

The Differential Impact on Gender Relations of ‘Transformatory’ and ‘Instrumentalist’ Women’s Group Intermediation in Microfinance Schemes: A Case Study for Rural South India

By Nathalie Holvoet¹

Abstract

This article starts from conflicting evidence regarding the impact of microfinance programs on women’s empowerment. It explores whether schemes that appear to be very similar on the surface may actually hide deeper differences that can help explain their diverging outcomes. The focus is on group intermediation, a feature that is overwhelmingly present in microfinance programs targeted at women. While group intermediation clearly has paid off in terms of individual programs’ financial profitability, it is also increasingly propagated on equity and empowerment grounds. This article argues that it is shortsighted to assume all forms of group intermediation will invariably achieve their empowerment potential, and it explores which factors come into play in this respect. A basic distinction is made between microfinance programs that use women’s groups and existing gender relations as instruments to enhance financial sustainability on the one hand and, on the other, programs that rather exploit the capacity of credit to mobilize women, to generate and invest in collective action, and to transform underlying gender relations. This article draws mainly on insights from (critical) institutional and feminist economics and confronts them with empirical evidence from a comparative impact study of credit programs in South India that approach women’s groups differently.

Keywords: microfinance, women’s empowerment, collective action, South India

Introduction and overview

In the last decade, microfinance has been extolled as a panacea for poverty alleviation and the enhancement of human well-being. However, the confrontation of rhetoric with evidence of effective achievements has somewhat qualified the unbridled enthusiasm of the earlier days. While there is a fairly high degree of agreement on the effectiveness of microfinance as an instrument for increasing the income of those above or on the poverty line, microfinance does not seem to benefit the extremely poor (Mosley, 2001), who in many cases are apparently not even reached (Navajas et al., 2000). Particularly controversial are the effects on women. Although most of the evaluations to date relate to the same South Asian context¹, some are positive about the empowerment potential and supportive of it, while others are skeptical and point at the potential adverse effects of microfinance on women². A closer look at several of these studies suggests that such conflicting conclusions may be due to a variety of factors. In her review of Bangladeshi impact assessments, Kabeer (2001) indicates that different evaluations do not necessarily use the same concept of empowerment; nor do they necessarily measure it in the same way. While some focus on changes in individual access to and control over resources, others highlight ‘intra-household agency’, while still others explore ‘collective

¹ Nathalie Holvoet holds a Ph.D. in economics. She is currently a lecturer at the Institute of Development Policy and Management, University of Antwerp. Her research interests include intra-household resource allocation, gender budgeting, gender-sensitive monitoring and evaluation.

agency' and broader societal changes in terms of gender relations. Conclusions may also differ as a result of diverging research methodologies or opposing subjective interpretations of nevertheless similar findings. Another possible explanatory factor for the conflicting evidence observed is that programs which are classified as similar may in fact contain crucial differences that are ultimately responsible for diverging outcomes.

Many microfinance programs are similar in that they share two features, namely the borrower's gender and the lending technology applied. Indeed, in a 1998 survey of their 925 member institutions, the Microcredit Summit Council of Practitioners reported that about seventy-six per cent of the clients are women. As regards lending technology, many microfinance programs involve a kind of group intermediation between the lender and the borrower. While both features may clearly pay off in terms of a program's financial profitability, they are also often legitimized on 'equity' and 'empowerment' grounds. This article takes a closer look at the empowerment potential of schemes whereby credit is targeted at women through group intermediation, and essentially argues that it is shortsighted to believe group intermediation will invariably lead to a sustainable realization of this potential. It tries to trace back divergent outcomes to particular program features and explores the underlying mechanisms through which effects are achieved. I draw on insights from (critical) institutional and feminist economics and confront these with findings from my own South India case study. The empirical evidence dates back to the late 1990s, but remains relevant in the current era of the new aid paradigm³, which attaches great importance to the 'poverty reduction strategies' (PRSs) recipient countries need to spell out in so-called 'Poverty Reduction Strategy Papers' (PRSPs) in order to be eligible for aid. A closer look at a random sample of 10 of the 34 PRSPs from countries located in Sub-Saharan Africa, South Asia and Latin America⁴ reveals that microfinance schemes figure high on most of these low-income countries' development agendas, irrespective of their geographical location. Various PRSPs describe how market failures in the supply of 'mainstream' financial services towards the (rural) poor have prompted the emergence and rapid expansion of microfinance services in their societies. Interestingly, while most of the PRSPs underscore the potentials of microfinance, they simultaneously point at the urgency of closer supervision, regulation, monitoring and assessment of the impact of microfinance schemes in order to improve their effectiveness. It is against the latter setting that this article stresses the importance of an in-depth debate on appropriate lending technologies. The very immediate contribution of the research findings and ensuing debate is to help decision-makers in designing credit programs that are more likely to yield an empowering outcome while reducing possible adverse effects.

