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**GRADUATE SCHOOL OF DEVELOPMENT STUDIES**

**Microfinance With Woman's Face: Empowering Poor Rural Women And  
Improving Their Livelihoods?  
Evidence From 'San Alfonso de Chibuleo' Community in Ecuador**

**A RESEARCH PAPER PRESENTED BY**

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*To the fellow peasants in especial to  
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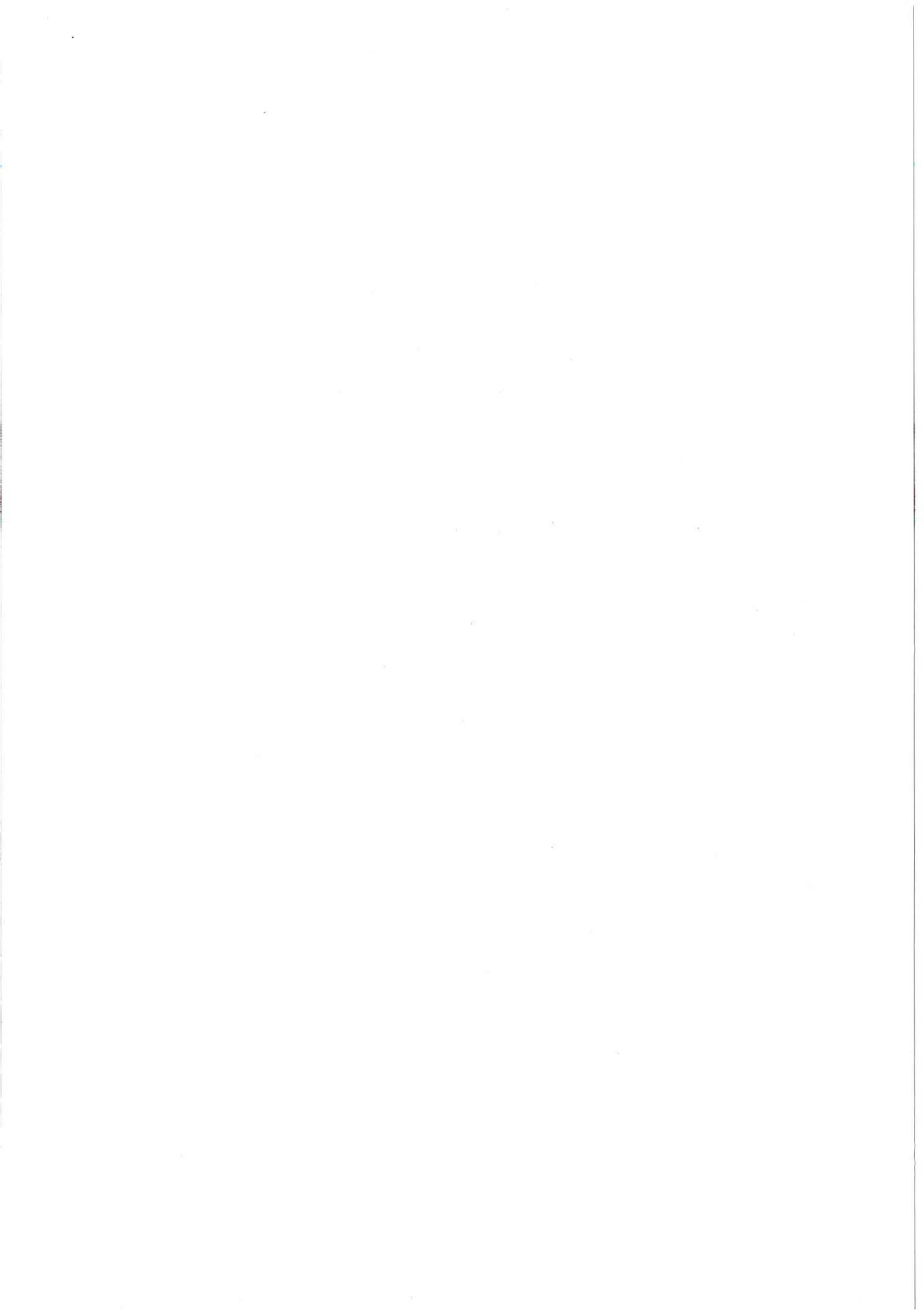
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## Abbreviations

BFG	Board Focus Group
BNF	National Development Bank
CARE	Cooperative for Assistance and Relief Everywhere
CGAP	Consultative Group to Assist the Poor
CONAIE	Confederación de Nacionalidades Indígenas del Ecuador (Confederation of Indigenous Nationalities of Ecuador)
CRS	Catholic Relief Services
CFN	Corporación Financiera Nacional ( National Financial Corporation)
DA	Diócesis de Ambato (The Diocese of Ambato)
DFID	Department for International Development
FODERUMA	Fondo de Desarrollo Rural Marginal (Marginal Rural Development Fund)
FONLOCAL	Fondo de Desarrollo Local (Development Local Fund)
IFAD	International Fund For Agricultural Development
INEC	National Institute of Statistics and Census
LFG	Leaders Focus Group
LHI	Life History Interview
MFG	Members Focus Group
MFPs	Microfinance Programmes
NGOs	Non Governmental Organisations
PDAP	Proyecto de Desarrollo de Area Pilahuin (Pilahuin Area Development Project)
PRODEPINE	Programa de Desarrollo de los Pueblos Indígenas y Negros del Ecuador (Development Programme of Indigenous and Black People of Ecuador)
PRONADER	Programa Nacional de Desarrollo Rural (National Rural Development Programme)
SACH	San Alfonso de Chibuleo
SAPs	Structural Adjustment Programmes
SIISE	Sistema Integrado de Indicadores Sociales del Ecuador (Integrated System of Social Indicators of Ecuador)
SOLCA	Sociedad de Lucha Contra el Cáncer. (Society of Fight Against Cancer)
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNOPUCH	Union de Organizaciones del Pueblo de Chibuleo (Organisations Union of Chibuleo People)
WB	World Bank





## 1. Introduction

Much has been written and done in the field of poverty reduction. However, the problems remain and today more than 1.3 billion people world-wide are living in miserable conditions. About three-quarters of them live in rural areas and 70 per cent of them are women (UNDP, 1995; IFAD, 2001).

For several decades rural development promoters have argued that the access to institutional credit is important in agricultural development and in enhancing the economic conditions of the rural poor in developing economies (Chavan & Ramakumar, 2002). Since the 1950's till 70's, governments and development banks have been providing subsidised credit to small farmers in rural areas, together with technical assistance to increase productivity and incomes along the lines of the green revolution (Vogel & Adams, 1997). The model of subsidised credit rates started to be criticised in the beginning of the eighties on different grounds: the credit did not reach the poorest farmers, the recovery rates were frequently low, there were no saving services, transaction costs and losses were very high (Adams & Von Pischke, 1992; Braverman & Guasch, 1986).

Structural Adjustment Programmes (SAPs) followed in the 1980's with the resurgence of neo-classical theory and state intervention in the economy was drastically reduced. These policies " ... entail drastically rolling back the state by radically reducing government expenditure (especially welfare expenditure), privatising state enterprises, eliminating subsidies and protectionism, and liberalising markets, as well as shifting from inward-oriented to outward-oriented development strategies" (Kay, 1993:693).

Subsidised credit programmes were also dismantled. The state retreated from welfare policies that had been their prerogative in the previous decades and a new social actor appeared on the stage of mitigating the social consequences of economic reforms: non-governmental organisations. It is said that there is a direct correlation between the withdrawal of the state from the sphere of rural development and the increase in the numbers of NGOs. These organisations try to soften the social impacts of that withdrawal, becoming in an accommodation to SAPs (Breton, 2003).

Against this background, in the 1980's micro-credit programmes became popular as a new panacea, based on the well-known experience of the Grameen Bank in Bangladesh, The Banco Sol in Bolivia and Bank Rakyat in Indonesia. The assumption

is that providing small loans to poor people, they can self-employed, can generate income and improve their livelihoods (Ahmed, *et al.*, 2001).

In the early 1990's emerges microfinance as a development intervention coinciding with the global predominance of SAPs. It was assumed that the failure of the promised 'trickle down' effect from neoliberal policies could be compensated by 'the trickle up' effect from microfinance (Mayoux, 2002:8). In this context, microfinance has evolved as an economic development approach in many less developed countries where the market fails to provide financial services to low income people, especially women (Khandker *et al.*, 1998:97; Ledgerwood, 1998). In fact, since the mid-1990s Microfinance Programmes (MFPs) have been promoted as a key strategy for poverty alleviation and women's empowerment. Most of them are run by NGOs all over the world (Mayoux, 2002:3).

Conventionally, microfinance is claimed to be an important tool of poverty reduction. It is said to enhance women's incomes by enabling them to get self-employed in non-farm activities, leads women to control the income, which then would give them control over resources and they will contribute to families' wellbeing (Mayoux, 1998:40). In addition access to micro financial services would enable women to get a wider social and political position in the society through participation and collective action (Hashemi *et al.*, 1996:650). Moreover, there is substantial research that shows that women are more reliable payers, more responsible in the use of the money and usually more committed to improving the socio-economic conditions of their households (Berger, 1989). Based on the awareness of women's reliability, micro finance services are nowadays mainly concentrated on women. Indeed, in February 1997, the Micro-credit Summit in Washington launched a global movement to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment by 2005 (Harris, 2002:2). Undoubtedly, women's rates of payment are as high as 95% (Morduch, 1999). The question, however, is whether the apparent success of high return rates does reflect an actual improvement of the women's livelihoods and their empowerment. After all, it seems questionable whether women, especially poor rural women, are able to recompense for what the state is no longer providing. After all it needs to be asked to what extent there is a clear danger of exhausting those women's limited strengths. In

this context, Mayoux warns by saying "...microfinance programmes become merely a means of shifting the burden of both household debt and development itself on to women" (Mayoux, 2002:11).

Several authors try to address this shortcoming by using different tools, which allow understanding the situation of the poor. The Livelihood Approach, as developed by Chambers (1995) and Ellis (2000), proposes a people-centred framework to investigate the living conditions of the poor and permits a better understanding of the poor's complex and multidimensional reality. This approach suggests that the poor are exposed to risks and opportunities and they build livelihoods strategies for surviving as response the shocks they are expose (Johnson, et al., forthcoming). Another instrument that is often used in relation to financial services for the poor is the concept of 'empowerment' which propose that access to credit allows people reduce poverty. Authors like Hashemi *et al.* (1996) and Mayoux (2001; 2002) use this concept to explore how the poor, especially women, can be supported with financial services in their daily life to reach the economic empowerment, wellbeing and a better social and political position. Both frameworks, the Livelihood Approach and the Empowerment Approach, have the merit of distinguishing between different aspects of poverty, such as its social, economic, cultural dimensions. I will use these concepts in my research paper.

Against this background, the main objective of the present research is to increase the awareness of the diverse rural livelihoods and the needs of poor rural women. It is hoped that such awareness can help organisations in designing appropriate microfinance schemes for women in the rural areas.

In order to do so, this research will address the following question:

***Does access to microfinance programmes lead to the empowerment of poor rural women and the improvement of their livelihoods?***

The operational questions are:

- To what extent can microfinance contribute to poverty reduction?
- To what level does microfinance empower poor rural women in terms of their economic situation, their well being, and their social and political position?

- To what degree microfinance programme of Diocese of Ambato respond to the livelihoods needs of poor rural women?

In order to answer these questions, I will take the case of a Women's group called San Alfonso de Chibuleo (SACH) which is supported by Diocese of Ambato (DA). The DA, in turn, works with the International NGO, Catholic Relief Services. Its main objective is to reduce poverty through income activities. But it has not been fully successful. In fact, data shows that most borrowers invest in home-based activities and households needs. On the one hand, DA's MFP overlooks indigenous women are subject to shocks and crises and have diversity of needs. They lack of education and training which constitutes one important limitation to develop successful enterprises. On the other hand, although, participation is still scarce, DA'S MFP has contributed to women's capacity to organise themselves. Finally the paper concludes by saying that MFP should understand better the specific needs of poor rural women and offer more appropriate financial mechanisms for building good ways of living.

This research uses both qualitative and quantitative primary and secondary data to define the central concepts of microfinance, women's empowerment, livelihoods and poverty. Primary data was collected from a structured survey, interviews and focus groups held with the SACH Women's group. The research was developed in June 2002, in Ecuador, in the context of a project about credit and organisational strengthening of indigenous women's groups. The World Bank office carried it out. As an assistant researcher of the project I had the opportunity to stay in the field for two weeks.

The data collection process began with initial contacts. Consequently, an information meeting with some leaders of the community and members of the SACH women's group was made with the assistance of the president of the women's group and the president of the SACH community. Following a participatory process, survey, interviews and focus groups were developed in the locality and the schedule to implement them was planned jointly with the organisation's members. Fifty-five members of the women's group composed the survey's sample. A questionnaire structured in 45 questions dealing with age, education, income level, household expenditure, cultural organisation and credit was designed. It provides information

useful to analyse the problem suggested in this research paper. (See Appendix A, which presents the English version of the Spanish and Kiwcha questionnaire that were used during the field work.).

FIGURE 1. LOCATION OF SAN ALFONSO DE CHIBULEO WOMEN'S GROUP



Three investigators conducted the interviews. One research assistant, a native speaker, was trained in order to get more accurate information, communicate better and assess unexpected attitudes. In order to take into consideration all the statements made by the interviewees, all the interviews were recorded and translated later into Spanish. In addition, for gathering qualitative primary data, three focus groups were held. The first one was held with fifteen members of the women's group, another with four members of the group board, and a third focus group with nine leaders of SACH community.

Furthermore, four in-depth interviews were carried out with three women of different ages and socio-economic conditions, to find out the changes that they have experienced since they joined the organisation. A fourth interview was done with the responsible account promoter, staff member of The DA'S MFP. All, focus groups, life histories and the account promoter interview were recorded and transcribed later.

One hundred thirteen pages were available from the interviews and the focus groups. Guides for interviews as well were very useful to address focus groups and life histories. These tools were designed to obtain a variety of responses, views and perspectives on microfinance and the changes in women's life. Moreover, it is important to note that during all the process of fieldwork, observation and reflection techniques were also applied, which enriched the analysis of different behaviours and views of group members as well SACH community members.

The secondary information is based on a review of literature and documents related to the national and international context of microfinance (especially literature about Grameen Bank' experience), and livelihoods available in study reports, journals, articles and data from the Internet. The Integrated System of Social Indicators of Ecuador (SIISE) has been useful because it provides data of socio-economic indicators of the country. Moreover, annual reports from SACH locality provided by the "Union of Organisations of Pueblo Chibuleo" (UNOPUCH)<sup>1</sup> and the Development Project of the Area Pilahuin (PDAP) complemented the information.

Furthermore, my experience and insights gained while I was working as rural development projects co-ordinator in different NGOs in Imbabura and Esmeraldas provinces and my participation as a research assistant in the study carried out by the World Bank in Ecuador have helped to complement and fill the research gaps. It also has helped me to gain important insights into aspects of rural livelihoods discussed in this research paper.

It is important to stress some limitation of this research. First, the initial focus of the survey carried out by WB Ecuador did not take into consideration all the different aspects of livelihoods, but focused more on organisational strengthening of women's groups and its connection with credit. Secondly, I had to deal with the fact that I could not have access to raw data but only to finalised ones. In addition, the DA failed to provide additional information that could have helped the research.

