



International
Labour
Office
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Small change, Big changes: Women and Microfinance

Over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006.
93 million of the clients were among the poorest when they took their first loan.
85 percent of these poorest clients were women.

Microcredit Summit Campaign Report 2007

Microcredit plays a critical role in empowering women,
helps deliver newfound respect, independence, and participation for women
in their communities and in their households.

Juan Somavia, ILO Director-General

Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities. Microfinance helps empower women from poor households to make this contribution. Microfinance — the provision of financial services to the poor in a sustainable manner — utilizes credit, savings and other products such as microinsurance to help families take advantage of income-generating activities and better cope with risk. Women particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients.

Microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status. By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world¹. As such, microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better working conditions for women.

Women's empowerment through microfinance is key for promoting the International Labour Organization's (ILO's) Decent Work Agenda, which acknowledges the central role of work in people's lives as a means for achieving equitable, inclusive and sustainable development. By increasing women's access to financial services, microfinance ultimately contributes to ILO core values of greater gender equality and non-discrimination.

*Micro-credit loans and
skills training create jobs
for women heads of families
in Siem Reap Province,
Cambodia.*



► Why Target Women?



Women using an ATM machine. Turkey.

Seventy percent of the world's poor are women. Yet traditionally women have been disadvantaged in access to credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy.

Microfinance on the other hand often targets women, in some cases exclusively. Female clients represent eighty-five percent of the poorest microfinance clients reached². Therefore, targeting women borrowers makes sense from a public policy standpoint. The business case for focusing on female clients is substantial, as women clients register higher repayment rates. They also contribute larger portions of their income to household consumption than their male counterparts. There is thus a strong business *and* public policy case for targeting female borrowers.

Children of women microfinance borrowers also reap the benefits, as there is an increased likelihood of full-time school enrolment and lower drop-out rates. Studies show that new incomes generated from microenterprises are often first invested in children's education, particularly benefiting girls. Households of microfinance clients appear to have better health practices and nutrition than other households³. Positive environmental impact is also achievable as microfinance programmes may support green jobs and renewable energy systems⁴. Microfinance therefore makes a strong contribution to the realisation of the Millennium Development Goals.

Avoiding Undesired Consequences

Although the positive impact of microfinance on women's empowerment is evident, microfinance providers must also be cautious to avoid possible negative outcomes. Studies have shown that women sometimes have little or no control over their loan, with the husband or male family member making all decisions⁵. Moreover, differences in literacy, property rights and social attitudes about women may limit impact outside of the immediate household. Residents of rural areas specifically continue to have difficulties in accessing microfinance.

Women may also struggle with the heavier workload created by the responsibility for loan repayment. Changes in the access to finance influence the distribution of working time between men and women in the same household and between activities yielding different returns⁶. Evidence suggests that up to a point microcredit increases the workload of women and girls, perhaps offset by more equality in household decision-making⁷.

From an institutional standpoint, MFIs may decrease the percentage of women clients as they move up-market in search of better financial returns or even transform into commercial banks. The proven business case for targeting female borrowers must therefore be emphasized, while at the same time strengthening MFI strategies for reaching women.

1-2 Daley-Harris S. 2007. Microcredit Summit Campaign Report 2007.

3 Littlefield E., Morduch J. and Hashemi S. 2003. Is Microfinance an Effective Strategy to Reach the Millenium Development Goals? Focus Note 24, CGAP.

4 ILO. 2007. Green Jobs and global warming: ILO to discuss new initiatives for tackling climate change in the world of work. November 2007.

5 Goetz A. and SenGupta R. 1996. Who Takes the Credit? Gender, Power, and Control Over Loan Use in Loan Programmes in Rural Bangladesh. World Development, Vol. 24, No. 1: 45-63.

6 Hossain M. and Diaz C. 1997. Reaching the Poor with Effective Microcredit: Evaluation of a Grameen Bank Replication in the Philippines. International Rice Research Institute.

7 Mayoux L. 2000. Microfinance and the Empowerment of Women – review of key issues. Social Finance Programme Working Paper no. 23, ILO, Geneva.

Promoting gender equality and decent work through microfinance in Tanzania

Lazia (right), 50 years old and 6 children, once worked in the quarries of Mtongani in Tanzania. Through an ILO supported project, Promoting Gender Equality and Decent Work Throughout All Stages of Life, Lazia joined a women's cooperative to help build a mushroom and hen house enterprise as an alternative to stone breakage.

The ILO project helped identify new economic activities and launch micro enterprises while training poor women in business management and marketing. Women gained new skills from the training to increase their access to sustainable livelihood opportunities. The socio-economic empowerment of Lazia and other working mothers also led to direct improvements in overall family welfare, including a reduction in child labour, increased school attendance

► Strategies for advancing gender equality through microfinance

Strategies to facilitate positive impact on women form a basis for tailoring microfinance policies, practices and products to better address gender equality and promote women's empowerment.