Group intermediation: instrumentalist versus transformatory use

In their quest to make the poor 'bankable', microfinance institutions have, over time, developed mechanisms that can cope with transaction and information costs. These costs are assumed to be particularly high when lending small amounts to a widely scattered population of poor. In this context, group intermediation has been strongly propagated, as it increases the likelihood of repayment through peer pressure and takes care of a number of elementary but highly time-consuming aspects of loan proceedings. While the beneficial effects of group intermediation on the transaction and information

costs incurred by microfinance programs are well known and extensively researched (Hoff and Stiglitz, 1990; Huppi and Feder, 1990; Sharma and Zeller, 1997), far less attention has been devoted to the possibly beneficial role of gender norms in terms of financial profitability. Notable exceptions are Goetz and Sen Gupta (1994) and Yaqub (1995), who have showcased that, in societies characterized by highly skewed and strictly applied gender norms, the risk of non-repayment may be reduced by lending to women, as norms of obedience and compliance make them less likely to default. Numerous are the examples of women who, in order to avoid incurring the cost of shame due to non-repayment, choose to sacrifice their own well-being or that of their families.

It is particularly with regard to their interaction with the socio-cultural construct of gender that one may distinguish between different group-based credit programs targeted at women. While all these schemes can seem very similar on the surface—sharing a similar rhetoric about the importance of women’s empowerment—their underlying rationale, conceptualization and impact appear to diverge substantially when assessed through a broader societal ‘gender’ lens. Notwithstanding the explanatory potential of a broader evaluation perspective, whereby the focus shifts from the individual and the household to a more general societal level, this approach remains underexposed in practice.

In what follows, I broadly distinguish between an “instrumentalist” and a “transformatory” use of women’s groups (Molyneux, 1985). The former approach, deliberately or otherwise, essentially applies group intermediation and existing patterns of gendered behavior to enhance financial sustainability, while the latter primarily uses credit as a means to mobilize women into groups and to stimulate collective action that may contribute to the transformation of gender relations themselves. There are, at present, no overview studies that provide a reliable account of the respective prevalence of instrumentalist and transformatory group intermediation. However, one can easily imagine that microfinance programs, where financial profitability criteria come into play, will usually be reluctant to fundamentally upset gender norms that serve their purpose so well. Even if they do not deliberately build upon existing gendered socio-economic and political processes, and indeed may sometimes explicitly disapprove of such processes, it is not surprising that most microfinance schemes strive towards changes in women’s status that do not fundamentally challenge underlying societal gender norms. In practice, such programs will tend to limit their efforts to ‘safe’, ‘non-challenging’, interventions. This essentially means that they usually focus on women’s ‘practical gender interests’⁵, including facilitating their access to a variety of production resources that may help them fulfill their ascribed tasks and roles, though without calling into question the ‘gendered’ division of those tasks and roles as such. Transformatory forms of intermediation diverge from this instrumentalist view of ‘gender’. Their final objective is rather to work on ‘strategic gender interests’, to enhance change in the underlying gender relations, using credit and the promotion of practical gender interests as an entry point and mobilization strategy.

To gain a better understanding of the underlying processes involved in the strongly divergent gendered effects of instrumentalist and transformatory approaches to women’s groups as intermediaries in credit schemes, I rely on contributions in the fields of (critical) institutional and feminist economics⁶. They offer illuminating insights into such aspects as gender, institutional change and collective action that are readily applicable to

the issue at hand. More specifically, an institutional economics perspective can help us understand how a socio-cultural construct such as 'gender' can be instrumental in reducing transaction and information costs in microfinance programs and in making the poor 'bankable'. Conversely, it can shed light on the instrumental role 'credit' may play in triggering collective action by women's groups with a view to achieving change in the underlying gender relations.

Gender, collective action and institutional change

Particularly interesting for analyzing the issues at stake are the differences between institutional economics and mainstream neoclassical economics in terms of their conceptualization of driving forces behind human development. While neoclassical economics considers human behavior mainly to be the result of free human agency, institutional economics lends more credibility to the autonomous influence of norms and institutions, without however taking the pendulum too far in the other direction. It tries to refrain from downplaying the role of norms, while not lending credence either to the diametrically opposed view that human beings are fully molded by independent and immovable norms and institutions and therefore have no room to 'maneuver'. Institutional economics rather attempts to take the golden mean, picturing human behavior as the result of free human agency, norms and institutions, and how they interact. As Folbre (1995, p. 81) puts it: "institutionalist economics treats norms, preferences and values as partially endogenous, and asks how they evolve. It also takes collective action seriously, asking how people may come to identify with, and pursue common interests within social groups". While such an approach adds complexity to the mainstream neoclassical view, it is particularly valuable for (mainly feminist) researchers and practitioners, as it provides insight into the 'autonomous' influence on human behavior of a socio-cultural construct such as 'gender'. Additionally, it helps explain its persistency, while also pointing at its 'changeability' in the longer term, and even suggesting ways of triggering such change. Although this research and policy agenda is far from complete, there have been some valuable contributions from a 'feminist economics' perspective by such authors as Agarwal (1994), Folbre (1994, 1995) and Kabeer (1994).