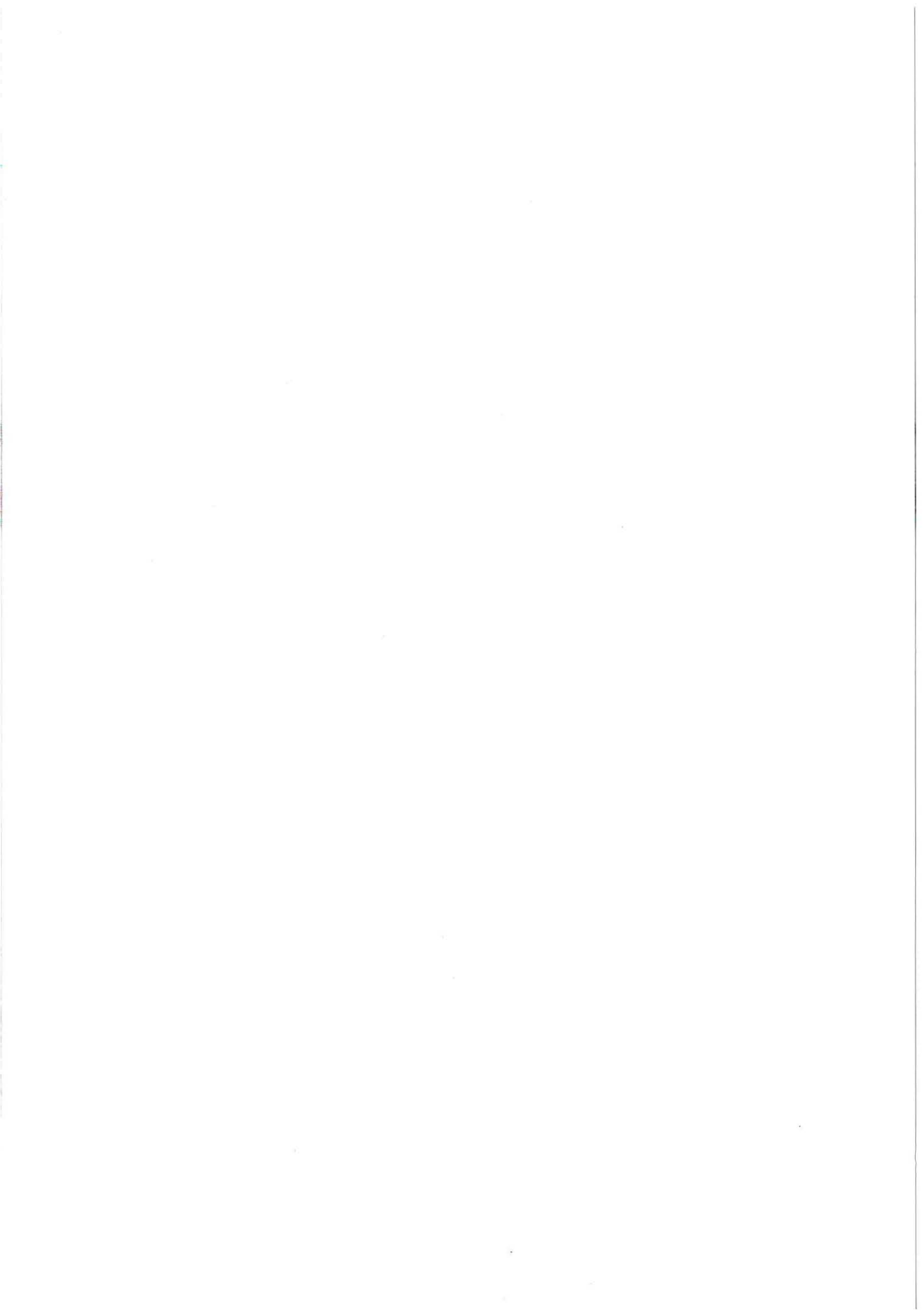
Additionally, the sample is relatively small and therefore results may not be used to make general conclusions to represent all women involved in microfinance programmes. However, this study and its findings are based on reliable information

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<sup>1</sup> UNOPUCH is an Organisation affiliated to CONAIE, (National Council of Ecuadorian Indigenous) which is the most important indigenous organisation at national level.

that provides trustful insights into the mechanisms through which microfinance programmes affect the lives of women and allows us analysing their socio-economic situation. Moreover, the strategy applied by DA is replied in five more provinces of Ecuador. Therefore is at least to some degree representative.

This paper is organised in five chapters. Chapter Two draws on the theoretical literature on microfinance, women's empowerment and livelihoods to provide some basic definitions of central concepts and technical frameworks that gives inputs for later debates on specific targeting issues. Chapter Three focuses on the issue of microfinance and livelihoods in the country context. Chapter Four explores the case of San Alfonso de Chibuleo Women's Group, presents the outcomes of the microfinance programme and its impact on the women's lives. In Chapter Five a number of conclusions are drawn based on the evidence discussed in the preceding sections.





## **2. Microfinance: Changing the Ways of Life of Poor Rural Women?**

This chapter discusses literatures on the study's central themes. It attempts to provide a conceptual context as a basis to understand the microfinance and its relationship with women's empowerment and their livelihoods as a mechanism to reduce poverty. The section (2.1) outlines the main concepts and assumptions of microfinance. Then section (2.2) explores the three claimed areas of women's empowerment based on Mayoux's framework. The next section (2.3) reviews Ellis' Livelihoods Framework. The section (2.4) analyses the microfinance services in the context of the Livelihood Approach. Based on previous conceptual discussion, in section (2.5) I will present the framework I have chosen for the case study analysis, in chapter four. Finally, main conclusions will be drawn.

### **2.1. Microfinance as an instrument for poverty reduction**

During the last decade microfinance has been promoted as a key strategy for poverty alleviation and women's empowerment (Mayoux, 2000), because it creates self-employment, increase incomes and women have a better position within household and the society (Hashemi *et al.*, 1996). However, this practice also has been criticised because they exclude the poorest of the poor and, in addition, most institutions are not financially sustainable (Johnson & Rogaly, 1997).

#### **2.1.1. Microfinance: Concept and Implication**

The Consultative Group to Assist the Poorest (CGAP), which is a committee set up by the World Bank to co-ordinate bilateral and multilateral funds defines microfinance as:

*"...[M]icrofinance means[for] providing very poor families with very small loans (microcredit) to help them engage in productive activities or grow their tiny businesses. Over time, microfinance has come to include a broader range of services (credit, savings, insurance, etc.) as we have come to realise that the poor and the very poor who lack access to traditional formal financial institutions require a variety of financial products." (CGAP, 2002:1).*

According to the Catholic Relief Services (CRS) the goal of microfinance is:

*"...[T]o provide the self-employed poor, especially women, with access to reliable financial services... who have little or no access to formal credit. Women are often the poorest members of their communities and control the fewest resources, even in societies where small businesses are traditionally women's domain."(CRS, 2003:2)*

Looking at these microfinance definitions, three common elements become visible. First, both conceptualisations recognise that formal financial institutions fail to provide credit and saving services to poor people, even more to the women. Second, MFPs focus on the provision of small credits as a key tool to reduce poverty. Third, loans should be used only for productive activities assuming that people possess has inherently entrepreneurial skills to develop successful enterprises. But, CGAP has began to recognise that the poor demand a variety of financial services since they have several needs and are exposed to risks, like crises and shocks (Chambers & Conway, 1992). The poor also can save money although not in a monetary way. These issues with neoliberal overtone<sup>2</sup> will be analysed through the development of this paper and especially in the analysis of the case study.

### **2.1.2. Microfinance Programmes and Poverty**

Microfinance is broadly considered as an effective antipoverty tool, with the assumption that the reduction of poverty is tied to increase incomes. But this economics assumption demands a careful analysis (Wright, 2000:8). Indeed, poverty is more than the lack of economic growth. Poverty is a multidimensional concept, that comprises both income and non-income aspects. Even the World Bank now adopts a broader approach to poverty, based on Amartya Sen's entitlement and capabilities approach. Poverty is lack of income and assets to achieve basic necessities. It, is the vulnerability to adverse shocks, linked to an inability to cope with them, and the sense of voicelessness and powerlessness in the institutions of state and society (World Bank, 2000:15,34). Hence, to counteract poverty, it is crucial that poor have (i) legally entitlements to assets (natural, physical, financial and social) and human assets like health, child nutrition, education and skills, and (ii) access to markets (IFAD, 2001).

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<sup>2</sup> With 'neoliberal overtone' I mean that behind the microfinance intervention the real intentions is to promote free market, to minimise the involvement of State, and to create entrepreneurs ( See Roth, 1997)

The World Bank estimates that of the world's 6 billion people, 1.2 billion live on less than \$1 day (ibid.). Seventy five percent work and live in rural areas (IFAD, 2001:3). With this discouraged reality, and among the successful experiences of microcredit in Bangladesh, Bolivia and Indonesia emerged the hope to reduce poverty through the development of a microfinance industry. In fact, supporters and donors convened in Washington DC in 1997 for The World Microcredit Summit and launched the Microfinance enterprise as an antipoverty strategy "to reach 100 million of the world's poorest families, especially the women of those families, with Microcredit for self-employment by 2005". Here one may wonder whether there is a real hope to reduce poverty or if it is just a re-emerging 'blueprint' approach? (Rogaly, 1996:100). In this context, this paper situates within the approach that argues people have the right to live a decent life, which means to go beyond of simple vision of economic improvement. It means recognising the necessities of poor people and their understanding of wellbeing.

### **2.1.3. Microfinance Programmes Targeting on Women: Pros and Cons**

The MFPs target women because they are in a disadvantaged socio-economic position not only within the household but also in the society. But what are the realities behind this financial intention? The main assumptions and discussions are reviewed in the paragraphs below.

One of the assumptions to benefit women is the fact that *women are the poorest of the poor*, they have less access to and control over land, credit, education and health (IFAD, 2001). Indeed poverty has woman's face, 70 per cent of people in poverty are women, which is linked to unequal socio-economic structures predominant world-wide (UNDP, 1995:4). However, there is evidence that shows MFPs have focused just on those near to the poverty line but they have been ineffective in reaching the poorest (Hulme & Mosley, 1996:130; Navajas *et al.*, 2000: 334).

A second assumption is that *women spend a bigger share of their income on their households than men do*. Women are responsible for satisfying the basic needs of their families. They assign most of their incomes to subsistence and nutrition of their households (Grown & Sebstad, 1989:938), improving their families livelihoods

(Ellis, 1992: 293). Nevertheless, it produces negative impacts on women because their workload increases and they have to carry out “the triple burden”: reproductive, productive and community management work (UNCDF, 2002: 2).

A third assumption is that *women are reliable and have high repayment rates*, (Mayoux, 2000:2). Female borrowers are more responsible than male borrowers (Berger, 1989:1026). Indeed, most of the MFPs declare loan repayment rates above 95 per cent, despite the relatively higher interest rates. This contradicts old assumptions that claimed that the poor are not credit worthy and demand ‘cheap’ credit (Morduch, 1999:1571; 2000:617). This encourages donor agencies to support microfinance initiatives, since it contributes to projects’ sustainability.

## **2.2. Microfinance and Women’s empowerment**

Empowerment is defined in different ways. It is the right and the ability to have economic independence, wellbeing and political knowledge and activism (Brahm, 2000:2; Holcombe, 1995:17). Empowerment is achieved, according to Hedrick-Wong and Kramsjo, “...through raising the consciousness of the poor equipping them with organisational and practical skills. Supporting them with needed resources, infusing them with the confidence and the determination necessary for taking actions to improve both their social and economic lives” (cited in Wright, 2000:18).

### **2.2.1. Mayoux’s Framework for Analysing Women’s Empowerment**

Microfinance is claimed being a key tool to empower women because enhances women’s incomes through self-employment. It is said leads women to control incomes and resources and to contribute to family’s welfare and it enables women to get a wider social and political position in society through participation (Hashemi et. al., 1996:650). To answer the questions set out in the research paper, I found some of the empowerment variables as presented in Mayoux’s framework useful (Annex B). In fact, they can help explaining impact of microfinance on the poor rural women’s lives at economic, wellbeing and political level. The variables to be discussed in the next section and later analysed in the case study are presented in the following table.

**Table 1. Framework for analysing Women’s empowerment in the Case Study**

<b>Economic Empowerment</b>	<b>Well being and improvement of education and health</b>	<b>Social and Political Empowerment</b>
<ul style="list-style-type: none"> <li>• Access to incomes</li> <li>• Control over loans/incomes</li> <li>• Economic contribution to Household income</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making and intra household relations</li> <li>• Self esteem and confidence</li> <li>• Opportunities for education and health care</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility</li> <li>• Participation</li> <li>• Improvement of organisation and involvement in civil society</li> </ul>

*Source:* Mayoux (1998).

### **2.2.2. Economic Empowerment**

MFPs proclaim loans should be used in non-farm activities to generate earnings and improve livelihoods. But women lack education and special skills to do it. They prefer to invest their money in known traditional activities that are in general low profit (Goetz & Gupta, 1996; Mayoux, 2002). Women invest the loans in several activities to try to diminish the risk at which they are exposed (Todd, 1996: 214). This helps to face future crises at which poor are vulnerable, such as sickness, or the death of a family member, etc. (Ellis, 2000: 34). It is also useful to secure the wellbeing of women’s families by covering subsistence and nutrition needs daily (Grown & Sebstand, 1989:937).

But, women are excluded from market economy since they have no strong claims on resources (Pearson, 1992:311). They are limited by physical costs, lack of knowledge of markets, lack of organisation (IFAD, 2001:163) and by constraints of cultural norms and rules that result discriminatory (Goetz & Gupta, 1996; Mayoux, 2001). Precisely, these facts influence women do not always can maintain full control over their loans. In a study of Grameen Bank Goetz & Gupta (1996:49) found that 63 per cent of women had very limited, partial or no control over the loan they received<sup>3</sup>, “indicating (...) the loss of direct control over credit”. In this context, men usually control household income and are recognised as the “breadwinner of the family” regardless of women’s contributions (Mayoux 2001: 452). Regarding to this, Mizan (cited in Wright, 2000:24) based on Grameen Bank’ studies noticed that women

<sup>3</sup> For more details, see Goetz & Gupta’s index of loan control (1996:48-9).

contribute economically with in average 38 percent of the total household income. However, this cash contribution is small, since mostly come from home based activities (Hashemi, 1996).

### **2.2.3. Wellbeing and Improvement of Education and Health**

In most of the cultures, women are considered responsible for family wellbeing. Women's wellbeing deals with their power to make decision within household and their access to basic resources such as food, education, health, etc. (Khan, 1998:31).

Household contributions are considered a complex negotiation within families (Mayoux, 2001) because members have different interest and capabilities to pursue those interests (Agarwal, 1997:2). This very often generates gender inequality in intra-households relations (Kabeer, 2001:67) and there is no evidence gender roles are modified within household, despite women's access to credit (Goetz & Gupta, 1996).

In the context of microfinance, it is argued that providing women loans can improve domestic relations since they benefit their husbands and their families (Schuler *et al.*, 1998:153) influencing sometimes in the change of allocation of household tasks (Mayoux, 2002:46). Wright disagrees and points out that access to loans produce workloads and fatigue (2000:29). Women, affirms Ahmed *et al.*, have to find time for household tasks, farm obligations and organisation and community activities (2001: 1958). Even so, it can generate the removal of male contributions to the families (Mayoux, 2000:44).

In addition, Goetz and Gupta (1996:54) found access to credit can increase violence against women because of the tension related to repayment of credit, specially when there is the case that men take the money from loans, but are not responsible to them (Ahmed *et al.*, 2001:1958). In this MFPs fail in addressing the violence problem. It seems most of them are interested in being accepted by the community and not 'put at risk' the program (Schuler *et al.*, 1998:154). Hence, this raises the question whether MFPs are interested in the wellbeing of women or in the financial wellbeing of their organisations?

However, the fact that women help to improve the wellbeing of their families is recognised by their families and by themselves. This increases their confidence and

sense of self worth (Hashemi *et al.*, 1996:648). As mentioned above, the family's wellbeing includes education and health care. Microfinance, it is argued plays an important role for it. In fact, there is evidence that women with access to credit can result in higher school attendance of the children (Pitt & Khandor, 1996). Nevertheless, Yunus, the beginner of microcredit programmes claims that inherent skills women have is sufficient condition to utilise loans productively (cited in Todd, 1996:214). But, Roth affirms, enthusiasm and good skills are not enough elements to develop an enterprise successfully (1997:17), even less in hierarchical communities where women are marginalised from access to health and education services (Mayoux, 2001, 2002).

Hence, it is necessary to promote access to education, training and technology (Chavan & Ramakumar, 2002:959) in order that people can become more productive (Sen, 1997). Regarding to health, evidence suggests that women with access to credit spend more on nutrition and other health expenditures for children. However, it is also evident that access to credit and self-employment activities implies serious adverse effects on women's health (Mayoux, 2000, 2002).

