

Minutes of meeting: 7th March 2007



Joint meeting of the All Party Parliamentary Group on Microfinance/Microcredit and the All Party Parliamentary Group on Sex Equality

‘Females First: the impact of microfinance on gender parity: Three Continent Case Studies’.

Opening remarks and introduction of speakers by Annette Brooke (AB), Chair of the APPG on Microfinance/Microcredit.

AB welcomed those in attendance and noted the importance of the APPG’s link to International Women’s Day on 8th March 2007.

AB announced the launch of the new APPG on Microfinance/Microcredit website (www.appg-microfinance.org), which was designed as a resource for members to learn more about microfinance, its profile in Parliament and the work of the APPG. Furthermore, in recognition of World Women’s Day and the important link between women’s empowerment and microfinance, an Early Day Motion (EDM), number 1036 has been tabled. AB requested Members sign the EDM to encourage the Department of International Development (DFID) to give microfinance a greater priority within its portfolio.

Julie Morgan (JM), Chair of the Sex Equality APPG, highlighted the importance of Microfinance in promoting women’s empowerment: 86% of the 113 million clients worldwide are women and access to financial services has a real impact on women’s lives.

JM then introduced the session speakers: Deborah Foy (DF) of Opportunity International (OI); Joshua Perry (JP) from the Microloan Foundation (MLF) and Isebaill MacKinnon (IK) from Street Cred (SC).

Opportunity International presentation

DF began by sharing some background information on women in Asia, before explaining the history of women and microfinance in Asia, starting with the early 1970s, before progressively moving onto the situation today. At present, Asian MFIs have over 22.5 million clients and £4 Billion in loans; with 85% of the money borrowed by women. In some of the larger MFIs, 100% of clients were found to be women (for example, SHARE, India, and SEWA, India).

DF highlighted the typical characteristics of female borrowers and explained why MFIs typically targeted women. These factors included:

1. Repayment rates are higher than men, so lending to women is a better investment
2. Women are on average poorer than men, so focusing on women can help achieve poverty targets
3. Women’s activities contribute to a community’s economic growth, so lending to women is more efficient

When questioning the benefits of microfinance loans for women, DF looked at both positive and negative impact. Overall, the positive points far outweighed the negative – as demonstrated by a large variety of reports and case studies. Microfinance loans not only increased women's assets, but gave them increased status in the household and the community, and girl's school attendance rates were improved. The negative impacts included increased household tensions and the possible loss of control of the loans to the husband.

To try and overcome the negative impact, OI is:

1. Being more responsive to client's specific needs
2. Improving the current strategy for gender policy

DF concluded that microfinance is not a cure for all gender discrimination. It must be combined with other programmes that promote female literacy and provide better access to basic health care. However, by giving women access to the economic means to lift themselves out of poverty, microfinance is a critical first step on the road to female empowerment.

MicroLoan Foundation Presentation

JP began by explaining the focus of the MLF as a UK-based charity providing small loans, basic business training and savings services to women in sub-Saharan Africa. The loans are given to groups of women who take collective responsibility for repayment.

JP highlighted the central problem with providing microfinance in Africa: the high operating costs and rural client base made it an unprofitable venture. Other considerations include the unfavourable political, infrastructural and macroeconomic factors as well as the immature banking and commercial sections. With respect to women in microfinance, the problems included the high illiteracy rate, the vulnerability of women as the primary carer and food producers in the family setting, as well as the low social status of women in the developing world. However, to promote gender equality and human rights, MFIs should continue to target women.

Using a series of examples, JP highlighted how targeting women not only encouraged female empowerment, but also encouraged financial self-sustainability and alleviated poverty. MLF's work in Malawi was primarily aimed at families, with over 10,000 loans since inception and services tailored to suit rural, poor, women. MLF also provided training sessions and helped create more diverse economies.

In the future, MLF plans to increase the number of loans and develop "Microventure" advanced skills training, so that clients can move into higher margin businesses. Their gender-targeted programmes will be established to deliver credit and training for women, with future generations being encouraged to undertake similar projects.

StreetCred presentation

IM began by explaining SC's work as part of the wider Quaker Social Action (QSA) regeneration charity, which works in East London to tackle poverty and social exclusion. SC began in 1999 as a microcredit project that encourages and supports women to start their own business.

