

## **Microfinance and the Empowerment of Women**

The Fourth World Conference on Women in Beijing (1995), put women's access to credit on the international agenda. Since then, the number of women receiving microfinance has increased rapidly. By 1999, the number of poor women receiving micro loans had more than doubled to 10.3 million poor, and by 2005, this had jumped to 69 million, or 84 per cent of the total number of poor people receiving microfinance. Women have now gained an international reputation for their excellent credit performance, making them a priority for poverty-oriented credit programs.

For the majority of women borrowers, credit is much more than access to money: it is about women lifting themselves out of poverty, and achieving economic and political empowerment within their homes, their villages, and their countries. For example;

- 40 per cent of poverty reduction in rural Bangladesh has been attributed to the role of microcredit.<sup>i</sup>
- Combining education and financial services programmes in Nepal has empowered women to ensure female children have equal access to food, schooling, and medical care, and given women a stronger role in property transactions, and domestic and familial choices.<sup>ii</sup>

### **Microcredit and achieving the MDGs**

One of the major objectives of the International Year of Microcredit (2005), was to promote the role of microfinance in achieving the Millennium Development Goals. The General Assembly adopted a resolution (A/60/210), recognising the importance of microfinance in achieving the MDGs, especially goals 1 (reducing poverty), and 3 (gender equality and women's empowerment). The resolution calls on Member States, the UN system and International Financial Institutions to maximize efforts and adopt policies to facilitate the expansion of microfinance to help meet the demands of the poor.

The 2006 Global Microcredit Summit adopted a specific target to **lift half a billion people out of extreme poverty** by;

- providing 175 million of the world's poorest families, especially the women of those families, with microcredit, to ensure that at least 100 million families rise above the US\$1 a day threshold.

In order to achieve this noble goal the full potential of microfinance must be realized. The most successful microfinance schemes have been complemented by access to other resources such as land and property, finance and marketing skills, as well as services that reduce women's household and care-giving burden. Creating an enabling environment for microfinance and women's empowerment can be achieved, by;

- **promoting women's access to public services and employment opportunities.** Public policy should promote social inclusion and equal opportunities for poor women. Women can become powerful catalysts for development when empowered through microfinance, but require access to childcare, health, education and skills, employment opportunities, and greater control over their fertility and children's education to enable them to take advantage of the opportunities that microfinance can provide.
- **establishing stronger partnerships** between the private banking sector and microfinance institutions so that the market plays a more effective role in contributing to poverty alleviation. Multinational banks that provide micro-loans have greater access to resources, banking technology, and broader range of financial services. These potential benefits however, need to be balanced against concerns arising from corporate lending practices and competition with microfinance institutions serving the poor.
- **providing complementary services with microfinance** such as literacy classes, business training and childcare. These are significant factors in improving both repayment rates and women's empowerment; therefore it is important to resist pressures on microfinance programmes to reduce operational costs by cutting back on such essential complementary services.
- **including women's empowerment indicators** in the design and evaluation of microcredit programmes. Best practices has shown that microfinance is more effective when assets used as collateral or purchased with loans are solely or jointly in women's names; a range of savings products and facilities offering higher interest rates are made available; the lending process includes participatory consultations, including for non-business loans such as health, education, and housing.

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<sup>i</sup> Khandker, Shahidur R. "Microfinance and Poverty: Evidence Using Panel Data from Bangladesh," World Bank Economic Review, vol.19, no.2, 2005.

<sup>ii</sup> UNCDF website