#### **2.2.4. Microfinance and Women's Social and Political Position**

Microfinance it is argued improves the change from a marginal position to a greater social political participation of poor women (Brahm, 2000:3). MFPs is said contributes to increase the mobility of women by participating in the group activities where they meet each other, discuss, and share information (Hulme & Mosley, 1996; Mayoux, 2002). Moreover, it is argued that women learn to talk in public and their leadership knowledge increases. They assume leadership roles and participate more in decisions and policies that affect their lives (Hashemi *et al.*, 1996:648).

On the other hand, Goetz and Gupta criticised it. They affirm that for many organisations the leadership training process is narrow "...[it] consists primarily of rules and methods for credit society management, not methods to counter gender-specific constraints to assertiveness, confidence, and power within households and the local community" (1996:56). At this stage it is critical to mention that education goes beyond literacy and numerical skills. It is about people having the capability to

discuss, to debate and to negotiate to claim their rights, and to have better opportunities and can contribute to change the social conditions (Sen, 1997:1959-60).

### **2.3. Conceptualising the Livelihood Approach**

Currently, people need access to several resources to make a livelihood and overcome poverty. In consequence, the rural livelihood analysis goes beyond the field of agricultural and natural resource activities (Zoomers, 2001:13). Indeed, Bebbington argues that “We therefore require a notion of access to resources that help us not only understand the way in which people deal with poverty in a material sense (by making a living), but also the ways in which their perception of well-being and poverty are related to their livelihood choices and strategies, and the capability they possess both to add to their quality of life and also to enhance their capabilities to confront the social conditions that produce poverty” (1999:2022).

Therefore, this approach will be helpful for a wider understanding of the rural women’s ways of living and how MFPs affect them. The approach will be also useful to know how, for what and under what circumstance women use loans. And under what kind of conditions are microfinance, especially credit, delivered.

#### **2.3.1. Concepts and Definitions**

##### **2.3.1.1. THE LIVELIHOODS CONCEPT**

Current studies about poverty and rural development make use of the livelihood concept. In a simple perception, livelihood “... is a means of gaining a living” (Chambers & Conway, 1992:6) but at the same time it is complicated to define it, because it concentrates on many activities that poor people do to obtain a living (Chambers, 1995:23). Here two definitions are offered, which will be used in the analysis of the paper.

Based on the original concept of livelihood developed by Robert Chambers and Conway in their 1992 work, DFID defines as:

*“A livelihood comprises the capabilities, assets (including both material and social resources) and activities, required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resources base” (DFID, 2002:2).*



Frank Ellis (2000:10) proposes another concept in which:

*“A livelihood comprises the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or household.”*

In comparing these concepts, there are two common themes. First, all definitions focus on access to assets as the way rural poor can make a living. Second, the attention centres on activities as means of generation of sources for rural households' survival (ibid.). The definitions, moreover, present particular features. Chambers and Conway use the term “capabilities”<sup>4</sup> to refer to the abilities of persons “... of being and doing...” (1992:5). Being related to capacities individuals have to be healthy, well nourished, living in a decent way, etc. Whereas, doing covers human abilities “... to make use of choices, develop skills and experience, participate in society, etc.” (Ellis, 2000:7; Sen, 1997). Ellis' definition emphasises the influence that social relations and institutions exert on individuals or households access to assets in a difficult socio-economic environment (2000:9).

At this stage, the livelihoods will be useful to identify the assets to which women can access and through which they can make a living and also will help to identify the main actors that participate in making possible the being and doing of human beings. The next section deals with the Livelihood Approach that reviews in detail assets, activities, and processes, which are important instruments for the ways of living of rural poor.

### **2.3.1.2. ACTIVITIES AND INCOMES**

To understand the Livelihood Approach it is necessary to define some of the main concepts. Ellis argues Livelihood is more than just income; income includes cash earning of the household plus contributions in kind that can be valued at market prices. (2000:10).

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<sup>4</sup> The word capability has been adopted by Amartya Sen (1984) to refer to being able to perform certain basic functionings, to what a person is capable of doing and being (Chambers & Conway, 1992:5).

Ellis classified the income source, in several categories: farm, off-farm, and non farm-income. Farm income includes livestock as well as crop income and comprises both consumption in kind of own farm production as well as the cash income obtained from output sold. Off farm income refers to wage generated away from one's own farm. It includes labour payment in kind such as harvest share systems and other non-wage labour contracts that are common in most of the developing countries. Non-farm income incorporates to non-agricultural income sources: non-farm rural wage or salary employment, non-farm self-employment, called business income, property incomes (rents), pensions, and international remittances (1998:5). As a result, rural poor have different sources of incomes and their livelihoods are diverse in order to deal with the effects of socio-economic and environmental crises and improve their standard of living (Bernstein & Johnson, 1992; Wright, 2000).

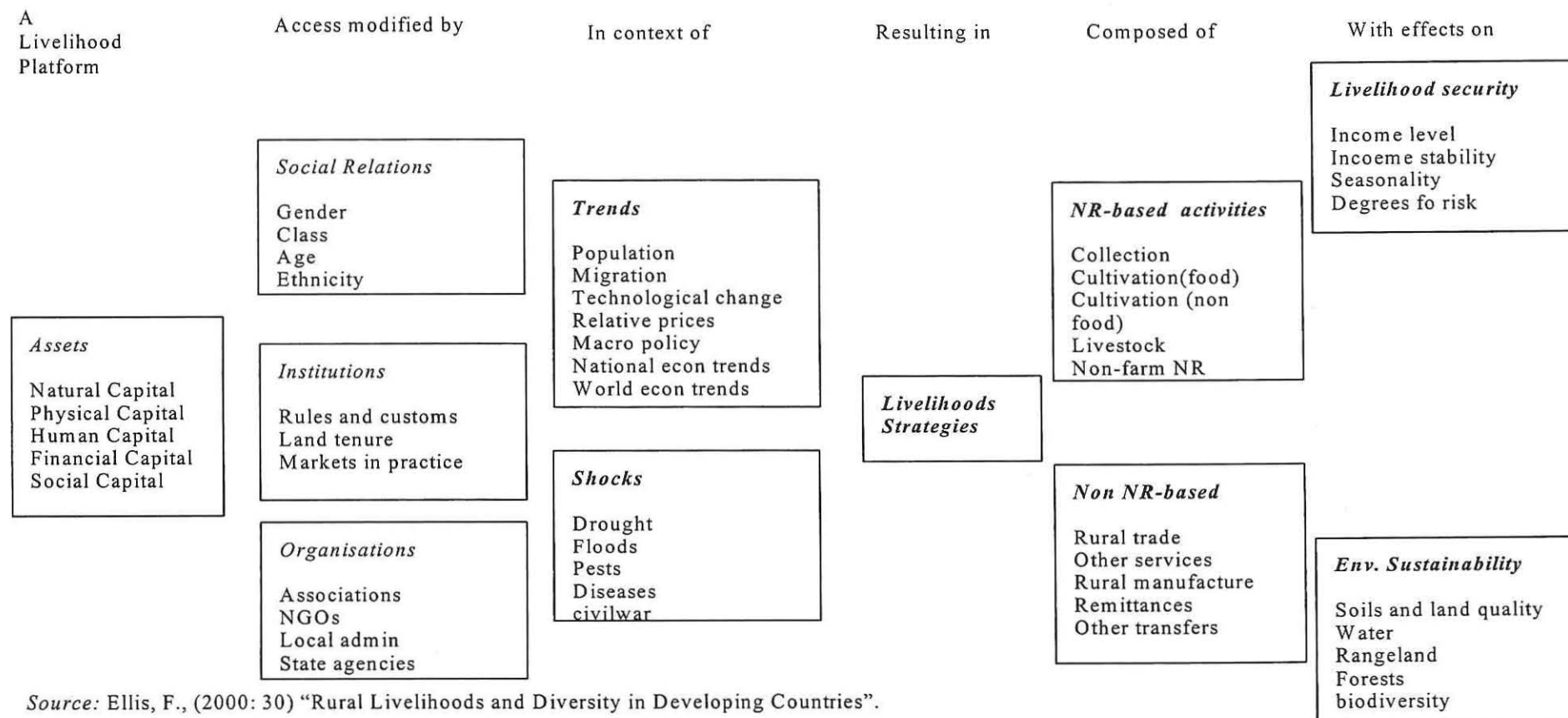
### **2.3.2. The Rural Livelihoods Framework**

This section analyses the framework for rural livelihood based on Frank Ellis (Figure 2). The Livelihoods Framework is a useful tool to better understand how poor people live and the activities they do and develop to make a living (Chambers, 1995:23). It helps policy makers and donors to formulate development micro policies based on peoples' needs and livelihoods strategies (Grown & Sebstad, 1989:939). It is a way to understand the options that poor people have, the strategies they adopt for surviving, and their vulnerability to adverse trends and shocks (Ellis, 2000:28, 223).

This framework uses the rural household as the main social unit. It is "a single decision-making unit maximising its welfare subject to a range of income-earning opportunities and a set of resource constraints" (Ellis, cited in Zoomers, 2001:14). But Bernstein & Johnson (1992:111) argue is a place where power relations and access to resources are unequal and households respond to internal and external changes in different ways according to their objectives, opportunities, capacities and limitations (Zoomers, 2001:14).

Thus, the livelihood framework is an analytical tool for an improved understanding of livelihoods of poor people who try hard in making a living to survive and alleviate poverty (Arce & Hebinck, 2002:3). However, this approach does not make a depth analysis about the causes of poverty. It does not question nor examine why rural people are poor, as Moser explains this approach focuses on “what the poor have rather than what they do not have” (1998:1).

**FIGURE 2. FRAMEWORK FOR ANALYSIS OF RURAL LIVELIHOODS**



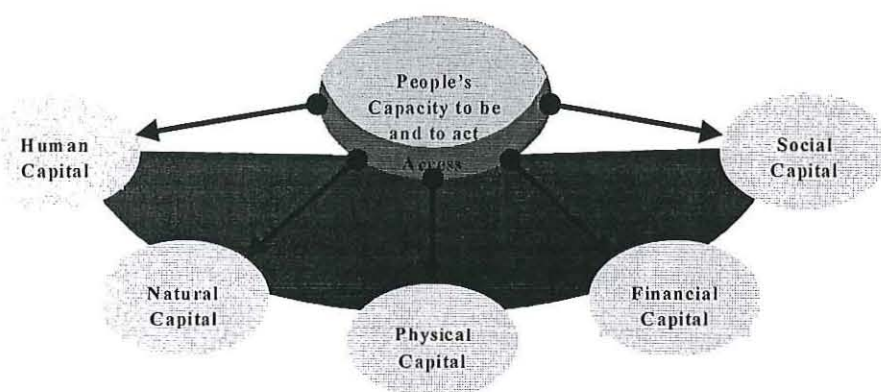
### 2.3.2.1.LIVELIHOODS ASSETS

Rural poor utilise assets, defined as “stocks of capital”, as their means of gaining their livings and improve the wellbeing of their households (Ellis, 2000:31).

Assets give significance to the person’s life because provide them the capacity to be and to act, to be more productive and efficient, to reproduce, challenge or change the regulations that determine the control use and transformation of resources (Giddens, cited in Bebbington, 1999:2022).

This framework classifies capitals in five categories: natural, physical, human, financial and social capitals, which are presented in Figure 3 and analysed as follows.

FIGURE 3. LIVELIHOODS CAPITALS



**Natural Capital** includes the natural resource (land, water, and minerals) and environmental services that woman and men utilise for their survival. It is dynamic and covers renewable and non-renewable natural resource. The latter category is close to rural livelihoods in the sense that people consume constantly these natural resources (Ellis, 2000:32; Scoones, 1998:7).

**Physical Capital** is the basic infrastructure as well as assets that are the result of productive processes, which permit the rural poor to pursue and diversify their livelihoods. Furthermore, purchased articles with the future idea of generating incomes are also considered as physical capital (Ellis, 2000:33; Johnson *et al.*, 2002: 9).

**Financial Capital** refers to stocks of cash available to people (savings, loans, pensions, remittances), which can be used for different purposes, either in production or consumption goods, according to individuals’ needs. At a certain level, access to financial services determines the livelihood opportunities of rural people. (Ellis, 2000:34, 156;

Johnson *et al.*, 2002:9). Thus, for rural women, access to microfinance through group lending schemes has meant, particular access to credit, an option that allows poor rural women to have in their hands the resources to develop livelihoods strategies oriented to generate incomes for covering their families' needs. As to , savings, Ellis explains, rural people save by investing in livestock, jewellery and food stocks forms as a mechanism of confronting crises and shocks (*ibid.*).

**Human Capital** alludes to the education and health status of household members that are important for pursuing livelihood strategies. Educational services facilitate skills and knowledge and people use them productively if socio economic infrastructure including health care is provided (Ellis, 2000:34; Moser, 1998: 9). According to Sen, Human capital "concentrates on the agency of human beings-through skills and knowledge as well as effort- in augmenting production possibilities" (1997:1959), this increase is given by individuals' level of education, which in turn leads to diversify activities (Dercon & Krishnan in Ellis, 2001:3). Only on few cases the poor have knowledge and access to information, technology and credit (Jafry, 2000:1). In consequence, having literacy skills improves people's capacity to secure better jobs, and enhances their capacity to debate, negotiate and to have a voice at local and national level in the development action (Sen, cited in Bebbington, 1999:2035).

**Social Capital** is the set of the rules and norms that are embedded into social relations, structures and institutions that help people to co-ordinate actions in order to maximise their goals (Narayan, cited in Mubangizi, 2003:141). Indeed, Bebbington explains that networks and organisations enable people to improve their livelihoods, mobilise assets and defend them. Thus for example, regarding to provision of financial capital, he argues, networks of trust and mutual responsibility linking individuals in communities (local banking) have helped to break the problems of access to financial services which in turn leads to participate more effectively in certain markets. In short, , social capital is the most important asset through which people are in a position to have access to resources and other social actors in a wider context (1999:2034-7).

All five capitals are important components, which in combination can pursuit for livelihood strategies. Moreover, processes, institutions and organisations are required to transform capitals into sustainable livelihood outcomes. These issues are explored in the following section.

### **2.3.2.2. INSTITUTIONAL STRUCTURES AND PROCESSES**

Policies and socio-economic aspects influence people's livelihoods. These factors are classified in two groups (Figure 2). The first refers to social relations, institutions and organisations and the second group refers to exogenous trends and shock factors. Social relations are relationships through which people obtain access to resources and gain position within society. Institutions, "... are the social cement which link stakeholders to access to capital of different kinds to the means of exercising power and so define the gateways through which they pass on the route to positive or negative [livelihood] adaptation" (Davies, cited in Scoones, 1998:12). For instance institutions are laws, property rights, the community, the market. And, organisations are groups of individuals that share same objectives, such as, government agencies, NGOs, associations and private companies (Ellis, 2000:38).

Trends refers to accidental factors, that affect livelihoods, such as the population growth, national and international economic tendency, macroeconomic policies, etc (ibid.), while shocks are distressing and unsure forces that affect to livelihood sustainability at general and particular level. The former, happens for instance when there is the fall of a market, famines, droughts, floods, pests, wars, etc and at particular level shocks include loss of access property rights, accidents, unexpected illness, death of a family member. (Chambers & Conway, 1992:14; Ellis, 2000:40).

In this paper, these concepts will be used to analyse the process of provision of financial services by NGOs to Women's groups and understand how institutions and social relations facilitate or obstruct the exercise of abilities and opportunities of women in order to have access to assets.

### **2.3.3. Activities and Livelihood Strategies**

Rural people are active actors in their immediate conditions. They and their families construct their existence based on a combination of activities and distribution of roles among the members of the family (Zoomers, 2002:2). These activities are developed within the locality and beyond it, and have to do with farm and non-farm activities. As for instance, agriculture, production of knowledge, trading, labour migration, transport, food processing, credit, and even prostitution (Arce & Hebinck, 2002:6).

Livelihood strategies are composed of activities that generate the means of household survival. The strategies are dynamic responses to shocks and opportunities and can be classified in coping and adaptive strategies. Davies (cited in Ellis 2000:45) argues that coping strategies are reactions that households adopt in the short-term to unintended crisis whereas adaptive strategy is the way households respond over the long term to adverse events, cycles and trends. "A successful rural livelihood strategy is one in which the quantity, quality, and mix of assets are such that adverse events can be resisted without compromising future survival." (ibid.) In this context, diversification, often, contributes to a successful livelihood strategy.