Over the past 7 years, SC has gained over 500 clients, spanning a wide range of groups, including: unemployed or low-income women; black or minority ethnic women; women with English as a second language; lone parents and third age (50 years plus) women. SC clients create groups of 4-6 women and within those groups, the clients support each other to develop their own small business – based on the original Grameen group lending model.

IM continued with two examples of SC clients: Karen Winchester (KW) and Naglaa Sadik Mustafa (NSM). KW set up her own Caribbean Restaurant in 2003 and since then, she has set up Caribbean cookery classes and is writing a Caribbean cookery book. NSM worked as a translator in the Sudan and came to the UK as a refugee in 1997; with the help of SC, she learnt how to get published and has since written two books.

Questions

Jane, MA student – question on OI's impact measuring tool 'CIMS'

DF – SIMS was created in 2002 in recognition of the need to measure the social, economic, political and spiritual impact of loans on clients. In practice this requires a quarterly meeting with loan officers (in each country which OI operates in) and a selection of clients, to complete questionnaires. CIMS reports are produced every 3 months for each MFI which include recommendations for change, such as re-adjusting repayment rates and promoting savings.

Jan Grasty, UNIFEM – question on whether OI provides any counselling services with regard to the cultural changes which may arise through access to microfinance

DF – OI do not provide counselling services as standard but do link with NGOs and counselling services providers in country. OI does offer legal aid but sees itself as an MFI and focuses on what it does best.

Yayha – Muslim Aid – question on why MF is not being more widely used in the UK and what potential there is for scaling up in the UK context

JP - much of the origins of MF lie in institutions which pre-date MFIs, such as credit unions. In addition, some banks such as TSB were originally a bank for the poor. JP suggested that MF may not be prevalent now due to a number of reasons, including the diminished nature of the importance of community.

DF – OI work where the need is greatest, which is currently thought to be Africa, noted that just 5% of Malawian's have access to a bank account.

IM – some women use more traditional sources of loans such as family and friends rather than looking to tap into regulated loans. SC is now looking to expand to more financially excluded communities such as sex workers and Roma families. In addition, the need to charge an APR (even though SC is not profit making) is problematic for some potential clients.

Sarah, SQW Limited – question on the ease of graduation from MF loan to SME and mainstream banking

DF – OI received a DfID grant to look at constraints to clients graduating to the formal sector and found that most people graduating into individual loans were men. Therefore OI is looking into developing new products, for example, in Ghana female clients can now take group and individual loans at the same time and in Albania, by reducing the size of the capital loan, the number of OI clients tripled.

JP – MLF has explored a number of models to facilitate this graduation including providing bridging loans and confidence building but the most successful has been to give clients the chance to run their business through a bank account (which relies, in part, on a positive recommendation from MLF).

Letitia – question on outreach to rural populations (particular reference to Ghana) and how much interest is charged by each Institution.

DF – OI use mobile banks in Ghana to reach rural communities. These vehicles provide the opportunity to take out a loan and also use the ATM which is onboard. DF noted that scaling up access for rural communities in Africa is a challenge, compared with Bangladesh for example, where infrastructure is more developed and there is a higher population density.

OI – MF interest rate tends to run at credit card rate in each particular country – though this varies widely, in many countries it is worth bearing in mind that inflation is often running at double digits.

JP – The ethos of the MLF is to outreach to rural communities, so as a principle they are not based in capital cities. MLF situate loan officers across Malawi and use bedsits as satellite offices and bicycles to enable mobile outreach.

MFL's group loan interest rate is around 60% and commercial loans run at 30% APR. On an initial loan of £25 complete with training, over 4 months this amounts to a couple of pounds in interest.

IM – Word of mouth is the most powerful tool for scale-up and it is also essential to ensure that the services provided and the role models and materials used are relevant to the target populations.

Mike Moser, media consultant – question on inhibitors to dramatically scaling up

IM – Huge demand in UK, only resources holding StreetCred back.

DF – Personnel is a major factor. OI are now working outside the NGO sector to enable sustainability and broader service provision, for example remittances, and new technologies, such as biometric banking.

JP – MF provision in Africa is not currently profitable, for example, MLF is looking to be cost covering by early 2009. Rapidly scaling-up, even if resources were not an issue, is equally challenging.