how borrowers have repaid the loans*.

2. METHODOLOGY

The interviews for the study were performed in Nairobi in June-July 2000. The task was to clarify whether micro-credit, micro-finance and micro-finance programmes are able to empower women. In the analysis social and economic empowerment are seen as interrelated; social empowerment is thought to attribute to economic empowerment and vice versa. The hypothesis was that micro-finance helps women to have sound business and reasonable income, which in turn empowers them socially and economically.

The empowerment indicators are frequently developed in Asia, and, therefore, are not fully applicable in African countries. In Africa mere participation by women in the income generation of the household could not be seen as an indicator of empowerment, because often a woman is the only breadwinner in the household. Hence seeking other, more appropriate indicators was indispensable. One of the most important indicators of empowerment in this study is women's control over their business and credit. In many studies a woman's control over credit and business was seen as critical to empowerment. Control over credit usually means that a woman is able to decide alone how to use the credit. The most important aspects of "control over business" are usually seen to be marketing, accounts and control over funds. (see Hashemi et al. 1996, 647)

The data comes from three micro-finance organisations, in Nairobi, Kenya: *The Kenya Rural Enterprise Programme* (K-Rep), *the Jamii Bora Trust* and *World Vision Kenya*. The Population Council was co-operating in one of the programmes with K-Rep. Although these organisations are only few, they are fairly representative of micro-finance organisations in Kenya: World Vision Kenya is an international organisation, the *Jamii Bora Trust* is a small organisation and K-Rep is an established organisation with a great number of clients. My mother-in-law, who works at the Finnish Embassy in Nairobi, had personal contacts with people working in the *Jamii Bora Trust* and the Population Council. At the Lutheran Church I was attending in Nairobi, I met a retired clergyman who had been working for World Vision Kenya, and he told me that they had recently started a micro-finance programme. The organisations and members were willing to take part in the study, even though some organisation employees thought that members might be tired of different sorts of interviews, evaluations and studies.

I visited the offices of the organisations and their group meetings in Soweto, Mathare, Kayole and Riruta. I shadowed credit officers in the field, attended the group meetings, discussed with credit officers and both male and female borrowers. The method used is an open-ended interview method. The emphasis is on the interviewees' personal situation and background, their situation before and after receiving the credit. I interviewed seven female borrowers in more depth. Because the number is so small, it is possible to draw conclusions only on the individual level. Still, I believe that a qualitative research of this kind is able to reveal important features of female entrepreneurship and micro-finance. Because empowerment is not easy to measure, quantitative data is seen to be inappropriate for studying it (Kabeer 2001, 28).

In addition to the interviewer and interviewee, often a credit officer and local people were present. The majority of the interviewees spoke English. Credit officers helped by translating for women who did not speak English. All in-depth interviews were tape-recorded. Having credit officers attending the interviews and translating had both a positive and a negative effect. Because they knew the people and the subject very well, they were able to make comments that helped me to ask the right questions and to understand the answers, and the interviewees to understand the questions. On the other hand, it seemed to me that they were leading the interviewees somewhat to giving certain kinds of answers.

I was an outsider as a European, white, middle class person. In some group meetings when I presented myself, in order to explain more clearly my interest in the matter I mentioned that also the Finnish government has supported micro-finance programmes. Obviously, this led many members to ask me to assist them and their programmes, because they considered me a donor or a government official in a position to sponsor them.

I expect everyone who has been doing fieldwork in developing countries is familiar with waiting. My fieldwork consisted for a large part waiting. Some meetings and interviews were cancelled for various reasons. It is due to waiting that my time in the field was relatively inefficient in terms of collecting material. The time I was able spend in the field was limited, and as a result I was not satisfied with the comprehensiveness of the data. However, the fieldwork consists of much more than simply interviews; looking and listening around is almost of equal importance.

The study starts with different approaches to gender and development in Chapter 3: Women in Development (WID), Women and Development (WAD) and Gender and Development (GAD). Chapter 4 deals with women's empowerment starting with power and ending with the indicators of empowerment. In Chapter 5, women's employment and self-employment, and their impact on empowerment, are studied. Chapter 6 addresses micro-finance and Chapter 7 the informal sector of economy. The micro-finance organisations in my data are presented in chapter 8 and the empirical data is analysed in chapter 9.

3. WOMEN AND DEVELOPMENT

3.1 From Sex to Gender

In many languages gender and sex have the same meaning. In the English language these two have been separate terms with different connotations since the 1950s. The term sex is based on biological distinction; sex differentiation means classifying people into categories based on their biological sex. Feminists, who wanted to reveal differences between female and male as social and cultural constructions, launched the term gender. Creating gender differentiation means constructing the differences between males and females by social processes. Gender differentiation distinguishes male and female activities. Gender is defined as “the social organisation of sexual difference”, or “a system of unequal relationships between the sexes” (Moghadam 1990, 7). “Gender” means also sexual identity, and it is more flexible and less determined than “sex”. The term sex is based on biological differences. Therefore, unlike “gender”, “sex” does not include power relations or power struggle, and inequalities between the genders are denied.

The socially determined relations that differentiate male and female situations are called gender relations. These relations structure the lives of individual women and men within a gender dimension. Gendered divisions occur in the labour market and in access to and control over resources. (Elson 1991, 1) Gender differentiation is an essential part of any inequality system, which favours males over females, though gender differentiation need not necessarily lead to inequality (Reskin & Padavic 1994, 3).

In this study the term gender is used to describe how differences in social and economic development between men and women are socially constructed. But as Moghadam (1990, 8) reminds, gender is not a homogeneous category. Neither is it the only categorisation affecting people’s lives. However, in all societies regardless of class, age and religion, for example, differences between the genders, and between the situations, status and opportunities of male and female genders, occur.

3.2 Approaches to Gender and Development

Development optimists argue that development will empower women or at least contribute to their wellbeing. Sceptics consider the “development process” itself to be a regime that contributes to the subordination of women (Bisnath & Elson 1999).

Theories on women and development have their origins in the independence movement of the 1950s and 1960s, and they are influenced by other development theories as well as feminist theories (Snyder & Tadesse 1995, 8). These theories can be divided roughly into two categories: theories in the *Women in Development* (WID) (including also *Women and Development* [WAD]) tradition based on modernisation and liberal feminism, and theories within the empowerment or *Gender and Development* (GAD) framework.

Although there has been a relatively clear shift from WID to GAD, these two approaches are still visible in research on gender and development. Particularly efficiency, which was in the centre of WID, is the focus also of many current development programmes and studies. (Erwér 2000, 10)

The list below shows some differences between the key theoretical themes within WID and GAD:

WID	GAD
Status of women	Empowerment
Essentialist approach to women	Constructionist approach to gender
Universalism	Differences
Access	Gendered Institutions / Agenda setting
Static view of women in isolation	The framework of social relations
Efficiency	Transformation of power relations
Into the mainstream development	Critique of the mainstream development

(Source: Erwér 2000, 11)

3.2.1 Women in Development and Women and Development

Modernisation theories have been challenged since 1970s by first feminist theories of development with a general concern about equity issues. Women and other “most vulnerable” groups were in the focus of development debate. (Blumberg 1989, 170) The two main approaches within the feminist tradition are the Women in Development (WID) or integration framework and the Women and Development (WAD) framework. WID demands greater attention to women in development policy and practice, and it underlines the need to integrate them into the development process (Baden & Reeves 2000, 3). Therefore the concept is also called the integration view (Zwart 1992, 2). The main point of departure within the WID framework is the mainstream development concept of economic growth and the conviction that development is modernisation. WID theories, which are also called dual economy theories, divide the world and economies into modern and traditional (Snyder & Tadesse 1995, 6). The approach emphasises women’s status, and it aims at making women visible in the development process. (Erwér 2000, 12) Improving women’s access to credit, technology and extension services is believed to increase their productivity, which would in turn influence the development process positively. The framework does not take into account gender relations, and it is considered to over-emphasise women’s productive side and income generation and ignore the reproductive side (Mosse 1993, 158). Neither do theories within the WID framework comprise power analyses. Within the WID tradition development is understood as a top-down concept where the market and the state are the main actors. (Erwér 2000, 12) In addition, development is seen as linear; developing countries are assumed to develop from traditional to modern.

The WID framework includes several approaches: equity, anti-poverty and efficiency approaches (Mosse 1993). Rowlands (1998, 16) includes also the welfare approach in the WID framework, although generally it is seen to be a predecessor of WID. The oldest of these theories is the welfare approach stemming from the 1950s. In this approach women’s major roles are seen to be reproductive ones, which makes them merely passive recipients of development benefits. (Snyder & Tadesse 1995, 7) The welfare approach is gender blind; women’s needs in developing countries are not seen to be different from men’s (Parpart 1989, 3), and modernisation and development are seen to benefit both men and women equally. The approach analyses the household as one (economic) unit; households are black boxes, and incomes and expenses are not analysed within the household. The approach strongly linked to

population policy and fertility control, it believes that education, continuous working history and controlling fertility will have a positive economic and social impact on women (Giele 1992, 15-16).

It was only after the advent of the welfare approach that development theories began to take into account women's economic activities. The equity approach, or the integrationist approach, stemming from Ester Boserup's book, *Women's Role in Economic Development* (1970), emphasises "the economic woman". The focus has moved from women's reproductive roles to productive roles, and employment and economic independence are seen as crucial to women's emancipation (Parpart 1998, 8). The theory recognises that development has affected women also detrimentally, and pursuing equality in the market and within the household could solve these problems. It stresses the importance of recognising both women's paid and unpaid work, as well as their opportunities to take part in the public sphere instead of being restricted within the domestic sphere, as they were seen to be in the welfare approach (Erwér 2000, 13). The theory is criticised for being a somewhat top-down approach and a reflection of a First World feminist preoccupation with equality (Mosse 1993, 154-155). It is further criticised for including uncritically Western culture and the sexual division of labour (Parpart 1998, 8). Moreover, it does not recognise that the domestic and public spheres are interdependent and overlapping, instead seeing them as a dichotomy (Erwér 2000, 13).

In the anti-poverty approach, women's poor situation is considered to result from poverty and underdevelopment, but not from subordination. The focus of the approach is on basic needs, on women's responsibility for the family's wellbeing and their role in the fight against poverty. (Erwér 2000, 13) According to Snyder and Tadesse (1995, 12), this approach stresses income generation for women through better access to credit, land and other productive resources, and it has launched income-generating and entrepreneurship projects. Erwér (*ibid.*) argues, though, that in the centre of the approach are the basic needs of the family rather than the unequal access to resources; fulfilling the basic needs rather than creating more equal access to resources is considered crucial to women's empowerment. The approach is argued to have several limitations; it does not take into account the fact that women already have heavy burden of work, that saving is very difficult for them if they do not control the family income, and that the capacity of the informal sector to create employment and growth is limited (Mosse 1993, 156-157).

In the 1980s the efficiency approach took women for active participants to the development process. By small investments like micro-credits women were believed to manage the economic and environmental crisis, and that could create a positive outcome in cost-benefit analyses. Instead of looking at the processes involved in integrating women into development, the problems concerning the relation between women and development were understood in an instrumental and technical way. (Erwér 2000, 13-14) The efficiency approach is based on the assumption that efficient development requires women's full engagement, and the aim is to increase women's productivity. This engagement is criticised for being based more on the interests of national economies than the empowerment of women. (Mosse 1993, 159; Chant 1997, 32) The approach has also been criticised for neglecting those socio-cultural factors that are the underlying causes of the unequal economic participation of women (Karl 1995, 97). Feminist development theories criticise the efficiency approach and other modernisation-based theories for wanting to integrate women into economic development and not recognising that they already are an integral part of the economy, and rather than "integrating" women into development, society and development should be changed. Ignoring women as an integral part of development generates a further assumption that women are an under-utilised resource, even though in reality women are more often an over-utilised resource (Elson 1991, 203). The "integration" does not appreciate women's productivity in the informal sector. Neither does the WID framework question the rationality of economic growth on which the model of development is based, or development policies defined by men (Karl 1995, 100).

At the end of the 1970s a related approach to WID, *Women and Development* (WAD), entered into development theory and practice. It is derived from the perspective of political economy, and it focuses on the relationship between women and the development process, not only on integrating women into development. Critics of this approach argue that it analyses women as a homogeneous group and ignores the relationship between patriarchy, differing modes of production and women's subordination. The differences between WID and WAD are minor and mostly academic; the WAD concept is a refined and more critical version of WID. (Zwart 1992, 2) Like WID, WAD concentrates primarily on women's productive role. Everett and Savara (1986, 86) point out two approaches within WAD. The liberal approach is pragmatic and policy oriented and it sees that the problems of poor women are deriving fundamentally from discriminatory development policies. Another approach, which Everett and Savara call Marxist, connects these problems to the hierarchical structure of the accumulation and power. A further conclusion it draws is that credit cannot improve women's income or productive use

of resources, but rather eliminating class and gender hierarchies can do it. Both these approaches consider the structure of power as a major obstacle to women's (economic) development and the improvement of their situation. Furthermore, the Marxist approach does not regard micro-finance as a proper tool for solving women's problems in the developing countries.

The issue of power is rarely included in the analyses of the WID framework; the focal point is the concept "status of women" and improving the status of women in the society. The concept "status of women" is criticised for being limited and reductionist, because it disregards the processes by which gender inequalities can be transformed together with the relationship between different sectors of activity and the relations between women and men. (Erwér 2000, 14)

Often these "Western (or Northern) produced" theories treat women as a homogeneous group and are based on the assumption that women's problems are the same, independent of the context. Feminist anthropology argues that there is no "universal subordination of women" or underlying "sameness" of all women (Moore 1988, 189). Still, Moore sees gender as difference privileged over all other forms of differences (ibid. 190). This also can be a dangerous assumption when studying women in the Third World, for it can transpose uncriticised gender related assumptions from Western cultures. Gender is an essential social category, but not necessarily the most important one. The significance of different social categories is context related. The most important category in any given context is one that creates the most important differences. The GAD framework makes the role of gender clearer: it is not always a key factor in the analysis of development, but it is always present (Erwér 2000, 18).

The WID framework is criticised principally because it does not regard women as participants in agenda setting. In WID based programmes women did not participate in the planning and implementation of the projects or identifying problems and hindrances for development to be sustainable and inclusive. Practice also ignored the structural constraints and the way that institutions are gendered. (Erwér 2000, 15) The GAD framework established the demand for agenda setting and women as an active part in planning programmes and identifying needs and problems.

3.2.2 Gender and Development

Since the late 1980s the term gender has replaced the term woman on the focus in development discussions; gender was seen to be a better tool for analysing male-female power relationship. The approach that launched the use of the term gender is called the Empowerment or Gender and Development (GAD) approach. It examines the interaction between men and women, the causes of women's exclusion and their constraints, while WID emphasises the exclusion of women from the development process. The approach underlines the gendered division of labour, power relations within the household and the gendered construction of social reality (Moghadam 1990, 4; Mosse 1993, 153-157). GAD emphasises the socially constructed base of the differences between men and women and demands one to challenge existing gender roles and relations (Baden & Reeves 2000, 3). GAD is based more on feminism from the Third World, and has less Western and Northern origins than the WID approach. The approach was launched by a network for Third World women called DAWN (Development Alternatives for Women in New Era). (Snyder & Tadesse 1995, 14; Rowlands 1998, 16-17) GAD analysis shifted the emphasis from economics to politics; it politicised gender relations and put power analysis at the centre of understanding of how gender relations work (Erwér 2000, 11). The GAD framework questions whether women want to be integrated into the societal system that oppresses both men and women.

GAD theories take into account the different spheres of women's lives; productive and reproductive, private and public, and women's access to productive resources such as credit, education and land is emphasised. Development is not understood in a traditional way, in terms of economic growth. The approach underlines women's self-confidence, consciousness raising and the importance of the process of change and its influence on consciousness. It emphasises women's priorities over the priorities of governments and international agencies, and focuses on women's grassroots organisations, mobilisation and action for change. (Snyder & Tadesse 1995, 13-14; Chant 1997, 32; Mosse 1993, 161) The approach punctuates women's need to get more power in order to determine their lives and to reach decision-making power in the transformation of their communities and societies. GAD emphasises institutional analysis and gender training for organisations and bureaucracy (Erwér 2000, 16).

4. EMPOWERMENT AND POWER

4.1 What Is Empowerment

The concept of empowerment was first presented in the 1970s by Third World feminists and women's organisations. The aim of the concept was to give a framework to and facilitate the struggle for social justice and women's equality through a transformation of economic, social and political structures on both national and international levels. This definition of empowerment is called the *transformative approach*. In the 1990s the empowerment concept began to have other, diverse interpretations. (Bisnath & Elson 1999)

Although the idea of empowerment is most often seen to have Southern origins, it is argued to be related to the rise of individualism, consumerism and personal achievements as cultural and economic goals (Oxaal 1997, 4; Rowlands 1998, 11). Hence empowerment is often understood as an individualistic process, which makes it more familiar to individualistic Western (or Northern) culture than to collectively oriented African culture. Rather often empowerment is studied in Third World countries with individualistic concepts, although in African societies it would be more appropriate to focus on collective empowerment. The initial theoretical framework of the original concept of women's empowerment from Third World feminists in 1970s argued that women have to challenge oppressive structures and processes on both the individual and collective levels (Bisnath & Elson 1999).

4.1.1 From Power to Empowerment

The conception of empowerment is based on the notion of power; empowerment by definition means "enabling", "giving, receiving or obtaining power" or "giving the official or legal authority or the freedom to do something". In addition, empowerment is defined as the equalisation of power and the more efficient use of resources (Claassens 1993, 74). Power can be defined as control over material assets, intellectual resources and ideology. Material assets can be physical, human or financial; intellectual resources are knowledge, information and ideas; and control over ideology signifies the ability to generate, propagate, sustain and institutionalise specific sets of beliefs, values, attitudes and behaviour. Thus power accumulates to those who control or are able to influence the distribution of material

resources, knowledge and the ideology that governs social relations in both public and private life. The extent of power held by individuals or groups is proportionate to the number of kinds of resources they can control, and the extent to which they can shape prevailing social, religious or political ideologies. This control is in turn relative to the power of decision-making. (Batliwala 1994, 129)

Oxaal (1997, 5) presents four ways power is understood and their definitions:

power over	conflict and direct confrontation between powerful and powerless interest groups
power to	capacity building, supporting individual decision-making, leadership
power with	social mobilisation, building alliances and coalitions
power within	increasing self-esteem, awareness or consciousness raising, confidence building

Power is usually understood and studied as “power over” something. This concept of power has negative connotations; it is controlling power and it includes domination and subordination. Women’s empowerment, when defined as “power over”, involves the redistribution of power and thus becomes a threat for men; if women are empowered or get more power, it worsens men’s situation and diminishes their control. This kind of definition of power may also include conflict; one who has power over something is probably opposed implicitly or explicitly when practising power. The institutions and resources of power are usually considered part of power and its use. Still, Rowlands (1998, 24-25) reminds us that even if we stress other forms of power than power over, one person’s “empowerment” process may be another person’s “disempowerment”. This can be due to incompatible needs or diverse impact of similar processes acting in different contexts or within different power relationships. Men have to concede their traditional privileges because of the redistribution of rights and responsibility within households, in communities and in the state. This leads to men losing their traditional control over women’s labour, income, sexuality, reproduction and mobility. (Batliwala 1997) Nevertheless, Batliwala (1994, 131) remarks that while men are losing their traditional control and privileges, women’s empowerment also liberates them,

both in material and psychological terms; women strengthen the impact of political movements dominated by men, the struggles of women's groups for access to material resources and knowledge directly benefit the men of their families and communities, and men benefit psychologically from women becoming equal partners as they are freed from the roles of oppressor and exploiter.

If empowerment is based on the definition of power as "power over" it is associated implicitly or explicitly with equality between the genders. And more equality in its turn is believed to lead to empowerment. Equality between the genders and women's emancipation as concepts include more conflict than empowerment does. Emancipation and gender equality are not goals worth pursuing for all women, and they do not necessarily lead to empowerment. In the study of Kyeyune and Goldey (1999, 572-573) Ugandan women saw emancipation or gender equality as an "empty force", which has failed to empower women and to enable them to have control of their lives or over the forces that affect their welfare. Quite the contrary, emancipation programmes have increased domestic violence, imbalance in the household power structure and decision-making, and men withdrawing their contribution to the household.

A more positive way of seeing power is to consider it creative, enabling and generative, and as a process. Thus empowerment can be seen as a win-win situation, not as a zero-sum game. Power in this form is better defined as "power to" something (increase in skills and abilities), "power within" (awareness of the impact of power) or "power with" (sharing power with men [Bisnath & Elson 1999], acting collectively, strengthening individual abilities to challenge power relations). The empowerment process should challenge and change the meaning of power (Batliwala 1997).

Empowerment is not a linear process from powerlessness to power, and neither are powerless people totally disempowered. Bisnath and Elson (1999) present an interpretation where women are constantly negotiating and renegotiating power relations, and are thus never completely powerless. The different definitions of power can also be seen as different phases of empowerment; women need power "from within" before they can exercise power "over" other segments of society and state (Stromquist 1995, 16).

