

## **IMPACT OF MICROFINANCE TO EMPOWER WOMEN IN PAKISTAN**

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### **ABSTRACT**

*The aim of this paper is to analyze the impact of microfinance to empower women and review some of the studies relevant to the role of microfinance in empowering the women. Microfinance is the organization that provides financial services to the poor to generate their own business. According to HDI Report (1995) 1.3 billion women who earn less than \$1 dollar a day are poor. Microfinance organizations enable women to have a control over the resources to generate their own income generating activities. It has been observed that recently increasing number of NGO are involved in the field of micro credit in Pakistan, SAWFCO is one of them, which is working for the poverty alleviation and socio-economic empowerment of vulnerable communities. It is concluded that microcredit scheme of these organizations is a better tool for empowering women and improving living condition of women. This research paper concludes that there has been a positive change in terms of increase in income of women, their contributing role in decision making and significance change in expenditure pattern which includes spending on their children's education.*

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### **INTRODUCTION**

Microfinance is recognized as an efficient tool to alleviate poverty by offering financial services to those who do not allow to take loan from commercial banks. Woller (2001) defined that poor people can be sustained by providing better access to saving and loaning services to start their business by microfinance. It is considered as a vital issue in the development agenda relating to the provision and delivery of credit and other services to help the poor tackle poverty themselves.

Microfinance aims at providing credit facilities for the poor and increases their ability to save in the future. Microfinance is to promote savings for development in communities and particularly

to empower women in the society by giving full access to control over resources and utilize according to their wishes.

Microfinance institution is an organization that provides loaning facility to the poor people to help them engage in productive activities to open their small business. Gateway, (2008) stated that microfinance provide the loaning, savings and other basic financial services facilities to the poor to open their own business in this way they become sustain in future. Similarly, Hussain (2000) defined Microfinance providing small loan without any collateral to those people who do not have resources or money to bear their expenses.

A majority of microfinance programmes target women with the explicit goal of empowering them. There are different inherent needs for pursuing women empowerment. Women empowerment means power to, power over and power within women to survive or to give them access over the economic resources and give them right to take a decision. Mayoux (1997) pointed out that Women are the poorest and the most vulnerable of men therefore microfinance should give them first priority. Women comprise at least half of the population and in rural areas their number is higher than the me, when microfinance institution focus on women empowerment and make them sustain which contributes to greater economic growth and development which results in increasing women's resources as well as a result well being of the family.

According to USAID Report (2000), Microfinance institutions have power to start in growing products and services that remove restriction which are required in banks like verifying certificate, male or salaried guarantor requirements, certificate requirements, ideology of pardah and limited mobility.

World Bank (2001) reported that 800 million people are bound to sleep hungry and 791 millions of such a chunk of population lives in developing countries that constitute 90% of the hungered. Out of them, 284 millions live in South Asia with 49 millions in Pakistan which makes 6% of the world's total population and 17% of the South Asia's poor population. Microfinance is now a tested scheme for reaching poor women. The micro credit summit campaign describes that 14.2 million of the world's poorest women now have access to financial services accounting for nearly 74% of the 19.3 million poorest served by

microfinance. Most of the poor Women are independent to invest their credit in business according to their wish and operate themselves. Women are poorer and more disadvantaged than men this discrimination has eliminated by micro credit scheme by providing loan and make them sustain. According to HDI (1995) various reports suggested that women earn less than 1\$ dollar a day are almost 70% of world population.

The issue of women's access to credit was highlighted in the first international Women's conference held in Mexico in 1975. After second International Women's Conference in Nairobi in 1985, there was many government and NGO-sponsored income generating programmes initiated for women, many of which included savings and credit. Then, in the 1990s, microfinance programmes such as the Grameen Bank and some affiliates of the Foundation for International Community Assistance (FINCA) and ACCION International increasingly began to focus on women who are most vulnerable, not only as part of their poverty mandate, but also because they found women's repayment rates to be significantly higher than men's ( Linda Maoux, 2001).