The above authors argue that 'gender', similarly to other norms and rules, defines the realm of choice. In making human behavior predictable, 'gender' reduces the transaction/coordination costs involved in human interaction. For example, the mere fact that 'gender' determines, to varying degrees, which tasks men and women '*are supposed to perform*' reduces the time individual men and women need to spend on day-to-day bargaining over time and task allocation. Moreover, the particular nature of a socio-cultural construct such as gender makes its enforcement relatively easy. As norms and rules relating to gender are shared by the community to which one belongs, disobedience leads to disapproval and, in some cases, to expulsion from that community. If norms are strongly internalized, as tends to be the case with gender, external sanctions are also less essential, as deviation as such already gives rise to an internal cost of 'shame' (Elster, 1989). Aside from the 'economizing' function of reducing costs of transaction and enforcement, 'gender' obviously also serves a redistributive purpose. It regulates conflicts between social groups and, more specifically, sets out the parameters for the distribution of the fruits of cooperation between men and women. As Folbre puts it

(1994, p. 65), “structures of constraint based on gender are unfair if they restrict women’s choices more than men’s, or give men an a priori advantage either in terms of rights or responsibilities. Clearly, such structures vary over space and across time, and some are more unfair than others”. She further indicates (p. 7) that “the tendency of powerful groups to exploit others, to seek collective ‘rents’, ‘surplus’, or ‘tribute’ that exceed the value of the coordination they provide, is a destabilizing factor that provides incentives for the less powerful groups to organize against them”.

Insights into how less powerful groups are able to defy and modify the structures of constraint are particularly relevant to the present research context. While institutional changes, certainly in relation to such a strongly internalized construct as gender, are clearly not easy to realize, history has indeed shown that women (in particular) have been able to defy and redefine 'gender', especially when acting together. This holds for industrialized as well as developing countries. Agarwal (1994), Kabeer (1995) and Moser (1993) all provide convincing evidence of women’s groups that operate as powerful ‘institutional entrepreneurs’, challenging and weakening the application of traditional gender norms and expanding the domain of free human choice.

Collective action on the basis of collective interests has indeed been identified by institutional theory as one of the powerful mechanisms for inducing change to existing institutions (Nabli and Nugent, 1989). Notwithstanding this potential, the occurrence of group action to serve common interests is not easily explained in terms of individual rationality. This is essentially due to the kind of goods that are produced through collective action. More often than not, they may be classified as ‘public goods’, whose consumption and benefits are not readily restricted to those who invested time and resources in their production. It is, for instance, clear to see that changes to gender norms realized through actions undertaken by women’s groups and movements can also benefit women (and men) who did not participate in those actions. To the extent that individual women are aware of this, it is rational for them not to invest time and resources in campaigning and collective action, and to wait instead for others to act on their behalf. If, however, every individual were to adopt this attitude, then collective action would simply fail to materialize. The question therefore arises how this ‘tragedy of the commons’ may be overcome. This is particularly relevant from the perspective of ‘institutional entrepreneurs’ who greatly value the benefits of changes in gender and who would invest in it at any cost. For them, it is crucially important to succeed in motivating a ‘critical mass’ of individuals in order to achieve effective collective action.

One way to attract individuals is through ‘selective incentives’. By this we mean goods or services that can be made available to individual persons who *do* participate (while at the same time excluding those that *do not* participate) and may thus trigger collective action as a kind of by-product (Olson, 1982). Credit, for instance, clearly has the potential to act as a ‘selective incentive’ for women to become involved in women’s groups. However, collective action for changes in more deeply entrenched gender norms (strategic gender needs) will not materialize automatically. It is essential in this respect that a social intermediary function should be built upon the mechanism of financial intermediation⁷. By creating a forum for the sharing of everyday life experiences, women may come to realize that most of their experiences are ‘collective’ rather than ‘individual’, and they may gradually become aware of a link between their own condition of ‘relative deprivation’ and broader socio-economic structures. This will essentially lead

to the 'collectivization' of individual problems and to the unveiling of such underlying structural causes as 'gender'. On this basis, and essentially depending upon the organizational effectiveness of the group, common strategic gender interests may be identified and remedying collective action initiated. As Kabeer puts it (1994, p. 253, my emphasis): "recognition of the *shared aspects* (my emphasis) of subordination points to its collectively enforced, and hence collectively changeable, character and forms the basis of strategies for change. Given women's disenfranchisement from most sources of institutional power, their *collective strength* is seen as the most important *transformatory resource* at their disposal." Furthermore, she vividly points out that, in order for the transformatory potential to be realized, it is important that the "organizational capacity" of women's groups and associations should be strengthened and that alliances between them should emerge. Networking into larger federations and movements will also increase the 'perceived' effectiveness in the eyes of the constituting women's group and individuals, which will in turn enhance the probability of collective action being undertaken successfully (Opp, 1989).