Power is seen either as an attribute of structures or of individuals. How empowerment is defined, and what it is considered to require, depends largely on whether it is connected to structures or individuals. (Kabeer 2001, 27; Bisnath & Elson 1999) But according to Bisnath and Elson, stable empowerment always requires a change also in power structures. Stromquist (1995, 13) argues similarly that empowerment is a process to change the distribution of power, both in interpersonal relations and in institutions throughout society. However, in practice, and also in theory, the emphasis is less on changing the power structures, on the ways in which women's subordination is constituted through the social construction of gender and gendered relations, and more on women's powerlessness, self-reliance and individual choice within the context of productivity, economic growth and development. This reduces the transforming potential of the feminist concept of women's empowerment. In addition to challenging and changing the prevailing power relations, empowerment includes gaining greater control over the sources of power (Batliwala 1994, 130).

4.1.2 Defining Empowerment

From the 1980s to the 1990s there was a shift in language concerning women's disempowerment. When the issue of empowerment rose, the term used in the public discourse was "women's subordination". Nowadays the term "women's powerlessness" is more common. The latter is less confrontational than the former, and it does not imply that someone or something is actively oppressing women. "Women's powerlessness" includes the connotation that women are not in possession of power. For Lazo (1995, 27) women's state of powerlessness has its origins in a combination and interaction of environmental and personal factors. The term disempowerment is used in this study with a meaning that includes also powerlessness, even though disempowerment, unlike powerlessness, involves a process. Still, one should bear in mind that these definitions come always to some extent from outside; powerless and subordinate people do not study or discuss powerlessness or subordination.

There still is a disagreement about the definitions of the concept of empowerment. Some assert that it should not be defined, for its indefiniteness is its value. It is empowering in itself when NGOs and women themselves have to define strategies and goals of empowerment and they are not bound to certain definitions of empowerment. This gives women and NGOs more freedom but also more responsibility; if empowerment is named as a goal it must be clear when the goal is reached. A simplistic definition of empowerment surely reduces its

effectiveness. The definition of the concept or not defining it is critical, because the term empowerment is widely used in the context of development theories and practice. In the following some definitions of empowerment are presented and discussed.

Stromquist (1995, 14) defines empowerment as a socio-political concept that goes beyond “formal political participation” and “consciousness raising”. According to her, empowerment is necessitated as a goal in development interventions if they are to be effective. Batliwala (1997) gives another definition: “Empowerment is a process, which changes existing power relations by addressing itself to the three dimensions material, human and intellectual resources. It is a process, which must challenge and change ideology, the set of ideas, attitudes, beliefs and practices in which gender bias or social bias like caste, class, regionalism and communalism are embedded”. Empowerment can likewise be defined as a dynamic and enabling process, which cannot be done for other people (Afshar 1998, 3-4). Some definitions emphasise more control; empowerment is seen as a process where powerless people acquire power, resources and possibilities for managing and controlling their own lives and improving their inferior situations. Lazo’s definition (1995, 25) is like this: empowerment is “a process of acquiring, providing, bestowing the resources and the means or enabling the access to and control over such means and resources”.

4.1.3 Empowerment as the Ability to Make Choices

According to Kabeer (2001, 18), it is possible to think empowerment in terms of the ability to make choices. Thus disempowerment means the lack of choice. For her, empowerment is a process where disempowered persons who have been denied the ability to make choices acquire such an ability. In this definition the process of change is underlined. In order to be empowered people have to be disempowered in the first place. A further distinction is made between strategic life choices, and second-order or less consequential choices. The strategic life choices constitute the defining parameters of the quality of one’s life. Thus empowerment is “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them”. (Kabeer 2001, 18-19)

Women’s inferior situation may seem to result from their own choosing or not choosing. Women have internalised their status as persons of lesser value and they lack power to make choices. (Kabeer 2001, 23-24) Thus the ability to make choices is required in addition to mere choices in order to empower women. An enabling environment and the conditions for

women's empowerment are also required; they include participatory democracy, critical self-reflection and collective action (Bisnath & Elson 1999). The individual nature of empowerment stems from its definitions; most typically it is defined with individual attributes such as agency, self-reliance and awareness. In order to engage also structural changes, definitions should include structural measures.

In the UNIFEM a model is developed in order to explain human development. It is understood in terms of a process of extending people's choices. The ability to make choices includes also the courage to choose in a different way, and the ability to shape other alternatives. The ability and courage to make choices and shape alternatives depends upon a person's sense of his/her own worth, and of what s/he is entitled to demand. But, recognising that oppressed people may lack the courage to choose, and to develop and use their capabilities, the model extends the idea of human development to encompass the process of empowerment. In the UNIFEM model women's empowerment includes: acquiring knowledge and understanding of gender relations and ways in which these relations may be changed; developing a sense of self-worth, a belief in one's ability to secure desired changes and the right to control one's life; gaining the ability to generate choices and exercise bargaining power; and developing the ability to organise and influence the direction of social change to create a more just social and economic order, nationally and internationally. (UNIFEM 2000, 19-20)

Women's increased consciousness or a change in perceptions is also often highlighted as a substantial outcome of empowerment (see Lazo 1995). The list could be completed with women's right to have access to opportunities and resources, and women's increased income and positive change in business performance. Mere access to opportunities and resources is not sufficient; more often than access, the control over key resources is underlined. The "ability to influence the direction of social change" refers actually to the same as "participation in decision-making", which is commonly used when discussing empowerment.

4.1.4 Empowerment and Agency

Different definitions of empowerment involve also the issue of agency. Agency is typically operationalised as individual decision-making. Kabeer defines it as "the ability to define one's goals and act upon them". It includes the meaning, motivation and purpose, which individuals

bring to their activity, their sense of agency or “the power within”. In relation to negative power, “power over”, agency means the capacity to over-ride the agency of others, in relation to positive power, “power to”, agency it means people’s capacity to define their own life choices and to pursue their goals. (Kabeer 2001, 21) In the empowerment process the self-agency of powerless people is underlined; women should be active agents of change in their own lives and communities. But in many development programmes in the past as well as the present it has still been attempted to divert power to powerless people, to empower them from above. In the empowerment process people are required to participate themselves and even the necessity of participation in agenda setting is argued. Power cannot be directly given to people; they have to take it. Therefore, development agencies are often adopting the role of catalyst in the empowerment process (Afshar 1998, 10). Likewise, Rowlands (1998, 27) refers to people’s own participation, remarking that empowerment necessitates it that women are encouraged to set their own goals and to take responsibility. But the demand for change does not often begin spontaneously from the condition of subjugation; empowerment must be externally induced in terms of consciousness raising (Batliwala 1994, 131-132). Empowerment in its emancipatory sense introduces the question of personal agency instead of reliance on intermediaries, links action to needs and results in collective change. It does not merely concern personal identity, but brings out a broader analysis of human rights and social justice. (Stromquist 1995, 13) Lazo (1995, 25) includes in the agents of empowerment both the person who is to be empowered and an external person or agent. Also in the UNIFEM report (UNIFEM 2000, 20) both the development of women’s self-agency and the removal of barriers to the exercise of this agency are seen as necessary in order to achieve empowerment.

4.2 Dimensions of Women’s Empowerment

Women’s empowerment is typically understood as social, economic or political empowerment. Social empowerment is often considered to include e.g. girls’ education, political empowerment women’s share of seats in national legislatures, and economic empowerment the gap between men’s and women’s salaries. Both political and social empowerment can be described as participation in decision-making. From the point of view of social empowerment, women’s empowerment can mean social mobilisation around their major concerns, change in their state of mind or gains in access to the bases of social power (Friedmann 1992, 116).

Women's empowerment is often seen to deal with challenging patriarchy. Batliwala (1994, 130) describes the goals of women's empowerment as to challenge patriarchal ideology (male domination and women's subordination); to transform the structures and institutions that reinforce and perpetuate gender discrimination and social inequality; and to enable poor women to gain access to and control of material and informational resources. Women's empowerment is defined as "a 'bottom-up' process of transforming gender power relations, through individuals or groups developing awareness of women's subordination and building their capacity to challenge it" (Baden & Reeves 2000, 3).

In the 1990s development agencies began to design projects "to empower women" (Bisnath & Elson 1999). Programmes with women's empowerment as a target typically include awareness building, capacity building, skills development, participation, greater control, decision-making power and equality between the genders (Karl 1995, 14). In particular, greater control over women's own lives and the key resources is emphasised in these programmes. (More about control over key resources in chapter 5.2.)

Within the mainstream development discourse in the 1990s women's empowerment had a more restricted interpretation, which concentrated on individual women and the expansion of choices, increased access to productive resources and participation in decision-making. This interpretation is in isolation from a feminist agenda, and it involves a withdrawal of state responsibility for broad-based economic and social support. (Bisnath & Elson 1999) If the *transformative approach* to empowerment is used, merely access to resources or finance is not considered sufficient for women's empowerment (see pages 20 and 58).

In addition to political and economic components, Stromquist, who has studied empowerment in education, adds to her definition of empowerment also cognitive and psychological dimensions. The political component of empowerment involves the ability to analyse the surrounding environment in political and social terms, and the ability to organise and mobilise for social change. An empowerment process and achieving social transformation must involve individual awareness and collective action. The economic component requires engagement in a productive activity that will allow some degree of financial autonomy. The cognitive component includes women's understanding of the conditions and causes of their subordination on micro- and macro-levels of society. It involves making choices that may go against cultural expectations and norms. The psychological dimension includes the attitude

that women can act on personal and societal levels to improve their condition. Because of the attributes of “learned helplessness” many women, particularly those in low-income households, develop low levels of self-esteem. Thus the psychological dimension of empowerment involves providing the conditions in which self-confidence and self-esteem can develop. (Stromquist 1995, 14-15)

The categorisation of *practical and strategic gender needs* is central in the discussion of women’s empowerment. Women’s gender specific needs, which are transformed from their gender specific interests, can be classified into practical gender needs (PGNs) or into strategic gender needs (SGNs). Practical needs refer to women’s traditional roles and tasks; they do not include strategic goals like women’s emancipation or gender equality. Practical gender needs are based on concrete conditions women experience in the engendered situation within the sexual division of labour, and they are formulated by women in these situations. Thus they are based on gender inequalities, but they do not question them. An example of practical gender needs could be a well. Providing water is women’s task in almost all developing countries, and a well close to a household would ease their work burden.

Strategic gender needs or interests are based on the analysis of women’s subordination to men, and they are formulated through external interventions. They include women’s interest in autonomy and an end to subordination. Strategic gender needs challenge gender hierarchies and the mechanism of subordination. For example, technical or economic education, i.e. education in disciplines, which are not traditional for women, can fulfil strategic gender needs; it is not aimed at facilitating women’s traditional tasks but at helping them in empowering and emancipating. Still, it is likewise important that immediate or practical needs are addressed and challenges that result are negotiated, because that way women can develop a deeper awareness of the necessity for more fundamental changes in power structures. (Bisnath & Elson 1999; Elson 1991, 193; Moser 1989, 1802-1804). Batliwala (1994) connects the discourse of “women’s conditions” to practical gender needs and the discourse of “women’s position” to strategic gender needs. “Condition” is the material state in which poor women live, and “position” is the social and economic status of women compared with that of men.

Hadi (1997) defines women’s strategic needs as increasing women’s bargaining capacity, reducing violence against women and making them gain more influence over decision-

making. The process of empowerment requires women to recognise their strategic needs and their coercive social situation. This is a prerequisite for the transformation of the structures of subordination, control over material and intellectual resources, gaining decisions, having authority and the reduction of gender inequality. (Hadi 1997) Women's inferior situation compared to that of men is structural; thus strategic gender needs require structural changes. (Moser 1989, 1803) In fact, rather often strategic gender needs are seen to be same as needs for strategic changes.

If a programme concentrates on practical gender needs, it is not feminist; only emphasis on strategic gender needs makes a programme feminist. Programmes addressing practical gender needs may undermine strategic gender needs, and these needs should be considered separately (Friedman & Hambridge 1991, 174). On the other hand, practical interventions become strategic if they are to transform the structure and nature of gender relations to create a more equal society (Grown & Sebstad 1989, 944). According to Elson (1991, 193), though, in order to be efficient in reality empowerment interventions concentrating on strategic gender needs should have immediate goals related to women's practical gender needs, which enables them to cope with their current situation, and thus connect practical and strategic gender needs. The equity and empowerment approaches to development underline strategic gender needs, whereas the welfare, anti-poverty and efficiency approaches focus on practical gender needs (Claassens 1993, 76). A programme that concentrates on strategic gender needs addresses the power dynamics of gender. (Moser 1989, 1803-1804) Thus strategic gender needs interventions face more opposition than practical gender needs interventions.

The distinction between practical and strategic gender needs rises from the distinction between women's interests and gender interests. Women's interests are based on biological similarities, assuming compatibility of interests based on biological similarities, whereas gender interests are based on the culturally constructed differences between men and women. Gender interests can be practical or strategic. The theory of gender interests also acknowledges that women's different interests can stem from other sources (cultural sources), such as class and ethnicity. A programme or study that concentrates on gender needs or interests puts its emphasis on empowerment. (Moser 1989, 1803)

Economic empowerment is defined as "economic change/material gain plus increased bargaining power and/or structural change which enables women to secure economic gains on

an on-going and sustained basis". Economic empowerment requires changes in "economic" institutions (like the market), "social" institutions (like the family) and "political" institutions (like the local and national state). And further: "what may seem like shifts in women's status within their family, community or village often represents significant shifts in women's consciousness, perceptions, security and power.". (Carr et al. 1996, 203) Thus economic empowerment, social empowerment and political empowerment are bound together on the level of definitions. Economic empowerment requires both personal determination and collective support (UNIFEM 2000, 20). According to Stromquist (1995, 16), economic leverage is one point of departure to empowerment.

Different dimensions of empowerment are interrelated. For practical purposes economic exclusion usually means also political exclusion, and political empowerment requires social empowerment through which effective participation in politics becomes possible. Poverty seems to have a disempowering effect (Friedmann 1992, 20, 34, 66). Poverty and disempowerment or powerlessness are interrelated; if empowerment is understood in terms of the ability to make choices, the insufficiency of the means for fulfilling the basic needs precludes the ability to exercise meaningful choice. Economic factors have a secondary impact on women's social empowerment and the strengthening of their self-reliance. Supporting women's economic independence is thought to amend their social position and self-determination (Swantz 1995, 201). Still, improvement in one dimension of women's situation does not result in redistribution of power and by that means empowerment; strengthening women's economic status does not automatically eradicate other forms of oppression (Batliwala 1994, 130). And, addressing practical gender needs does not necessarily invoke changes in unequal gender relations. Many development interventions focus only on one dimension of empowerment, often economic empowerment. This does not necessarily address the underlying, real constraints of inequalities between the genders.

Batliwala (1994, 134-136) has categorised different approaches to women's empowerment and different interventions thought to lead to empowerment in order to distinguish between the various causes of "women's powerlessness". All these approaches emphasise the importance of group formation in building solidarity among women. While these approaches differ from each other in concept, they are not mutually exclusive. Empowerment strategies must intervene on the level of "women's condition while also transforming their position", thus simultaneously addressing both practical and strategic needs.

According to *the integrated development approach*, women's powerlessness is a result of their greater poverty and lower access to health care, education, and survival resources. Women's development is seen as a key to the advancement of family and community. Strategies used within this approach are intended to enhance women's economic status through the provision of services. Women's conditions are improved by assisting them in meeting their survival and livelihood needs (practical needs).

The economic development approach situates women's economic vulnerability at the centre of their powerlessness, and presumes that economic empowerment positively impact various aspects of women's existence. Women's subordination is attributed to the lack of economic power, and the approach focuses on improving women's control over material resources and strengthening their economic security. It aims at strengthening women's position as workers and income earners through organising and providing them with access to support services. Women's groups are often organised around savings and credit, and income generation. Though this approach improves both women's economic condition and position (practical and strategic needs), it does not necessarily empower them in other dimensions of life.

The consciousness raising and organising approach is based on a complex understanding of gender relations and women's status. Women's powerlessness is assumed to stem from the ideology and practice of patriarchy and socio-economic inequality in all the systems and structures of society. Strategies within this approach are based on organising women to recognise and challenge gender- and class-based discrimination in all aspects of their lives. Education is underlined, and it is defined as a process of learning leading to a new consciousness, self-worth, societal and gender analysis, and access to skills and information. Women's mobilisation aims at struggling for greater access to resources. According to Batliwala, this approach is effective in enabling women to address their position or strategic needs rather than in assisting them to meet their immediate or practical needs, and it has come to closer to a holistic strategy of empowerment.

The integrated development approach, while connecting women's development to the advancement of family and community, believes that improving women's socio-economic status will improve the of overall socio-economic situation of an community, because women use the increased income for the whole family. As the strategy used is enhancing women's

economic status through the provision of services, the approach is a basis for several micro-finance programmes focused on women.

4.2.1 The Elements and Levels of Empowerment

The empowerment process can be seen as four-dimensional: it should occur on the micro- (individual) and macro- (collective) levels, and on the extrinsic and intrinsic levels (see Batliwala 1997). Empowerment on the micro-level involves disempowered individuals gaining resources and control over them. Empowerment on the macro-level means the creation of an enabling environment by other, external social actors. The extrinsic empowerment process involves greater control over resources. Much more critical than the extrinsic process is the intrinsic one, the change of the ideological environment. Crucial to the intrinsic process is increased self-confidence, which makes people to gain strength and motivation to sustain their empowerment. All these four dimensions of empowerment are interwoven; individual empowerment requires an enabling environment, and extrinsic empowerment needs to start from intrinsic empowerment. Empowerment goes through a series of phases. Participation in small groups with a collective agenda leads to awareness of conditions on the personal and collective levels. On the micro-level this is followed by a re-negotiation of family relations, and on the macro-level by public action and an expanded political agenda. (Stromquist 1995, 16-17)

Argued outcomes of women's empowerment are an improved sense of self-worth and self-esteem, the opportunity to meet in a women's group, build solidarity, share ideas, interface with local officials and development personnel, and an improved understanding of the political and power system of their country (Albee 1994). Rowlands (1998, 23) indicates the elements of personal empowerment: self-confidence, self-esteem, sense of agency, sense of "self" in a wider context, and dignity. Furthermore, we can make a distinction between empowerment and self-empowerment. According to Gurumurthy (1998), transformation for gender equality envisages both the empowerment and self-empowerment of women. Empowerment requires conditions that enable women to exercise their autonomy, and it involves the facilitation of women's access to and control over resources. In the process of (individual or collective) self-empowerment women begin to re-examine their lives critically and collectively, and it emphasises women's agency in seeking greater access and control.

Empowerment always includes certain stages, although the process is not necessarily one-way. The elements are: 1) consciousness raising, 2) gaining self-esteem, 3) gaining ability and opportunities to shape choices and achieve control over key resources, and 4) women organising themselves and their action for achieving more equal social and economic development. Consciousness is a prerequisite for change. Batliwala (1994, 131) expresses the same: “In order to challenge their subordination, women must first recognise the ideology that legitimises male domination and understand how it perpetuates their oppression.”.

When approaching empowerment one can take either an instrumental or an ends perspective; empowerment can be seen as an instrument or as an end in itself. In the instrumental approach empowerment is part of a process, which entails societal goals such as welfare, social equity or economic growth (Larsson 1998, 13). In the ends approach power and structural changes in power relations are more important. The ends approach is more comprehensive than the instrumental approach; it includes all the goals of the instrumental approach and in addition the process itself, empowerment, which is more than the sum of its parts or merely societal goals. The ends approach emphasises increased awareness and self-confidence. The ends approach is often politically not accepted in mainstream development policy, because when empowerment is argued to be an end in itself, it is often understood as a zero-sum game with politically weak winners and powerful losers.

The instrumentalist view tries to market familiar and approved goals, such as lower fertility, children’s welfare and lower infant mortality, economic growth and poverty alleviation, with an unfamiliar means, women’s empowerment. The instrumentalist approach argues that empowerment creates a win-win situation for all parts. This approach requires the translation of feminist insights into the technicist discourse of policy. Kabeer (2001, 17-18) claims that because of this, and because empowerment and feminist goals have come to the mainstream development agenda more successfully when they have been argued to have synergies with other development goals than when they have been argued to be valuable intrinsically, some of the original political edge of feminism has been lost. The shift in the discourse from “women’s subordination” to “women’s powerlessness” and concentrating on power as individual attribute rather than on structural changes imply the instrumentalisation of women’s empowerment. (Bisnath & Elson 1999) “Empowerment”, where people are tried to be empowered from above, does not include a structural change in power relations, and it

makes it merely “an instrumentalist approach to achieving the economic growth of the developmentalist discourse” (Rowlands 1998, 13).