#### **MICROFINANCE IN PAKISTAN**

Women's access to finance is an important tool for poverty reduction. Human Development Poverty Index (HDPI) indicated that microfinance program in Pakistan have played positive role in terms of increase in income, saving, access to the economic resources, increasing women's self confidence and right to take decision of their children marriages. About 55.8% of Pakistani women, compared with 41% of men, were living below the poverty line. Microcredit is the main approach to improving the condition of poor Pakistani women (Goheer, 2003).

Dr Akhtar Hameed Khan had introduced the microfinance concept in early 80's in Sindh province. The programme is known as Orangi Pilot Project at Orangi, Town, Karachi, Asias' enormous populated area of (Kachi Abadi). In 1985 he established separate financial institution known as Orangi Charitable Trust (OCT). It's Object to provide the Microfinance services to the poor who were willing to generate their regular income for having a sustainable life.

The small loan granted to the farmers & petty-businessmen of Northern areas of Pakistan. The Government of Pakistan had recognized the idea & established the National Rural Support Program (NRSP) at National level in 1990s.

Since early 2000, the GoP has stepped forward efforts to develop microfinance with considerable funding from large donors like the World Bank and Asian Development Bank (ADB). The Government of Pakistan established Pakistan Poverty Alleviation fund (PPAF) with the support of World Bank in 1997. Similarly, in 2000 Khushhali bank was established with the support of ADB. Khushhali Bank launched its own branches to provide micro credit to poor in all over the country (SMN, Report 2007).

In 1997, the government of Pakistan sponsored the Pakistan poverty alleviation fund (PPAF), initially funded largely by the World Bank, and registered it as private organization under the companies Act of 1984 to channel funds to NGOs, called infrastructure projects, enhancing the institutional capacity of NGOs and community organizations through training and new skills and giving small loans to low income individuals and households for income generation. PPAF has grown into major support institution for the rural development programmes and a number of other NGOs that are working in partnership with the grass root organizations in rural areas. Two third of its total resources of \$ 1900 m, raised from early to mid-2007, was contributed by the World Bank. The World Bank considers PPAF an important and effective institution for poverty reduction in Pakistan (World Bank, 2005).

#### **MICROFINANCE AND WOMEN EMPOWERMENT**

Empowerment is the process of increasing the capability of person to take decision according to their wishes. Kabeer (1999) argued that women's empowerment is the procedure of increasing capacity and ability to survive in our society by providing resources to those who have been ignored by society to make strategic life and access to utilization of resources according to their wishes.

Empowerment is the process of change in human behavior and ability to open small business to earn income to fulfill their expenses. Similarly, Krishna (2003) reported that Empowerment

means increasing the mental ability of individuals or groups to make positive changes towards the development and their livelihood and to change these choices into desired effects and results.

Access to the credit does not only translate into empowerment or reduce vulnerability but it also makes them able to use the resources to meet their basic needs and to strong Women's bargaining power within the household decision making.

As we know half of the population in our country are women and they are living in deprived condition, Women economic empowerment has not only positive impact on individual or in our society, but it can make a greater contribution at the macro level through increasing women's participation in economic activity, work in labor market along with the men without any discrimination and their involvement as economic agents in policy decision.

Lindox Maoux (2001) pointed out that microfinance program may also resolve issues regarding gender inequalities within the community such as gender violence and access and control over the resources and house hold decision and consents regarding the children marriages. International organization may further address these issues towards the change in attitude and behavior of women and encourage women's human rights at world level.

Microfinance program is one of the instrument that fulfill the needs of those people who live below poverty line of vulnerable communities by providing small loan to make them sustain to earn income. It not only useful in achieving its primary goals of socio-economic empowerment of vulnerable rural women, but it has also become an effective lending tool to eradicate poverty through self employment and social mobilization.

#### **IMPACT OF MICRO FINANCE TO EMPOWER THE WOMEN**

Micro credit programmes are effective tool to empower the women and reducing poverty among poor people with providing skills to sustain in future. Most of the organizations provide credit to women clients to empower them which affect positively women's social lives, socio-economic issues such as access to the economic resources, bargaining power, increase self possessed, increasing state of mind towards responsibility for child bearing,

working outside the home, working outside the home in labor market for earning income, and have decision power to take consents for girls marriages. When women have credit they can run their own business and earn some income, which could be spent according to their wishes.