Internal MFI gender mainstreaming

- Crucial components of a proactive women's empowerment strategy include training on gender analysis for MFI staff members, the utilization of female loan officers and the provision of equal employment and management opportunities for women. MFIs should also incorporate empowerment indicators, such as the proportion of women clients in the loan and savings portfolio, into client monitoring and assessment processes.

Adjusting financial services to better address women's needs

- Microfinance products generate different outcomes for men and women. MFIs should therefore tailor product specifications, such as loan amounts and repayment schedules, to diverse client needs. Individual loan products designed for women are also important for enabling enterprise growth.
- Savings products designed for women are a fundamental element of risk management. A diversified MFI product offer should also include other financial services that help reduce vulnerability, such as microinsurance.
- Adjusting collateral requirements and encouraging the registration of property in women's names are other essential components of gendered microfinance.

Non-financial services

- Non-financial services with conditionalities to credit access, such as carefully designed adult literacy and business training programmes, can facilitate women's access to better jobs and income-generating opportunities and are perhaps the most effective means of promoting gender equality.

External marketing for community awareness

- Marketing campaigns directed at women can positively influence both men and women's attitudes on women's status and employment in the community by helping male community members to accept economic opportunities for women, by building women's self-confidence and by facilitating community approval of women's projects.

Groups to strengthen women's networks

- MFI women's groups should be utilized to promote and strengthen women's networks and not merely as a means of lowering programme costs. Women's groups are useful vehicles for non-financial service delivery, such as literacy and health programmes. Groups also encourage linkages between women and other active community associations and the larger civil society network as a whole.



Woman and her son selling refreshments on the streets of La Paz.

and improved protection against illness and sudden shocks. By opening up the schooling and training activities to girls and young women, the project helped break the generational transmission and feminization of poverty. Moreover, through microfinance, women previously excluded from the financial sector gained access to credit and effectively learned how to borrow, profit from, and repay loans.



► Women, Microfinance and the ILO

Women's empowerment through microfinance is an essential component of promoting the International Labour Organization's Decent Work Agenda.

The Social Finance Programme (SFP) is the ILO's focal point for microfinance. Operating via a Social Finance Network across all sectors and regions, the SFP contributes to achieving gender equality and women's empowerment through the promotion of more inclusive financial systems. The SFP's Microfinance for Decent Work action research aims to reduce vulnerability, invest in job creation and strengthen social partners' capacity to improve access to financial services. The SFP also works in cooperation with the Gates Foundation to manage the Microinsurance Innovation Facility, an experimental programme designed to improve men and women's ability to cope and mitigate risk through microinsurance.

The ILO Bureau for Gender Equality supports policies and programmes throughout the organization that promote gender equality and lead to women's empowerment. The ILO STEP* programme researches microinsurance schemes in an effort to develop social protection for the poor. The WEDGE** team, part of ILO's Small Enterprise (SEED) programme, works to enhance economic opportunities for women by developing tools and strategies specific to the needs of women entrepreneurs and by working to ensure gender is mainstreamed throughout the programme.

* Strategies and Tools Against Social Exclusion and Poverty

**Women's Entrepreneurship Development and Gender Equality

Selected ILO Publications on Microfinance and Women

SFP Working Paper 23. Micro-finance and the Empowerment of Women – A Review of Key Issues. L. Mayoux, 2000.

SFP Working Paper 32. Microfinance et Autonomie féminine. I. Guerin, 2002.

SFP Working Paper 35. Property Rights and Collateral – How Gender Makes a Difference. Bankers Institute of Rural Development. India, 2003.

ELIFID WP03-4. Libéralisation financière et accès au crédit et à l'épargne des systèmes financiers décentralisés: le cas des femmes au Bénin. R.E. Gbinlo, Y.Y. Soglo, 2003.

IFLIP WP01-4. Gender Access to Credit under Ghana's Financial Sector Reform: A Case Study of Two Rural Banks in the Central Region of Ghana. E.K. Ekumah and T.T. Essel, 2001.

IFP/ SEED. Supporting Growth-Oriented Women Entrepreneurship in Ethiopia, Kenya and Tanzania: An Overview Report. IFP/SEED, 2004.

SEED Working Paper 69. Nepal and Pakistan, Micro-finance and microenterprise development: Their contribution to the economic empowerment of women. M.S. De Gobbi, 2005.

STEP Working Papers, Special Studies. Enabling Women to Address their Priority Health Concerns: The Role of Community-based Systems of Social Protection. ILO/STEP, UNFPA, 2004.



Women's rural cooperative gathering to share profits in Kesavarayampatti village (Madras).



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