4.3 The Indicators of Empowerment

Empowerment *per se* is not a measurable variable, and there is disagreement whether it can be measured or not. Indicators used for its measurement are e.g. mobility, economic security, the ability to make purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests (Ackerly 1995, 57; Hashemi et al. 1996, 638). UNDP has created the Gender Empowerment Measure (GEM), which examines whether women and men are able to participate actively in economic and political life and take part in decision-making. It is concerned with the use of basic human capabilities to take advantage of the opportunities in life (UNIFEM 2000, 103).

Whatever the indicators of empowerment are, they are interrelated: merely one indicator cannot be a criterion for empowerment if the other indicators show disempowerment. Likewise, when the goal is empowerment, the approach has to be holistic, not sectoral. According to Kabeer (2001, 52), empowerment does not need to be accurately measured, but indicators must indicate the direction of change. The UN indicator framework has three key indicators for global assessment of gender equality and the empowerment of women: the ratio of girls’ to boys’ enrolment in secondary education, women’s share of parliamentary representation, and women’s share of paid employment in non-agricultural activities (UNIFEM 2000, 65).

Empowerment as a goal in development policy is politically controversial. It may be difficult for donor agencies and governments to agree on empowerment as an explicit target of development programmes (Grown & Sebstad 1989, 944). Welfare, poverty and efficiency, concepts from the Women in Development framework, have long been established terms in development policy. Women’s empowerment as a means is compatible with the Women in Development framework, but as a goal it is rather unfamiliar with it. Women’s empowerment requires a change in thinking and also in terminology; more relevant concepts are power and social injustice (Kabeer 2001, 17). Women’s empowerment is seen to be crucial for the sake

both of human rights and justice on the one hand, and of prosperity and the economy on the other hand. Women's welfare is important not only to equity and empowerment, but also for national development. (Moghadam 1995, 131)

In order to empower women and find remedies for inequalities between the genders it is crucial to analyse what women's subordination is based on; patriarchal relationships in the family or unequal gender relations in the market place, or as is usually the case, both of these. Usually gender relations in the market place or within the household are thought as the right channel to address the promotion of women's empowerment. But, like Bisnath and Elson (1999) remind us, too much compartmentalising of empowerment into different components and formulating empowerment strategies may hinder the understanding of the realities of women's lives and the complexities of their subordination.

The improved socio-economic status of women is typically argued to be the ultimate goal of empowerment and the consequence of the ability to make choices and set options. Weil (1992, 47-57) presents two factors affecting women's standards of living in sub-Saharan Africa: the general economic conditions in the region, and the underlying gender relations which determine how the workload and benefits of development are allocated. The result is women's welfare: increase in income increases women's welfare and increase in workload decreases it. Further, the factors are argued to affect women's income by affecting access to income-earning assets, access to human capital and access to employment. There have been obstacles for women in accessing these factors, and the consequence is that women have not made use of development to the same extent than men, and sub-Saharan Africa has not utilised fully its resources in the fight against poverty.

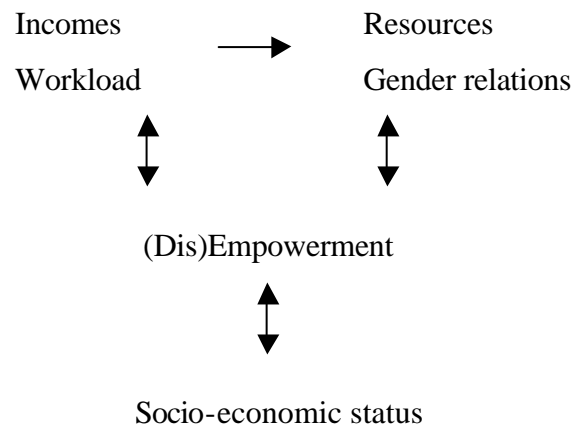


Figure 1: the empowerment model

The empowerment model in Figure 1, applying Weil's model includes four levels: (dis)empowerment, resources and gender relations, incomes and workload, and socio-economic status. The model does not present either empowerment or improved socio-economic status as an end or an instrument; the interaction between (dis)empowerment and the socio-economic status is reciprocal, empowerment is both the goal and the instrument. These four different factors can improve or undermine women's socio-economic status, and thus the two-way process can be empowering or disempowering. Gender relations, which can be constraining or enabling, include also women's access to and control over resources. The ability of income to improve a woman's socio-economic status is remarkably dependent on gender relations and the woman's ability to control the income.

5. WOMEN AND ECONOMIC ACTIVITIES

5.1 Economic Activities and Empowerment

The impact of economic development on women is somewhat debatable. The Women in Development (WID) tradition demonstrates three positions in the relationship between women and economic development; economic development is seen to *integrate, marginalise* or *exploit* women. According to Moghadam, development has all these three effects on women. Nevertheless, he sees development having primarily emancipatory effects in the long run. (Moghadam 1990, 10-11, 21) Women's income-earning activities can emancipate them and/or add their participation to decision-making on household expenditures, and thus contribute to women's strategic gender needs. But on the other hand, women's participation in economic activities has in some cases led to greater exploitation. If income earning is a necessity, it is believed to offer few emancipatory perspectives for woman. (Chant 1997, 9-10, 19-20; Moore 1988, 111) But, according to Stromquist (1995, 13-16), work outside the household is always an opportunity for women. Working women, even in an inferior situation and with a small income, are presumed to have a greater sense of control over their lives and more power and control over resources within the family than non-working women. Even though work outside the household often means a double burden of work for women, access to work increases a woman's economic independence and thus brings a higher level of general independence.

A woman as a non-economic actor is often seen to be a product of capitalism. In Africa work has been a responsibility and an obligation for women, rather than a right. In this respect any kind of work in any kind of conditions is not empowering for women. Work can also be disempowering, and it can require and exploit all of a woman's resources. In poor conditions work can be a necessity, which still is not able to help women out of poverty. Work, high employment or participation in income-earning activities has been sometimes used incorrectly as an indication of women's empowerment without proper study of other features. For many households, especially in low-income groups, women's contribution through their activities in the informal and formal sectors and housework provide most of their subsistence (Ward 1993, 53).

Particularly the rise of the informal economic activities is seen to provide remarkable benefits for poor women. Women's employment opportunities in the informal sector have expanded their decision-making power in families and business, promoted new skills and self-confidence in business and public life (Swantz 1995, 209).

It is argued that women's lack of empowerment in patriarchal societies is due to their relative lack of participation in the so-called gainful economic activities, i.e. income-earning activities outside the household. This disempowerment or powerlessness entails in turn women's inferior bargaining power in so called co-operative conflicts. The term co-operative conflict comes from Sen's bargaining model that examines the process of intra-household decision-making and power relationship between men and women. The model is based on the assumption that in intra-household decision-making situations it is in the interest of both men and women to co-operate, but a conflict of interest is also involved; therefore, the process is called co-operative conflict. Co-operative conflict includes also a bargaining problem within the household, i.e. there are problems of the division of labour and benefits among the adult members of the household. Co-operative conflicts occur typically within households, because there men and women have both common and separate interests. (Sen 1987b, 37; Sen 1987a, 30-32; Osmani 1998, 67-72)

Sen (1987b, 37) sees two ways in which women's income-earning activities can affect the situation of a woman and her family. The first possible outcome is the enhancement of the over-all command of the household, and the second is an increase in the woman's share of the household command. Earnings can give woman a clearer perception of her individuality and wellbeing and/or a higher perceived contribution to the economic position of the family. And vice versa, women's empowerment has a critical effect on their economic gains (Grown & Sebstad 1989, 947). Women's economic activities and earnings outside the household are relevant to the nature of freedom, power and status women enjoy vis-à-vis adult men, since they will influence the perceptions of who is contributing to the family. Independent life and income outside the home has also social effects, which are important in terms of earnings and support. (Sen 1987a, 30-32; Osmani 1998, 72)

Women themselves usually see the connection between employment on the one hand and social and economic autonomy on the other hand. For married women working outside the home is a strategy to gain more economic and social independence from men. Still, economic

activities as empowerment or subordination are related to the more general structures of inequality and women's liberty to control their income. Entering into business is not the only constraint women have in struggling for livelihood and wellbeing; it is more difficult for them than for men to render labour into income, income into choice and choice into personal wellbeing (Kabeer 1996, 19).

In studies of the incomes and consumption of households, the household has been seen as a unit. Nevertheless, a husband and a wife having "separate purses" is most common precisely in Africa. (Blumberg 1989, 169) But with urbanisation women's economic independence has diminished; urban women are economically more dependent on their husbands than rural women are. They cannot be self-sufficient in terms of food production and thus they need cash for their subsistence. If women are not able to generate enough income themselves, they become increasingly dependent on their husbands. (Robertson 1995, 63) This often leads to women seeking different income-generating activities.

5.2 Control over Key Resources

The control over economic resources is the key issue in the equality between the genders. Often power is considered in terms of access to and control over resources. Thus control has become the most significant aspect of empowerment and an important aspect of strategic gender needs. Control over oneself and one's own life forms the foundation for empowerment; one definition of empowerment is in fact a person's control over the key resources or aspects in his/her life. The ability to control one's own life and key resources is identified as the most important factor influencing women's status.

Control can be operationalised in terms of having a say in relation to the resource in question or have a choice over its use. Concepts access, ownership, entitlement and control are often used interchangeably; control and access are defined as "having a say in decisions related to particular resources within the household". Access to resources will alter into empowerment only if women are able to act on these resources in some definitive way. (Kabeer 2001, 31, Mayoux 1999a) Control over material and non-material (informational) resources means, in practical terms, also access to them, but a person may have access to resources without control over them.

Control over resources is considered to be a critical ingredient in empowerment. In Blumberg's analysis (1989, 163-165) control over economic resources and other means of production is seen to be strategic in women's empowerment and gender equality. The relevant aspect of the theory is relative male/female economic power; the degree of control over key resources conceptualises women's relative economic power, and the degree of control over surplus allocation is more significant than the degree of control over basic resources. Women's greater economic power increases their overall control over their lives, and economic participation enables and accelerates empowerment. Changes in women's economic control on the macro-level are crucial, because they influence economic control and power relations on the micro-level more than control and power relations on the micro-level influence control on the macro-level. A woman's self-confidence and decision-making power within the household increase when her relative economic leverage increases. Women also tend to prefer economic activities that put income under their control even if those activities are less profitable. (Blumberg 1989, 163-165,174) Women's relative lack of economic power is the most important determinant of gender inequalities (Moghadam 1990, 9). Increase in women's control over their earned incomes requires a change in basic gender relations, which would be facilitated by increases in women's productivity (Weil 1992, 64).

Standing (1989, 1090-1091) presents seven critical aspects of control. These are control over self (own labour power), control over labour time, control over the means of production (tools, land and working space), control over raw materials (inputs transformed into output), control over output (freedom to sell output), control over the proceeds of output (income) and control over labour reproduction (the ability to maintain and develop skills and work capacity; that work is not debilitating worker's capacity).

Female salaried workers and also formally independent micro-entrepreneurs suffer from a lack of these aspects of control. Micro-finance is designed to enhance female micro-entrepreneurs' control in these aspects, more specifically the control over the means of production and raw materials, in other aspects more indirectly. In relation to these aspects of control self-employed women may be better off than their fellow sisters in salaried employment.

A model called women's empowerment framework (UNICEF 1993, 5; quoted in Karl 1995, 109) or women's status criteria (Longwe 1990, 67; Hlupekile Longwe, 2001) presents

elements or levels of equality and women's status: welfare, access, conscientisation, participation and control. Longwe also includes mobilisation in the model. The model was developed for the evaluation of development programmes. According to Longwe, the elements are hierarchical in the sense that the higher ones are more crucial, and hence control is the most important, to women's empowerment. Thus women's power to control their own lives and to become independent and self-confident is the most substantial part of empowerment, and in the process of empowerment the ultimate goal is equality in control. The lower elements are means for achieving the higher elements, and if a programme does not include the higher elements, the lower elements are difficult to achieve. The UNICEF model assumes that a development programme can be on any of these levels and then later move to a higher level, while Longwe underscores that the levels are not sequential stages in a process, but rather analytical elements in a process that should entail all of these elements if it is to be fully effective in addressing gender issues and fully empowering.

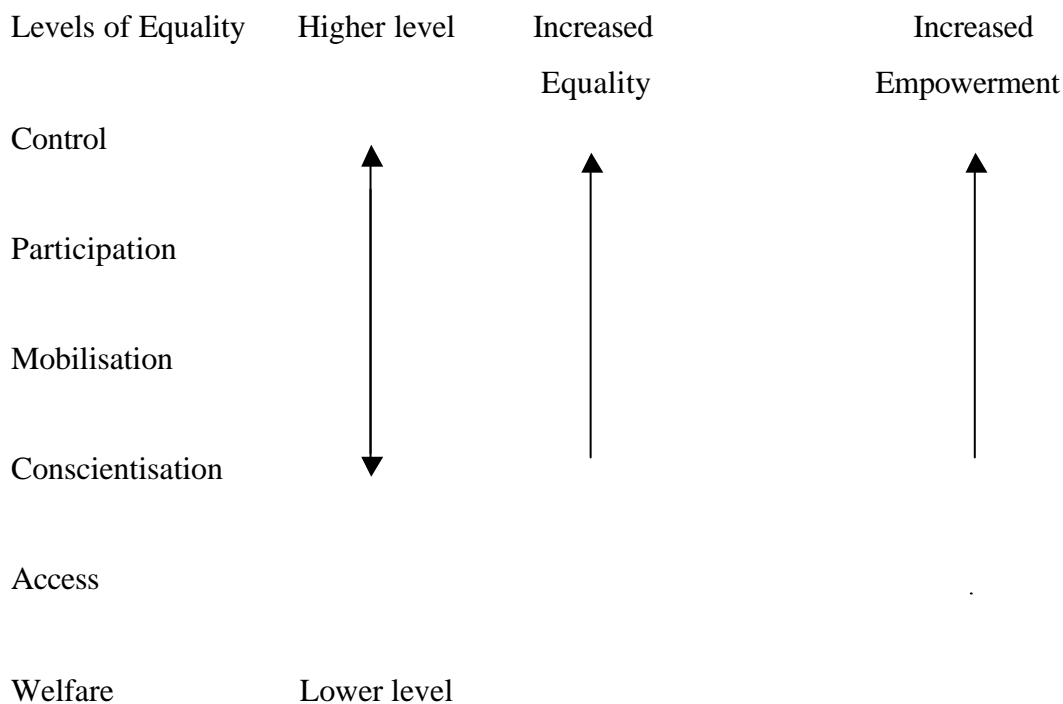


Figure 2: Women's Empowerment Framework or Women's Status Criteria

The welfare level involves only the basic needs of women, without seeking to solve the underlying structural causes that create a need for welfare services. The level indicates the

material welfare of females, relative to that of males. Women are described and studied as passive recipients of welfare benefits - mere statistics rather than individuals capable of changing their lives. Here gender equality can be identified through the disparity between males and females on welfare indicators. Thus this level of gender equality helps in the formulation of quantitative indicators. According to Hlupekile Longwe, the process of addressing the issue of gender gaps in welfare cannot take place completely on the welfare level. Improving welfare includes increased access to resources. In fact, Hlupekile Longwe considers women's action to improve access to resources the beginning of the empowerment process whereas attempts to 'give' women improved welfare status without involving women themselves in this process is disempowering.

On the access level women need to recognise their lack of access to resources as a barrier to development and wellbeing, and to take action to address the situation. Women's inferior situation on the welfare level arises directly from gender inequality in access to resources. Women's restricted access to resources for development and production results in their lower levels of productivity compared to men. Empowerment on this level means that women become aware of the gender gap in access to resources, and take action to gain equal access to resources within the household and in a state.

The conscientisation level requires the recognition that equality between the genders and also women's present lack of access to resources stem from inherent systems of structural and institutional gender discrimination. In micro-finance programmes women further recognise in a positive way that their problems do not arise only from discrimination but also from their own actions. Women learn that they are able to be actors in their own lives and to influence their situation. In their struggle to overcome the obstacles to access, women will be confronted with systemic discrimination, which hinders their progress towards equality.

The conscientisation level is concerned with the perception of inequality. The strategy to address gender discrimination is struggling against the belief that women's lower socio-economic position, and the traditional gender division of labour, is part of the natural order. Conscientisation involves women's refusal to accept and internalise their oppression. This level is concerned with women's own identity as equal with men, and therefore with the perception of gender inequality as unjust and unacceptable.

Empowerment requires mobilisation. Becoming able to participate includes mobilisation and women organising themselves. According to Hlupekile Longwe, mobilisation is a means towards conscientisation, where women's collective analysis reveals the extent to which they have common problems and face common obstacles that arise from structural discrimination, which affects all of them. The essence of mobilisation is collective action to remove unjust discriminatory practices.

Hlupekile Longwe defines gender equality of control as gender equality in decision-making, especially in matters of access to resource, and distribution of resources and benefits. Equality of control means a balance of power between women and men, neither being in a position of dominance. Women's conscientisation and mobilisation, too, are directed towards gender equality of control.

Having control means that women have power to influence their destiny and that of their society. On the control level women have decision-making power over their lives and they have an active role in the development process, not only the role of passive recipients. Equality of control enables women to gain improved access to resources, and therefore makes improved welfare for themselves and their children possible. Equality of control is a necessary prerequisite if we are to make progress towards gender equality in welfare provision. The lack of control and gender inequality are seen in the lack of connection between effort and reward: the one who makes the effort does not collect the reward.

In micro-finance programmes in Asia there have been problems with control over loans: female borrowers' husbands have used the loans, or have been controlling the use of loans or the business (see Osmani 1998, 76-78). In African countries these tendencies have not been there.

A development programme can include all the aspects of Women's Status Criteria. They are hierarchical in the sense that the higher elements are more crucial to women's empowerment; participation and the other lower elements are means for achieving control. Thus women's power to control their own lives and become independent and self-confident is the most substantial part of empowerment.

The control over one's life and critical resources is not an all-or-nothing position but, like empowerment, it is a continuum that can exist in different degrees and forms. Even external

limitations will not necessarily hinder women from asserting and using their control, and minor changes in control should be regarded as vital for powerless people. Also the role of economic activities and increased income in women's empowerment is dependent on the degree to which women are able to control the income.

However, control over power relations cannot be explained solely by access to and control over resources. Batliwala (1997) argues that the analyses should include ideology as "the value systems, attitudes and beliefs that surround power relations". It helps to understand why changes in resources do not inevitably lead to changes in gender relations. Women are part of the ideological system; they are socialised in it and they are also creating it. Therefore, empowering women requires changing the power relations. Even though the control over key resources is crucial for empowerment, women might be incapable of mobilising these resources effectively to support sustainable livelihoods despite having the control.

5.3 Women and Self-Employment

Employment as such is not a sufficient framework for studying women's economic status and situation in developing countries. It is questioned whether the concept of employment in solving the poverty problem in Africa is appropriate. Employment in practice and on a conceptual level is far more complicated in developing countries than in industrialised countries. Being employed or unemployed does not carry same connotations than in a Western context. People are often employed casually or on a daily basis. Unemployment and underemployment are significant problems in developing countries especially among women, but a higher employment rate is not directly the answer to women's survival and empowerment. The benevolence of increased employment cannot be taken for granted; it can even be counter-productive. The mainline economics ignores and underestimates women's economic activities. The concepts of employment and productivity, particularly in mainline economics, are not necessarily useful in an African context in relation to women's socio-economic development. (Swantz 1995, 196, 206-207)

There are some differences between employment and self-employment. Depending on social and economic factors and personal differences, either salaried employment or self-employment can have a more emancipating and empowering effect on women. Both salaried employment and self-employment can be empowering or exploitative, and neither as such is

empowering or exploitative. Ackerly (1995, 64) argues that in the informal sector women's participation in production only is not empowering, but knowledge and empowerment come through access to the market. Women may have a higher and more stable income either as an independent entrepreneur or as an employed worker. Entrepreneurship is often problematic even with a relatively high but very irregular income. An entrepreneur can be highly dependent in practice, if she buys raw material from middlemen and sells products back to them. In situations of this kind the entrepreneur can be exploited and underpaid. However, women are usually not able to choose between waged employment and salaried employment, but they have limited options or no options at all.

Women's situation in the labour market is inferior to men's. Their pay and working conditions are weaker, which reflects and reinforces women's relative disadvantage. (Moghadam 1990, 12) According to Chant (1997, 27-29), women are more disadvantaged in the labour market than men because they have fewer financial resources to operate small-scale business, their skills are primarily domestic and their mobility is lower than men's. Still, women's share in the global labour force has risen. Factors affecting this are the expansion of the tertiary sector, the rising level of women's education and lower fertility. The size of the female work force often increases during recessions among the urban poor in consequence of the effort to maintain the level of the household income. Women participate in economic progress and in a flexible labour market in several ways: through their underemployment and unemployment, their willingness to move in and out of the labour market, and their low wages (Bruce 1989, 981).