The expansion emergence of microfinance since the 1990s has significantly change the attitude and mindset of women by providing socio-economic and political empowerment. Microfinance enables the women to access significant amount of money to start their own business, invest more in existing activities, and raise their status in household economic activities through these visible capital accumulations.

There are many microfinance institutions who are evaluating their impacts on women's authorization. The Women's Empowerment Program in Nepal, conducted a survey reported that about 68% of women in its program become empower having good status in our society. The Centre for Self-Help Development (CSD) also indicated when women have their own income they were able to make small purchases of basic necessities of life. but she always has to take consent or permission from their husband when she buy jewelry or personal items for their own will and wish, which indicated that she doesn't have full access to the resources and doesn't have power to take decisions, it represent there is no women empowerment take place through small loaning in this area (Parrot and Ashe, 2001).

There has great changes among the region was seen with the increasing percentage of women clients from 27% to 87% in Asia. USAID reported that approximately 70% of MFIs clients were women. The percentage of women clients has rose 48% in 1993 to 54% in 2000.

There are many survey conducted by KASHF Microfinance Pakistan reported that the majority of its clients described that microfinance has positive impact in terms of increase in their income, saving and also increase women empowerment (Hussain 2003).

Mayox (2006) reported that 85% having their own income, 70% have freedom of mobility and 92% have equal decision making power with men. Impact Assessment Research had been conducted by the KASHF in 1998, that study reported that the

domestic violence has decreased due to increase in income, as a result of micro loans, simultaneously Agha Khan Rural Support Programme Research 2002, reported that majority of men & women become a sustainable due to an increase of in income, and collective decisions in every activity of life (Saeed Tania, 2007).

***Credit Program Outreach with Different Organization Perspective***

The focus on women's empowerment and microfinance is not new. It dates back to the 1970s with the beginning of the international women's movement. Many independent women's organizations around the world have contributed to their countries development by providing loan to empower the women. Various women's organizations worldwide set up credit and saving components as a method of both enabling women to increase their incomes and coming together to address enormous gender issues. As a result 68% rural women are most destitute, poor, voiceless, lack of basic rights, and access to services and economic chances. To highlight these issues many other organizations are working for the development of rural women who are vulnerable, poor and have lack of economic opportunities and encourage them to take part in the development endeavors (Pakistan Development Forum 2005).

Empowering the people and reducing poverty is one of the biggest development challenges in the rural areas of Pakistan. For centuries people in rural Pakistan were governed through a rigid caste system that made them lose hope in any form of social mobility. There are many organizations which are working for poverty alleviation strategy. SAWFCO is one of them which launched different projects to create platform for poor and to provide the financial services through which poverty can be reduced.

Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO) it established in 1986. There were few functionaries who believed in their selves to formulate and change the lives of the defenseless people into sustainable living standard and tag their valuable identities in the society in pastoral areas. Hence the pioneers of SAWCO initiatively processed and launched the Social mobilization practices from point to drag a gigantic line around the rural areas of District Sanghar. No doubt SAFWCO

lighted a hope among the ignored or destitute community of district Sanghar. Since beginning, social mobilization process set a benchmark of SAFWCO's development strategy. SAFWCO begun its work with an intention to encourage people's participation in sustainable development in self interest basis and helped by providing the trainings as they may get their elementary socio-economic rights and create their employment opportunities as well as good living standard.

SAFWCO considers in institutional building at grass roots level to support in bringing social change in the society. Therefore it is a common platform where every poor can make themselves involved in development process. SAFWCO believes in to deliver its services by conducted relation between community and itself. The main aim of the program is to empower the rural women and reduce their vulnerability.