## **2.4. Microfinance in the context of Livelihood**

### **2.4.1. The Livelihoods Framework and financial services for poor people**

The livelihood framework is useful to understand how poor people use financial services and to identify how interventions in financial markets might support poor people. From empirical research in microfinance lessons have been drawn in the last two decades (Johnson *et al.*, forthcoming:10-12). These are summarised as follows:

1. Poor people's needs are multidimensional. Thus, credit is used to accomplish a variety of goals.
2. Households are heterogeneous units. They have different assets; therefore, their strategies and dynamics are different.
3. Since poor people have a range of needs, they use financial capital as a portfolio. Poor people seek to invest in different activities as strategies of savings mechanism in order to secure their survival.
4. Poor people prefer to save in kind in product such as livestock, land, grain, etc because they do not trust in financial institutions.
5. All capitals are worth to invest on. Livelihood approach realises it is important to invest in other assets such as human capital and not only on natural or physical capital.
6. Financial services need to provide more accurate products to the poor so they can cope with vulnerable situations.
7. Financial capital is much easier to provide than other capitals. Therefore, it should be included in development programmes to help poor people make adjustments to their livelihood strategies.
8. The livelihood approach allows finding different capitals such as physical, human, and social that can be used as collateral to ensure loans repayment.



9. It is important to do an analysis of the social and political context to avoid that credit goes to the better off people. In this way, new microfinance schemes might rely on existing social institutions or new can be created.

As the lessons show, the livelihood approach facilitates to understand the role of financial services and to look at them as an integral part of the economic and social development activities (Johnson *et al.*, forthcoming:12).

#### **2.4.2. The Need for Microfinance of Poor Households**

In the following paragraphs is given a summary of the main points that Johnson *et al.* argues about demand of financial services from poor people (2002: 5-6). These authors states that in the past, was believed that increasing the income of poor people could solve poverty. To achieve this, the best way was through access to credit and saving services, trying to transform peasants in capitalist and entrepreneurial farmers. The main assumptions claimed that rural poor could not save and they required supervision because the poor used to spend loans in non-productive activities. These thoughts remain within the credit policies until the 1980's, when authors recognised that the life of the rural poor is not predictable. Their lives are subject to external factors, emergencies and shocks. Consequently, the poor need credit and savings to face these unexpected events. It was advancement in financial policy.

Another progress was the recognition that poor people diversify their activities to secure the survival and improve their standards of living. Finally, the conceptualisation of poverty changed from economic to capability deprivation concept (Dreze and Sen, in Johnson *et al.*, forthcoming). This influenced on financial policies to begin financing health, education and other activities, which since then were seen as useful. As a result, MFPs realise that the life of poor people is not simple and depend on low and not secure incomes. Poor people are exposed to risks and shocks and have to cover unpredictable expenditures. Thus a rise in incomes may not be a sufficient condition for resolving the poverty issue. These assumptions will be discussed and analysed through the case study in chapter four.

#### **2.5. The Integrating Empowerment - Livelihood Framework**

Based on the two approaches reviewed above, the framework that I have chosen to analyse the case study is presented to give a better explanation of poor women's reality. I

called it Integrating Empowerment and Livelihood Framework. It is a combination of the Empowerment and the Livelihoods Approaches as tools to understand better poverty and how poor women use financial services. Both approaches analyse the poverty matter from two different positions. The empowerment approach emphasises in the access to credit and incomes increased as a way to reduce poverty. Whereas the livelihood approach centres on people and suggests the way to go out poverty is by accessing to assets, activities and capabilities to make a living. Moreover, the empowerment approach's gender analysis complemented the livelihood approach's social relations, institutions and organisations roles analysis to exercise capabilities and opportunities of the poor. Hence, I decided to use these two theories because they complement each other giving a broader explanation of poverty.

The empowerment approach is based on three scales: increase of incomes, wellbeing benefits and cultural and political empowerment. These have relation with the three capitals (financial, human and social capital) that I have selected for the analysis of the case study. I will not analyse natural and physical capitals because of lack of space and information. For the empowerment approach income is related to access to credit while for the livelihood approach, financial capital refers to stocks of cash available to people. For instance, it includes loans, savings, pensions and remittances. For the case study I will refer mainly to the access of women to credit and the use they do with it. A second element Empowerment assumes is that access to credit makes possible the wellbeing of women and their families including education and health services. These services are also conceived in Human Capital. Therefore, in the case study I will analyse the effects in the wellbeing of women and the access to education and health services. The third element to be analysed is whether access to credit increase the social and political position of women. This will be completed with the conceptualisation of social capital in the sense that there are other actors, institutions and organisations that enable people to attain their goals. The Integrated Empowerment-Livelihoods framework will be applied to the case study to analyse the ways of living of women in San Alfonso de Chibuleo community.

## **2.6. Conclusion**

As discussed above poverty is a multidimensional concept. It is the lack of income and assets to achieve basic necessities. It is the vulnerability to adverse shocks, linked to an inability to cope with them, and the sense of voicelessness and powerlessness in the institutions of state and society. It was also reviewed that microfinance is the provision of

small credit and savings services to the poor with the objective of investing in productive activities to generate incomes to alleviate poverty. The empowerment was defined as the right and the ability to have economic independence, wellbeing and political knowledge and social activism. Thus, MFPs have been promoted as a key strategy for poverty alleviation and women's empowerment since the last decade. It is known as the panacea for poverty reduction. However, the analysis suggests that the effectiveness of microfinance for poverty reduction needs to be seriously examined, as there is no clear evidence for an overall improvement of the living conditions of poor rural people. Indeed, currently 1.3 billion of people live on less than \$1 day, and seventy percent of them are women.

Since the empowerment and livelihood approaches are conventionally used to back up analysis of poverty reduction. I examined these two frameworks. The analysis showed that empowerment could be understood in three dimensions: economic empowerment, wellbeing and education and health improvement and cultural, legal and political empowerment. But it was also discussed that microfinance can generate negative effects. For instance, women do not have enough skills to begin income-generating activities. They can lose the control of loans and their workload increases. This can result in domestic violence. The advantage of this approach is the analysis of gender issues. What is lacking is an explanation of how these three dimensions are linked to one another.

The livelihood approach offers a wider view of poverty. It assumes that access to assets, activities and the access to institutions and social relations determine a living to alleviate poverty. It is interesting to look at microfinance from a livelihoods perspective because it pushes to take a people centred and demand led perspective. It argues that the poor are exposed to risks and shocks, then they have to use financial services for multidimensional needs. This approach falls short in considering a household as a single decision-making unit to maximise its welfare. Basically in the case study I will mainly analyse the access of women to credit plus the various conceptions about microfinance, women's empowerment and livelihoods, which will be discussed in chapter four.



### **3. Poverty, Microfinance and Livelihoods in Rural Ecuador**

#### **3.1. Introduction**

Many efforts have been done in the past by Ecuadorian governments in order to battle poverty, especially in rural areas. During the seventies and eighties, several Rural Development Programmes, such as FODERUMA, and PRONADER, were carried out. The main objective was to channel financial resources towards to the most impoverished sectors of the peasantry, who could not benefit from the commercial credits (Chamba & Castillo, 2002). However, all these programs failed to address the economic problems. They failed to improve peasants' livelihoods since they were not designed for poor farmers who constituted the majority of rural producers (Martínez, 2003). In the beginning of 1990s, SAPs were implemented without any accompanying support policies for the agricultural sector and this represented the devastation for small-scale farmers. Therefore, improvements in agricultural production, productivity and reduction of rural poverty were and still today are unlikely (ibid.).

#### **3.2. Poverty and women in Ecuador**

Although Ecuador is a country rich in natural resources with great cultural and geographic diversity, it continues being a poor country (CRS, 2003). In 1995 poverty affected 56% of the population and 76% in rural areas (PNUD, 2001:5), and in indigenous people poverty is harder 80% (Camacho, 2002:6). Inequality is evident: the poor populations receive only 0,015% of the Gross National Income, and earn 1,270 times less than the two most richest percent of the population (PNUD, 2003).

In addition, liberalisation policies have generated deterioration that resulted in the stagnant of educational coverage, deficient quality of public education and health, the fall of social expenditure, the expansion of unemployment and underemployment, and a growing social inequality (PNUD, 2001: 3). The social expenditure in human capital in Ecuador has been low since 1990, approximately 3% of the Gross National Product for education and 1% for public health(ibid.). Thus, costs of living increased and pushed women to seek another income source to cover family needs. They engaged

into the informal sector, petty trade, services and low profitable microenterprises (Bermúdez, 2002: 1).

In Ecuador women constitute 50,2% of the population (PNUD, 2003). Women in rural areas play a crucial role not only in domestic activities but also in the productive sector. They represent the base of labour used in agriculture, livestock, handicrafts and business activities (Jordan, 1988). Rural woman's participation in the family force labour and the generation of incomes for their households reaches 57% at the national level and is even higher (70%) at the highlands level (Camacho, 2002). Nevertheless, more women than men found themselves in poverty conditions. Women suffer more unemployment, salary discrimination, and constraints of time and encounter a number of barriers to access assets. A majority of the female population has low human capital, since they are illiterate or have a low level of education (Bermúdez & Anchundia, 2002:18).

### **3.3. Rural Livelihoods in Ecuador**

In rural sector, poor people adopt complex strategies in order to survive. Rural life not necessarily means agricultural and livestock activity. There is evidence that rural people have wider and diversified strategies in non-farm activities (Rhon, 1995: 34). The limited access to productive resources forced poor farmers to pursue livelihoods in activities beyond their farms, and often beyond their home communities and regions (Martínez, 2003). In rural areas 40% of the total income derives from non-farm activities, including wage employment and home businesses. Therefore, the non-farm rural sector in Ecuador is significant not only in terms of employment but also as a major source of livelihood for many of those residing in rural areas (Lanjouw, 1999:104). Similarly at the province level, various studies state for instance that in some places in the Tungurahua Province 70% of household income comes from non-farm activities (Rhon, 1995:34).

### **3.4. Financial Services in Ecuador**

In Ecuador the institutions that supply financial services come from State and private sector. According to the purpose of this paper I will review the financial services that offered the State and NGOs.

### **3.4.1. Financial services supply from State**

Currently, most of the State's credit programs have been conceived in various ministries. The Social Welfare Ministry has designed five of the credit programs that are operating. The programs have different objectives and target populations, but the supply methodology is similar. The main programs are: "FONLOCAL" targets small producers, especially in the agricultural sector; "Solidarity Credit" targets people under the poverty line; "PRODEIN" is oriented to small producers and communities of 5 border provinces and the Galapagos, and; "PRODEPINE" that targets Afro-Ecuadorian and indigenous populations (Bermúdez, 2003:6). Even though these credit programmes mention that the beneficiaries are poor women, they have not covered nor presented mechanisms to help them. The exception is "PRODEPINE", as this institution has covered a significant number of women. However, the amounts of credit, assistance, performance and monitoring have not been satisfactory (ibid.).

### **3.4.2. Microfinance in Rural Areas**

In Ecuador credit for the rural sector is limited. This situation became worse with the financial crises of the last years and the process of dollarisation implemented in the country. Credit is delivered in rural areas by formal institutions as well by informal institutions (Bermúdez & Anchundia, 2002:10). Traditionally the commercial banks have no interest in the rural sector (Rhon, 2002: 29) because it is considered highly risky due the lack of ways of communication, security and climate risks (Bicciato *et al.*, 2002:32). Consequently, the BNF has become the most important formal financial state agency in the rural sector with 83 branches. Nevertheless, it has not successfully reached small-scale farmers. And even less the rural female population, since formal credit policies have been oriented towards men, while women do not have collateral and property titles (Camacho, 2002:12). Most of the resources have ended up in the hands of 'better off' farmers (Martinez, 2003: 93).

In this context, farmers saw moneylenders as the immediate answer to their credit necessities, even though the interest rates were higher than in the formal financial market (Buckley, 1997: 1084). Moreover, as consequences of State withdrawal in the economy, formal financial services were decreasing especially for the rural sector. Indeed, the Agricultural and Livestock Census of Ecuador from 2002 shows that 92,6% of producers did not have access to credit at all. The BNF was restructured and

a gap was left in terms of credit to small farmers. Informal small-scale moneylenders, followed by family members, filled it. And, in more recent years, the new financial agents were civil society actors such as co-operatives, churches and other non-governmental organisations (NGO's). Accordingly, the 7,4 per cent of farmers that managed to get access to credit, obtained it from moneylenders (25%), Co-operatives (16,5%), and National Development Bank (15.7%) (INEC, 2002)

### **3.4.3. Microfinance and Women**

The provision of formal financial services and capital to improve the rural productive and microenterprises activities is deficient, even more for women. Women very often invest in low-income generating activities with low productivity and little profit (Bermúdez & Anchundia, 2002:18). Nevertheless, according to the Life Conditions National Survey of 1995, 6% of male farmers got credit from formal financial institutions whereas only 3% of female farmers received it. The situation is worst for indigenous people. At national level, only 5% of male indigenous has accessed to formal financial institutions, while indigenous women have no access at all (Camacho, 2002:12). This data warns that financial doors for indigenous women are closed including BNF's. The inflexibility of requirements to access the credit, the lack of collateral and the complexity of fill forms are some of the limitations of formal financial services. Finally, the patriarchal Ecuadorian model has contributed to the situation that women have no kind of property and that consequently they are excluded from the financial system (Bermúdez & Anchundia, 2002:8).

### **3.4.4. Microfinance and NGOs**

In the 80's NGOs started to promote microfinance through village banks that support microenterprise (Jordan, 2001:21). NGOs in the credit field are interested in how to insert and work in poor areas and they receive support from International Aid. However, NGOs hardly increase their portfolio because they cannot capture resources (Bicciato et al, 2002:32). To improve the life conditions of poor people, some NGOs include credit as a component of global projects. In addition, they provide services such as: training, assistance technical and health services (ibid.). This alternative system is beginning to become strong in Ecuador. However, there is not much information about this action (Bermúdez & Anchundia, 2002:28). There is a significant number of NGOs that are operating in the microfinance field in the rural



areas of Ecuador, such as the Ecuadorian Populorum Progressio Fund (FEPP), CARE International, World Vision, Catholic Relief Services (CRS), etc.

In this context it worthy mention that the State plays a crucial role in microfinance as a facilitator of the process in order help institutions becoming responsible in different programmes and projects (Jordan, 2001:21). NGOs should not substitute the State's action neither replaces the collective responsibility, but reinforce the local space built socially such as co-operatives that already exists (Borja, 2002: 65).

For the purpose of this paper the action of Catholic Relief Services (CRS) and Diocese of Ambato Organisation will be discussed, as these organisations are the main actors of the case study.

### **3.5. Catholic Relief Services**

CRS is an international non-profit organisation that belongs to Catholic Church of United States. It started working in Ecuador in 1955 with food assistance and emergency relief programs to mitigate poverty levels (Erazo, 2000:54).

#### **3.5.1. Catholic Relief Services' microfinance program**

The Catholic Relief Services' microfinance program has chosen to focus on the poorest clients, which goal is to provide the self-employed poor, especially women, with financial services (CRS, 2003:2). The MFPs use the Village Bank methodology that "... provides the tools to enable people to break out of poverty, including loans for income-generating activities, incentive to save money, and a mutual support group of thirty to fifty members" (Otero & Rhyne, 1994:156). The participants by themselves choose their members, elect their officers, establish their by-laws, distribute loans to individuals, and collect payments and savings. The credit system is supported by moral collateral instead of property, and the group in solidarity stands behind each individual loan (CRS, 2003).

Currently CRS is working in 31 countries in the world. It reaches over 350,000 clients, 87.4 % of them are women. In Ecuador CRS is operating in six provinces and reaches 15.116 clients, 96.6% of them are women, who are reliable at 97.2% (Erazo, 2000:54).