In patriarchal societies women's working outside the household is often considered inappropriate. Men see women's employment in contradictory ways. Some urban men are interested in having a partner who is not a liability but a financial asset. But on the other hand some men see women's economic autonomy as a threat to male control over women. (Obbo 1980, 51) Furthermore, men often hinder women from being employed outside the home on account of a fear of women's sexual infidelity and undermining the role of men as a breadwinner (Chant 1989, 182-183). Women's employment might cause conflict with men who have traditionally been the only or the primary breadwinners within the household. Previously in East Africa urban women working outside the home used to be thought of as prostitutes (see Boserup 1970, 101). In traditional Kenyan culture men pay a dowry for the bride, and hence a wife is often considered property. This might affect the way women's

economic activity is perceived. If a wife earns an income, it turns the money paid for her into a valuable investment. This might have an impact on women's independent and active economic role in the socio-cultural context of Kenya.

Reasons for women's poor situation in the labour market can be divided into three main categories (Chant 1989, 179-186). First are reasons related to culture and ideology that affect the normative roles of the genders in society. Income-earning activities and salaried employment are generally perceived to belong to men as family breadwinners. Women's economic role is considered to be secondary to their reproductive and domestic roles, and both men and women often regard female employment as peripheral and/or undesirable. Traditionally in development programmes within the WID framework women's productive activities are seen as marginal and supplementary, and they are considered income-generating activities rather than self-employment (see Claassens 1993, 64). However, women have long been engaged in productive activities, and in some societies women are responsible for the major share of income earning of the household. In addition, female-headed households have become common in the Third World countries; they are especially common in Kenya. Among the very poor, women tend to be the major income earners. Poor families are highly dependent on women's earnings; their relative and absolute contribution tends to be higher within the poorest households (Hashemi et al. 1996, 646).

The second group relates to women's reproductive role and obstacles in entering into the labour market. Women's marital status and age are important determinants in this respect. For married women with children the reproductive and domestic role is generally perceived to be their primary role, which restricts their time and mobility in productive work. Women are constrained to choosing income-earning activities that can be combined with childcare and household work. These activities are usually in the low-income sector. Rather often business activities are not considered to have a role for women at all. Women's lower level of education and male control over women's activities are also factors affecting their employment.

The third category includes factors related to the actions and attitudes of employers and the state. The causes of women's poor situation in the labour market can be legislative or related to resources. Women do not have equal access to productive resources and services with men.

Productive services, such as credit, training and technical assistance, are primarily directed to men who are assumed to be economic producers.

Micro-finance is aimed at facilitating women's economic activities through the third category. Providing access to credit is believed to effect changes in the first category, i.e. empowering women. In fact, the second category is not seen to be very problematic, as in informal sector activities women are able "conveniently" to combine their productive and reproductive activities.

Female entrepreneurs are concentrated in the informal sector, and they are self-employed entrepreneurs or entrepreneurs with micro-enterprises. Micro-enterprises are smaller than small-scale enterprises, non-agricultural income-generating units. The most common criterion of size is usually the number of workers; micro-enterprises are considered to include self-employed persons and enterprises with up to 10 workers (including apprentices and paid and unpaid family workers). (Malkamäki 1991, 5) Quite often a micro-enterprise consists only of the self-employed owner of the enterprise. This is the case especially in women's enterprises. Despite their small size, micro-enterprises are considered to be significant for employment, the alleviation of poverty and the growth of the economy.

Women tend to be engaged in less capital-intensive economic activities than men. Women working in the informal sector usually provide commodities and basic services. Thus their enterprises suffer from a triple burden of invisibility: one is based on the nature of the commodities and basic services, one on the undocumented nature of their trade, and one on their gender (Horn 1994, 3). Women's work in the informal sector is different from men's; working in groups and networking is typical for women (Swantz 1995, 205).

In addition to some barriers that they have common with male entrepreneurs, female entrepreneurs have some gender-specific constraints. These are behavioural barriers (lack of self-confidence and negative self-image); role barriers (conflicting role demands and time constraints); social and cultural barriers (negative attitudes, lack of mobility); educational barriers (lower level of education, biased education and limited access to vocational training opportunities); infrastructural barriers (access to credit, technology, support services and information); and legal barriers (limited independent legal action). Characteristic for women entrepreneurs is that they operate in the informal sector; production takes place at home; they

rely heavily upon family workers; they are concentrated in low-returns sectors; business is undertaken in addition to household demands, and women cannot dedicate continuous attention to it; the owner performs all the functions herself; and they may not fully have control over their income. (ILO 1999)

In urban areas with small and limited markets women's very low level of earning discourages them from participating in income-generating activities. These factors induce a "discouraged worker" effect. (Chant 1997, 28) Common experiences are interference and manipulation by men, use of cash to meet domestic expenditures, fragmentation of profits, lack of infrastructure both in production and marketing, competition with state enterprises, lack of credit and financial services, and competition with other women. (Jiggins 1989, 958) Nowadays many governments are pursuing to uproot these constraints and to create an enabling social, economic and legal environment for female micro-entrepreneurs in the informal sector.

5.4 Survival (Stability) or Growth

For the majority of the population in the Third World daily life is a struggle for survival. Different means for gaining livelihood, "activities of underprivileged individuals and households for the purposes of daily reproduction" (Chant 1997, 17) are called survival strategies. In urban areas these strategies are usually seen to consist of three elements: income generation, domestic labour (as part of non-market work) and social reproduction. Women are strongly engaged in all these elements, including income generation, especially within poorest households. Engagement in all three spheres is referred to as the triple role of women. (Chant 1997, 17-18; Reskin & Padavic 1994, 2)

The motive for poor women to start economic activities or establish an enterprise is usually survival, not the profit but earning livelihoods for themselves and their families. For Tanzanian self-employed and micro-entrepreneurial women financial necessity is the major reason for being an entrepreneur. (Swantz 1985, 140) Furthermore, women's motives to start earning an income are primarily related to children's needs.

Female micro-entrepreneurs are often more oriented towards stability and economic security than growth (Berger 1989, 1022). Besides this, attitudes towards income generation depend on economic status. The goal for the poorest is survival; entrepreneurship is part of survival strategies. When the basic needs are satisfied, the goal is security. When the security is assured, the goal is growth. Thereafter economic activities with higher incomes and higher risks are possible. The level of income or welfare of the household, the time frame applied in mobilising resources and the degree of diversity of activities are the features that distinguish these three different goals. (Grown & Sebstad, 1989, 941) Further, micro-entrepreneurs and especially women tend to invest the surplus income in the household rather than business, and they prefer creating new micro-businesses instead of expanding the existing one (Gulli 1998, 59). Women prefer keeping their income-generating activities small and in the informal sphere for the sake of simplicity; thus they can avoid bureaucracy and harassment by state officials. In fact, the small scale and informality are central to the success of women's income-earning activities. (Swantz 1995, 203, 211).

This orientation towards survival or growth is obvious also with the use of loans. Poorer households use loans for consumption and better-off households for investment. Gulli (1998, 52) calls the first category *the protection strategy* that reduces vulnerability, and the latter *the promotion strategy*, which generates income.

Some women in salaried employment in the formal sector are forced to start businesses in the informal sector in addition to their employment because of insufficient incomes, and thus they have to carry a triple burden of formal employment, business, and domestic duties. The revenues of the enterprises in the informal sector and of self-employed women are often low, and thus women might end up with having two highly demanding jobs with poor incomes.

In the first place, micro-credit was designed to help poor people in their survival struggle. Still, good micro-finance programmes should both reduce vulnerability and generate income. The ability of credit to facilitate and rationalise work is important in the reduction of vulnerability and the generation of income. The following chapter will examine what micro-finance can do and what it cannot do.

6. MICRO-FINANCE

Micro-credit was first launched by the Grameen Bank in rural Bangladesh. Micro-credit is a small loan that is granted to small scale and micro-entrepreneurs for establishing an enterprise or for investment. From the 1950s to the 1980s the emphasis was on small credits for agriculture. Since the 1980s the focus has shifted to non-agricultural micro-entrepreneurs, especially women. The credit system has social aims, the most important of which is the alleviation of large-scale poverty. Other objectives are social protection, employment generation and supporting the sustainable development of the micro-economy, which should in turn contribute to the amelioration of employment and development of a sound macro-economy. The way micro-finance contributes to an individual enterprise is by helping to overcome financial problems and facilitating the management of their money (Gulli 1998, 3). Micro-finance helps poor people to reduce their social and economic vulnerability. Currently, for many development agencies micro-finance is a crucial part of social development interventions.

The term micro-finance usually refers to loans granted for micro-business. The term social banking is also used, although not as widely as micro-finance or micro-credit. Social banking includes loans granted especially for consumption in order to reduce vulnerability and future crises. Compared to conventional banking social banking, and also micro-finance, takes into account the borrower's whole situation, and it is more flexible in relation to problems in repayment.

Micro-credit is usually characterised by a minimum of formality in order to facilitate the procedure for uneducated and often illiterate people. Receiving a loan often necessitates prior savings. Interest rates are often higher than those of commercial banks but lower than those of informal lenders, from whom micro-entrepreneurs commonly borrow. And access to finance is regarded to be more important for entrepreneurs than the cost of loans (Mutua et al. 1996, 187).

First micro-credit programmes were heavily subsidised, and management styles were welfare-orientated. Currently the orientation is more business-like. MFIs want to distinguish micro-credit from charity and purely welfare-oriented social interventions. Subsidies may create

certain problems, and at least subsidising the interest rate is prone to deteriorating sustainability by creating incentives for better-off clients to appropriate the subsidy. Subsidies are justified if they facilitate the access of the poorest to credit or correct the market failure without political problems connected to them. Usually micro-finance organisations are trying to achieve financial sustainability. This forces them to set their interest on a level that covers administrative and financial costs, defaults and inflation. Thus the interest rates are as high or higher than those commercial banks charge. In the majority of developing countries inflation is very high and also this results in high interest rates. A common belief is that financial sustainability and effectiveness in poverty reduction are alternatives. Nonetheless, according to Gulli, there is a positive correlation between them. (Gulli 1998, 28, 44-45) Repayment levels are in general high in micro-finance organisations, for which a possible cause can be clients' wish to be able to borrow again later (Robinson 1996, 157).

Micro-finance was introduced within the WID framework, which concentrates on women's economic participation and access to resources. Within the GAD framework, which is engaged more with gender relations, power, conflict and control, the emphasis shifted more onto women's empowerment. Part of the MFIs is still operating within the WID framework, while those programmes that emphasise women's empowerment as an end in itself are based on the GAD framework.

Micro-credit and micro-finance became popular means of development co-operation and development policy when emphasis on economic development aid shifted from grants to loans. Critics of traditional development aid have argued that aid projects without any obligation only increase dependence on aid and donor funding. Credit is argued to enable low-income people to operate under business conditions and integrate them into mainstream development by linking them with the formal banking system. (von Bülow et al. 1995, 3) Credit is a reciprocal contract and is characterised by reciprocal obligations (Bennet & Cuevas 1996, 146). Borrowers in micro-credit programmes are not passive recipients. Credit is not a grant; it requires of the borrower commitment to an agreement, where s/he has got certain responsibilities. The organisation grants credit, and the client repays it with interest. On the other hand, the emphasis on micro-finance and women's active economic role can indicate a shift from welfare-oriented approaches to economic-oriented approaches in development aid (see von Bülow et al. 1995, 12).

Development co-operation organisations and donor countries see micro-finance even as a panacea to poverty and a way to sustainable socio-economic development. Micro-finance is believed to make a substantial impact on the incomes and welfare of the most disadvantaged groups of a population, even in a country without any financial infrastructure, and to result in a more equitable share of power and resources. Poor access to finance is seen to be a major reason for underdevelopment, and access to sustainable financial services a key to poverty alleviation and increasing employment and income. (see ILO 1997) The advocates of micro-finance believe that micro-credit can empower people to take responsibility of their own lives. Household income, expenditure patterns, vulnerability and women's empowerment are the most frequently used indicators when assessing the impact of micro-finance on poverty (Gulli 1998, 47). Other criteria of the success of programmes are amongst others, outreach, efficiency, effectiveness and sustainability (ILO 1999).

Micro-finance has also strong critics, and many researchers and practitioners have questioned the "micro-credit euphoria". They see that micro-credit might have even disempowering effects and loans sometimes increase tensions within the family. (Mayoux 1999b, 957) For some researchers and practitioners banking the poor is in reality spanking the poor by leading them into indebtedness. Critics claim that the achievements of micro-credit are mainly quantitative, and purely financial instruments are often seen as insufficient for solving economic and social problems. Real problems are argued to be more profound and they require fundamental structural changes of socio-economic conditions. (Buckley 1997,1081) One reason for the failure of programmes might be that they do not reach people they are intended to, i.e. the poorest and female entrepreneurs. Buvinic (1983, 25-26) points to a tendency of productivity programmes in general to be easily monopolised by the more powerful people in the community, and it is usually poor women who compose the most disadvantaged group in the community. Failures of the programmes and defaults can also result from other contextual and structural causes, and causes related to borrowers, not micro-credit itself (Gulli 1998, 49).

Development programmes have either an "ends" or a "means" perspective on poverty. The ends perspective concentrates on the actual outcomes of deprivation or the extent to which basic needs have been met. The means perspective focuses on the adequacy of resources at the disposal of the poor and the extent to which basic needs could have been met. The

programmes with the means approach focus on expanding the resources at the disposal of the poor. (Kabeer 1996, 11)

In Third World countries commercial banks or NGOs offer micro-credits. For NGOs micro-credit is often a means for poverty reduction, for commercial banks credit itself is the main objective (Gulli 1998, 12). In addition, rotating savings and credit associations (RoSCAs) or money-go-rounds are very common. A RoSCA or a money-go-round is an informal group funding system. Participants in a small group make regular contributions a certain amount of money to a fund, which is given in whole or in part to each contributor in turn. The major problem in the RoSCA system is usually very high inflation, which puts the participants that get their contribution first and last into very different situations.

Mutua et al. (1996, 187) underline five elements that are crucial for sustainable and profitable micro-credit programmes. First, programmes should be part of an ongoing concern, not limited-term projects. Second, the design must include comprehensive operations plans and financial projections. The third element is establishing performance indicators. Fourth is product pricing; as mentioned earlier, access to finance is more important for entrepreneurs than the cost of loans. Fifth is a need for a strong financial and credit operations system. According to the government of Kenya, there are problems in lending to small enterprises on three levels: small borrowers lack experience with credit institutions, financial organisations are not predisposed to lending to small enterprises, and existing regulations limit the total funds available for on-lending (Government of Kenya 1992, 18).

The different approaches to micro-enterprise development are *the welfare-oriented approach* focusing on poverty alleviation, *the economic approach* focusing on entrepreneurship development, *the minimalist approach* focusing only credit or training and *the package approach* combining several services. The advocates of the package approach and related activities emphasise the importance of other outcomes of programmes than merely economic.

Micro-finance is considered to have economic and social benefits also to global development on the macro-level. Robinson introduces four substantial benefits; 1) to the economy through increased production and new resources made available for investment, 2) to the government through a decrease in subsidies and in state bank losses, and through increased social and economic development, 3) to financial institutions because they can become profitable and

fully self-sufficient without subsidy, 4) to an increasing number of clients: improvement in management of financial affairs and improved productivity, low interest rates and total cost of borrowing enable growth in enterprises, opportunity both to store assets safely and to obtain returns on assets. (Robinson 1996, 160-161)

6.1 Women and Micro-Finance

Development programmes that do not explicitly take into consideration the impact on women usually intensify the inequality between the genders. But again, it is tactically defective to steer projects only to women because there is a risk of segregating women from mainstream development. Development programmes have ignored and are ignoring women for the following reasons: development planning is based on the economic growth model of development; women's role is seen as traditional, not including an economic and political role; the alienating class background of national leaders; and the failure of the development process to provide poor people with power (Karl 1995, 94). Women should be organised and women-only interventions should be launched so that poor women could benefit from poverty-oriented strategies (Everett & Savara 1986, 87).

Approaches to women and development programmes can be classified into two categories: *equity oriented* and *poverty oriented* approaches. Common to both types of approaches is that they see women as economic actors. The equity-oriented approaches focus on the effect of economic development programmes on the economic status of women. They assume that women lose ground in relation to men in the development process. (Buvinic 1983, 14-) Development programmes aimed at women can be categorised also into *welfare orientated* and *production orientated* ones. To a certain extent this division is artificial; these goals cannot always be separated. Women's abilities and opportunities to earn an income might be a prerequisite for their and their children's welfare. Incomes are often related to fertility, nutrition and children's education.

In developing countries poverty is feminised and many micro-finance organisations focus on women. Micro-credit is often aimed at improving particularly women's economic situation. This is justified with women's poorer opportunities for economic independence in the family and in society, and their high repayment level; women are often argued to have a higher

repayment level than men. Even the government of Kenya promotes women as borrowers: “(F)acts are that women usually are better borrowers than men and their pay back rates much higher. Single mothers are especially good in paying back their loans. Women can often be better entrepreneurs as well because of their attention to people and detail.” (Government of Kenya 1992, 14) Moreover, women are considered to use their increased incomes more for family subsistence and less for personal consumption; they also invest more in the household while men invest more in business (Blumberg 1989, 171; Gulli 1998, 48). Thus any increase in women’s income benefits the whole family more. Resources directed toward women are expected to reduce poverty more efficiently than resources directed toward men (see Elson 1991, 203). By giving priority to women, MFIs want to remove the barriers female micro-entrepreneurs face in getting access to financing.

Typically the major barrier is the collateral requirement; property owning can be factually or legally difficult for women. Other major obstacles for women in establishing an enterprise and starting economic activities in general are: the lack of initial capital resulting from their low level of livelihoods; patriarchal control over financial decisions; the lack of entrepreneurship, market knowledge, management, and technical skills; and the lack of time resulted from the household responsibilities. (Näslund & Tengfors 1993, 11; von Bülow et al. 1995, 3)

The ability of micro-finance to empower women is a very widely used argument when offering them access to loans. Thus women’s empowerment is typically one goal of MFIs. Still, the *Development Alternatives for Women in New Era* (DAWN) network reminds that also organisations and organisational structures and procedures, not only individuals, should be engaged in the empowerment process (Oxaal 1997, 45). Micro-finance is aimed at influencing the constraints on women’s empowerment on the micro-level, not on changing structures on the macro-level. Still, such programmes as micro-finance, which are designed to improve women’s economic opportunities, refer to changes in political and social relations between men and women (Buvinic 1983, 26).

Income and access to credit are not sufficient for empowering women; changes in power relations within the household and larger society are also needed. Like Bruce (1989, 987) expresses it, “Few who have studied women’s position would conclude that fundamental change for women --- can be based solely on increasing their individual earning power”. I

come primarily to the same conclusion by saying that development does not abolish the underlying supports of male bias, and that development does not necessarily uproot inequality between the genders or its causes (see Elson 1991, 191).

After entering into the mainstream development discourse empowerment has gained new meanings. The term empowerment is typically used for referring to entrepreneurial and individual self-reliance rather than to co-operation to challenge power relations that subordinate women. This is partly because development agencies often use economic intervention as an instrument when striving for women's empowerment. The aim is to increase women's economic status through employment, income generation and access to credit. Micro-finance may not take into account the need for changing the subordinating and unequal structures that are affecting women's lives on both the micro- and macro-levels. This individualistic approach to empowerment arises from entrepreneurial capitalism, the liberal approach to democracy and belief in market forces. (Oxaal 1997, 5)

Micro-finance programmes can be classified as a somewhat typical example of empowerment through economic interventions. The ideological background of micro-finance with empowerment as a goal is obviously in the empowerment approach to development, which focuses on women's self-confidence and underlines the importance of the process of change and its influence on the consciousness. Micro-finance with empowerment as a tool, on the other hand, is engaged in WID and the efficiency approach.

Some fear that emphasising micro-finance leads to ignoring other, more traditional interventions, like health and education, based on the welfare approach, which focus on women's traditional spheres and roles. In principle, micro-finance is able to reinforce women's productive role and independence, and thus it has the ability to empower in a different way from traditional development programmes that often focus on women's traditional, reproductive role. Micro-finance can fulfil both women's practical and strategic gender needs. The practical benefit is the opportunity to earn more money by improving the efficiency of women's income-generating activity, reduction in workload and provision of labour-saving tools. The strategic gain is access to control over resources of production. (Claassens 1993, 69) Still, in order to address the strategic gender needs, a programme should challenge the gender division of labour and structural subordination (Friedman & Hambridge 1991, 174).

The repayment level is criticised as a questionable criterion for assessing empowerment. The emphasis on cost efficiency and financial sustainability in terms of repayment level may diminish the potential of micro-finance to contribute to women's empowerment. Women may finance repayment by borrowing elsewhere and thereby getting seriously into debt. The emphasis also weakens the situation of the poor who have the most severe problems with repayments. (Mayoux 1997)

The objective of micro-finance is to empower women economically and socially. Providing access to micro-finance for women is considered to be a precondition of poverty alleviation and women's empowerment (Mayoux 1997). Loans enable women to invest in and expand their business, and in consequence they are able to employ. They are also introduced to the banking system and their productive activity is integrated into the formal financial system. Moreover, loans engage entrepreneurs in making major decisions, such as loan approvals and in improving the products and services produced. (Charitoneko et al. 1998). The empirical part of this study concentrates on empowerment and increased self-reliance and participation of women as potentially the most important benefits of micro-finance. Empowerment and increased self-reliance are the results of increased bargaining power (Berger 1989, 1019).