Learning from the field

Data and methodology

The theoretical insights highlighted above are confirmed by empirical work. In my own research, this was the case in a microfinance impact study conducted towards the end of the 1990s in the South Indian state of Tamil Nadu (Holvoet, 1999). In this study, I compared the impact of five credit programs that used slightly different lending technologies on various indicators of women's and girls' status at individual, household and community level.

In the context of the present article, I focus mainly on a comparison of the impact that two of the five credit programs had on local gender norms. The two programs selected are highly similar in that they are both part of a larger project, i.e. the Tamil Nadu Women's Development Program (TNWDP). This project took off in 1990 and provides credit to women below the poverty line. It is innovative in that it cooperates simultaneously with banks and non-governmental organizations (NGOs) in channeling loans to poor women who are members of women's groups. The NGOs are mainly responsible for the organization and follow-up of the women's groups. They essentially provide training in technical, managerial and financial aspects, as well as in leadership skills, and organize awareness-raising activities relating to gender and social development issues. NGOs operating in the region are the Mysore Resettlement and Development Agency (Myrada) and the Rural Integrated Development Organization (Rido). While both organizations provide social development services as convened under the TNWDP, Myrada's better-developed organizational and management structure, combined with its broader financial base, allows it to invest much more substantially in the accumulation of human resources and social capital by the marginalized population. Training materials provided under the TNWDP are largely based on input from Myrada, and Myrada has also assisted some of the smaller NGOs involved in the TNWDP. Myrada's philosophy is clearly to use credit as an entry point for mobilizing women into groups and ultimately to transform these groups into agents of local institutional change. In order to achieve this objective, Myrada adopts a gradual approach of individual and

group capacity building, including training on financial, organizational and managerial issues and awareness-raising activities related to gender and broader social development issues. Groups are monitored and graded and, through the 'linkage project', 'strong' groups are encouraged to interact with local decision-making bodies and institutions such as village councils (panchayats), dairy cooperatives, village health committees, teacher parent associations and banks.

In order to be able to compare the impact of Rido- and Myrada-organized credit groups on selected local gender norms, and to gain insight into the underlying mechanisms, I complemented data from secondary sources with primary data collection, and combined qualitative and quantitative methodologies. Information was gathered at different levels. Data on individual and household-level application of gender norms were collected mostly in 1997 by means of a quasi-experimental impact study. The structured survey consisted in individual interviews that I took from samples of 50 Rido and 50 Myrada group members randomly selected from the total population of Rido and Myrada group members who joined the groups at the very beginning of the project (1990) and who obtained their first loan in 1990-1. Interviewees were questioned about their actual (1997) application of gender norms as well as about what they remembered from their behavior prior to group membership (1990). This recall information complemented the 1990 database that was available from the NGOs. For obvious reasons, information relating to the 1997 period is more reliable than that relating to the 1990 period. In order to better understand these survey findings, particularly the observation of diverging effects of different credit programs, the study also tried to gain insight into the two programs' effect on and interaction with the broader community level. In this respect, it relied mainly upon findings from semi-structured interviews with 21 women's groups and open interviews with non-sample key respondents. Obviously, my continuous residence over a period of five months in a non-sample village within the geographical area of the research also provided me with valuable insights.

As we know from various other studies, credit impact assessment can suffer from serious methodological flaws that make it difficult to distinguish true program effects from all kinds of competing and extraneous explanations that clearly compromise the validity of the research results⁸. It is important, for example, to establish just how similar the programs are in terms of every possible characteristic (except of course for the specific aspect whose differential impact you intend to ascertain), and to attract individuals with similar backgrounds and located in similar settings, who have not experienced too many extraneous events that might impact differently on the aspect under study. As mentioned above, Myrada and Rido schemes are part of a larger project, which makes them quite similar, except for the (necessarily) different approach to the role of women's groups. Whereas Rido considers these groups mainly as financial intermediaries, Myrada strongly emphasizes social intermediation and invests heavily in their role as institutional 'entrepreneurs'. Scrutiny of all villages where Myrada and Rido groups operate further revealed that these communities are very similar in terms of size and location, and interviews with non-sample respondents showed that none of the villages had experienced specific events that might have influenced patterns of local gender norms differently. Interviews with staff of NGOs and banks involved in the region, as well as the membership records kept at the NGOs, suggest there was no reason to believe Myrada and Rido attracted or selected women with diverging background

characteristics. As is clear from Table 1, and as will be discussed in due course, this was to a large extent also confirmed by data from individual interviews. In order to avoid as much as possible any contamination of research conclusions due to spill-over effects from one program to the other, Myrada and Rido groups were selected exclusively from villages where no other women's groups were operating.