### **3.6. Diocese of Ambato Organisation**

The Diocese of Ambato (DA) belongs to the Catholic Church of Ecuador. It is situated in the Tungurahua province and has been working for overcoming the people's poverty for more than 25 years. DA has supported abandoned and poor women, rural and indigenous children, families in extreme poverty, and elderly and sick people from different abandoned communities (CRS, 2003).

The Diocese develops activities in several areas, such as health and medical attention, housing, micro-credit, training, education, potable (drinkable) water and sanitation, irrigation and others (ibid.). The objectives of the Diocese of Ambato are: a) to improve the living conditions of poor populations with limited opportunities, to promote solidarity within communities, strengthen community organisations, and b) to provide specific and direct assistance to the people affected by disasters, work selflessly and with a commitment to the community (CRS,2003). In recent years, the DA and CRS have worked together to implement the Health and Credit Project, and to carry out emergency response activities for families affected by the Tungurahua Volcano's recurring eruptions.

#### **3.6.1. Health and Credit Project**

In 1996, the Diocese of Ambato in co-ordination with CRS implemented the Health and community credit project. This project, began working with groups of women in poor areas. It consists of micro-loans for small-scale entrepreneurs, and also includes a Mother-child health component (CRS, 2000). The number of beneficiaries and loans disbursed has increased in the past few years, and the Diocese now serves 6,357 clients in Tungurahua. During the last four years, Ambato has been fighting recurring eruptions from the Tungurahua volcano (Erazo, 2000: 54). The challenge has been to provide primary health care assistance and to ensure economic recovery.

### **3.7. Conclusion**

Many efforts to tackle poverty have been undertaken during the last four decades by Ecuadorian governments. However, poverty is still increasing. The neoliberal policy implementation during the last two decades, contributed to aggravate the difficult conditions of the Ecuadorian people. Public services became more expensive

and the poor could not have access to assets, this has particularly affected women who are responsible for the wellbeing of their families. Women were pushed to widen their livelihoods and forced to seek other sources of incomes in self-employed activities. Consequently, MFP have played an important role in providing credit and saving services to poor rural women and their organisations. In fact, it is shown that currently poverty alleviation efforts in the rural area of Ecuador are mainly in the hands of NGOs. A major stake of their efforts and resources are centred in micro-finance projects. Despite MFPs are helpful in reaching the poor in rural areas, poverty in Ecuador continues to expand and indigenous populations are the most affected (80%).



## **4. Microfinance: Empowering Poor Rural Women and Improving their Livelihoods?**

This chapter presents the experience of the San Alfonso de Chibuleo Women's Group. It is based on the information collected through surveys, focus groups, interviews and transaction walks. The chapter discusses to what extent the above claims of empowerment and livelihoods as the impact of microfinance on rural women correspond to the reality of this organisation. Moreover, it examines whether microfinance services, link the rural poor women with a diverse portfolio of activities that could improve their livelihoods and alleviate their poverty. The chapter is divided into five sections.

### **4.1. Context of the Study Area**

The Chibuleo People are a significant indigenous population. It is settled down in the Southeast of the Tungurahua Province, in Juan Benigno Vela parish, 130 km away from Quito, the capital of Ecuador. The estimated total population of Chibuleo is 12.000 inhabitants. Chibuleo is organised in seven communities: San Alfonso, San Francisco, San Luis, San Pedro, and San Miguel, Chacapungo y Patalo Alto. They are part of the "Union de Organizaciones del Pueblo Chibuleo", UNOPUCH. The local people are farmers by tradition, but actually, they are mainly known as farm product traders because of the limitations of agricultural land (SIISE, 2002).

The Women's Group performs in the community San Alfonso de Chibuleo (SACH), located in the south west of Ambato City. One hundred fifty families compose the community, with a total population of 477 inhabitants, from which 247 are female and 230 are male (UNOPUCH, 2000: 4, 21). According to SIISE, 80% of the population who live in Juan Benigno Vela, live in conditions of poverty (PDA Pilahuin, 2003: 28). Indeed, SACH does not benefit from good basic infrastructure such as safe water, sewer system and health post. Even so, the community counts with electricity, a communal house, a pre and primary school in operation, and it is favoured with the main highway Ambato-Guaranda. Similar to the majority of the rural population in Ecuador this community has to face serious problems related to the schooling level of its residents. Thirty per cent of people are illiterate in the community and eighteen per cent of them are women whereas seventy percent the children suffer some level of malnutrition (UNOPUCH, 2000:33).

SACH is based on subsistence economy, mainly, agriculture. Farmers grow a variety of crops such as potatoes, maize, bean, onions and vegetables, which basically are for their own consumption, and for marketing they raise animals.

Most of households (Hh afterwards) are “minifundistas” (smallholder, with small plots). The smallholdings size average is 2,2 hectares, but the productive unity is only 0,8 hectares, which is not enough to diversify production and obtain acceptable living incomes. Other factors that contribute to stress the rural poor’s livelihoods are high demographic pressure over land, scarce irrigation infrastructure, low capacity of investment in the agriculture and livestock activity, difficult environmental conditions, unfavourable market conditions and limited access to credit provided by private and state sector (ibid, 2000: 39-52; Chambers, 1992:14). It is reaffirmed with the following testimony of the Rosario Unog, community’s leader:

*‘Most of the people do not work in agriculture, they work in trading ... it is because the plots we have are not sufficient to work, the majority of families have many children, then plots are divided and become smaller, population has increased a lot, but land has not...because of it, people seek another ways of getting money, thus they go to work to the cities.’(LHI: 6)*

As a result, agricultural income is not enough to fulfil the poor’s basic needs, and rural people should look for another sources of income to secure their livelihoods. They move temporarily to the cities, work in trading of vegetables, construction, transport, and music.

Against this background, in the middle of the neoliberal economic threat and the nature threat of the recurring eruptions from the Tungurahua volcano that caused adverse social and economic impacts, the international NGO Catholic Relief Services (CRS) through the Diocese of Ambato started in 1996 in Tungurahua Province MFPs. These MFPs provide savings and credit services to poor women to invest in economic activities. Their purpose was to increase income and give them greater self-reliance. The SACH Women’s Group is an example of a semiformal institution of credit provision in a closely defined geographical area. This group initiated with 15 women and currently more than 100 members are part of it.

## **4.2. Microfinance and Livelihoods in San Alfonso de Chibuleo Women's Group**

In SACH most of the rural women still regard agriculture as their main activity. Many of them are engaged in various activities simultaneously and derive their income from other sources to secure their families' living. Before the loans, women used to work on other people's fields, especially in Juan Benigno Vela locality, and received less than U.S. \$2 a day. But since women are getting loans they are involved in several activities. They are raising poultry farming, guineas pigs, cows, and they began a new activity: the trading business of vegetable. Other women have another kind of occupations, such as handicraft work, teaching, nursing, grocery shops, and domestic services.

Trading business of vegetables has become a relevant economic activity for most of the families as a mean to complement the Hh's income and it represents the main source of income for rural women during the last two years. Despite their common involvement in multiple activities, the women are far from being a homogeneous group. Strategies vary among families, and depend on socio-economic conditions as it is shown in the next section.

The analysis presented in this study uses data, as was it mentioned in chapter one, that comes from four different actors: group members, board members, community leaders, and an account promoter from the DA'S MFP. The fieldwork included 55 interviews, 3 focus groups, 4 interviews in depth and transwalks.

### **4.2.1. Socio-economic analysis of Women's group**

The SACH women's group brings together more than 100 members. Sixty per cent are indigenous and forty per cent are half-caste women. Eighty per cent of the members are married. This implies that they have complex agenda within the family plus the responsibility of the organisation. Sixteen per cent are single and the rest are widows or live without marriage. In relation to their educational attainment, a fifth of women are illiterate, almost a third have not finished their primary school studies, around a quarter of the total members have finished the elementary school, and only one woman could finish her studies at the university.

#### 4.2.2. Livelihoods Activities and Sources of Incomes

Table 2. SACH Household livelihood activities.

Activities	Total (%)
Trading business (agriculture and livestock products)	40.0
Livestock	16.4
Agriculture	7.3
Professionals (teachers, account, drivers)	3.6
Artisans (carpenter, seamstress)	3.6
<i>Others:</i>	
Labourers (farm, construction)	10.9
Transport Services (drivers)	7.3
Business (restaurants, sales, grocery store)	5.4
Remittances	1.8
Domestic help	1.8
Employee at Health post	1.8
<b>Total</b>	<b>100.0</b>

Source: Survey implemented in Ecuador by World Bank Ecuador, June 2002

Table 2 shows that Hhs are involved in diverse activities to guarantee their survival. The activities range from farm to non-farm activities. Trading business<sup>5</sup> (mainly vegetables) is the most important activity for four of ten Hh. This can be explained by the fact that the provision of loans allows women to get cash earnings in shorter time than agriculture and livestock production do. The rural poor also sell their labour to other farms, to the construction sector in the cities, and to transport as drivers. Professionals are not indicative. This validates the argument that rural poor Hh have a complex system of activities (Chambers, 1992, 1995).

As Ellis explains, income comprises cash and in – kind contributions (2000). Thus its estimation is difficult to obtain in structured surveys, especially in places where people base their incomes in different livelihoods. Therefore, data from survey was used to estimate Hh cash incomes and women’s cash incomes whereas focus groups and interviews helped to add details to incomes at kind level.

<sup>5</sup> Trading business of vegetables refers to women do not commercialise their own products; they buy vegetables from others and later resell it.



**Table 3. SACH Household sources of incomes per month**

	Total (%)
No incomes	36.0
Up to US \$40	12.7
From US \$41 to 80	23.6
From US \$81 to 180	25.5
From US \$181 to 280	29.1
From US \$281 to 310	5.5

*Source:* Survey implemented in Ecuador by World Bank Ecuador, June 2002.

Women (36%) declared that their total family income (cash earnings) per month was less than US\$80. A little more than a quarter said that they received between US \$81 to 180, almost 30% perceived from US \$181 to 280, and only 5.5% answered that they earned more than US \$280. It demonstrates that none of the Hhs was able to satisfy their basic necessities because their incomes could not cover the cost of the monthly basic basket, which in May 2002 was established in US \$333.32<sup>6</sup> (INEC, 2003). Moreover, the table shows that SACH is not a homogeneous entity. There is inequality in the community. The existence of poor and better off Hhs within the same group is evident. Indeed, four out of ten Hhs survive with an average daily income of US \$2 whereas only five Hhs live with near to US \$10 per day. This issue will be analysed later when the paper reviews women's incomes.

### **4.3. Economic Empowerment and Livelihoods in San Alfonso de Chibuleo**

#### **4.3.1. Women's livelihood activities**

Women in the SACH community have traditionally been involved in the agricultural and livestock production. However, since the neoliberal policies implementation in the early 1990's women were pushed to seek another sources of income and they engaged into the informal sector (Mayoux, 2001:445). In the

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<sup>6</sup> The basic basket is the one that allows satisfying the necessities of food, health, education, shelter, housing and transportation for a family formed by 5 members. The National Institute of Statistics and Census (INEC) determines the basic basket.

statements below, some members express their belief that credit is useful for their livelihoods:

*“Credits do give benefits, we have bought animals and have raised them, we pay credits and we continue ahead.” (MFG: 25)*

*“With credit we can go ahead, we can expand our businesses.” (MFG: 24)*

**Table 4. Credit Investment areas / livelihood activities.**

	<b>Total (%)</b>
Poultry farming (pigs, sheep, rabbits, and guinea pigs)	25.5
Livestock	23.4
Trading business (vegetables and forward contract of crops)	17.6
Inputs for Agriculture	11.8
Households needs (food, medicine, shelter, transport, house)	12.0
Others (purchase of plot and sales of construction materials)	7.7
No Reply	2.0
<b>Total</b>	<b>100.0</b>

*Source:* Survey implemented in Ecuador by World Bank Ecuador, June 2002.

In contrast to the MFPs purpose, 60 per cent of women in SACH invested more in low farm profitable activities than non-farm activities, as was discussed in chapter two (Goetz & Gupta, 1996: 50). Basically women invest in traditional activities, such as poultry farming and livestock. Poultry farming is a strategy that women adopt for achieving two goals: to secure the feeding of their families and to save to be able to face unanticipated problems (shocks), such as sudden illness, the death of a family member, etc (Ellis, 2000). Women invest in livestock rearing, especially in pregnant cows, because this activity provides profits in the short term. However, from the author's point of view, men suggest this activity because of its profitability, they can have control over the money, and it appears that the investment is done in common agreement.

Furthermore, to secure their survival and improve their standard of living, women also invest in other activities (Todd, 1992). Thus, they invest in trading business of vegetables, which can be divided in two areas: purchase and resell of vegetables and

the negotiation of forward contract crops<sup>7</sup>. The former is under the control of women. Women finance the second, but most of this activity is done and controlled by men. Men arrange the purchase of forward contract of crops in the same community or in another communities one or two months before the harvest. Generally they buy crops fields at low prices in detriment of poor farmers. Moreover, women put money in purchasing of agricultural inputs for onion, maize, potatoes and carrots crops since they see in agriculture a way of getting food security but also due to this activity is root in the culture (Todd, cited in Wright, 2000). This way of thinking most of the time is overlooked by MFPs. Hence, it should be taken into account for project designing to fit to poor people's aspirations. As a women expressed this point of view:

*"Yes, the agricultural activity we do not leave it, even to loose. Right now we are sowing potatoes, with the use of loan, even though loosing we have potatoes" (MFG: 28)*

But, not all of women used loans for productive purposes. One out of ten women interviewed responded that credit was useful to cover immediate needs such as staple food, medicines and transport, confirming Mayoux's statements (2002). As a woman expressed:

*"In my case, credit has been very good, it has helped us a lot, to buy staple food for Household, because of that I am very grateful to."(MFG: 25)*

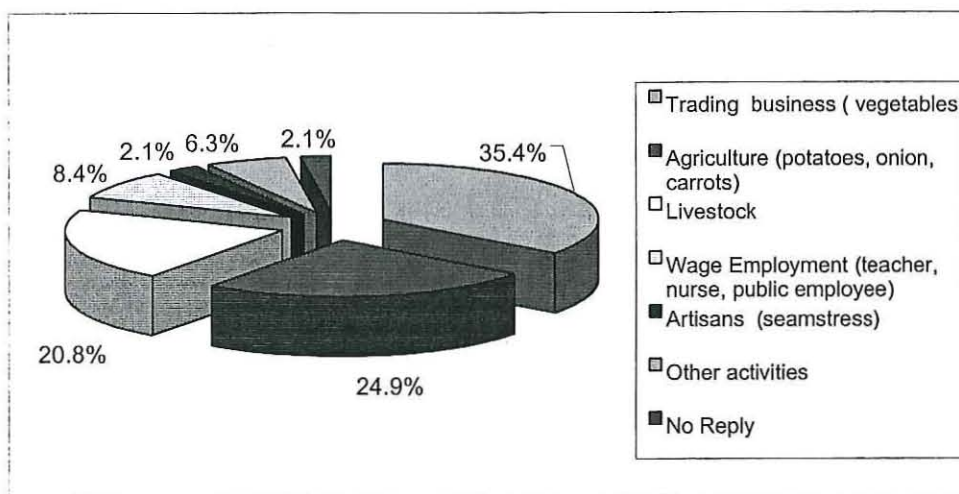
Few borrowers invested in less common activities including the purchase of assets (land) and sale of construction materials. Assets acquisition is not very common. One of the reasons may be that the loans are small. The size average of loans to which most of women have access, fluctuates between 60 to 120 dollars, which are not sufficient to buy assets. As a result, we can observe that women build their livelihoods from a wide range of activities, and credit plays an important role.

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<sup>7</sup> Forward contract refers to the purchase of fields before harvest. It means that farmers use to purchase fields from poor farmers before the harvest. Poor farmers sell their crops in this way because they prefer to secure an income and not incur in transaction costs. They are isolated and are afraid of climate and prices risks, so they prefer to sell at lower prices than markets.

### 4.3.2. Sources of Incomes of Women's Livelihoods

FIGURE 4. SOURCES OF INCOMES OF WOMEN'S LIVELIHOODS.



Source: Survey implemented in Ecuador by World Bank Ecuador, June 2002.

Estimation of cash income is difficult, since women do not keep any records of their economic activities and business. Besides this, is not easy to determine if women's incomes are the result of using microfinance services. Nevertheless, information from study has provided data that shows a close relation among the activities in which women invested their loans and the activities from which income comes from.