According to Stromquist (1995, 15), income-generating programmes have often resulted in failure because they have been poorly designed, implemented and funded. In order to be successful commercial ventures, they must be accompanied by such necessary skills as marketing, accounting and sufficient funding. It is necessary to have the commitment to use them in a meaningful way.

It is argued that micro-finance empowers women by strengthening their economic role, increasing their income and ability to contribute to the family income, increasing their employment and productivity, helping them to establish their identity independent of the family, and giving them experience and self-confidence in the public sphere (Sinha 1998, 3). Economic empowerment includes increasing women's economic autonomy by providing independent sources of income and thus reducing economic dependence on the husband. The ability of micro-finance programmes to enable women to engage in productive work in the informal sector depends on the availability of credit, loan size, collateral requirements and the existence of solidarity groups (Gerhart 1989, 933). Women's access to credit and their contribution to family expenses are both seen to be necessary, but not sufficient, for achieving

empowerment. These two factors are also mutually reinforcing. (Hashemi et al. 1996 in Kabeer 2001, 44) The original definition of the term “women’s empowerment”, the so called *transformative approach* (see pages 20 and 27), was meant to give a framework to and facilitate the struggle for social justice and women’s equality through a transformation of economic, social and political structures on the national and international levels.

However, not all reported results of micro-finance are encouraging. The ability of micro-finance to defeat the patriarchal systems of control is often criticised. Credit programmes have also reinforced the marginalisation of women and their economic activities rather than overcoming them (von Bülow et al. 1995, 12). Setting up an enterprise may cause little increase in income while imposing considerably heavier workload and repayment pressures. Women may not have control over the loan, enterprise and income. Occasionally, an increase in women’s autonomy and income has led to a decrease in male support and contribution to household expenditures. Even though standardising prosperity has not given any unequivocal results, impact seem to vary according to women’s backgrounds and productive activities: usually poorer women have been less likely to benefit because of poorer sources, skills and market contacts. (Mayoux 1997) Studies usually emphasise that domestic violence has decreased after women joining to micro-finance programmes. Nevertheless, there are also opposite remarks: in some cases domestic violence and aggressive behaviour have increased after women joining the programmes, especially in Asian countries.

Despite the encouraging impact of micro-finance on women’s empowerment, poverty reduction and social and economic development in general, one should bear in mind that micro-finance as such is not almighty or a panacea. There are crucial factors affecting women’s empowerment, which micro-finance programmes cannot affect, and which should be handled with other tools. Such factors include legislative and policy issues. Good economic and social policy or rectifying the mistakes of bad or weak policies should not be tried to be replaced by micro-finance. Rather, good legislation and economic and social policy are prerequisites for successful micro-finance. But on the other hand, legislation, for example, alone is not adequate for empowering women.

Neither is credit itself empowering. Access to micro-credit may offer some women safer credit with lower interest rate. Nevertheless, the other side of credit is indebtedness, which means also insecurity and risks, which poorest people cannot afford. Credit is by definition a

liability. Thus credit, the liability, must be a tool in order to be empowering. In order for programmes to be empowering, they must include empowerment-promoting incentives through well-defined and observable empowerment-promotion tasks and criteria for workers, borrowers and their husbands. (Ackerly 1995, 56) Addressing the need for credit is thought to be an effective development tool, but no one is arguing that indebtedness is an effective development tool. Indebtedness is not desirable for entrepreneurs; it creates some liabilities, such as regular repayments and interest. It also makes great demands on business.

Berger and McKee point at some of the weaknesses of concentrating merely on credit. Credit is not always the major constraint. Quite often women need credit more for working capital, while many programmes are providing investment capital. (Berger 1989; McKee 1989) It is argued that development agencies want to eulogise about micro-finance and emphasise access to credit, because it is difficult for them to rectify other problems (Adams & Pischke 1992, 1466). In fact this is quite logical; donor agencies cannot affect e.g. inflation, and they also should rectify those problems that they can.

The rhetoric of micro-finance consists typically of three paradigms: *the financial self-sustainability paradigm*, *the poverty alleviation paradigm* and *the feminist empowerment paradigm*. Common for these paradigms is the assumption of virtuous spirals of micro-credit. Increase in women's access to micro-credit and their individual economic empowerment is argued to lead to increasing economic empowerment, improved wellbeing, and the social, political and legal empowerment of women. (Mayoux 1999b, 959-964; 1999a)

The most dominating paradigm is the financial self-sustainability paradigm, which is also called the financial systems approach or the sustainability approach. The approach has been dominant within several MFIs since the mid-nineties. Women are focused on in their programmes, which is justified with efficiency arguments; women are better repayers and are an under-utilised resource for development. The paradigm assumes that micro-finance services alone stimulate women's enterprise development and thus economic empowerment, which in turn means women having greater control over their income. Increased control over income contributes to increased wellbeing and wider social, political and legal empowerment. Empowerment is defined in individualistic and economic terms. These advances are believed to be possible without an explicit aspiration to wider social and political changes in gender relations. The approach argues for minimalist and financially self-sustainable programmes

without any need for explicit strategies for addressing other dimensions of poverty, or for gender subordination or structural changes.

The poverty alleviation paradigm emphasises addressing women's practical needs in the belief that addressing them will enable women to address the underlying inequalities. Its aim is poverty alleviation and institutionally sustainable community development. The leading idea of this approach is decreased vulnerability to income fluctuations and to crises, which should bring women greater wellbeing and a higher status within the household. The poverty alleviation approach is part of an integrated community development programme focusing on poverty alleviation. Household wellbeing and women's empowerment are assumed to be inherently synergistic.

In the feminist empowerment paradigm women's empowerment is a value in itself. According to Mayoux, this is the only paradigm that emphasises explicit attention to organising women around gender concerns. Empowerment is seen to necessitate both a process of internal change on the individual level and organisation on the macro-level. Micro-credit is supposed to lead to women's individual economic empowerment including control over income, changes in gender roles in production and increased control over productive resources. Micro-finance and group participation in micro-credit programmes are seen as part of a strategy for wider social, political and legal empowerment. Gender subordination is considered "a complex, multi-dimensional and all-pervasive process, affecting all aspects of women's lives and embedded on many different mutually reinforcing levels". (Mayoux 1999b, 959-964; 1999a)

6.2 Approaches to Micro-Finance and Poverty

Reaching the poorest of the poor and thus the alleviation of poverty are often goals of micro-finance. However, programmes are often criticised that they do not reach the very poor, instead the working poor and middle classes are benefiting from the programmes. This is considered a failure of the programmes.

Gulli (1998, 1) demonstrates that after receiving a credit micro-entrepreneurs below the poverty line have a smaller increase in income than those above the poverty line.

Furthermore, wider impact of micro-enterprise finance must be taken into account. Middle class entrepreneurs may have a better ability to run sound enterprises and to employ. The threshold to employ is very low also in lower income groups because of the low level of wages and the small number of responsibilities as an employer. The impact on employment is also an important indicator of the success of micro-finance programmes (Hulme & Mosley 1996, 314). The middle and lower classes in poor countries do not always have possibilities for borrowing from commercial banks, but they have better opportunities to take advantage of micro-credit than the very poor. On the other hand, this may not be the most efficient way to alleviate poverty amongst the very poor. Poverty reduction is effective with the middle and upper income poor, but loans given to them may not raise the very poor above the poverty line. (Hulme & Mosley 1996; according to Bennet & Cuevas 1996, 147)

Micro-finance can contribute to poverty alleviation, but it is a complement to, not a substitute for, government and donor grant programmes for the very poor (Robinson 1996, 154). There is an inconsistency between the causes and remedies of poverty: while there is a basic agreement that the causes are macro-economic, the remedies suggested are micro-economic. In other words, one of the main solutions is micro-finance, “enabling poor women to gain access to credit for entrepreneurial activities” (UNIFEM 2000, 53). External support is not able to replace indigenous efforts (Buvinic 1983, 31). Micro-finance is not the right tool for acute crises either; it does not address the immediate needs of the very poor in their survival struggle (Robinson 1996, 156). The goals of micro-finance are rather in the longer run. Gulli (1998, 40-42) argues that micro-credit is equally efficient in poverty reduction regardless of whether it concentrates on reaching a large number of poor or the poorest of the poor.

Gulli (1998, 1-3) demonstrates three different approaches to micro-finance and poverty reduction. The first one is *the financial system approach*. Its aim is to provide financial services to low-income people, not necessarily the poorest but the so-called bankable poor. Credit is not seen to be the most important tool in poverty reduction. The repayment level is an indicator of success and financial sustainability is emphasised, subsidies are not seen as rational. In the second approach, *the poverty lending approach*, the goals are poverty reduction and empowerment. Donor funding and subsidies are parts of this approach. Programmes within this approach often use complementary services or related activities. The provision of financial services is a means; poverty reduction is the main objective. The third

approach is *the contingency approach*. It studies conditions under which micro-finance can contribute to poverty reduction.

Research findings on the impact of micro-finance on poverty are discrepant, but the impact on welfare indicators such as income generation, reduced vulnerability, improved financial management, empowerment and dignity, asset accumulation and consumption has been positive. On the other hand, negative impact like bankruptcy and increased vulnerability caused by added risk, have emerged. (Gulli 1998, 50, 54) As Gulli remarks (1998, 3), when discussing poverty reduction one has to remember that poverty is contextual; causes and definitions of poverty and means for reducing it are dependent on conditions.

7. INFORMAL SECTOR

The concept of the informal sector and a definition for it were given for the first time in the ILO study; *Employment, Incomes and Equality; a Strategy for Increasing Productive Employment in Kenya*. It claims that the features of the informal sector are: ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour-intensive and adapted technology, skills acquired outside the formal school system, and unregulated and competitive markets. These characteristics result in low incomes, which in turn result in the primacy of risk and uncertainty. (ILO 1972, 6, 505) Also the UNIFEM report (UNIFEM 2000, 25) gives an official international definition of the informal sector, which includes unregistered enterprises below a certain size, paid and unpaid workers in informal enterprises (i.e. family farms and businesses), and casual workers without fixed employment.

The informal sector covers small-scale activities, subsistence production, household activities, illegal activities, the hidden economy and the non-monetary sector. It comprises all the economic activities that are not registered officially. Informality might mean illegality; if enterprises are not registered, they do not have licences or pay taxes (Friedmann 1992, 22-23 Chant 1989, 165). Still, if the activities are legal they may not fulfil the official and administrative requirements. The lack of public control is a characteristic feature of informal sector activities; they are not protected, financed, licensed, or run by ministries of state or their agencies. (Friedmann 1992, 22). According to Endale (1995, 24-25), these enterprises face the relative neglect by governments, the lack of proper premises and production inputs.

An informal producer is defined as an owner or an employee of a small-scale or micro-enterprise comprising less than ten people, operating from an impermanent site, under ill-defined registration and tax scheme (Cockcroft 1990, 157). The Central Bureau of Statistics (CBS) in Kenya defines the informal sector activities as semi-organised and unregulated activities usually conducted by self-employed persons in the open markets, in market stalls or on pavements within urban centres. The Tanzanian National Informal Sector Survey (NISS) includes in the definition non-agricultural private sector enterprises, excluding professional type enterprises like doctors and lawyers, enterprises employing more than five paid persons or formal characteristics in terms of technology used and privately owned small-scale

activities concentrated at the lower end of small-scale enterprises. Typical for these enterprises is the prevalence of self-employment, apprenticeship, poor working conditions, operating outside wage and employment policies and poor management practices. Entry into the sector is motivated by survival rather than profit.

The 15th International Conference of Labour Statisticians (ICLS) gave an international definition of the informal sector in its report: “The informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate on a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees”. The informal economy is also referred to with the terms small and micro-enterprises, the unstructured sector, the unregistered sector, the invisible sector, the people’s economy, the underground economy, and the last or second resort. Many of these terms have a negative implication. Thus some feminist scholars are advocating the term “*micro-enterprises*” for describing the female dominated sector in order to avoid hierarchical connotations (Osirim 1996, 216).

By contrast, the formal sector is defined as activities in private or publicly owned enterprises or in the civil service, which comply generally with tax and labour laws and other state regulations (Grown & Sebstad 1989, 940). The formal sector has privileged access to resources, as well as to credit, and both the formal and informal sectors are modern and consequences of urbanisation (ILO 1972, 504).

The informal sector is seen either as a form of exploitation and feature of an unsound economy, or a positive feature and the source of future growth (MacEwen Scott 1991, 106). For social theorists the existence of the informal sector represents the failure of the formal economy (Swantz 1995, 208). Moreover, focusing on the informal sector is seen to overlook the structural factors that are maintaining the economic marginalisation of the poor (Oxaal 1997, 12). Often the informal economy is considered as a source of inequalities, “the infernal economy” rather than the informal economy. The informal sector has its limitations in relation both to entrepreneurs and the macro-economy. The level of productivity is low, and incomes are low and irregular. Micro-enterprises are often severely hit by inflation. One dominating

feature of the informal sector is insecurity (Cockcroft 1990, 160). The lack of social security, such as maternity leave, has a major effect especially on women. The sector also lacks collective power. Unlike workers in the traditional industrial sector, self-employed entrepreneurs and employees in the informal sector cannot pursue their collective goals; they cannot use collective pressure such as a strike against state and employers. Thus, enhancing women's opportunities in the informal sector may not empower women, because the sector has structural weaknesses. On the other hand, labour unions nowadays are fairly powerless in the traditional industrial sector, too. In developing countries there is an extensive supply of semi-skilled and unskilled labour, and thus the strike weapon is ineffective against low wages and poor working conditions. In the current situation independent entrepreneurs in the informal sector might be in an even better situation than employed workers in the informal or formal sectors.

The existence of the informal sector is often seen as a symptom of unjust development and a lack of access to basic rights like education, health services and participation in civic society, rather than as a panacea to the problems of development (Buckley 1997, 1091). The informal sector could be described as "survival economics". Economic activities are intended to satisfy the needs of short-term sustenance. (Hulme & Mosley 1996, 299)

According to von Bülow et al. (1995, 12), income-generating projects that cannot operate "on commercial conditions" on account of their scale and nature (survival activities rather than business, the authors are referring to Berger 1989) or that cannot produce a significant surplus, should not be in the same credit programmes with other businesses. Often the informal sector is seen to employ people who are not able to find employment in the formal sector. Still, studies on which these assumptions are based ignore the successful, capital and knowledge intensive, enterprises. Furthermore, the growth of the informal sector is considered to be a sign of economic underdevelopment and a result of a stagnating formal industry. (Pedersen 1998) von Bülow et al. claim that the scale of production and surplus makes business or "income-generating projects" unable to operate in commercial conditions. But as has been said before, and we will see, in Nairobi the majority of the programmes in my data were able to operate well in commercial conditions despite their small scale. The labour intensive nature of the businesses often makes it possible to employ outside workers even in a relative small-scale enterprise.

Studies on and definitions of the informal sector and informal economic activities often underline the lack of professional skills. The above ILO definitions, too, refer to this as “lack of managerial capacity”. According to another definition, enterprises in the informal sector have a low level of management and technical know-how (Endale 1995, 24-25). This emphasis includes additionally a definition; if an enterprise acquires more advanced skills, it is not classified as an informal enterprise any longer. In practice, enterprises are classified into the informal sector largely based on the capital intensity of the business and the technology used.

Two main approaches can be found within the research to the links between the formal and informal sectors. The first approach argues that informal enterprises have few connections with the modern economy, do not comply with government registration and do not belong to the sphere of social and labour legislation. This approach stresses the dualistic nature of developing economies. It assumes the disappearance of this dualism and the asymmetries between the two separate sectors. Until recently this approach has been dominant; the informal and formal sectors are seen dichotomous. The second approach emphasises the complementing nature, continuities and links between these two sectors, and they are seen to be interconnected and parallel (see Cockcroft 1990, 159-160; Osirim 1996, 215; Jiggins 1989, 958) MacEwen Scott (1991, 105-106) argues that currently the two sectors are based on polarisation, not discontinuity, and that there are links between these sectors. In Third World countries there are areas in their economies, which can be described strictly as formal or informal, but the majority of economic activities and enterprises are located between these two areas. These activities can have links both with the formal and informal sectors, and according the ILO definition of the informal sector, they can be defined as both formal and informal activities. In addition, the economy is not always seen to comprise two separate sectors, but several fragmented and interconnected sectors. According to Swantz (1995, 207), there is a flow of resources and people between these two sectors, and many entrepreneurs in the informal sector receive initial capital from family members working in the formal sector.

It is often believed that the informal sector and informal activities disappear along with modernisation and development. Boserup wrote in 1970 that when economic evolution begins in a country, people working in agriculture begin to move to the “bazaar and service sector” (the informal sector), and later on, when the country is on a higher economic level, to the

modern sector. For her, the relative size of the modern sector and the proportion of women in that sector represent the level of development in a given country. (Boserup 1970, 178-180).

Their flexibility is the main reason why informal enterprises are coping and even flourishing. The enterprises are near to the customers. Informal traders are selling small quantities, and so poor people who are not able to buy large quantities at one time have to buy from them. (Banda 1990, 77) During the last few decades in the developing world, and particularly in Africa, the informal sector has grown more rapidly than the formal sector of the economy. The informal sector is growing strongly especially during economic recessions and crises. The informal sector provides important income-earning prospects particularly for women; in sub-Saharan Africa, the majority of women in employment are in the informal sector (UNIFEM 2000, 27). In 1999 the informal sector comprised 71.6 % of non-agricultural employment in Kenya. Women's contribution to informal sector employment in 1998 was 60.3%. (Charmes)

However, employment growth in the informal sector has begun to slow. Women's employment in the informal sector increased only by 2% per annum in sub-Saharan Africa between 1985 and 1990 compared with 6% per annum between 1980 and 1985. The decline of the labour market during recessions and restructuring has had a negative effect on the informal sector. Competition has increased while people have lower purchasing power. In Kenya, population growth is more rapid than economic growth and the growth of the labour market; more and more people are entering the labour market and competing for few jobs. The unemployment rate is high, approximately 35 %, and underemployment is common. Thus the informal sector has been viewed as an effective means of solving the unemployment problem.

7.1 Women and the Informal Sector

Reasons for women's extensive participation in informal sector economic activities can be divided into negative, forcing, *push factors* and positive, attracting, *pull factors*. For low-income and poorly educated women living in severe economic conditions the push factors are more powerful than the pull factors.

The pull factors are mainly related to the flexibility of the informal sector. The informal sector provides many survival strategies for women. The flexibility of the informal sector is considered to be an advantage for women as wives and mothers. Through being able to work nearby or in their homes and for shorter hours women can combine domestic duties and income generation. More often than men, women are combining work inside and outside the household and in the formal and informal sectors (Ward 1993, 53-54). Thus women are using survival strategies of a different kind; informal activities for a housewife and mother or a woman working in the formal sector bring essential income to the household.

However, working in the informal sector is not always an option but a constraint. Women may not be able to get employment from the formal sector even if they wanted to, because of their lack of education and skills or insufficient child-care facilities. (Chant 1989, 176; Swantz 1995, 204) Rather often the advantages of the informal sector for women working in it are merely theoretical. The main reason for entering into the informal sector for women is survival while for men it is often mobility or a desire to increase their income. Women's income from informal activities is often low, and achieving a higher income requires precisely what women do not have, for example mobility or high initial capital. In spite of the theoretical option of shorter hours, women frequently work very long hours both in income-generating activities and domestic duties. Often the domestic and social duties prevent women from engaging full-time with their business (Swantz 1995, 203). Some researchers see the informal sector as exploiting women particularly; it acts as a subsidy for the formal sector enabling men to subsist on low wages, it provides a cheap and flexible labour pool, through out-sourcing it enables firms to bypass institutional regulations in the formal market, and it provides a means for the reproduction of men's labour for further economic participation. (MacEwen Scott 1991, 107-108)

But women's activities in the informal sector are not always small, inefficient and unprofitable "survival" activities (Osirim 1996, 216). Women's informal economic activities and entrepreneurship are considered vital to the African economy. Working in the informal sector has also increased women's decision-making power within the household, has promoted new skills and given women self-confidence in business and public life. (Swantz 1995, 209) For some women working in the informal sector means constructing a career (Friedman & Hambridge 1991, 175).