**TABLE-1**  
**LOANS ADVANCED UNDER DIFFERENT CATEGORIES**  
**DURING THE YEAR 2005**

Loan Head	Loan to Male		Loan to Female Disbursement		
	No	Male		Female	G.Total
Agriculture	724	8,180,000	5	69,000	8,249,000
Livestock	825	7,010,000	2370	23,042,000	30,052,000
Retailers	2,561	20,288,000	857	6,130,000	26,418,000
Handicraft	190	1,468,000	586	3,894,000	5,362,000
Other business	560	4,250,000	49	432,000	4,682,000
LCHP & 1994 2000					0
<b>Total Pak Rs</b>	<b>4680</b>	<b>41,196,000</b>	<b>3867</b>	<b>33,567,000</b>	<b>74,763,000</b>

Source: SAWFCO, 2005-07.

Table-1 reveals that 74.763 million were disbursed to 8,727 clients including 3,867 females to whom an amount of Rs. 33.567 million was advanced. These loans were specially disbursed for

livestock development 41%, agriculture development 11%, handicraft development 7%, retailing and small business 35%, and other income generating business 6%. More loans were disbursed for livestock and handicraft development to female.

**TABLE-2**  
**DIFFERENCE BETWEEN 2005 TO 2010 DISBURSEMENT**

	Male	Difference	Per %	percentage of male disbursement	female	Difference	Per %	percentage of male disbursement
Agriculture Development	34,723,000	18,363,000	53	34	12,417,000	12,279,000	98.88862044	15%
Livestock Development	20,316,000	6,296,000	31	20	45,214,000	870,000	1.924182775	55%
Retailers	34,957,000	5,619,000	16	34	12,539,000	279,000	2.22505782	15%
Handicraft Development	2,075,000	861,000	41	2	8,116,000	328,000	4.041399704	10%
LCHP & 1994 2000	10,318,000	1,818,000	18	10	4,286,000	3,422,000	79.84134391	5%
<b>Other business</b>	102,389,000	32,957,000	32		82,572,000			

Source: SAWFCO, 2005-10.

Table-2 shows total disbursement rate of male and female during the five year period. The total difference of disbursement rates in five year period which is higher in agriculture sector for male and in livestock development sector for female.

According the SAWFCO report (2005-10), there has been a positive change in terms of income, increase in productivity of different sector and change in consumption because of access to the credit for different purpose. Some of the surveys have proved that access to the loaning facility has positive impact in terms of change in income, women bargaining power or self confidence from different sources. The survey undertaken by PIDE for the National Human Development report found out that those people who live under the absolute poverty whose income below poverty line have access to provide loan to fulfill their basic facilities from opening their small business. 17% of the total consumption of the poor is financed through credit and 5 % through the sale of land. The Kashaf survey reported that there has positive impact of microfinance in terms of increase in saving and income. About 76% of the clients reported that there is increase in income and saving because of microcredit facility.

### ***Impact Assessment Report of SAWFCO***

The study of the impact of Microfinance to empower the women was carried out in Shahdadpur district by SAWFCO in 2009 to assess the level of authority women have in their families and in the community in which they live. Respondents for the survey were drawn from women are into Microfinance activities.

### ***Business Impact***

Working capital plays a crucial role in day to day activities of women who are entrepreneurs. The introduction of microfinance has made possible for women who hitherto were denied from accessing credit facilities from the traditional financial institutions to have a financial support. The survey conducted indicated that 36% of the women were having working capital as low as Rs 1000 to Rs 3000 and 30% also had less than Rs 1000 as capital. As they joined the microfinance scheme, those who started their businesses

with up to Rs 1000 now have closer to Rs 5000 as their current capital base. Again, a lot of those who started with more than Rs 1000 are now having about e 20,000 as their capital base. Generally, there has been an upward shift in terms of profit making as it is reflected in their current capital base. This is likely to translate into women's lifestyle by participating in more roles in the family and in their communities as well. For there is a saying that "money is power" and that with this form of power entrusted into the hands of women through their own activities, they will be able to play major roles and take up responsibilities.

Generally, it is believed that financial independence and sustainability will help women to play major roles in the home concerning decision taking and contribute positively in the community. On the issue of mobilization of capital, a lot of women (40%) generated their own capital for their business. Others mobilized their capital from husband (22%), relatives (26%) financial institutions (6%) and other means such as credit creation and from friends (6%).the generation of a greater proportion of the capital used for the businesses by the women themselves, show that they had greater control over the outcome or profits from the businesses. This would enhance their ability to take up responsibilities in the home and in the community as well.