Even though women invested more in farm activities, the activity that generates more cash earning is the trading business of vegetables, especially garlic, onion, and carrots that are mostly commercialised in local markets in Ambato and Riobamba. The wholesale market and the main streets of Ambato are the main working place of women. Moreover, there are women who travel to cities one-two hours away from their community such as Latacunga and Riobamba, where they resell at higher prices the vegetables that they acquire in the locality or outside of Ambato market. Agriculture and livestock are other important sources of incomes for half of the women interviewed; especially the sale of pregnant cows appeared to provide profits in the short term. Since they rear cows for one to two months, when cows give birth they are sold immediately.

However, livestock and agriculture are risky activities because they are subject to trends and shocks such as adjust economic policies, fall of prices in the markets or pests (Ellis, 2000). This can provoke pressure and stress at the hh level. As it was seen, livestock and forward contracts crops are carried out by men not only because indigenous community norms constrain women on access to markets (Mayoux, 2001), but also because they have more skills and knowledge to do business and interact with customers.

The fact that less than ten percent of the borrowers have wage-employment and two percent depend on artisan activities shows the low human capital that exists within the group. It confirms Sen's claim about the importance of educational level as a factor to be more productive and have more options to get better incomes (1997). It is also visible that the women's group despite of their common interests, it is not a homogeneous group<sup>8</sup>. There are women better off and women who are worse off. The former can make a better use of financial services since they have more human and social capital whereas the poorer are constrain to survive.

Indeed, is was shown by analysing one cycle of credit provision, from 29-05-2001 to 15-01-2002, that from 99 members of the group (registered at that moment) only 56 women asked credit. The rest did not do it because they have fear of not being capable to pay. From 56 borrowers, 38 women accessed to loans between \$ 60 to 120 dollars whereas only 18 members had access to credits that fluctuate between \$200 to 400 dollars. This last group took 57% of total amount of credits. Most of this group belong to half-caste, who are more educated and have wider social capital. As it shows, the most benefited are not the poorest of the poor but the better off. (Hulme & Mosley, 1996; Navajas *et al.*, 2000). This raises the concern that MFPs can enhance or even support existing inequalities within the group, but at the same time challenge to offer alternatives that fit to the poorest group's aspirations.

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<sup>8</sup> The author could observe this fact. For example, just regarding to assets, some members owned big concrete houses and others had medium and small brick and earthen houses. Some families also owned cars and trucks.

#### **4.3.2.1. ACCESS TO MARKETS**

As was discussed in Chapter 2, women in the SACH community have limited direct access to the wider economy or markets due to sociocultural norms of female exclusion (Pearson, 1992; Goetz & Gupta, 1996). Women participate less than men in the markets even though they certainly contribute to most of the labour involved in livestock and agriculture production. They also provide complementary capital for forward contract crops. Even so, women do not have direct control over marketing livestock and cash crop, because these activities are profitable and perceived as a male domain.

Instead, women had direct control over trading business of vegetable, which seems not to be very profitable. Trading business of vegetables allowed women to have cash and bring home the rest of vegetables that could not be sold in the market. This is another adaptive strategy by which women seek to cover the family's needs and basically provide food to children. Even so, women continue being in a disadvantaged position. The provision of financial capital is not a sufficient condition to guarantee that women can access and use other assets. Therefore, it is necessary to go beyond that and to attempt to rectify the wider economy, seeking channels and opportunities of insertion into markets.

#### **4.3.3. Women's Control over Loans/Incomes**

According to Goetz & Gupta's criteria (1996:48), women in the SACH group appeared to have "full control" in trading business of vegetables and home based activities because they participate in all the productive process including marketing. In fact, women responded they had incomes from trading business of vegetables in higher percentage than other activities (35.4%), although this activity is where women invested less, see table 5. Thus, male appropriation of loans does not appear to be as frequent over these non-profit activities. Instead, in livestock commercialisation men seem to have "significant" control since women are not involved in marketing transactions. In forward contract crops the control by women appeared to be only "partial". On the other hand "very limited" or "no involvement" control, were not possible identify totally. It appeared to be not very common in SACH group. However through focus groups and interviews it was evident that some husbands suggested women to give them loans. Some women accepted to do it but others did

not then conflict and violence emerged. The following opinion seems to advise that sometimes members should give part of the loans to their husbands within a “co-operation context” in the Hhs.

*I help in the agriculture, because sometimes there is not enough money...sometimes I give [money] to my husband to buy fertiliser to sow potatoes...” (MFG: 25)*

It was not possible to make an assessment whether incomes increased or not as a result of MFP intervention, since previous data was not available. However, there is not doubt that access to loans led to some increase in incomes and helped positively to Hh members’ economic situation. Nine out of ten women interviewed confirmed this. However, in general terms, improvements in the incomes are marginal because of limited access to markets and low female human capital. These two factors, in some cases, lead women to fell in losses, as one member declared during the discussion in a focus group:

*“For me credit is help, even though sometimes we loose, but we pay punctually...” (MFG:26).*

The livestock activities provide the highest profit in the short term as compared to the less profitable agricultural activity. But at the same time, it is a risky activity that can produce shocks to the Hh if the purchased cows are not in good condition and die. As Carmen Ligallo, the president of Women’s group, illustrate:

*“... a pregnant cow costs \$500 dollars and after it gives birth the cow can be sold by \$600 or \$650 dollars ... sometimes the male calf dies, then we loose” (BFG :16).*

This can carry more worries and debt to families and can increase poverty related stress. Hence, it is important that MFPs improve human capital through training and facilitate channels of marketing so that women and men can have good prices for their products and improve their livelihoods. These subjects should be taken in consideration for designing of microfinance schemes.

#### **4.3.4. The economic contribution of women to Household income**

The economic contributions that women make to the household members’ welfare are closely related to their livelihood activities. On this matter, income will refer only to cash earnings because the availability of information from structured survey.

However, qualitative data from focus groups and interviews helps to interpret the contribution women do at in-kind level.

The women economic contribution for Hh is crucial because in most of the cases they maintain a heavy burden in the family survival. Table 6 shows that almost six out of ten women contribute economically to their Hhs every month with incomes that fluctuate from US \$ 1 to US \$ 80 dollars. Three out of ten borrowers add earnings of US \$ 81 to US \$ 140 dollars to the Hh. And only one women answered that help with US \$141 to US \$ 200 dollars.

**Table 5. Women’s economic contribution to Households.**

	Total (%)
No contribution	3.6
Up to US \$40	40.0
From US \$41 to 80	18.2
From US \$81 to 140	29.1
From US \$141 to 200	9.1

*Source:* Survey implemented in Ecuador by World Bank Ecuador, June 2002.

The average of women’s economic contribution is no more than US \$2 dollars per day. This confirms Hashemi *et al.*’s statement (1996: 646) that most of the borrowers women contribute to their family income with small amounts, that are inadequate to generate minimum capabilities of being and doing (Sen, 1990), so their Household’s members require to face poverty. However, on the other hand, it cannot be refuted that has positive consequences on the family’s wellbeing. Part of women’s incomes is destiny to Hhs’ feeding needs. The expenditure for food in SACH is in average \$ 50,20 dollars per month.

Furthermore, it is relevant to notice that the level of contribution grows according to the women’s education status. The higher educated women are, the more human and social capital they have. As a result, they have more possibilities of diversifying and generating high profit activities (Jafry, 2000). Indeed, as expected, the survey data reveal that 8 out of 12 total illiterate women contributed to their Hh with no more than US \$40, coming basically from trading business of vegetables and agriculture



activities. While 7 out of 13 borrowers with some level of secondary and university education, helped with earnings that fluctuate from US \$81 to US \$200 proceeding from diversified activities, farm and non-farm activities: teacher, artisan, public employee, and livestock and trading business of vegetables.

Thus, women became an important actor for cash income provision for their families. The characterisation of men as the 'breadwinner' (Mayoux, 2001) is now shared with women in the responsibility of providing for the family. However, this in turn, implied positive and negative effects. Among positive aspects, the following can be mentioned: changes in the decision-making within the Hh and financial independence that gives women the right to decide how to spend the Hh income. The negative points are that men in some cases felt less willing to give money for Hh necessities instead they spent money on alcohol (Mayoux, 2002). Thus, women started to assume most of the burden for the expenditures of the Hh and their workloads increased.

Even though informal activities can generate self-employment, however, it does not offer security, tranquillity to work, and no benefits at all. In the case of SACH women, for example, they do not have a fix place to work and very often women are located in the open air, on main streets of Ambato or cities nearby. Women have not social security benefits, they lack of rights as microentrepreneurs, and municipality police who sometimes take away their merchandise mistreats them. These aspects should be questioned by MFPs, because self-employment initiative demands more just than credit. Complementary actions such as education, access to markets, organisation, are required if we want guarantee the viability of income generating projects for poor rural women.

#### **4.4. Improvement in Wellbeing and Developing Human Capital**

The DA's MFP generated positive and negative effects that deal with decision-making within women's Hhs, their self-esteem and their access to basic resources such as food, education, health, etc. These subjects are analysed in the following paragraphs.

#### 4.4.1. Decision Making and Intra Households Relations

Through discussions of focus groups and interviews, it was possible to realise that women achieved higher status and power linked to their new possibilities of earning. However, intra-household decision-making seemed to vary between families in the SACH women's group. Some women reported that they and their husbands used to take decisions together as a mutual aid mechanism to achieve Hh' interests (Kabeer, 2001). This is a way to ensure their livelihoods because of the confidence in the human capital of their husbands to develop agricultural, livestock and businesses activities. The next comment notes that women participate in decisions making, since they have access to loans. A member explained this position:

*“ Now, with the money we [women] get here in the organisation, we help husbands in the agriculture.... Both of us work together, borrow money, spend it, buy animals. Raise them and both in the case of illness spend [money] and both have to put it back [the loan]” (FG:26).*

In other cases women decided to make decisions by themselves. Some of them experienced conflictive relationships with their husbands as a result of lack of employment and money to cover family's needs. Therefore, some women expressed that they decided by themselves because their husbands were not responsible. They did not work and if they had money, they preferred to spend it on alcohol and in their own necessities. Confirming Mayoux's findings (2000) that more burden falls on women's shoulders. To face this situation women adopted the strategy of investing loans basically in trading vegetables and poultry raising which gave them relative financial independence from their husbands, certain control over resources and they could support their children. This was dramatically illustrated in a married member's testimony:

*“I have to work seven days a week to feed my children because my husband does not work and when he works, it is just for getting drunk. He does not help me. Only once I remember I got money from him. It was when he was drunk and my children took money from his trousers' pockets.” (Author's notes during interview, June 2002).*

Even though women had access to loans and they could decided at a certain level in what to invest, there is no evidence that the gender division of labour was modified within the Hh (Goetz & Gupta, 1996). There were no changes in men's responsibilities in the Hhs. Hence, women started to assume most of all the burden for

the expenditures of the Hh. This implied to work more. Indeed, women had to work in other farms, combining with the responsibilities within community activities, such as meetings and 'mingas'<sup>9</sup>, cooking for school children<sup>10</sup>, plus meetings of women's group. They spent longer hours in selling vegetables activities in Ambato's market, where they faced working difficult conditions, low incomes (Moser, 1998). These aspects all together affect on women's health and wellbeing. A member described her burden of work as follows:

*"...I have to wake up at 5 in the morning. I make breakfast for my children and farmhands, after I have to cook the lunch and at the same time I have to cut grass for the animals. In the afternoon I have to wash my children's clothes because I like they go clean to school. After I go to resell vegetables in Ambato City, in the market, this allows my children to study. I return from Ambato at 9 p.m. and still I have to cook for my children for the next day so everything will be ready in the morning. During this time my husband sleeps... sometimes I do not sleep at all...hence I have a lot of work and my husband sometimes does not value...." (MFG :6).*

At this point, the author would like to point out that she could observe that most of the married women looked older than their own age. Probably, because of overwork, fatigue and malnutrition, provoked by heavy working days that they are forced to do it. This raises the question where remains the claim that MFPs contribute to the wellbeing of women? Why NGOs do not apply gender strategies in their MFPs to tackle these problems? However, there is evidence that in many cases the women's contribution to family income, in SACH, has made important progress in the intra-family relations. Eighty per cent of members interviewed said that the financial services have led to improve the intra-household relations and their husbands became happier. In the community president's words: "*now we [men] see our wives help... trough the loans*" (Hashemi *et al.*, 1996). Here a woman described the changes in her Hh:

*" After I joined the [women's] group, there are changes, there was change at home. Even my husband's way of thinking changed, ... now he values me more..." (MFG :9).*

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<sup>9</sup> Minga means farm work carried out in exchange for food. This practice is usual in indigenous communities.

<sup>10</sup> Since the neoliberal policy implementation, social programmes demand contribution from poor people with work, kind or cash. For instance, " Programa de Desayuno Escolar " (School Breakfast programme) women cook once per week at school.

In addition, nine married women (20 per cent of the sample) declared that they did not experience any improvements in the domestic relations. Most of these women were illiterate or they did not finish the elementary school. Hence, there seems to be a correlation with lack of knowledge, limited success in the activities they began and not good relations in the family. Indeed, there is also evidence that access to credit generate stress and pressure. Sometimes women could not pay the instalments. Therefore the group board, in some cases used to take under custody assets from the member in default such as televisions, radios, etc., until the members pay. These activities failures added to the pressures of meetings and monthly instalments resulted sometimes in conflicts and in physical violence against women (Ahmed *et al.*, 2001). Indeed, women expressed that some husbands forbid their wives to attend to group's meetings and mistreat them. A member commented the link between credit and increase violence:

*“Alone I raise animals. Sometimes I do not earn anything and my husband shouts me. He beats me, he makes me cry and he says that I am wasting my time when I attend the group meetings...” (MFG:9)*

#### **4.4.2. Increasing the Women's Self-esteem and Confidence**

In SACH, access to microfinance has changed women's sense of self-worth. In their testimonies women expressed happiness of making greater contribution to their families' welfare. It is a significant characteristic given that indigenous women spend their lives within a male micro society that marginalised women from access to services and assets. In consequence, women are considered dependent on male's economic provision and social protection (Kabeer, 2001).

However, it appeared that within a neoliberal context there are no cultural norms and rules that stop women in their eagerness to care for their families' welfare. They were pushed to find money by accessing the markets. The economic situation of women changed from dependants to agents of Hh incomes. Women received the recognition and support of family members in 83.6 per cent of the cases. This increased their self-esteem (Hashemi *et al.*, 1996). Indeed, 90 per cent of the interviewed members responded that they felt more appreciated since they joined the women's group. The main reasons were that the organisation is a space to share and feel better, women learnt not to be afraid to participate and talk in public, and

borrowers felt more confident because they learnt more about health care and nutrition. Angela Apunte's testimony confirmed the above statements:

*"Before women depended on husbands' economic activity, always were expecting their husbands to do business to bring some money at home, but now women do also business" (BFG :3).*

In addition, women's self-esteem also is increased when they feel proud of helping their husbands even for agricultural, trading activities or for avoiding moneylender's extortion. People had to ask for loans to half-caste moneylenders who used to mistreat them with insults and exploit them with high interest rates. Indigenous people had to give moneylenders some "agrados"<sup>11</sup> such as animals and products. As a woman expressed:

*"Look, before my husband used to ask half-caste moneylenders for loans, and he had to compensate with his work or paying high interest rates [10% monthly] ...but now thanks God the women's group is helping us and we can do business..." (MFG:27).*

Women also expressed that access to credit had also a positive effect at the level of social inclusion within community (Kabeer, 2001). They said that credit contributed to make better the relations among indigenous and half-caste people. In the words of a member:

*"Before indigenous people and half-caste people did not have good relations, ... now since they joined the women's group we are united. There is not difference among half-caste and indigenous, we are similar, now we understand that all are equal." (MFG:5).*

Regarding to this matter, other factors also seem contributed to this approach. For instance, the deep economic crises that has impoverished all social classes, the eruption of the Tungurahua volcano and the recognition of political participation at national and international the level of Indigenous Movement, helped indigenous acquired more respect and more acceptance in the society.