Like in the formal sector, the gender division is apparent also in the informal sector. Women work in jobs associated with their domestic role. These jobs are ones with the least status and women's incomes are lower than men's. (Chant 1989, 176-177, Grown & Sebstad 1989, 938) Nevertheless, there are some clear reasons why women easily end up in the niches of the economy that are traditional to them. There women are familiar with the occupations and the markets. Entering into new and non-traditional activities can be risky for poor women, and they may not have the opportunity to acquire all the new skills needed. (McKee 1989, 999)

According to some scholars, employment in the informal sector does not have the same emancipatory effect as employment in the formal sector. Salaried employment in the formal sector is seen to be better than work in micro-enterprises. However, the ability of employment to empower women socially depends on whether it provides the experience of being active agents in a public process (Moghadam 1990, 14-15). For Moghadam, women's integration into paid employment in the formal sector is a precondition of their empowerment. But Moghadam further adds that "when paid work provides the only means for open female participation and interaction in a cultural milieu otherwise characterised by rigid sex-roles, then the emancipatory potential of employment is self-evident". (Moghadam 1990, 19)

Moghadam's analysis is not fully comparable with Kenya and other sub-Saharan countries. Unlike the Muslim societies Moghadam has studied, most sub-Saharan African countries are societies where women have many opportunities for participation and interaction outside the household. For Kenyan women micro-business is first and foremost an income-earning opportunity, a means for earning a livelihood for themselves and their families. In addition to employment opportunities in the informal sector, it provides women with opportunities to participate and have social interaction with other women and men alike. Engagement in business also brings social appreciation for women with low socio-economic status. Moreover, Moghadam (1995, 112) compares employment mainly with unpaid housework, which cannot improve the economic and social situation of women. Often women are able to earn more as independent entrepreneurs in the informal sector than in poorly paid salaried employment in the formal sector. It is also argued that the increase in women's share in traditional female-dominated sectors of the economy is not empowering, and that is why the interventions should be aimed at increasing their share in sectors that are not dominated by women and seeking to remove barriers to women's entry into these sectors. The thought is reasonable if incomes are notably lower in the female-dominated sectors and business. When

entering into male-dominated business and sectors women have to make non-traditional decisions, and it may serve their strategic gender interests. Similarly, Stromquist (1995, 14) argues that the cognitive component of empowerment comprises making choices that might go against cultural and social norms and expectations.

In some cases the explicit or implicit objective of micro-finance programmes is to formalise the informal sector. It is not always obvious whether this has a positive or negative impact on women, and whether gender specific advantages disappear or strengthen with formalising. If programmes are aimed at formalising the informal sector, care should be taken so that the formalising does not weaken the advantages of the informal sector for female entrepreneurs.

7.2 The Economy and the *Jua Kali* sector in Kenya

The Kenyan government officially calls the informal sector small-scale enterprises or the *Jua Kali* sector. *Jua Kali* in Swahili means the hot/blazing sun, which refers to the working conditions of the entrepreneurs. They are often working without any shelter, under the blazing sun.

The *Jua Kali* sector is not totally neglected in the official politics or political rhetoric. It is considered to be a primary means of strengthening the economy of the country. The government also promotes self-employment as a “highly respectable occupation”. The official policy puts special emphasis on developing the informal sector because of its significant role in the economy. The government is working to create an enabling environment for the *Jua Kali* sector. A tightly regulated economy is seen to be a disadvantage for small business, and the government is pursuing the structural adjustment policy of de-regulation and liberalisation. However, according to the government, the results have not been satisfactory, which is due to poor co-ordination among implementing agencies. (Government of Kenya 1992, 1-6)

The government sees the *Jua Kali* sector having many benefits: it makes a significant contribution to the economy in terms of output of goods and services; creates jobs at a relatively low capital cost; develops a pool of skilled and semi-skilled workers who are the potential base for future industrial expansion; strengthens links among socially, economically

and geographically diverse sectors of the economy; creates demand and supply; offers opportunities for entrepreneurial and managerial talent to mature; increases the amount of domestic savings and investment; and can adapt quickly to market changes (Government of Kenya 1992, 2-3). But the sector also has some constraints: the existing legal framework is not conducive to its development; poor infrastructure; limited access to managerial and technical skills and training; and a lack of institutional credit. (Hulme & Mosley 1996, 277-278)

The situation of female entrepreneurs in the *Jua Kali* sector is being taken into account. The government placed a gender perspective on the *Jua Kali* sector on its agenda. Gender specific constraints facing women are listed: the practical difficulties with inheritance for women, difficulties in women's access to education, lack of time that is due to productive and reproductive tasks, social attitudes and practices, and the lack of access to credit. The policy recommendations that are presented are public education or sensitisation, the introduction of appropriate technology, the organisation of women into groups and women's income-generating projects. (Government of Kenya 1992, 13-16)

In 2000 during the field work of this study Kenya suffered from a severe drought. Drought in a country that is largely dependent on waterpower led to power cuts and rationing. The situation affected *Jua Kali* enterprises most severely. These enterprises rarely have generators, and thus the power cuts worsen their possibilities to operate. Numerous enterprises had difficulties with business, which had an influence on the macro-economy and the unemployment problem. In turn, the economic crisis worsened the situation of enterprises in the *Jua Kali* sector.

Like all countries in sub-Saharan Africa, also Kenya has suffered from unfavourable overall economic development during the 1990s. The country is heavily indebted, and currently there are attempts to revitalise the economy with a World Bank programme. Nevertheless, Kenya has one of the most industrialised and developed economic structure of the sub-Saharan countries. The main industries are small-scale consumer goods (plastic, furniture, batteries, textiles, soap, cigarettes, flour), agricultural products processing, oil refining, and tourism. At the end of the 1990s agricultural activities employed 75%-80% and non-agricultural sector 20%-25% of the workforce. Kenya received \$642,8 million in economic aid.

Official unemployment is a serious problem; in 1998 the estimated unemployment rate in Kenya was 50%. The level of underemployment is also remarkable. Due to a high rate of population growth the labour force is increasing rapidly; the labour force in 1998 was estimated to be 9,2 million and the estimated population growth rate was 1.59%. 42% of the population was estimated to be below the poverty line in 1992. The female share of paid employment in industry and services was 32% in 1997. The rate of GDP growth was estimated to be 1,6% in 1998, and the composition of the economy by sector in 1997 was: agriculture 29%, industry 17% and services 54%. The female literacy rate in 1995 was estimated to be 70%, the male literacy rate 78.1%. (<http://africa.iafrica.com/countryinfo/kenya/economy/>)

7.3 Urban areas

The term “urban” is used as a distinction from “rural”. The distinction is usually based on size, population density and social heterogeneity. Employment opportunities, the structure of the labour market and survival strategies have traditionally been dissimilar in urban and rural areas. Social studies often concentrate on urban areas, as a result of its growing size and importance. Particularly labour markets are complicated in urban areas in comparison to rural areas. In Kenya the unemployment rate is higher in urban than in rural areas; in 1990, women’s unemployment rate was 0% in rural areas and 22% in urban areas. The main source of livelihood in rural areas is agriculture, whereas in urban areas people find alternative sources of income. In African countries, the majority of the urban population is men, because migration to urban areas has been male biased.

Roughly half of the world population lives in cities currently, and the proportion is rising. Cities in the Third World, especially, are growing rapidly and the boundaries of cities are indistinct. Differences between rural and urban areas are diminishing; urban consumption patterns are adapted in rural areas and rural livelihood strategies are used in urban areas (Järvelä & Kuvaja 2001, 25). Poor areas in urban surroundings often have rural conditions, and in urban slums and shanty towns agricultural activities are used as survival strategies; for example animal rearing and kitchen gardens.



Animal rearing in an urban slum

8. SOME MICRO-FINANCE ORGANISATIONS IN NAIROBI

Several micro-finance organisations are operating in Kenya, and the majority of the programmes are concentrated in Nairobi and other urban centres. The largest organisation in the country is Kenya Women's Finance Trust (KWFT). Its clientele consists solely of women.

Small and large organisations have different limitations and strengths. Small NGOs have programmes concentrating on the micro-level, which may lead to ignoring the wider economic and social context (Oxfam 1995, quoted in Oxaal 1997, 24). Larger institutions in turn need to "scale-up" grassroots participation and empowerment initiatives (Oxaal, *ibid.*). According to Swantz (1995, 211), small and informal women's groups and organisations working with economic activities are more successful than large ones.

Two of the micro-finance organisations in my data, K-Rep (both the K-Rep NGO and bank) and World Vision Kenya are large organisations - World Vision Kenya is also an international organisation - while the *Jamii Bora* Trust is a small national NGO. The *Jamii Bora* Trust gave the impression of the greatest success of its operation; the credit officers and borrowers of the other organisations mentioned more problems and difficulties. The number of credit officials in the *Jamii Bora* Trust is small and the managing trustee, Mrs. Munro, has a strong influence on the whole operation and personnel. In a study of this scale it is impossible to discover whether the image is accurate or false. In the *Jamii Bora* Trust the small size and close relations between the personnel and the managing trustee may influence the cohesiveness of the organisation and the willingness to give a positive and successful image. From my point of view more important than the size of an organisation are other qualities; if an organisation has patriarchal and hierarchical structures, it is not able to empower women in the struggle against these structures within households, communities and societies.

8.1 The Kenya Rural Enterprise Programme (K-Rep)

The Kenya Rural Enterprise Programme (K-Rep) Holdings Ltd, an NGO and the largest micro-finance operation in Kenya, was established in 1984 with USAID in order to contribute to small-scale enterprise development by providing loans, training and technical assistance.

The K-Rep NGO is both a support and a funding organisation for other Kenyan NGOs doing informal sector lending, and an intermediary institution with its own micro-finance programme. The mission of the K-Rep NGO is to facilitate poverty alleviation by developing systems and institutions that will enable poor people to organise their lives financially. It is also seeking to empower poor people by serving as a catalyst for increasing participation in the development process and by enhancing their quality of life. The means used are increasing job opportunities and incomes by providing loans, training and technical assistance. (Mutua et al.1996, 184) The activities of K-Rep include micro-financial services, research, innovations, product development, information dissemination, and consulting services. K-Rep also provides support services for individuals, organisations and other bodies. These services include courses in micro-credit operations, management, and information systems, and consultant services to design and implement sustainable micro-finance institutions.

The K-Rep NGO provides credit directly through group lending and indirectly through other NGOs. K-Rep operates two loan programmes for micro and small entrepreneurs, *Juhudi* and *Chikola*. The *Juhudi* scheme provides individual loans, and it involves groups of smaller groups: three to eight individuals form groups called *watanos*, and four to seven *watanos* build a *kiwa*, which is registered by the Ministry of Culture and Social Services as a self-help group. The group lending methodology is based on a modification of the methodology used by the Grameen Bank. The *Chikola* loan programme works through existing rotating savings and credit self-help groups that are comprised of individual micro-entrepreneurs. After a while, a *Juhudi* group can be transformed into a *Chikola* group. For every group there is a credit officer who attends the meetings and visits businesses. During the first half of the 1990s the average repayment rate was between 96% and 99%. In 2000 the K-Rep NGO had 2414 active members, of whom 49 % were women. The average loan was Kshs 810³, while the total value of loans was over Kshs 19.5 million.

The K-Rep NGO used to be reliant on commercial banks for its micro-credit programmes, which created problems. In 1999 in order to solve the problems K-Rep established a commercial bank that will assume its micro-finance operations. The bank is owned by the K-Rep Holdings Ltd and other national and international shareholders. The services of the bank include loans from Kshs 15 000 up to Kshs 5 million, and saving and fixed deposit accounts.

³ \$ 1 = Kshs 79

The K-Rep Bank is the only bank in Kenya specialising in micro-credits. In 2000 the K-Rep Bank had 13 040 active members, of whom 55 % were women. The average loan was Kshs 21 961, and the total value of loans was over Kshs 260 million. In the operation of the bank group lending has been a success. Investment saving is also considered important.

In 1998 the K-Rep NGO and the Population Council initiated a pilot savings and micro-credit project with specific emphasis on adolescent girls, the TRY programme. The project tries to fill a gap in the micro-finance field concerning youths who are starting businesses. The programme is aiming at offering positive, rewarding and empowering experiences of work for girls. In this programme in order to acquire credit no savings are required in advance. The role of the Population Council is to plan, research and evaluate the programme; K-Rep puts the programme into practice. The programme is using the *Juhudi* scheme: girls form *watano* groups of five to eight persons. At the beginning the repayment rate was 100 %, but at the end of the year it declined because of Christmas and school fees, which have to be paid in January. Girls are not necessarily encouraged by the programme and credit officers to take several loans or new loans after repaying, but they are encouraged to be good borrowers, thus they can borrow again from K-Rep or from somewhere else if they need to.

8.2 Jamii Bora Trust

The Jamii Bora Trust has begun its operation in September 1999. The organisation has both male and female members, but the majority of members are women. Jamii Bora members save in groups a small amount of money every week. A member is able to borrow double the saved amount. The interest rate is 0.5 % per week, 25 % in a year. The organisation has over 3000 members and 17 employees. The recommended repayment period is less than 50 weeks. Every borrower receives a repayment plan, and the repayment starts in the week after the loan is granted. Loans vary from Kshs 375 up to Kshs 60 000. Larger credits are granted for members with larger incomes and stabilised business.

Groups of five people guarantee the repayment. If one of the members defaults the repayment, the other members of the group pay her/his share. (see Appendix 1) There are over 80 groups, with up to several hundred members. The trust is working in Nairobi and work in the countryside is being planned.

The *Jamii Bora* Trust emphasises the family as a whole. According to the managing trustee, Mrs. Ingrid Munro, it is more successful if both the wife and the husband are entrepreneurs, if they are in business together. The operation of the organisation is strongly poverty oriented. The workers emphasised that the primary goal is not to increase members' incomes, but to get people out of poverty, which is a broader goal.

The *Jamii Bora* Trust is personified in its managing trustee. She has created the organisation and she seemed to have very strong effect on its nature and functioning. Several members said that they are very thankful to her, and that their business is dependent on Mrs. Munro.

8.3 World Vision Kenya

World Vision Kenya has a micro-finance programme as part of comprehensive area development programme, which includes education, health, economic development that is broader than merely micro-enterprise development, and spiritual development.

The credit process begins by recruiting groups to the programme; groups have to be non-political, with five or six persons. Groups are registered by the Ministry of Culture and Social Services as a self-help group and they are recognised by the government. After the registration the group is able to open a bank account. The programme includes training; it starts 6 months before granting the loan and continues throughout the programme. The training comprises learning the rules and regulations of the credit scheme, business management, group management and leadership. Borrowers having their first credits are required to save 10 % of the value of the credit; in larger credits 20 % savings are required. In the credit programme no security is required. Savings function as the security, and this is done in order to make people more responsible with their loans. However, one credit officer admits that people have difficulties saving, and many people have dropped out because of the savings requirement.

The loans granted are up to Kshs 15 000 and the interest rate is 10 % over six months. The repayment period is from 6 months to 1 year and members make repayments on a weekly or monthly basis. The goal in the micro-credit programme is to increase the entrepreneurs' income by Kshs 100-150 a day, and according to credit officers, this goal has been reached.

The percentage of women amongst the members is 60. The programme includes also monitoring and evaluation. Groups are visited and appraised at least once a month on group cohesiveness, members' participation in group activities and a money-go-round. In-depth group appraisal is performed quarterly.

According to the impact assessment of the organisation, loans have been channelled to productive investments, and they are generating savings and investment among members. Also, general family consumption has increased. The problem of the organisation is the customers' dependence on it. World Vision is a non-profit organisation, and people think that it is sponsoring them. Loans are considered as gifts, which need not be paid back.

9. EXPERIENCES FROM NAIROBI

9.1 The Women's Background

The borrowers in the in-depth interviews were all women, aged from 31 years to 75 years. Three of them were married, two divorced, one widowed and one unmarried, single mother. All women had children, from one to eight. All women, excluding one, have gone to school, the majority have completed primarily school. One woman has gone up to the high school and *Jua Kali* training; one has had vocational training. In practice six of the women are the sole or primary breadwinners in the family; this number includes all the single women, one woman whose husband is a casual worker and one whose husband is unemployed.

Juliette, a tailor, has three employees in her enterprise. She has two housemaids and her mother-in-law helping her with household tasks. The housemaids help with the business, too. Her husband helps with accounting and managing in the enterprise; in addition she has outsiders for accounting. Naomi, a jumper knitter, has two employees in the business and a housemaid helping with the household tasks. Tabita, a hotelkeeper, has one employee and her children help her with the business. Two women, Margaret and Nancy, have nobody helping them. Julia, a second-hand clothes seller, employs her sister to help her.

All these women are Kikuyus, as are the majority of the other entrepreneurs in my data. The tribe is a relative important determinant in women's lives in Kenya; their status and economic activity vary in different tribes. The Kikuyu tribe is the largest tribe in Nairobi, which is a natural explanation for its majority status. Kikuyus are also considered to be more business minded than other tribes, and traditionally they have been traders. Also, Kikuyu women are expected to be economically active and earn incomes. Compared with other ethnic tribes, it is more acceptable for Kikuyu women to be socially, politically and economically active outside the household. In the *Jamii Bora* Trust the majority of the borrowers are 30-50 years old. Younger women are a minority in credit groups, and a *Jamii Bora* Trust credit officer assumes that the reason is that they are less business minded or they are often employed somewhere else.

9.2 The Business

Men usually enter the informal sector as subcontractors, which means that they get job orders from producers and in turn assign the job to others, usually home-based women workers. Subcontractors control the labour of their workers who have an inferior status in the subcontracting pyramid as assemblers and distributors. (Lazo 1995, 37; Ward 1993, 54) Micro-credit for women who are working as home workers for subcontractors can be of great value, if they are able to establish their own enterprises with it and avoid middlemen. The subcontracting system is more usual in Asian than in African countries. In my data from Nairobi women are independent entrepreneurs, and even craftswomen are not subcontractors, but they also sell the items they are producing.

A typical problem for female micro-entrepreneurs is a lack of specialisation. Entrepreneurs tend to start the same kind of business. In the same small area of a city numerous entrepreneurs are producing and/or selling same the items, and market and street vendors selling the same goods are usually concentrated in the same areas at the market place or by the street sides. Furthermore, entrepreneurs often buy ready-made commodities instead of raw materials, which reduces specialisation. One reason for the lack of specialisation is that women have limited options because of the availability and price of raw materials. Besides, their skills are often limited to ones that are learned in domestic duties. Women's economic activities are often based on their reproductive chores: preparing and selling food and preparing clothes. Typical businesses for women are selling green groceries, second-hand clothes, shoes, rice, utensils, food or jewellery; tailoring, hairdressing, and rearing chicken or pigs. Some of these activities, like the popular green grocery, do not require any special skills. Men are often preparing things, for example, as handicraftsmen and carpenters. Market saturation could be avoided if women received sufficient advice for their business. The micro-finance organisations in my data encourage entrepreneurs to diversify their activities and thus find their own market niche.



Butchery is lucrative business in urban slums



Vegetable seller in Soweto, Nairobi

A large proportion of women in Kenya are either *de facto* or *de jure* single mothers and/or the sole breadwinners of their families. Typically, women in micro-business are single mothers, and a common view among micro-finance group members is that women who are in business usually do not have husbands.

Women emphasised the needs of their children, feeding and educating them as motives for starting a business. Often women are also supporting their adult children and other relatives. Women gave three types of reasons for being entrepreneurs or having income-generating activities. For all the women business was to some extent *a necessity and critical for survival*, and for the majority business was the only opportunity to earn a living. The second reason for starting a business was *a desire to save and have security* for sickness, old age and other times of crisis. Many women stated that they would like *to leave something* for their children and grandchildren *to inherit*. The third category included *pleasure and the enjoyment* the business was giving them. A business and one's own incomes give women *respect and independence*.

A study of women in the informal sector in Sierra Leone found that women were not willing to seek employment in the formal sector; incomes were higher in the informal sector business,

and higher incomes have given women higher self-esteem and economic empowerment (Amarteifio & Davies 1995, 37-38). One of my interviewees was employed before starting her own business, but she was not satisfied with it. The main reason was the low income. She also mentioned that after starting her own business she has got more freedom:

“I have more freedom in this. And let me clarify: not more freedom, but also more commitment. ‘Cause I know it’s my business: if it fails, it’s mine, so more commitment than before.” (jumper knitter, Kayole)

Despite the economic recession and drought the majority of the women were content with the profitability:

“The tailoring business. If, with good management, it’s profitable.” (tailor, Ngong)

“Given enough capital it’s (business) profitable.” (jumper knitter, Kayole)

Still, the economic recession was considered to have caused problems for profitability. Other common reasons were sickness and health problems. The third possible reason for unprofitability was seen to be in the nature of the business; for example green grocery is a seasonal business and does not yield high incomes all the time. In some groups green grocery keepers have had difficulties saving. Nevertheless, in general many credit officer and members thought that selling food and breeding chicken and other animals were the most lucrative businesses. Because of the economic recession, people are consuming fewer other commodities, but buying food is still necessary. In addition to difficulties and unprofitability in micro-business, the economic recession causes people to be afraid of getting loans:

“It’s not good this time. Because even the money I’m having, it’s only to pay the loan. So for helping me so much, I can’t save in account. --- The business is going down. Because, you know, this time in Kenya the business is down. The government have no money. And in our Kenya there is hunger. So, sometimes if you have money, it’s to buy food. There is no other ways. You can save 500, and you hide, there is it. Until you have a job and you have a business and you are

employed. So here you are having something and here you are having something.” (second-hand clothes seller, Mathare)

9.3 The Use of Micro-credit

There are two main ways micro-loans are used: 1) *consumption and household risk management*, and 2) *production and investment*. Thus, for poor people micro-credit can serve to cushion the consumption of the household when facing income volatility, and to strengthen their economic activities. These purposes are not seen as equal by MFIs; the importance of production and investment is stressed. Based on these two categories Gulli formulates four ways of how micro-credit can assist the poor: 1) to promote investment in assets and provide means to accelerate the accumulation of assets, 2) to facilitate activities that earn a livelihood and help them to manage their economic activities efficiently, 3) to protect against income shocks and prevent selling productive assets, and 4) to build social capital and improve quality-of-life through participation in solidarity groups. (Gulli 1998, 3-5) All the categories were discernible in Nairobi among the group members. Usually the interviewed entrepreneurs used the loans *for buying stock for their business*. They saw that an increase in the stock brought more customers, and this made their business more profitable. Sometimes borrowers use their credits for consumption, e.g. for paying the school fees. Credit officers advised borrowers to use the loan on raw material rather than on ready commodities. Borrowers thought it was desirable and useful to obtain advice; they were still fully able to decide for themselves how to use money.