In addition to problems of internal validity, the research setup also takes due account of possible construct validity issues with respect to 'gender norms', the dependent variable under study. Gender is a socio-cultural construct whose manifestation clearly varies over time and space. Consequently, close attention needed to be paid to an appropriate selection of locally relevant areas of 'gendered' behavior. In this respect, the study relied on a literature review and on in-depth interviews with non-sample key persons during the two preliminary testing phases of the research project in 1994 and 1996. Column I in Table 1 provides an overview of the six important areas of gendered behavior that were identified, i.e. 'female mobility', 'choice of marriage partner', 'practice of dowry', 'female inheritance', 'female seclusion', 'female control over resources'. For each of these areas, respondents were asked to identify behavior that was considered locally to be 'the norm', as well as to indicate and rank locally relevant forms of 'deviant behavior'. These were subsequently used as possible response categories in the individual interviews with the two sub-samples of 50 randomly selected Myrada and Rido group members. In order to grasp in a single figure all the information contained in frequency distributions, I also constructed an 'index of gender norm application' for each of the areas under consideration. In this manner, and on the basis of the interviews with non-sample key respondents, scores were assigned to each of the response categories for degree of gender norm application. Subsequently, indices were constructed by adding together the percentage distributions of each response category multiplied by the score assigned to that response category, and by then dividing this sum by 100 multiplied by the highest score assigned to a response category. This yields scores ranging from zero to one, with a zero-score indicating 'complete absence of application of local gender norms' and a score of 'one' signifying 'full compliance with local gender norms'. While I deliberately avoided using the notion of 'empowerment' during the interviews, various respondents explicitly indicated that 'the index of gender norm application' could also be interpreted as 'an index of empowerment' (with descending scores for increasing levels of empowerment).

Findings and analysis

Table 1 provides an overview for both sub-samples of the degree of application of selected gender norms in 1990 and in 1997. T-test results are summarized at the bottom of the table. As we have previously mentioned, little difference was observed between Myrada and Rido members before group membership. Very similar patterns emerge from a comparison of columns II and III. In 1990, both groups practiced the same norms more strictly (i.e. 'arranged marriage'; 'giving and asking of dowry'), and they were also least compliant with other, related, norms (i.e. 'female seclusion', 'restricted female mobility'). These observations are not particularly surprising and confirm information obtained from other sources: while the former norms are strongly and increasingly applied throughout Indian society, there is ample evidence of an inverse relationship between the socio-economic status of households and the application of norms of female

seclusion and restricted female mobility. As several of the respondents explicitly mentioned, the cost of keeping women indoors is just too high for households living below the poverty line. Several women actually reported that they had almost been forced by their husbands to become members of a women's group, even if those same husbands were wary of the fact that this would necessitate a much greater involvement of their wives in public life. Obviously, credit had served as a kind of selective incentive, particularly towards husbands who considered their wives' membership of a women's group as 'a necessary evil' in order to gain access to 'cheap' credit.

Table 1. Overview of application of local gender norms by Myrada and Rido members (1990 and 1997)

<i>I.</i> <i>Selected Areas of 'Gendered' Behavior</i>	<i>II.</i> <i>Myrada members</i>	<i>III.</i> <i>Rido members</i>	<i>IV.</i> <i>Myrada members</i> ^(c)	<i>V.</i> <i>Rido Members</i> ^(d)
	<i>Status in 1990</i> ^(a)		<i>Status in 1997</i> ^(b)	
Female Mobility				
% freely move (=0)	54	36	82	50
% need to be accompanied (=1)	46	64	18	50
Index score (standard deviation between brackets)	0.460 (0.5)	0.640 (0.4)	0.180 (0.39)	0.500(0.51)
Choice of Marriage Partner				
% love marriage (=0)	8	10	22	12
% arranged marriage (=1)	92	90	78	88
Index score	0.920 (0.27)	0.900 (0.3)	0.780 (0.42)	0.880 (0.33)
Practice of Dowry				
% no giving, no asking (=0)	24	8	86	16
% giving (=1)	2	4	2	10
% asking (and giving) (=2)	74	88	12	74
Index score	0.750 (0.43)	0.900 (0.29)	0.130 (0.33)	0.790 (0.38)
Female Inheritance				
% equal inheritance (=0)	6	14	52	28
% other things beside jewelry(=1)	6	-	18	-
% only jewelry (=2)	62	86	26	72
% no inheritance (=3)	26	-	4	-
Index score	0.693 (0.25)	0.573 (0.23)	0.273 (0.32)	0.480 (0.3)
Female Seclusion				
% outside work (=0)	80	84	100	100
% work in own family field (=1)	10	10	-	-
% only inside work (=2)	10	6	-	-
Index score	0.150 (0.32)	0.110 (0.27)	0	0
Female Control over Resources				
% assets in own name (=0)	14	18	88	54
% assets in both names (=1)	4	2	4	20
% assets only in men's name(=2)	82	80	8	26
Index score	0.840 (0.36)	0.810 (0.39)	0.100 (0.29)	0.360 (0.43)

(a) Results of two-sided independent samples t-test indicate that null-hypothesis of no statistically significant differences between Myrada and Rido members before group membership was rejected at 5% level for 'practice of dowry' (absolute t-value: 2.049) and 'female inheritance' (2.477).