### ***Impact on the Household Income and Expenditure***

Most of the women were they proudly reported that access to loaning enable them to educate their children and spend their money according to their wishes and it helped them to get respect of their husbands, also gave them the opportunity to acquire the best possible education for both their daughters and their sons. The study had revealed that large number (56%) of the respondents spent their income from the business to support their families. This was made possible through microfinance, where women were empowered financially so that they could support themselves and their families. 38% of the respondents considered expansion of their business as a priority. Those who used part of their income on the business for other purposes (6%) stated that they saved part of the income from the business with microfinance institutions whiles

others said they used part of the income to support their personal needs. Previously, decision making concerning children education was solely for the men because it was assumed that only men were having money. As a result women were not involved in decision making when it came to children education. But it was evident that the trend in the regard to bearing of children's education expenditure has changed. Women were taking responsibility of household expenditure and deciding on their children's education. This is made possible because women now have access to resources to support their children in school, even if the father is not willing or ready to play. A large percentage of women (35%) solely decide on their children's education.

When it comes to the issue of property acquisition, the study revealed that 41.3% of the respondents take decisions them-selves. This shows the level of empowerment women have in the family when it comes to property acquisition. Microfinance has helped in empowering these women financially and as a result their involvement in decision making has enhanced.

The survey revealed that women were contributing positively towards decision making in the family and in their communities as well. Most women could now decide on their own on issues pertaining to child education, property acquisition, contribution in the house and help in deciding for the family and the community as a whole.

During the survey, it came out that most of the clients are the youth ageing between 22 to 39 years representing 66% and 98% constitute the active labour force. As evident that most of the respondents (44%) are between 30 and 39 years. Also, out of the married women who contribute a lot in their families, 40% are without a husband. These people are just a fraction total number of women in the country as they constitute about 52% of the agriculture labour force and about 92% of agro processing business. This presupposes that women play an important role to the development of the society and ensure poverty reduction.

Based on this outcome, more women should be encouraged to involve themselves in microfinance to help them become

financially independent and contribute positively towards themselves, their families and their communities as well. As a result, we call on all stakeholders of both microfinance and women empowerment groups to give a second look at the crucial role microfinance play in empowering low income women in the society. Efforts must be made to ensure that microfinance institutions are efficient, well resourced and structured in other to sustain the institution.

### **CONCLUSION**

It is clear from this study that microfinance is an innovative tool to empower the women. It helps the poor to develop their skills and enable them to earn money open their own small businesses, to build assets, to upgrade their education level, manage unexpected risks and have a better quality of life. The expansion of microfinance since the 1990s has significantly increased women's access to facilities for small loans and savings. The increased access to microfinance has been seen as contributing not only to poverty reduction and financial sustainability, but also provides socio –economic and political empowerment for women. The women due to own easily of finance, have been encouraged to start their own businesses, invest more in existing activities, and raise their status in household economic activities through capital accumulations. Many non government organizations are working to alleviate poverty and to empowering women. SAWFCO is one of them to disburse loan to women and men for generating their own businesses to improve the socio-economic condition of households. Microfinance has proved to be a boom for empowerment of women.

### **RECOMMENDATIONS**

- The government should take steps to create a favorable environment for MFIs to operate in Sindh.
- The government should facilitate partnership between MFIs and government departments for promoting micro financing schemes so as to achieve the targeted goals.

- There is need to encourage women in income generating jobs through social mobilization.
- Micro credit institution should assess the activities of organization to ensure that credit is reaching to the poor or not and this assessment should be done on monthly basis.
- Micro credit institution should provide free or low interest loans to the poor so that they can be self reliant.
- The government should encourage the credit services at village level, or introduce the rozgar scheme that will reduce the poverty.
- Small loan facility should collect information on women's needs and introduce their products to fulfill those needs.
- The government should review the institutional policies to make sure gender role and gender equity through implementation of Microfinance program.
- Participation of women into the administration, organized management, and Implementation of microfinance programs should be encouraged.

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