Inflexibility is often said to be a reason for the failure of micro-credit programmes. Entrepreneurs often need money for other purposes than for the business. In their study on female micro-credit borrowers in Bombay, Everett and Savara (1986, 100) discovered that women needed credit most urgently during the times of crisis. And when the bank did not grant loans for “purposes of survival”, women were forced to borrow from elsewhere and become indebted to moneylenders who were charging very high rates of interest.

The micro-finance organisations in my data had positive attitudes toward the protection strategy and saw that it serves their goals when reducing vulnerability and enabling the continuation of business during crises. And still, the poorest entrepreneurs interviewed who

were obliged to use part of their loans for consumption because of different kinds of crises, were willing to invest as much as possible of the loan to business. The credit organisations in my data were not too strict on how borrowers use their loans, even though the loans are intended for the businesses. The organisations are willing to lend even if loans are used for consumption, because otherwise members would take the money needed from their business or sell assets needed in business, and thus it would have negative consequences for the business. Crises of different kind may hinder entrepreneurs in running their businesses. Borrowing may help entrepreneurs to overcome immediate financial problems and enable them to continue with the businesses. Hence credit is also in those cases an investment indirect for business.

“In our area was burned and that time I was given this loan because of buying blankets, clothes and equipments of the house.” (second-hand clothes seller, Mathare)

Even though the loan was used for consumption, lending still may have been rational from the point of view of the micro-finance organisation. The organisations accept that borrowers sometimes, during crises, use credit for something other than business.

“Life is not only business. Often lack of cash is a problem for people. Money is needed for education and health.” (credit officer, Jamii Bora)

Moreover, business and family often do not have separate economies. Enterprises often neglect book keeping, and cash from the business gets mingled with the household purse.

Women thought that their incomes had increased after the credit, mainly because of the increased stock:

[Do you have more means for your livelihood after the credit?]

“Yeah, it also supported me more, because it make me to have more material in the shop. And that bring more customer, and that contribute more to live in the house.” (tailor, Ngong)

Micro-credit was also considered as essential and even as a prerequisite for the business to survive.

[Was it necessary to take the credit for running your enterprise?]

“Yes, for me it was necessary. It was necessary, because when I came here for the first time, the one I took it helped me to come over with certain problem, certain problem in the shop and with my management. I managed to pay back that money in a very short time actually. --- After, I think after one week paid back in the whole. It was 10 000 Shs.” (tailor, Ngong)

Women are more willing to expand the business to other areas so that they have *several small businesses* than to increase the volume of the existing business very much. They find it easier and safer; in the informal sector it facilitates the managing of the business if it is on a small scale. In addition, this way women are not too dependent on one business, especially if the business is seasonal or sensitive to economic fluctuations.

The majority of the women had no difficulties with repayments; interest and repayments did not take too large a portion of their income, and they saw that taking credit as profitable. Women still considered a sound and vital business and management prerequisites for the repayment. For some women repaying the loan was an obligation they had been committed to:

“I buy quality, and that is actually how I am able to pay back the loan. If I am committed, no matter how, no matter what, this is a commitment. So I need to fulfil it.” (tailor, Ngong)

Two interviewees had difficulties with the repayment; they also thought that their business was not very profitable. Even though their incomes rose a little after obtaining the loan, the interest was higher than the profit. In the end, though, they thought that the loan had been profitable, since as a result of it they were able to pay school fees and the rent. According to all the credit officers and micro-credit bankers, women are more committed and they pay back better than men. Defaulting is more common with men than with women.

The micro-finance organisations encouraged people to take new loans after repaying. After repaying, the majority of the borrowers actually take a new and bigger loan. All respondents were planning to apply for a new credit; many of them said that their business would be dependent on credit and external capital also in future:

“Capital is lower, low compared to the market I have. -- Capital is the only difficulty now. --- Capital is a problem. With capital it gives economic independence, able to earn living for her family.” (Jumper knitter, Kayole)

Dropping out from a programme before getting a loan is relatively common. If members quit the programme before obtaining the loan, the saving period is fulfilling its selective task. According to interviewees, those who are left after the saving period and obtain the loan are serious about the business.

A study on micro-credit in Tanzania revealed that some women had difficulties in understanding the difference between a loan and a grant; they often considered a loan “a gift from heaven” (von Bülow et al.1995, 11). Some micro-credit officers in Nairobi said the same thing. In Kenya, many development co-operation organisations and churches and other religious organisations have given people grants for starting businesses. Especially in the beginning micro-credit programmes were welfare rather than business oriented. Sometimes borrowers have difficulties in distinguishing between a gift and a loan. In particular, churches running micro-credit programmes have suffered from defaults; people assume that the loan is a gift from God. Some of the interviewees expressed a wish for sponsorship rather than a loan. One borrower who was a voluntary worker in a micro-finance programme spoke how she is helping other men and women in the group she is organising, to find a sponsor. She also wishes that she could find a sponsor for herself:

“If I could have a sponsor to sponsor me, I would did a good other way.”
(second-hand clothes seller, Mathare)

On the other hand, women spoke frequently about repayment and their wish to get a new and bigger loan after the repayment, which implies that they had understood that getting a loan means also paying it back and getting a loan requires repayment.

Another reason for the lack of success of credit programmes is that organisations lack financial expertise. Typically, churches and other charity organisations have difficulties with a lack of expertise and experience. On the other hand, commercial banks with expertise in financing are not attractive to poor clients; saving with and borrowing from them is too expensive. To open an account in Kenya usually costs Kshs 10 000. Bureaucracy is difficult for uneducated and often illiterate people. For the poor living in shantytowns and slums, banks situated in the city centres are inaccessible. Also the collateral requirement is a hindrance for low-income people. Moreover, as borrowers from traditional commercial banks people do not have access to training, business advice and solidarity group support.

Getting loans for setting up an enterprise might be difficult, it is primarily due to the savings requirements. This also affects reaching the poorest of the poor. They do not usually own micro-enterprises, and neither are they able to save. Furthermore, they are often vulnerable and sometimes unwilling to take the risk of borrowing. (Gulli 1998, 37) Hence the poorest are excluded from the programmes because of the requirements of organisations or the lack of willingness to borrow. Friedman and Hambridge (1991, 176) in their turn argue that credit most promotes the businesses of such women who would be successful even without credit. But, the most successful women I interviewed assured me that they would not have been able to run a business in the way they did without the loan.

Loans are applied for and distributed in group meetings. Repayments and savings are also collected in the groups. Normally a credit officer distributes the loans and collects the repayments. As a result of the procedure, loans and savings are not private matters; the group collateral system requires credits and repayments to be public within the group. Group members have to be aware of whether an applicant is able to pay back her loan. Members have to have the possibility to monitor the repayments of other members. In practice other group members are not able to get new loans if there have been defaults in the group. In numerous cases defaults have come as a surprise to other members, often only when they have applied for new loans after having saved the required amount.

The majority of the interviewees thought that the procedure of obtaining a loan was simple and there was no bureaucracy. But forming a group and registering it with the ministry was considered difficult. If a micro-finance organisation handled the savings and repayment, creditors asserted that the procedure was not bureaucratic. If members had to deposit their

savings into a bank account, they tended to consider the procedure more complicated. Chairladies, secretaries and treasurers are primarily responsible for the procedure of forming a group and registering it. Also part of other bureaucracy is their responsibility. Therefore, ordinary group members do not face these difficulties so often.

Some groups are combining forms of informal and formal saving. In the Jamii Bora Kamba women's group in Soweto, the members applied for loans from the organisation and they are also collecting savings in a money-go-round system. In addition to repayments and savings with the Jamii Bora programme, members have contributions to the money-go-round weekly. The advantage of the money-go-round was thought to be that it members do not have to pay interest on it. Members think that credits from Jamii Bora are still needed, because group savings amount only small sums, and are not enough.

9.4 Social and Economic Empowerment

As mentioned earlier, according to common rhetoric, micro-finance should empower women. But it is not expressed as often how micro-finance can or should do so. And even more rarely is it discussed how that empowerment “re-negotiates and changes the unequal power structures” (see the empowerment discussion in Chapter 3). Empowerment discourses in micro-finance are rather engaged in, as also Bisnath and Elson (1999) show, a neo-liberal preoccupation with a promotion of strategies addressed to empowering individual women to achieve control over their lives through participation in economic activities and markets, and excluding institutions and ideologies constituting women's and men's social, economic and political positions and gender relations. Thus the instruments of micro-finance to change the unequal power structures work mainly through individual women. Yet, empowerment should include also changes in structures and on the macro-level. According to Stromquist (1995), “[E]mpowerment ultimately involves a political process to produce consciousness among policy makers about women and to create pressure to bring about societal change”.

In a Tanzanian micro-credit programme husbands were reported to have fears of losing their property if they allowed their wives to join to the credit programme (von Bülow et al. 1995, 11). Even though many Kenyan women have a gloomy picture of their countrymen, when asked whether men are against the idea of women having their own businesses, women

thought that even though they were against it in the beginning, after seeing women succeeding, they were supporting them. It is also common that *new male members are encouraged to join a group when they see that female borrowers' businesses are successful:*

“They (men) are not against it, because it changes the society. And at the same time they also depend on these women. So definitely they may not be against it, they are differently appreciating it. Of course the traditional men -- have a big problem with a stable woman, economically. And usually that's why men see what ladies cause they are economically stable, and they cannot take that traditions. Traditional family, like man is a man in the house, can do anything he want and without a question. A modern society does not work that anymore. So, the economic independence for women, at least women have something to say, they have something to defend their selves, and then they have more confident on them selves.” (tailor, Ngong)

Swantz (1995, 201) discovered in Tanzania that men's recognition of women's role in household economies had a positive impact on women's self-esteem. Some entrepreneurs in Nairobi thought that after starting a business they had got a greater say about financial decisions within the household. One businesswoman said that her husband, extended family and surrounding community are appreciating her because of the effort she is making to run the business and repay the loan:

[Do you think that you have a bigger say in the decisions in your household after you started your business?]

“From my husband no, our relation has not changed much. But definitely he appreciate my effort I took, he really appreciate. Then for the family member, yes. ‘Cause as you become economically independent, you have respect from people. Not only from your family member, but in this society. I have seen the difference. I just said for my family member, I mean the relative of my husband. You know you get a status, a personality, a respect.” (tailor, Ngong)

Control over credit and the business is an important indicator of empowerment, but if a husband is taking part in decision-making in the enterprise it may signify that the woman gets

help with the business, rather than that the husband is having control over the business. All women in my study were making the decisions in the enterprise, including how to use the loan, and everyone thought they could run their business in the way they wish to. This is usually not the case with women borrowers in studies carried out in Asia. However, in many cases in my data, women were the heads and only adult members of their households and thus evidently making all the decisions concerning the business and the household. Those women who had husbands received help from them with the business at least occasionally. Women felt that help from their husbands with the business was a positive rather than negative matter; women still had the control over the business and they were making the decisions. Single women/mothers complained that they had nobody helping them. One interviewee's husband was a manager by profession and he was helping with the management of his wife's enterprise. Other husbands were helping with different things, such as delivering.

[What does your husband think of you running your own enterprise and taking credit and participating in the women group?]

“He appreciate it. And then he is also very helpful, because he is also, he does not like not repaying the loan. For him that is like craziness, you take a loan, you must pay it, you know. He really help and support me, and then the commitment, I have no problem, he give his full support.” (tailor, Ngong)

A study of Tanzanian businesswomen presents different factors in the entrepreneurs' social environment, business environment and individual conditions, which are having an affect on the repayment level and the success of the businesses. No correlation was found between husbands' moral and/or financial support on the one hand and the repayment level on the other hand. But on the contrary, there was a correlation between women administering the income by themselves and a higher repayment level. Also access to help raised the repayment level. (Näslund & Tengfors 1993) The interviewees saw that husbands were in general supporting their wives with the business and their participation in a micro-finance programme. Some husbands were thought to support their wives in the business because thus wives were able to contribute more to the household expenditures.

In interviewees' opinion Kenyan men use their money for their own expenses, while women use their money for the family. Studies on family expenditures in other countries have showed

similar results. Having own income was considered to be a necessity for a woman. In addition, some women thought that men are dependent on income-earning women.

“And it is absolutely necessary for a woman to have economic independence. -- here really most men are not that responsible—“ (tailor, Ngong)

Men are usually not afraid of getting disempowered by women’s economic empowerment, starting a business or increase in their income. They usually cannot afford to; in poor households all income is seriously needed. Batliwala (1994, 130-131) notes that poor men are usually not afraid of getting disempowered because of women’s empowerment, which enables them to increase the income or challenge power structures that are exploiting and oppressing the poor of both genders. Resistance develops when women challenge patriarchal family relations, i.e. when they question the power, rights and privileges of men within the family. Batliwala argues that precisely this, women’s empowerment and challenging patriarchal power structures within the family, is a test of how far the empowerment process has reached into women’s lives. Women I interviewed said that women do not want to be provocative in relation to their husbands. According to an interviewee, some men are saying that women are going too far in their empowerment; some women assume that men are jealous if their wives are empowered economically. She thought that men especially dislike it if women are trying to change the power relations in the household, and women have to calculate how much they can show their empowerment:

[Are women empowered within the households also?]

“Women are clever; they don’t want that men feel that they are empowered in the households also. Women are on their own, only women are responsible for their children, that’s why they want to look after their business. In the case of the separation women are still trying to take care of children, even though it is difficult.” (chicken breeder, Soweto)

In the Population Council/K-Rep programme for adolescent girls the majority of the members were single and some were single mothers. The programme, one’s own business and success in it appeared to be crucial for their self-esteem. Many of them did not believe in advance that they would be able to run a business of their own; most of them had not done it before. The

credit officers were of central importance; girls were impressed that someone believed in what they were doing and in their ability to manage.

One businesswoman, whose husband was unemployed, said that if her husband forbade it, she would discontinue the business. Some of the interviewees thought that women commonly tell their husband about their businesses and incomes; because of the economic recession often unemployed men are happy if their wives are “able to help”. Another part argued that husbands do not know how much their wives earn. Women do not want to reveal their incomes to their husbands; otherwise men would draw back their economic support. But sometimes independence is even more important than economic support:

“But even if husband draw back his support, wife want to have business, because own money is very important for women. Kenyan man is using money for his own things; woman uses her money for the whole family.” (female credit officer, Mathare)

In the activities of the K-Rep Bank the aim is transparency. The bank believes that it is important that people are aware of their spouses’ businesses; taking loans hidden from a spouse has caused family break-ups. Groups borrowing from the K-Rep Bank often require from their members some collateral for the guarantee the group offers. Spouses being uninformed has caused confusing situations with a collateral demand. In some cases agreement from a husband for giving a collateral is requested. This is because there have been cases where after a woman’s default the group has demanded the collateral, often the family’s piece of furniture, TV or such like, and the husband has refused to give the collateral by saying that he owns the item and he did not know that it had been given as a collateral. Demands for permission from husbands have raised similar demands for permission from wives for husbands’ collaterals. Like the K-Rep Bank, also the Jamii Bora Trust underlines the benefits if family members are working together for a common goal and are aware of each other’s loans and business.

In the research literature it is noted that spouses often are uninformed of each other’s incomes (Bruce 1989, 984). Also the interviewees in Nairobi said that women typically keep their incomes and economic activities secret from their husbands. They fear that the husband would take the money or draw back his support. As one credit officer put it:

“They won’t tell to their husbands how much they get in the group (merry-go-round) or in their business, because if husband knows, he won’t support anymore.”

On the other hand, it is important for women to show their husbands that they are doing well with their businesses and having high incomes, it brings them respect and decision-making power within the household.

Quite often despite even relatively high incomes women have difficulties with meeting all their needs. Usually in addition to their own families (children and spouse) people support their extended families: elderly parents and other relatives who are living either with them or in villages in the countryside. The women interviewed provided also for their adult children. Thus an increase in a woman’s income may not benefit herself or her children but goes to other relatives. As a result, the woman’s situation is even worse because of a heavier workload and no or a very marginal net benefit from the increased income. Nevertheless, all the interviewed women considered taking the loan has both increased the incomes and decreased the workload. The increased incomes were used partly for consumption, partly for expanding the business or for saving.

A substantial part of the households in Kenya are female headed. Thus economic dependence on husbands is not a common problem, quite the contrary: single women and mothers expressed a desire to have a male economic supporter. On the other hand, the lack of an economic supporter was sometimes regarded as a positive circumstance. One respondent considered economic independence favourable, that way one can support her children without a husband. One respondent said “it feels bad begging money all the time from the husband”.

The social environment can have an indirect impact on an entrepreneur’s ability to gain and maintain control over these critical resources. No woman in my empirical data complained about the lack of control over these resources. Rather their problems were related to the lack of an enabling environment. Entrepreneurs do not benefit much from their control over income if the economic situation and high inflation make it insufficient for satisfying basic needs.

Crucial to women's economic and social empowerment seems to be the ratio of workload to income. A business that yields a decent income with a manageable workload is able to empower women economically. One of the most important outcomes of a profitable business and an important ingredient in empowerment is improved self-esteem.

According to the interviewees, women take the time needed for the business. The business is more important than household tasks if women want to have the daily bread. Several women said that their *daily workload had increased after starting the business, but decreased after receiving the loan*. That is mainly due to increased stock; after receiving credit women are able to buy in larger amounts. If the loan is not used for buying more stock it is typically used for equipment that facilitate the work. In both cases the loan helps to decrease the workload.

[Has your daily workload increased after you started your own business?]

“Yes. Because definitely I have seen, it make you into the working class people. You work up in your money. The only thing you think about open the shop. Then, of course it is not far from the house, it gives me the chance to go and feed the baby --, and then -- take the two small who are at home. But it makes you busy, serious one. ‘Cause normally when I am busy -- in the evening. But I like it.”
(tailor, Ngong)

Some of the entrepreneurs expanded the business or started a new one with the loan. For this reason the workload has increased in some cases, but usually the incomes increase in the same proportion. Naomi, a jumper knitter, was able to start a new business with the loan. In addition to knitting she is selling gas bottles. She thinks these two businesses complement each other; gas selling is less time consuming but more capital intensive. Starting the new business of gas selling did not remarkably increase her workload.



Childcare facilities and business combined

9.5 Related Activities

There are arguments for and against including related activities in micro-finance programmes. Related activities are financial or non-financial services micro-finance organisations are providing for members. Related activities usually include technical and business training and financial and non-financial services. Programmes with related activities are called credit-plus programmes or package programmes, and programmes including only credit are called minimalist credit programmes. Proponents of minimalist credit claim that related activities raise the costs, add a further administrative burden and divert the attention from micro-credit itself. Attending to these extra activities is also thought to unnecessarily take women's scarce time and thus add to their burden. Economically the most successful programmes are regarded to have started with only one activity or sector; related activities may divert attention away from effective administration or credit and have severe consequences for repayment rates. In addition, organisations providing multiple financial and non-financial services are considered to be less sustainable. (Gulli 1998, 74, 77; Berger 1989, 1026) Those who are promoting credit-plus programmes argue that expanding women's access to credit without related measures has little effect on their capacity to earn an income (Jiggins 1989, 960).

In this study the related activities are understood broadly, including everything except money. All micro-finance organisations in my data have a group-based lending method with credit officers attending the group meetings and advising members. Even if the group-based lending

method is not always perceived to be a related activity, it usually is a highly relevant part of the success of a micro-finance programme, and it does not raise the operating cost and thereby undermine the financial sustainability. The K-Rep Bank is concentrating most single-mindedly on credit; the only “related activity” is the group-based lending method. The TRY programme of the Population Council and the K-Rep NGO includes some related activities in addition to group-based lending method and credit officers attending the group meetings. The Population Council wanted to include family planning in the TRY programme, but K-Rep opposed the visible family planning dimension. Later on some girls on the programme got pregnant, and they could not run their business because of their other duties. At that point K-Rep, too, wanted to take on family planning as a visible part of the programme in order to improve members’ business performance. The World Vision programme includes a compulsory training period before obtaining a loan. World Vision does not assist groups with group activities; the groups are not World Vision’s but the members’ own. During the training period members are saving the required amount. The Jamii Bora Trust does not have any formal training, but credit officers are in close contact with members.