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<sup>11</sup> "Agrados" are special presents that indigenous people are forced to give moneylenders to receive the loans. In general they are composed of the best chickens, guineapigs or rabbits or products such as maize, potatoes, beans and so on.

#### 4.4.3. Increasing Opportunities for Development Education and Health

The assumption that poor women have survival skills to develop successfully income-generating activities (Yunus in Todd, 1996) seems to not take place at all in SACH. The study shows that most of women invested in traditional activities<sup>12</sup>. They did not initiated more lucrative activities that could improve their livelihoods, because women have little knowledge about profitable projects. This failure should be subject of questioning in MFPs. As Dolores Pilamunga, affirms:

*"...I want a course to learn how to manage loans, ...we ask for loans and we do not do anything. We spend them and after we do not know how to pay. We should have a course that teaches us in what to invest the loans and how to administer it" (BFG :16).*

This testimony corroborates the necessity that low-income women demand specialised training or skills to become more productive and manage their business properly (Sen, 1997). Also it evidences that just few MFPs have literacy and numerical training components (Goetz & Gupta, 1996). As expected, in the SACH women's group, where a third of it is illiterate or have not finished elementary school, only the members of the board received accounting training by DA's promoter. He is the one who does the balance every 6 months, as the organisation's treasure confirmed: *"The Diocese officer is the one who does all the balances....we just help him"*. This questions whether NGOs contribute to develop human capital or just seek good financial outcomes to show donors.

In addition, 69 per cent of women responded they received training before getting the credit. But it consisted of general information about the objectives of the scheme, loan options, procedures and repayment obligations. Its duration was less than 4 hours. Consequently, this training was not enough to inform properly about this MFPs to beneficiaries and even less time to discuss it. In fact, 25 per cent of the women borrowers did not know what was the interest rate they paid for receiving their loans.

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<sup>12</sup> In indigenous communities exist the tradition of transmitting the knowledge by oral way. As Chambers and Conway argue that "Skills and knowledge...[are] acquired from generation to generation as indigenous technical knowledge (1992: 11)

DA'S MFP focuses on health training rather than productive, literacy training or social political awareness. There is no doubt that DA'S MFP helps women in the health training area and the control of uterus cancer. DA'S MFP carries out courses of nutrition and health care. DA'S MFP in co-ordination with women's group and the community achieved that doctors specialised in this illness, visit the community. In addition, the health training is contributing to improve the children health care. However, women's perception about the importance of education is different from the view of DA. Indeed, 31 per cent of women interviewed, declared that training activity is more important than credit (27 per cent) or health assistance (26 per cent). Definitely, for women, education is the way to escape from poverty and exploitation situations. The forward-looking approach of women is based on education, as a mechanism of better conditions of life. Here some members' opinions:

*"In order to enable women to progress, they should be trained, be professionals in different areas. Thus, they will not be in the situation that we are now." (MFG:29).*

*"...now we are supporting our sons and daughters' studies. I would like the indigenous people be professional such as teachers, doctors, and our children manage our bank..." (DFG:24).*

It worthy notes that access to loans and the improvement of income level has a positive effect on children's school enrolment. However, children's performance in school is affected. They have to replace their mothers, in doing the Hh chores, such as, cleaning, farm works, childcare and food preparation, since most of mothers are self-employed in selling vegetables at the market (Moser: 1998; Pitt & Khandker, 1996). But education is not only about literacy and numerical skills. It is about having capacity to discuss debate and negotiate, to have better opportunities and claim for rights. This approach of training is not the case of DA'S MFP neither the one of many NGOs that work with MFPs. This might be because it is not their interest to contribute to change the "unequal command over both economic and political resources within the society and the unjust nature of a social order that perpetuate these inequities." (Sobhan, 2001: 5)

## 4.5. Increase social and political empowerment

### 4.5.1. Increase mobility

Access to loans has made changes to women's lives. On one hand, the membership to women's group has contributed to increase the mobility of women within the village by participating in the group's meetings, and health training sessions (Hulme & Mosley, 1996). Women value these meetings because they say that can talk, discuss and to give rein to their sorrows, and also because they learn how to make better the nutrition and health care of their families. Some members' expressed:

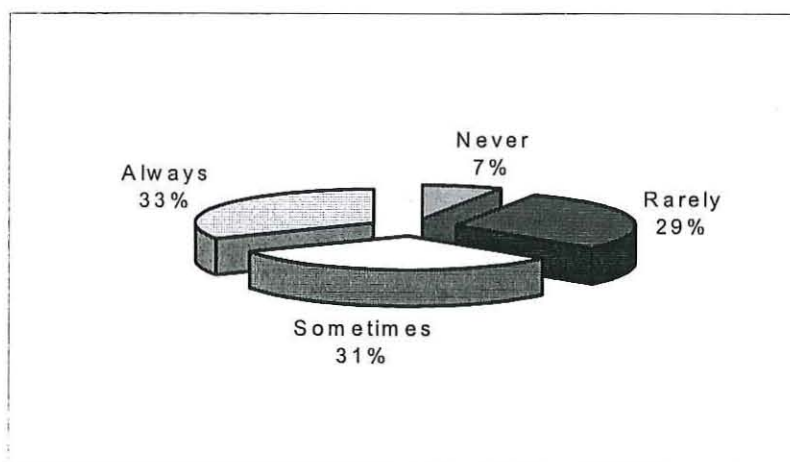
*"Honestly, we [women] sometimes used to fight with husbands, because we did used to go any place outside, but since we joined the group, we go to the meetings, to the market, and now we do not fight, we are happy...." (LFG :21)*

*"... in the meetings we talk about our worries, and we interchange ideas thus we are happy...". (FG :)*

On the other hand, the fact that most of them are participating in the trading business of vegetables, it has created opportunities for women to mobilise outside of their community. However, market transactions of livestock and forward contracts of crops still are domain of male and this constrains women's public mobility.

### 4.5.2. Increase participation

FIGURE 5. LEVEL OF PARTICIPATION IN WOMEN'S GROUP ACTIVITIES.



Source: Survey implemented in Ecuador by World Bank Ecuador, June 2002



Only a third of members of the group responded that participate always in the group's activities, whereas most of them participate sometimes or rarely. The main reason for such low participation is the fact that they do not have sufficient time because of lot of household's tasks and trading businesses. Moreover, since group constitution, some of the indigenous practices are being modified little by little. Indeed, 'mingas' and 'prestamos'( which is farm or household work carried out in exchange for food and the repayment of work in the future) are disappearing. They are replaced by money. Women prefer to pay a fee rather than attend to these activities. Thus, it seems that the capitalist system takes possession of indigenous culture little by little.

Regarding to participation in decision-making of women's group, women participate by pronouncing their opinion. This affirmed eight out of ten women interviewed. But according to the women's president, this is a passive participation. During the Community's meetings the participation is most terrible, women do not participate because they feel shy and have fear of saying something wrong. Just few women have the opportunity of playing leadership role and the ones who do, have to face serious problems. As a member declared:

*" My husband does not understand. He says: if you accept the position, I will divorce you...then the problems start and for that [reason],I prefer do not accept the position" (MFG: 12)*

#### **4.5.3. Improvement of organisation and involvement in the civil society**

Involvement in DA's MFP has contributed to women can organise themselves, but this programme does not address to train on women's rights and create political and social awareness. Other than, women make use of the meetings to giving talks about for instance, how to behave with their husbands and their family's members. Alternatively, the fact that access to credit have increased the self-confidence of women and increased their social networks (although at limited point). It helped women to have contact with other organisations, such as PRODEPINE, and SOLCA .

Thus, women are increasing their social capital to have access to resources and benefits from other social actors (even though the social capital of these women can create disadvantage on others and inequalities). That is the way they have achieved

latrines, the sewer project for the community to be constructed and the periodical visit of doctors from SOLCA. Nevertheless, the participation of women in politics and public relationships at local, provincial or national level is scarce. Women feel they are not prepared to make proposals and to take steps to solicit and manage projects . In general there is not evidence of a concern with wider political issues or with challenging the big structure of gender subordination. For this, there is a long road to walk in order to counter act the inequalities. As Rosario Uñog, a leader of the community, expressed:

“Should be exist permanently training courses for men and women. Thus, we[women] can learn to talk in public and in the future we could assume the role of community’s president or any other organisation’s role. Also, it will help to increase our bank, and to create our own communal microentreprises” (LHI:11)

## 5. CONCLUSIONS

This study has explored the case of indigenous women's group of San Alfonso de Chibuleo linked to DA's MFP with the end of finding out whether access to microfinance programmes lead to the empowerment of poor rural women and to the improvement of their livelihoods. The study has been analysed under the lens of women's empowerment and livelihoods approaches.

Evidence collected in this study indicates that microfinance links poor rural women to diverse portfolio of activities and assets but improves their standard of living only to a very limited extent. The data shows that access to credit and savings services allow women to mostly engage in farm rather than non-farm activities as strategies to secure food for their families and face unanticipated crises. This study points out that access to credits contributed to the well being of the families, but at the same time increased the workload and fatigue for women, since the traditional division of labour was not modified.

The results also show that education and training were not satisfactory to increase the human capital of women, but they supported their children's education. Finally, the study shows that microfinance has contributed to increase the mobility of women within and outside the community. However, their participation in the organisation and within the community is still scarce and the organisation is not strengthened enough. As a consequence social capital is not enhanced sufficiently to serve as a tool to co-ordinate actions to improve women's livelihoods. Following the research question, the present study investigated:

a) *To what extent microfinance can contribute to poverty reduction?*

Understanding poverty as multidimensional concept evidence in this research indicates that microfinance can help to alleviate poverty at a certain level but cannot help to reduce it as a whole. The study shows that MFPs help in the provision of financial services to rural women, and relate them with traditional farm activities mainly but also help women to initiated in low profitable informal activities. But their earnings are low that can not satisfy the household members needs. But MFPs are ineffective in assisting with appropriate training for the success of women's initiatives as well with the access to markets within a patriarchal system where gender

inequalities and culture norms are prevalent. The study has found that a MFPs can do very little regarding to health and education services provisions (human capital), as well to have access to natural, physical and social capital in order to improve their livelihoods.

Results are much negative in helping the poorest. As many studies have already shown (Hulme & Mosley, 1996, Navajas et al., 2000), this research demonstrates that that who benefits most from the credit services are not the poorest of the poor, but the 'better off poor' in the community. 'The better off' capture more than half of the total amount of credit portfolio in every cycle of provision de credit, excluding the poorest's aspirations. The conceptualisation of poverty as a capability deprivation concept seems not to be inserted in most of MFPs' schemes. Generally MFPs maintain the economics criteria where the conviction is that providing credit will increase income and consequently solve the problem of poverty. This belief is still prevalent in the NGOs and donors' thoughts, who are more interested in achieving financial sustainability rather than help to the poor women.

*b) To what level does microfinance empower poor rural women in terms of their economic situation, their well-being, and their social and political position?*

The research concludes that in relation to women's empowerment, microfinance do not empower women in a completely way. In regards to economic empowerment, women through, principally, access to credit were able to engaged in a wide range of activities mainly in farm activities but also in non farm activities (low cash income) such as in the case study, in petty trading business of vegetables. Women have control over low profitable home-based activities whereas men have control over profitable activities, a factor In addition, because of indigenous community norms women are constrained to do marketing transactions (Mayoux, 2001).

As a result, it was shown that microfinance can generate self-employment. However, it does not offer enough security, tranquillity to work, and sufficient benefits. For instance, in the case of SACH, women do not have a fix place to work and very often they work in open-air locations, on main streets of Ambato or cities nearby. Women have no social security benefits, they lack of basic rights as microentrepreneurs. These aspects should be questioned by MFPs, because self-

employment initiative demands more just than credit. Complementary actions such as education, access to markets, organisation, are required if we want to guarantee the viability of income generating projects for poor rural women.

Concerning to well being, women's participation in MFP has effects on the family and the women's wellbeing. First, the study shows improvements on the well being of their families because women invest most of their incomes in households' needs, especially on their children's food, education and health. They use poultry farming and trade business of vegetables as strategies to secure the survival of their families. The study indicates that women's characterisation as new 'breadwinner', implied that they could make decisions within their household at different levels depending on the household's dynamic. The research found that households are not homogenous, since experience different situations and have different assets. It was shown that where co-operation is present within household the well being increases. In contrast in households with non-co-operation relations' family conflicts appeared.

Second, MFP targeted to women evidence positive and negative effects on their well being. The former effects are that women increase their decision-making, self-esteem and their families recognised their economic contribution. This breaks the traditional mind setting of male breadwinners, especially within Andean indigenous society. In the study, women's training on health issues has significantly improved the household primary healthcare. Regarding to negative effects, the household well being is not reflected on women's well being. Women as breadwinners meaningfully increase their workload, stress and pressures from family, women's group and community. Women as breadwinners in many cases lead to men less willingness to give money for household necessities and this resulted in conflict intra-household relations. Despite of women's economic contribution to households through MFP, there is not enough evidence of a change in traditional gender roles that improves women's well being.

The research indicates that Yunus claim about women's inherent skills to develop successful non-farm activities is not sufficient condition. The research was found that human capital level is relevant for becoming productive as Sen (1997) states. Women with higher education have more options of getting better jobs and salaries. Women's

contribution was low and inadequate to generate minimum capabilities to exercise the functions of being and doing.

At social and political level, MFPs have changed women's lives. The study illustrated that involvement in diverse livelihoods have increased women's mobility inside and outside of their communities and they became to acquire more respect and acceptance from half caste people. Women's participation and decision –making within the women's group is still weak and link to the level of human capital. MFP encourages the social organisation of women. However, it the increase of leadership is low due to the patriarchal norms of societies and the lack of inclusion of gender constraints in their programmes. Moreover, MFP do not promote political awareness among women to become actors that can claim their rights to make social changes.

*c) To what degree the microfinance scheme of Diocese of Ambato responds to the livelihoods needs of poor rural women?*

The MFP from DA'S MFP has the potential of linking women with different activities, but this programme has not completely achieved the improvement of women's socio-economic conditions because it does not fulfil their specific needs of women. The DA's MFP has been successful in reaching women from rural areas. Women have moved from the moneylenders services to semiformal credit, avoiding extortion. Microfinance has become an important factor for poor rural women's livelihoods, but it overlooks that they have multidimensional needs since they are exposed to crises and shocks.

The collected evidence indicates that the DA's MFP generally is not successful completely because it does not take in consideration rural poor women's livelihoods. This programme does not include training about productive projects neither a gender approach, and generally does not benefit the poorest of the poor women. It was found that DA MFP does not consider that poor women are vulnerable and are exposed to emergencies, external factors and shocks. So, women use credit to face these situations of crises. They prefer to invest in different low income household-based activities such as in kind products, poultry farming, etc., to control the resources and secure their survival. The study indicates that women use them to fulfil their own multidimensional needs.

It seems that DA'S MFP is more interested in the financial sustainability rather than in the holistic well being of women. The DA's MFP were designed without an effective participation of women., because their needs and expectations were excluded. DA's MFP does not look for mechanisms that truly help women. It seems that the DA's MFP main interest is to respond to donors' expectations rather than to the women needs.

The DA's MFP focuses on providing financial capital and primary healthcare training. These do not fill the women's expectations about acquiring business skills, markets knowledge and credit amount. Women are suggested to start small business without having accurate training. Therefore, they invested the credit in known traditional low-profitable activities. The study found that women's vision about life conditions contrasts with the one of DA. While for rural women's the best way to get out poverty is through education access, for DA financial capital and healthcare training are sufficient.

DA's FMP does not take into consideration the gender approach since all of its activities (credit and health training) are addressed to women and does not include men. It does not show much interest in what is happening within the households. The study illustrates that some problems emerge due to access to credit and repayments. This programme does not include a rights awareness component to improve the women's human and social capital. It does not benefit the poorest of the poor because its scheme just provides financial capital without examining the socio-economic context of the group. Despite of the size of the sample and the particularity of the case study, these conclusions can be considered as an important input for future MFPs designing.