(b) Results of two-sided independent samples t-test indicate that null-hypothesis of no statistically significant differences between Myrada and Rido members in 1997 was rejected at the 1% level for 'female mobility' (3.552); 'practice of dowry' (9.259); 'female inheritance' (3.315) and 'female control over resources' (3.567).

(c) Results of two-sided paired samples t-test indicate that null-hypothesis of no statistically significant differences between Myrada members before/after was rejected at the 1% level for 'female mobility' (4.365); 'choice of marriage partner' (2.824); 'practice of dowry' (9.137); 'female inheritance' (12.833); 'female seclusion' (3.280); 'female control over resources' (12.476).

(d) Results of two-sided paired samples t-test indicate that null-hypothesis of no statistically significant differences between Rido members before/after was rejected at the 1% level for 'female mobility' (2.824); 'practice of dowry' (3.070); 'female inheritance' (2.824); 'female seclusion' (2.852); 'female control over resources' (7.180).

Whereas credit and financial intermediation were clearly effective in mobilizing women into the public arena, thereby reducing female seclusion, the impact of women's group membership on the application of other gender norms certainly diverges from program to program. In cases where the objective was financial intermediation, as in Rido groups, effects were clearly much weaker than in cases also involving major investment in the group's social intermediation function. This is evident from the data presented in Tables 1 and 2. Table 1 (comparison of columns IV and V) shows that, after seven years of group membership, Myrada group members generally apply all gender norms much less strictly than Rido members. T-test results indicate that, in 1997, differences between both groups were statistically significant at the 1-percent level for 'female mobility', 'practice of dowry', 'female inheritance' and 'female control over resources'. In practice, Myrada members could move more freely, they were more likely to receive a fair share of an inheritance and to hold assets in their own name. In many cases, they even succeeded in convincing their husbands not to practice dowry. Acceptance of love marriages involving their own children, however, was still very unusual in all households.

Whereas Rido members also appeared to have applied gender norms less strictly in 1997 than in 1990 (which is evident from column III in table 1 and from the results of paired sample t-tests as reported below Table 1), the differential impact calculations (using both simple and proportional formula) reported on in Table 2 clearly indicate that effects of Myrada membership were much greater than those of Rido membership⁹.

Table 2: Overview of before/after scores and differential impact scores of Myrada and Rido group membership

<i>I.</i>	<i>II.</i>	<i>III.</i>	<i>IV.</i>	
	<i>Myrada</i>	<i>Rido</i>	<i>Myrada versus Rido</i>	
<i>Indices of gender norm application</i>	<i>before/after difference^(a)</i>	<i>before/after difference^(b)</i>	<i>Simple gain-score analysis^(c)</i>	<i>Proportional gain-score analysis^(d)</i>
Female mobility index	- 0.280	-0.140	-0.140	-0.390
Choice of marriage partner index	-0.140	-0.020	-0.120	-0.130
Practice of dowry index	-0.620	-0.110	-0.510	-0.704
Female inheritance index	-0.420	-0.093	-0.327	-0.444
Female seclusion index	-0.150	-0.110	-0.040	0
Female control over resources index	-0.740	-0.450	-0.290	-0.325

(a)= Myrada after score – Myrada before score

(b)= Rido after score – Rido before score

(c)= (Myrada after score – Myrada before score) – (Rido after score - Rido before score)¹⁰

(d)=[(Myrada after score-Myrada before score)/Myrada before score] – [(Rido after score-Rido before score)/Rido before score]

In order to assess the causes of divergent effects, I essentially relied upon data from interviews with women’s groups and non-sample key respondents. In sum, these interviews revealed that changes at the individual and household level were primarily linked to a differential interaction with the community. Myrada’s gradual approach of personal and organizational capacity-building, and particularly its linkage project, had firmly pushed groups into the public arena, which clearly paid off subsequently at the individual and household level. More specifically, Myrada groups gradually became more closely involved in various kinds of more heterogeneous public decision-making bodies, including the local panchayats (village councils), dairy cooperatives, forest and watershed committees, and teacher parent associations. By engaging in extra-household bargaining at the community level, women’s groups impregnated local public arenas of economic, social and political decision-making which had until then been closed to men as well as women of their class and caste. By networking with other women’s groups in the region, intermediaries even held regional authorities accountable for service delivery and quality. As a result, women’s groups were, deliberately or not, increasingly considered to be genuine agents of local institutional change. Obviously, these successes and experiences in collective bargaining strongly influenced the ‘perceived’ effectiveness of their collective action and changed the ‘perceived’ costs and benefits of engaging in more challenging actions at the level of local gender norms.