In the programmes I researched the related activities seemed to play an important role; they were even seemed to be quite crucial for the success of the programmes. Both credit officers and members considered the related activities and different kinds of training very valuable and important. The training in the micro-finance organisations concentrated merely on business skills. In micro-finance programmes the demand for training in business skills has in general been greater than the demand for technical skills (Hulme & Mosley 1996, 325).

What seemed to be most important in addition to credit were not separate courses on different topics or other services, but the solidarity group and personal contacts with a credit officer. A solidarity group creates social control that reduces defaults, and it also serves as a positive reference group to entrepreneurs. They are able to exchange views on business, social and political matters. It is significant that a credit officer is part of the group. A credit officer should be involved in planning entrepreneurs’ investment and repayment. In all the micro-finance organisations I studied, credit officers usually attend the group meetings. Borrowers find it beneficial; credit officers can consult them and perhaps they get advice. Still, the borrowers thought that the credit officers let them decide themselves; a credit officer is rather an observer and counsellor.

9.5.1 The Role of Savings

In fact the need for and the importance of savings services are sometimes argued to be even more prominent in micro-enterprise development than access to credit. (Buckley 1997, 1085; Robinson 1996, 155) The opportunity to save rather than access to credit would lever the poor out of poverty. Moreover, some poor are willing only to save, not to borrow. The ability and opportunities to save also serve as protection against illness and occasional unemployment (Rhyne & Otero 1992, 1562).

Savings facilities are seen either as substitutes or supplements to credits. As a response to the discussion whether the role of credit or of savings is more important, it is argued that more important than mere credit or savings facilities is a system that provides both credit and savings facilities for the poor. Additionally, savings may improve the sources of funding of MFIs. (Gulli 1998, 66-67) One should also note the non-material advantages of saving for low-income micro-entrepreneurs: saving promotes the borrowers' own responsibility and self-help and familiarises them with prompt repayment. The saving requirement is also testing members' ability and willingness to repay their loans. Näslund and Tengfors (1993) show that women who have contributed more to their own savings have a higher repayment level. A possible reason is that those women are already accustomed to accumulating savings or contributing regularly.

Even though the interest rates of micro-finance organisations are high, it is not necessarily more rational for a micro-entrepreneur to base investments only on savings. Inflation is also very high, and with investments facilitated by a loan an entrepreneur might repay the loan within a shorter period than it would take to save the same amount. Credit and savings are, as Gulli (1998, 70) mentions, different risk management and coping strategies.

Group-based lending usually includes savings. In order to obtain a loan, an applicant might be required to save part of the amount of the credit. World Vision requires 10-20 % of the amount of the loan as savings from members borrowing for the first time. The Jamii Bora Trust has a savings requirement of one-third of the amount of credit, but in practice the amount is flexible.

Sometimes the savings demand can be an obstacle for a beginner to start a business. Saving, even on a very small scale, might not be possible for someone who is starting a business and is totally without an income. If a member cannot save the amount, the Jamii Bora Trust lends, but gives only half of the sum to the borrower. The organisation also has a special programme where a woman willing to borrow promises to take care of a street child, and gets a loan for starting a business without savings. In the TRY programme of the Population Council and the K-Rep NGO no savings are required, as the programme is aimed at serving particularly adolescent girls without any previous business experience. Many girls had little or no income before joining the programme. However, also in this programme savings of 4 % of the amount of credit is still recommended. In general, girls in this programme have been motivated to save. The K-Rep Bank does not request any savings before lending. But on the other hand, a cash collateral of 5-20 % of the amount of credit is demanded. The cash collateral is in the form of group savings, which are paid into a bank account. The operations of all organisations include both granting credit and holding savings, and the organisations assume that savings and credit facilities are equally important for micro-entrepreneurs. When assessing members' ability to save and repay, it is notably that they are often repaying their loans and saving at the same time. In those cases the loans and the investments made with them have been profitable and sound, and the assessment of the size of the loans correct.

In the research literature saving is divided into mandatory and voluntary saving. Mandatory saving is based on the view that poor people do not save and cannot save, and they need to be educated to save, whereas voluntary saving reflects the view that poor people do save in a monetary or non-monetary form, and they are willing to save even though they often lack savings facilities. Therefore micro-finance organisations offer an opportunity to save and the relevant services (Robinson 1996, 159).

The entrepreneurs found saving very useful and not too difficult. Their motive for saving was a new and larger loan they were willing to take.

“You know, because when you have a money, and you don't have a purpose for it, you definitely don't care, and then you don't use it very easily. But the only thing I was used to say in this women group where we go want some money, and then we give maybe 1 000 Shs, you save that money, then up to seven time we get once as one, like as we now were about 10, so, you only get once, you get

about 10 000 Shs. So that is the only saving I used to do. Right now I am able to do that saving, I am able to do this saving here in Jamii Bora. So it is, for me it is, every single penny I have, I only think about Jamii Bora, so I wanted to come and save.” (tailor, Ngong)

“It’s (saving) good, it’s useful. Especially, when you are saving, the other time you will have a big loan.” (second-hand clothes seller, Mathare)

Low-income Kenyans are not very familiar with saving into bank accounts. In fact, opening a savings account in a commercial bank is not possible for poor people. Poor people’s savings are traditionally held in non-monetary form, and other forms than cash. People can for example save in a grocery shop where it can be used for purchases afterwards or save in the form of a plot and animals, also in urban areas. This non-monetary form of saving makes it difficult to distinguish saving from investment or consumption (Buckley 1997, 1088). Many people in micro-finance programmes have been saving earlier in money-go-round groups. Typically people are saving for the education of their children or for sickness, or old age. Hence saving acts as social security.

Some of the interviewees considered Kenyan women to be more used to save and better at saving than men, men easily use their money for personal consumption. The support from a solidarity group or a programme is seen to be crucial for saving.

Both credit officers and group members said how important it is to save and that people need to be educated to save. Obviously they have been informed of the benefits of saving and they have learned some of the rhetoric by rote.

[Do people in Kenya save a lot, do they think it’s useful?]

“They don’t know, at this time. If God wishes, we will continue to educate them. To save is good, then after few years, they will know it’s better.” (second-hand clothes seller, Mathare)

One businesswoman and borrower recounted how she got a donation from a church after there was a fire in her neighbourhood and her house was burned. She used the donation as

“savings” in order to get a loan from a micro-finance organisation. The loan was used for building, school fees, and for buying blankets, clothes and household equipment. This micro-entrepreneur has been ill and has been unable to run the business, and thus she has had difficulties with the repayment. Because she did not save money herself, the savings did not test the ability to repay the loan and thus the saving process did not have the selective component. The micro-finance organisation knew that she did not save the amount herself, but still the loan was granted in order to guarantee the survival of her business.

9.5.2 The Solidarity Group

Often participation in a solidarity group is considered to be crucial for empowerment. As Lazo (1995, 35) expresses it: “empowerment of women is maximised by collectivisation”. Furthermore, mere credit without group participation is argued to be inefficient for empowering women socially and economically. Supportive networks are critical for women’s ability and opportunities to protect their individual and collective interests on the micro- and macro-levels (Mayoux 1999a). Stromquist (1995, 16) underlines collective participation outside the household as necessary for empowerment, particularly for women living in households with unequal gender relations. The central activity of the solidarity group is not crucial; more important is that it creates a sense of self-esteem, competence and autonomy.

Collective action and female solidarity groups are estimated to be more important as indicators of women’s status and means for attaining personal power and status in the public domain than material control (Bruce 1989, 987). Solidarity groups are vital for both borrowers and micro-finance organisations. For organisations they act as a collateral. The group-based system involves some loan processing and loan approval tasks; group formation acts as a self-selective process (Osmani 1998, 68). A group selecting new members reduces the need for selection on the part of the organisations (Rhyne & Otero 1992, 1564). Networking and collective action reinforce women’s social, psychological and political empowerment (Friedmann, 1992, 116). Organising into solidarity groups means, for women, uniting their economic, social and political power and resources. Group formation is a strategy for them to get more resources to fulfil both their strategic and their practical needs (Claassens 1993).

The solidarity group plays an important role in women’s lives and micro-finance programmes in Nairobi. The group enables women to get a loan, and it is a guarantor for the members. All

the interviewees agreed that a mere loan is not sufficient for improving the business; also a solidarity group is needed.

“Yes, it’s good, because the group helps me to have loan. And if I was only one, I can’t called a group.” (second-hand clothes seller, Mathare)

All credit officers and responsible people in groups (chairlady/man, treasurer, secretary) emphasised that it is very important that group members know each other well before forming a group and applying for loans. It is a prerequisite of the group-based method that all the members are committed to repaying; one member’s default also hinders the other members in getting new loans. Furthermore, in some programmes other members have to repay the defaulter’s loan. Members’ willingness to repay was the most important feature of a good solidarity group. Problems in repayment cause problems for all group members, including the innocent:

“But if it happen that one become like a reluctant and one become like, you know, not so worry about paying the loan, that make a lot of problem.” (tailor, Ngong)

In two groups those members whose duty was to collect the repayments of other members and deliver them to credit officers, did not submit them, but used the money for their own purposes. In the World Vision programmes this kind of situation is prevented by the demand that the whole group goes to the bank to deposit the savings and repayments into the bank account. In the World Vision programmes loans are given to the groups, not to single members.

Women’s solidarity groups or organisations can suffer from bad management or leadership because women are less educated and less exposed to modern institutions than men. Also their literacy and numeracy skills might be poor and they have less experience of modern organisational procedures. Crucial to the success of women’s solidarity groups is the social and economic homogeneity of the members. (Nelson 1995, 63-64) According to one chairlady, the most common difficulty of the group members is understanding the group system. If defaults occur, group members are not aware of their role and responsibilities as guarantors. Opinions on the impact of illiteracy vary. One credit officer said that illiterate

women understand the system very easily, even more so than literate women, because they are able to remember and comprehend things better than literate women. According to another officer, illiterate and uneducated women most often have difficulties in this respect. Näslund and Tengfors (1993) in their study of businesswomen in Tanzania show that literate women have a higher repayment level, whereas women with no education are more tend to have defaults in repayment.

My sample includes both women-only groups and groups with men and women. According to an elderly, experienced chairlady, when the first programmes started, men considered wives worthless and thought that micro-finance programmes would fail. The success of women and the programmes has changed attitudes. Many groups started as women-only groups, and afterwards some men have joined. In the opinion of both the female members and the credit officers, it is positive that more men have joined the programmes after seeing women succeeding. A male chairman in a World Vision Seed self-help group in Riruta said that women become less serious if they are too many in a group, and thus he thought it is better if there are only few women per group. A women-only Kamba group in Soweto refuses to take men into the group, because group members think that men are quarrelsome. In fact, the majority of the credit officers and some of the women members thought women better members:

“Women are majority. Men are not so patient. Informal training takes time, they don’t want to wait, procedure is too long for them. Women are used to wait; they have to wait nine months for baby. Men also fight more, women motivate each other. Men’s business require more capital to start-up.” (World Vision credit officer)



Treasurer and secretary of a mixed group in Soweto

All the interviewees underlined the role of the solidarity group and the support they got from other members. Women encourage one another, those who can do different things, such as bookkeeping and business management, teach those who cannot. Additionally, group members are often customers of one another.

In addition to activities related directly to micro-finance, group activities can include training in skills like record keeping and accounting. Also activities that are not related to business can occur, e.g. citizenship education, drama, dancing, and AIDS and drug campaigns.

10. CONCLUDING REMARKS

The theoretical discussion on micro-finance is in the most part based on the neo-liberal definition of empowerment. Self-empowerment and the emphasis on access and control in particular (see Gurumurthy's classification in Chapter 3.1) are based on this neo-liberal interpretation. Economic activities and participation in the market are central to this approach, while changing gender relations and power structures are ignored. Also in practice the emphasis is on poor people's own effort in lifting themselves out of poverty. Poor people often have the perception that they do not have opportunities to influence their inferior situation; thus micro-finance with neo-liberal priorities can give them self-confidence and also concrete tools to improve their lives. On the other hand, when the neo-liberal approach is focused on individual poor entrepreneurs, governments and other responsible agents can escape their duties and shift the responsibility onto the individuals.

Micro-finance typically focuses on women's individual aspects, such as engagement in economic activities, productivity and individual choice, at the expense of empowerment through changes in power structures and gender relations. This emphasis on the individual aspects in turn makes empowerment merely an instrument in achieving economic development. Whether the emphasis is on individual or structural aspects is dependent on whether women's subordination is believed to be based on individual aspects or on structures. Development policies and projects that are aimed at promoting women's empowerment should be involved in changing the institutions and processes that constitute women's subordination, not only increase women's access to productive resources. (Bisnath & Elson 1999) Micro-finance as such addresses only women's practical gender needs. Thus an explicit policy of empowerment and related activities are needed in order for micro-finance programmes to be empowering. Empowerment should be a perspective and policy dimension in all development programmes, also in micro-finance. Bringing gender into mainstream policy primarily includes bringing a gender perspective to all development programmes and policies.

Women's improved self-esteem is one of the most important outcomes of personal empowerment. This arises out of two sources: from their own experience of control over their own lives and from the attitudes and respect of the surrounding society. All development

interventions should aim at promoting these aspects. Micro-finance has substantial potential to have a positive influence in both respects. Men's respect is also important for women's self-esteem. In Nairobi, many men were initially against micro-finance programmes, but after seeing women succeed they began to support them and new male members were encouraged to join groups. Thus women gained respect and their self-esteem improved.

Micro-finance programmes have been and are an important stage towards gender sensitive development interventions that address women's strategic gender needs. In order for micro-finance and other development measures on the micro-level to be empowering, there must be efforts on the macro-level to ensure an enabling and democratic environment. Women's lack of finance is an outcome of disempowerment rather than the reason for it. Thus, access to finance does not necessarily empower women, but the underlying causes of disempowerment should be addressed.

The expansion of the informal sector cannot continue infinitely, and not all people are able to be entrepreneurs. A sound national economy requires also the formal sector of the economy or the traditional industrial sector. Micro-finance cannot solve all the problems women and micro-entrepreneurs in the informal sector face. Some of these problems stem from more global socio-economic problems and inequalities. There are reasons for poverty both on the micro- and the macro-levels. Thus, eradicating poverty requires both micro- and macro-economic measures. Micro-finance is a micro-economic measure; in this study I have not taken a stance on macro-economic measures. On the micro-level micro-finance has some advantages compared to more traditional and welfare-oriented development intervention measures.

Work is not necessarily a tool of liberty or self-fulfilment to women. For all women in this study starting a business was to some extent a necessity and critical for survival, often the only opportunity to earn a living. Still, women were also willing to save for security and for an inheritance for their children. Business and a personal income also give women pleasure, respect and independence, which if that is the case, indicates that work is not too demanding and taxing.

Starting a business might also mean a doubled work burden caused by the addition of income-generating activities to domestic duties, and the result is in fact women's disempowerment.

This can be in contrast with the idea that, by ameliorating women's opportunities for economic activity and income earning with micro-finance, their social autonomy can be ameliorated. This idea is based on the efficiency approach to development, and the goal is integrating women into economic development. Among the most important empirical findings of this study is that women's daily workload seems to increase after starting the business but decrease after receiving the loan if it was used for buying more stock or equipment that facilitate the work.

If a micro-finance programme is based on explicit empowerment strategies, it can empower women by giving them resources for developing their work and enterprises towards a means of liberty and self-fulfilment. The policies of developing micro-finance and the informal sector should have a gender perspective and the gender impact should be studied. Even though the informal sector has been a form of exploitation or a feature of an unsound economy, for individual poor women it provides opportunities and often their only source of income. Thus governments should promote these opportunities and struggle against the exploitative features of the informal sector.

Micro-finance should be seen in the context of social and economic impact both on the micro- and the macro-level. Benefits for individual borrowers are important, but benefits for the national economy and employment can also be considerable. It is crucial to provide finance and access to credit to the very poor, but also to middle- and low-income people, who would not otherwise have opportunities to obtain credit from, or even save with, commercial banks. These entrepreneurs are important to the economy and to some extent also to levels of employment. When discussing the benefits of micro-finance, the focus is mainly on self-employment, but it should not be forgotten that the *Jua Kali* sector is also able to employ. In Kenya more people are working in the informal than the formal sector, and in addition to self-employed entrepreneurs it includes a large number of employees. The threshold to employ is relatively low because of the low level of wages and unregulated labour market. An employer has to pay social security contributions only when employing more than three employees.

Money or a loan alone does not empower powerless people or eradicate poverty. Micro-finance needs also to provide complementary services focusing on women's empowerment. Sound and vital entrepreneurship tolerates and sometimes even requires indebtedness. In order to develop sound and vital businesses female entrepreneurs need business advice and

skills training in addition to credit. Many Third World feminists assert that gaining and increasing access to productive resources and participation in development processes are necessary, but nonetheless insufficient for women's empowerment. Besides, they claim that valuing the work women do within the households is of central importance to women's empowerment and development processes. (Bisnath & Elson 1999) Micro-credit may sometimes be necessary, but in itself it is not sufficient for women's empowerment. In addition to credit, underprivileged people need flexible and diverse financial services. Credit and savings associations should offer people from lower income groups a chance to save, even without taking a loan. Finally, the most important part in effective micro-finance is women's participation and the strengthening of their sense of responsibility.

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APPENDIX 2: The Interview Questions

I Background

1. Your name?
2. How old are you?
3. Where are you living? Where are you from?
4. Tell me about your family. Who are living in your household? How many children do you have?
5. Who earns the living for your children?
6. Do your children go to school?
7. What about yourself, did you go to school when you were a child? (level of education: primary, secondary, college)
8. How have you learnt your work) Did your mother or somebody else teach you?
9. What kind of jobs have you got earlier? Have you been employed by someone?
10. Does your husband go to work?

II Enterprise

1. What kind of enterprise are you running? Who are your customers?
2. When was your enterprise established?
3. Why did you start your own business?
 - *economic necessity
 - *needs of the family
 - *own needs
 - *widowhood, divorce, insufficient earnings of the husband
 - *unemployment, insufficient wage
 - *profitability of business
 - *economic independence
4. Do you have any employees or family members helping you?
5. Has your business been profitable? Does it give good income to support your family?
6. Who makes mainly the decisions in the enterprise?

7. Does your enterprise give you independence so that you do not need economic support from other family members?
8. Do you feel that you can run your enterprise the way you wish to?

III Micro-credit

1. Is it / was it necessary for you to get micro-credit to run your enterprise?
2. When did you take your first credit? For what purpose did you use the credit?
3. How many times have you got credits?
4. Have you borrowed earlier from somewhere else?
5. When did you take your latest credit? For what purpose / how did you use the credit, how big was the credit?
6. Who decided how the loans were used?
7. Did the credit help you to gain more profit with your enterprise? Did the credit make it easier for you to obtain raw materials or other items you need for your business?
8. How are you using the increased income? Household, business, investments?
9. Did the credit change the work in your enterprise in any way?
10. Was it difficult to obtain a loan? Was there too much bureaucracy or were there any other difficulties? Tell me how you obtained the loan.
11. Have you started the repayment? How do you plan to pay back? Do you find any difficulties in repaying the loan?
12. Do you think that repayments and interest take too big portion of your income?
13. Are you saving at the same time?
14. Do you think that saving is useful?
15. Did you save earlier, before this group/programme?
16. Do you think that people in Kenya save a lot, do they think it is useful?

IV Empowerment; economic and social empowerment, increased wellbeing

1. Who takes the economic decisions mainly in your household?
2. Do you think that after starting your own enterprise you have more means for your livelihood?

3. What about after the credit?
4. What does your husband think about you running your own business? Does your husband think that micro-credit is a good way to support your business?
5. Do you discuss often with your husband how income should be used in your family?
6. Do you feel that you have a bigger say about how to use the income now when you run your own enterprise?
7. Who gives you the most important support in running your enterprise?
8. What about household tasks? Do you presently get support from family members or somebody else in taking care of the household tasks?
9. Does your husband take part in the decision-making concerning your enterprise in any way?
10. Do you feel your daily workload has increased after you started your own enterprise?
What about after the credit?
11. Do you feel that your husband take less responsibility in supporting the family now when you run your own enterprise?
12. Do you take part in any women group / self-help group?
13. What do you do in the group?
14. What is the benefit in participation in the group? How do group activities support your business?
15. Are bigger purchases now possible within the household and in the enterprise?
16. Do you think you have too little time for your business?

V Women and economic activities

1. Is it common in Nairobi that women are having business or that they run their own enterprises?
2. What do men think about women having their own enterprise or about women working outside the household?
3. Do you think that there will be more women to start their own enterprise in Nairobi in future?