Concluding, microfinance should not be considered as the panacea for poverty reduction. It can help to solve some of problems of poor rural women, but not all of them. With this background and my professional experience in rural areas, I can say that MFPs are an important tool for the provision of financial services to the poor, especially for women from indigenous communities, to improve their livelihoods. Poor rural women are excluded from the formal financial institutions because of their lack property rights and collateral. However, microfinance needs include

empowerment and livelihoods approach to understand better the needs and the ways of living of poor women and how they use financial services to avoid inequalities and have effective results. MFPs should design strategies that aim at the majority of the poor considering their needs and aspirations. This requires poor women's participation in projects design.

As it has shown through the study, MFPs for women, on one hand, has improved their access to credit, mobility and their decision-making. It has contributed to poor women's shift from informal to semi-formal financial services, but it has not contributed to change substantially their conditions of life, in terms of access to natural, physical, and social capital. On the other hand, it has promoted intra-household conflicts, stress, and in some cases domestic violence.

As a result, MFPs and NGO's intervention towards poverty reduction cannot replace the State action. It is needed to have MFPs under a state policy frame in the social, financial and political fields. Because poverty is a structural problem, it is the denial of entitlements, it is the denial of access to productive assets as well as human resources (Sobhan, 2001). Microfinance claims to benefit women but they do not address the well being of women accurately for the reason that it deposits the burden of household debt and development itself on to women. As a result, microfinance has the face of desperate women who lives in poverty and struggle day by day to try to survive and get better conditions of life for their families.



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**APPENDIX A WORLD BANK – NORWAY FUND**

QUESTIONNAIRE FOR THE STUDY OF THE CONSTRUCTION OF SOCIAL CAPITAL IN WOMEN'S GROUPS AMONG INDIGENOUS WOMEN BASED ON THEIR EXPERIENCE WITH CREDIT PROGRAMS

**SURVEY OF MEMBERS OF WOMEN'S GROUPS**

Good morning/afternoon, my name is..... I'm taking a survey for the World Bank to analyze the social, economic and organizational situation of the Women's Group which you belong to and its relation to financing. I would like to speak with you and ask you a few questions.

**O. GENERAL INFORMATION**

A. Name of Group: \_\_\_\_\_ D. Parish: \_\_\_\_\_  
 B. Country: \_\_\_\_\_ E. Township: \_\_\_\_\_  
 C. Province: \_\_\_\_\_ F. Community: \_\_\_\_\_

**I. PERSONAL INFORMATION**

G. Age: \_\_\_\_\_ years  
 H. Marital Status:  
 Single 1 Married 2 Unmarried partners 3

Other \_\_\_\_\_ 4 (Specify)

G. Level of Education:  
 None 1 High school diploma 5  
 Primary (incomplete) 2 University (incomplete) 6  
 Completed Primary 3 University degree 7  
 High school (incomplete) 4

**II. ECONOMIC AND SOCIAL INFORMATION**

1. What was your family's income during the month of May? Please include the income of all family members as well as your own. (Write the figure in the appropriate space corresponding to an answer expressed in dollars or in sucres).

DOLLARS \_\_\_\_\_ SUCRES \_\_\_\_\_

2. From what activities does your family obtain its income? Are there any other activities? (Multiple answer) (If more than one answer given) Which is the main activity? (One answer only)

	Activities	Primary
Agriculture	1	1
Livestock	2	2

Forestry	3	3
Handicrafts	4	4
Other: _____	5	5

(Specify)

3. Did you contribute to your family's income? (If the answer is "yes") How much did you contribute to your family's income during the month of May? (Write the figure in the appropriate space corresponding to an answer expressed in dollars or in sucres).

DOLLARS \_\_\_\_\_ SUCRES \_\_\_\_\_

Did not contribute 98 (go to question 5)

4. From what activity did you receive your income? (One answer only)

Agriculture	1	Handicrafts	4
Livestock	2	Other: _____	5
Forestry	3	(Specify)	

5. Let's talk about all of your family's expense during the month of May. How much did your family spend during the month of May on.....? (Name each category) (Write the figure in the appropriate space corresponding to an answer expressed in dollars or in sucres).

<b>Food</b>	Dollars _____	Sucres _____
<b>Education</b>	Dollars _____	Sucres _____
<b>Healthcare</b>	Dollars _____	Sucres _____
<b>Housing</b>	Dollars _____	Sucres _____
<b>Transportation</b>	Dollars _____	Sucres _____
<b>Clothing</b>	Dollars _____	Sucres _____
<b>Other</b>	Dollars _____	Sucres _____

(Specify)

**Total** Dollars \_\_\_\_\_ Sucres \_\_\_\_\_

6. (If total expenses are equal to or less than total income, go to question 7) In the month of May, your family spent more than it earned. Where did the extra money come from?

Savings	1	Loans from the group	4
Family loans	2	Sale of animals or other belongings	5
Bank Loans	3	Other: _____	6

(Specify)

**III. ORGANIZATIONAL CULTURE**

7. Speaking now of the Women's Group, how long have you belonged to this group?  
 \_\_\_\_\_ years.

8. In general terms, how do you rate the performance of the Women's Group?

Good	3 (go to 8a)	Bad	1 (go to 8b)
Average	2 (go to 9)	Doesn't know / doesn't answer	99 (go to 9)

8a. Why do you rate the performance of the Women's Group as good? Is there any other reason? (Multiple answer)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8b. Why do you rate the performance of the Women's Group as bad? Is there any other reason? (Multiple answer)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

9. Do you feel the Women's Group is important, somewhat important or not important?

Important	3	Not Important	1
Somewhat Important	2		

10. What achievements has the Women's Group had since it started? Has it had any other achievements? (Multiple answer)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

11. And what problems has the Women's Group had since it started? Has it had any other problems? (Multiple answer)

\_\_\_\_\_  
 \_\_\_\_\_

12. Do you think the Women's Group has influenced greatly, somewhat, very little or not at all in the decisions made by your community?

Greatly	4	Very little	2
Somewhat	3	Not at all	1
		Doesn't know / doesn't answer	99

Why? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

13. In your opinion, the Group has contributed to.....

Improving family relations?	1	2
Improving the family's economic situation?	1	2
Improving community development?	1	2

14. Do you feel you are better appreciated since you joined the Women's Group Se siente usted más valorada desde que ingresó al Grupo de Mujeres?

Yes	1	No	2
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Why? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

15. Does your family support your participation in the group?

Yes	1	No	2 (go to 15a)
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15 a. Why doesn't your family support your participation in the group?

\_\_\_\_\_  
 \_\_\_\_\_

16. In reference to the activities of the Women's Group, would you say that you participate always, sometimes or rarely?

Always	3 (go to 18)	Rarely	1 (go to 17)
Sometimes	2 (go to 18)		

17. Why do you participate rarely in the Women's Group? Is there any other reason? (Multiple answer)



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18. Do you attend the meetings called by the leaders of the Women's Group?

Yes 1      No 2

19. Of all the activities undertaken by the group, which do you feel is the most important?  
**(One answer only)**

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Why? \_\_\_\_\_

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20. How would you rate the performance of the group leaders, good, average or poor?

Good            3 (go to 21)      Poor 1 (go to 23)  
Average        2 (go to 22)

21. Why do you rate the performance of the group leader as good? Is there any other reason?  
**(Multiple answer)**

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22. Why do you rate the performance of the group leader as average? Is there any other reason?  
**(Multiple answer)**

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23. Why do you rate the performance of the group leader as poor? Is there any other reason?  
**(Multiple answer)**

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24. Do you think the group leaders facilitate the participation of the group members in the different activities always, sometimes, rarely or never?

Always      4                  Rarely      2  
Sometimes   3                  Never       1

25. Do you participate in the group's decision-making always, sometimes, rarely or never?

Always      4                  Rarely      2  
Sometimes   3                  Never       1

26. How do you participate in the group's decision-making?

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27. Among group members, what kinds of jobs or support have been carried out?

Community service projects      1  
Work-sharing                              2  
Support in cases of illness or death      3  
Other \_\_\_\_\_ 4  
**(Specify)**  
Doesn't know / doesn't answer      99

28. Do you help support the group with money? With goods (such as animals, products or materials)? With labor? Is there some other way in which you help support the group? What is it? **(Multiple answer)**

Money                                      1                  Labor                                      3  
Goods (animals, products or materials) 2                  Other \_\_\_\_\_ 4  
**(Specify)**

29. Have you used any of the services offered by the group? **(If the answer is "yes")** Which ones? Any others? **(Multiple answer)**

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Has never used the group's services      98

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**IV. CREDIT**

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30. As a group member, have you ever received a loan from the Women's Group?

Yes 1 No 2 (go to 37)

31. What did you use the money from that loan for?

\_\_\_\_\_

32. Were you charged interest for the loan?

Yes 1 (go to 33)

No 98

Doesn't know / doesn't answer 99

33. What was the annual interest rate that you were charged?

Annual Interest \_\_\_\_\_%

Doesn't know / doesn't answer 99

34. How long did you have to pay back the loan?

Months \_\_\_\_\_

35. Was the interest you were charged fair, too low or too high?

Fair 3 Too low 2 Too high 1

36. When you received the loan, did the group give you any training?

Yes 1 No 2

37. Why have you never received a loan from the group? Was there any other reason?  
(Multiple answer)

Too many requirements 1 Pay-back period is too short 4

Doesn't like to owe money 2 Interest rate is too high 5

Doesn't need one 3 Other: \_\_\_\_\_ 6  
(Specify) \_\_\_\_\_

38. In your opinion, is the amount of money the group lends to its members enough?

Yes 1 No 2 (go to 38a)

38 a. Why don't you think it's enough?

\_\_\_\_\_  
\_\_\_\_\_

39. Have you, in recent years, received a loan from a bank, a co-op, or any other financial institution?

Yes 1 No 2 (go to 44)

40. Which financial institution gave you the loan?

\_\_\_\_\_

41. What was the annual interest rate that you were charged?

Annual Interest \_\_\_\_\_%

Doesn't know / doesn't answer 99

42. How long did you have to pay back the loan?

Months \_\_\_\_\_

43. How did you invest the money from this loan?

\_\_\_\_\_  
\_\_\_\_\_

44. Why haven't you received the loan? Is there any other reason? (Multiple answer)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

45. Do you have any suggestion to help the group function better?

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**CLASSIFICATION INFORMATION**

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Subject's Name: \_\_\_\_\_

Interviewer's Name: \_\_\_\_\_

Date: \_\_\_\_\_



## Appendix B: Mayoux's framework for analysing women's empowerment

Type of Power Relation	Economic Empowerment	Wellbeing Benefits	Cultural /Legal and Political Empowerment
<b>Power Within:</b> <ul style="list-style-type: none"> <li>• Increased awareness and desire for change for individual women</li> </ul>	<ul style="list-style-type: none"> <li>• Women's positive evaluation of their economic contribution</li> <li>• Desire for equal economic opportunities</li> <li>• Desire for equal rights to resources in the household and community</li> </ul>	<ul style="list-style-type: none"> <li>• Women's confidence and happiness</li> <li>• Women's desire for equal well-being</li> <li>• Desire to take decisions about self and other</li> <li>• Desire to take control of own fertility</li> </ul>	<ul style="list-style-type: none"> <li>• Assertiveness and sense of autonomy</li> <li>• Recognition of need to challenge gender subordination including cultural 'tradition, legal discrimination and political exclusion</li> <li>• Desire to engage in cultural, legal and political processes</li> </ul>
<b>Power to:</b> <ul style="list-style-type: none"> <li>• Increased individual capacity for change</li> <li>• Increase opportunities for change</li> </ul>	<ul style="list-style-type: none"> <li>• Access to Microfinance services</li> <li>• Access to income</li> <li>• Access to productive assets and household property</li> <li>• Access to markets</li> <li>• Reduction in burden of work including childcare</li> </ul>	<ul style="list-style-type: none"> <li>• Skills including literacy</li> <li>• Health and nutrition status</li> <li>• Awareness of and access to productive health services</li> <li>• Availability of public welfare services</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility and access to the world outside the home</li> <li>• Knowledge of cultural, legal and political processes</li> <li>• Removal of formal barriers to access to cultural, legal and political processes</li> </ul>
<b>Power over:</b> <ul style="list-style-type: none"> <li>• Changes in underlying resource and power constraints at household, community level and micro-level</li> <li>• Individual power/action to challenge these constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Control over loans and savings use and income form</li> <li>• Control over income from other household productive activities</li> <li>• Control over productive assets and household labour allocation</li> <li>• Individual action to challenge discrimination in access to resources and markets</li> </ul>	<ul style="list-style-type: none"> <li>• Control over parameters of household consumption and other values areas of household decision-making including fertility decisions</li> <li>• Individual action to defend self against violence in the household and community</li> </ul>	<ul style="list-style-type: none"> <li>• Individual action to challenge and change cultural perceptions of women's capacities and rights at household and community levels</li> <li>• Individual engagement with and taking positions of authority within cultural legal and political processes</li> </ul>

Type of Power Relation	Economic Empowerment	Wellbeing Benefits	Cultural /Legal and Political Empowerment
<p><b>Power with</b></p> <ul style="list-style-type: none"> <li>• Or increased</li> <li>• Solidarity/joint action with other women to challenge underlying resource and power constraints at household, community level and macro-level</li> </ul>	<ul style="list-style-type: none"> <li>• Acting as a role model for other women, particularly in lucrative and non-traditional occupations</li> <li>• Provision of wage employment for other women at good wages</li> <li>• Joint action to challenge discrimination in women's access for resources (including land rights) markets and gender discrimination in macro-economic context</li> </ul>	<ul style="list-style-type: none"> <li>• Higher valuation of and increased expenditure on girl children and other female family members</li> <li>• Joint action for increase public welfare provision for women</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in networks for support in times of crisis</li> <li>• Joint action to defend other women against abuse in the household and community</li> <li>• Participation in movement to challenge cultural, political and legal gender subordination at the community and macro level</li> </ul>

Source: Adapted from Mayoux (1998).

## Appendix C. Main features of the Microfinance Programme of Diocese of Ambato in San Alfonso de Chibuleo.

**GENERAL OBJECTIVE:** TO IMPROVE THE LIFE CONDITIONS OF RURAL FAMILIES.

**Specific Objectives:**

- Provide credit to poor women undertaking profitable economic activities, thereby leading to increased incomes.
- Provide technical support to women by providing advice and training to be used in savings and credit administration.
- Promote health and good nutritional practices.

**CREDIT PROGRAM**

**Eligibility:** 100 members most of them coming from the same locality, and sharing common interest compose the SACH Women's Group. An initial amount of \$4 dollars should be deposited.

**Structure:** Members elect a management committee of at least 4 people including president, vice-president, secretary, and treasure. They are responsible for the good administration of resources and decided in assembly which new members can join the organisation.

**Purpose of the Loan:** Loans can finance viable projects such as microbusiness, agriculture, and livestock production.

**Interest rates:** Women have to pay 3% interests per month for loans. 2% goes to Ambato Social Pastoral (ASP) and 1% goes to increase Women's group fund. Women do not need to fill in a loan form.

**Loan amounts and repayments:** Loans increase in 5 cycles (semesters): first loan maximum \$60, second loan \$120, third loan \$180, and fourth loan \$240 and fifth \$300. Repayments are made every month (capital plus interests). To pass from one cycle to another, women have to pay back their previous loans.

**Default Rates:** 5% is the rate for default. 2% goes to ASP and 3% goes to Women's group funds as utility concept.

**Loan approval:** Loan recipients are approved in the Assembly. All members are who decide whether or not to give loans. They take in consideration preceding behaviour of the members in the community. If the loan is approved, it is disbursed in cash and the member has to sign in the account book.

**Loan Monitoring:** is done by an account promoter from the Diocese of Ambato who helps and supervises to Board members, especially the treasurer.

**SAVINGS PROGRAM**

**Eligibility:** Members save money every month. They deposit a quantity similar to interest amount.

**Saving conditions:** The members can decide how much to deposit in excess of the minimum amount. Women are free to resign if they want. They are entitled to withdraw the total amount of money deducted \$2 which go to the group.

**Purpose of Savings:** Savings can be used for any purpose e.g. education expense, illness expenses, Hh consumption, and income generating projects, purchasing agricultural inputs.

**Interest rates:** women's savings receive monthly 2.8% interest. The profit Women's Group savings provide these funds. Women do not need to fill in any form.

*Source: Focus groups, interviews and author's field workuador, June 2002.*