Over time, as the realization grew that the problems they encountered were often similar, women became increasingly aware of the role of gender, forcefully impinging on human behavior and interaction. They also began to recognize that action was necessary at this more overarching societal level if sustainable change was to be realized at the individual and household level. While some of these changes, including increased visibility of women in the public arena, were ‘silently’ and almost automatically achieved, Myrada women’s groups gradually also engaged purposefully in collective action over local gender norms. They were particularly proud of the stance they had taken against the practice of dowry. Several women, members and non-members, explicitly acknowledged that changes at the broader community level, which had been induced by women’s groups, had impacted on their own individual lives, as is also apparent from the data presented in Tables 1 and 2.

Conclusion

Analyzing the ‘empowerment’ potential of microfinance programs through the lens of institutional and feminist economics helps us understand the differential outcomes of seemingly very similar programs whereby credit is targeted at women through group intermediation. It essentially unwinds the much debated ‘empowerment’ potential of credit in terms of the capacity it has to serve as a selective incentive for bringing women together. Credit delivery channels, especially if involving investment in social intermediation, can evolve towards genuine agents of local institutional change. Particularly important in the light of realizing the ‘empowerment’ potential are the marginal changes that collective action by women’s groups may provoke at the level of ‘gender’ as such, one of the most persistent and impregnating sets of norms governing human behavior and interaction. Changes at this overarching societal level in particular push forward substantial and sustainable changes in women’s status at the individual and household level.

Notwithstanding the transformatory potential of credit in this respect, most mainstream microfinance programs tend to operate inversely, using women’s groups merely as financial intermediaries, and thus increasing individual programs’ financial profitability. From an organizational point of view, the choice to leave credit’s more radical gender-related transformatory potentialities unexploited is not a surprising one. In fact it is rational, given that program officers are increasingly held accountable within a narrowly defined notion of ‘efficiency’. Yet it would appear to be entirely justified to move away from a purely financial and individual program perspective to a more economic and societal interpretation of ‘efficiency’. Widely documented evidence of an ‘efficiency dividend’ flowing from women’s empowerment¹¹ provides a strong argument for attributing much greater weight to an individual program’s contribution to empowerment. Acknowledging the higher costs incurred by programs that invest in social intermediation, group capacity building and networking, policymakers may wish to consider the appropriateness of financially rewarding individual lending organizations for the beneficial spill-over effects generated.

Notes

1. For a discussion of microfinance and empowerment in Africa, see Mayoux (1999).

2. For a positive account, see among others Hashemi and Schuler (1994), Amin et al. (1998) and Zaman (2000). For evidence of adverse effects, see among others Lessinger (1990), Goetz and Sen Gupta (1996), Rahman (1998).
3. In recent years, a shift has occurred in the type of aid instruments that are deemed appropriate for low-income countries. More specifically, an evolution has unfolded from a project-based to a more program-oriented approach to aid. Poverty Reduction Strategy Papers (PRSPs), i.e. (recipient) country-produced policy documents that set out macroeconomic and social policies aimed at tackling poverty, are the linchpin of a new approach that stresses long-term and holistic vision, broad-based country ownership (participation of both governmental and non-governmental actors such as civil society), results orientation and country-led partnership.
4. The 10 countries are (in alphabetical order): Bangladesh, Bolivia, Burkina Faso, Cameroon, Ethiopia, Mozambique, Nicaragua, Niger, Sri Lanka, Zambia.
5. On the difference between 'strategic' and 'practical gender interests', see Molyneux (1985).
6. See, for instance, Agarwal (1994), Folbre (1994,1995), Kabeer (1994), Mc Crate (1987), Seiz (1995).
7. See Edgcomb and Barton (1998) for an overview of literature on social intermediation and microfinance programs.
8. For an overview of all potential threats to validity of research conclusions and for possible remedies, see Campbell and Cook (1979).
9. The focus of this article is on 'differential' impact, not on the 'net' impact of the two credit programs. Making inferences about net impact would necessitate a comparison of each of the credit program households with a control group of households who received no credit.
10. See Mohr (1992, p. 88-90) on simple gain score and proportional gain score analysis.
11. For evidence, see among others World Bank (2001).

References

- Amin, R., Becker, S. & Bayes, A. (1998). NGO-promoted Microcredit Programs and Women's Empowerment in Rural Bangladesh: Quantitative and Qualitative Evidence. *Journal of Developing Areas*, 32(2), 221-237.
- Agarwal, B. (1994). *A field of one's own. Gender and land rights in South Asia*. Cambridge: Cambridge University Press.
- Campbell, D.T. & Cook, T.D. (1979). *Quasi-experimentation. Design and Analysis Issues for Field Settings*. Boston: Houghton Mifflin Company.
- Edgcomb, E. & Barton, L. (1998). *Social Intermediation and Microfinance Programs: A Literature Review*. Bethesda: Microenterprise Best Practices.
- Elster, J. (1989). Social norms and economic theory. *Journal of Economic Perspectives* 3(4), 99-117.
- Folbre, N. (1994). *Who pays for the kids? Gender and the Structures of Constraint*. London: Routledge.
- Folbre, N. (1995). "Holding Hands at Midnight": The Paradox of Caring Labor. *Feminist Economics* 1(1), 73-92.

- Goetz, A.M. & Sen Gupta, R. (1996). Who takes the Credit? Gender, Power and Control over Loan Use in Rural Credit Programs in Bangladesh. *World Development* 24(1), 45-64.
- Hashemi, S.M. & Schuler, S.R. (1994). Credit Programs, Women's Empowerment and Contraceptive Use in Rural Bangladesh. *Studies in Family Planning* 25(2), 65-76.
- Hoff, K. & Stiglitz, J.E. (1990). Imperfect Information and Rural Credit Markets: Puzzles and Policy Perspectives. In K. Hoff, A. Braverman & J.E. Stiglitz (eds), *The Economics of Rural Organization: Theory, Practice and Policy* (pp. 33-52). Oxford: Oxford University Press.
- Holvoet, N. (1999). *Intrahousehold Resource Allocation: Impact of Credit and Women's Groups. A Case-study for Rural North Tamil Nadu* (unpublished Ph.D. dissertation). Antwerp: University of Antwerp.
- Huppi, M. & Feder, G. (1990). The role of groups and credit cooperatives in rural lending. *World Bank Research Observer* 5(2), 187-204.
- Kabeer, N. (1994). *Reversed realities. Gender Hierarchies in Development Thought*. London: Verso.
- Kabeer, N. (2001). Conflicts over Credit: Re-Evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh. *World Development* 29(1), 63-84.
- Lessinger, J. (1990). Work and Modesty: The Dilemma of Women Market Traders in Madras. In L. Dube & R. Palriwala (Eds), *Structures and Strategies. Women, Work and the Family* (pp. 129-150), New Delhi: Sage.
- Lin, J.Y. & Nugent, J.B. (1995). Institutions and Economic Development. In J.R. Behrman & T.N. Srinivasan (Eds), *Handbook of Development Economics Vol. IIIA* (pp. 2303-2370). Amsterdam: Elsevier.
- Mayoux L. (1999). Questioning virtuous spirals: micro-finance and women's empowerment in Africa. *Journal of International Development* 11(7), 957-984.
- McCrate, E. (1987). Economic Theory of Marriage. *Review of Radical Political Economics* 19(1), 73-89
- Microcredit Summit Campaign (1998). *Directory of Institutional Profiles*. Washington, D.C: Microcredit Summit Campaign.
- Mohr, L.B. (1992). *Impact Analysis for Program Evaluation*. London: Sage.
- Molyneux, M. (1985). Mobilization without Emancipation? Women's Interests, The State and Revolution in Nicaragua. *Feminist Review* 8, 1-34.
- Moser, C. (1993). *Gender Planning and Development: theory, practice and training*. London: Routledge.
- Mosley, P. (2001). Microfinance and Poverty in Bolivia. *Journal of Development Studies* 37(4), 101-132.
- Nabli, M.K. & Nugent J.B. (1989). *The new institutional economics and development: theory and applications to Tunisia*. Amsterdam: North-Holland.
- Navajas, S., Schreiner, M., Meyer, R.L., Gonzalez-Vega, C. & Rodriguez-Meza, J. (2000). Microcredit and the Poorest of the Poor: Theory and Evidence from Bolivia. *World Development* 28(2), 333-346.
- Olson, M. (1982). *The Rise and Decline of Nations: Economic growth, stagflation and social rigidities*. New Haven: Yale University Press.
- Opp, K.D. (1988). Grievances and participation in social movements. *American Sociological Review* 53, 853-864.

- Rahman, A. (1998). Micro-Credit Initiatives for Equitable and Sustainable Development: Who pays? *World Development* 27(1), 67-82.
- Seiz, J.A. (1995). Bargaining Models, Feminism and Institutionalism. *Journal of Economic Issues* 24(2), 609-618.
- Sharma, M. and Zeller, M. (1997). Repayment performance in Group-Based Credit Programs in Bangladesh: An Empirical Analysis. *World Development* 25(10), 1731-1742.
- World Bank (2001). *Engendering Development: Through Equality in Rights, Resources and Voice*. Washington D.C.: World Bank.
- Yaqub, S. (1995). Empowered to default? Evidence from BRAC's micro-credit programmes. *Small Enterprise Development* 6(4), 4-13.
- Zaman, H. (2000). *Assessing the Poverty and Vulnerability Impact of Micro-Credit in Bangladesh: A case study of BRAC* (Background Paper for the WDR 2000/2001). Washington, D.C.: World Bank.