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Conflicts Over Credit: Re-Evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh

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Summary. — This paper explores the reasons why recent evaluations of the empowerment potential of credit programs for rural women in Bangladesh have arrived at very conflicting conclusions. Although these evaluations use somewhat different methodologies and have been carried out at different points of time, the paper argues that the primary source of the conflict lies in the very different understandings of intrahousehold power relations which these studies draw on. It supports this argument through a comparative analysis with the findings of a participatory evaluation of a rather different credit program in Bangladesh in which the impact of loans was evaluated by women loanees themselves. © 2000 Elsevier Science Ltd. All rights reserved.

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1. INTRODUCTION: CONFLICTING EVALUATIONS OF CREDIT

Microcredit programs for the poor have come to occupy a central place in poverty-oriented strategies in Bangladesh. Such programs have a number of features in common. They are largely targeted at women from the poorest sections of the population; they lend small sums of money to individuals as members of groups and rely on group liability to ensure loan repayment; they subsidize administrative costs rather than interest rates; and loans are repaid in weekly installments. Debates as to the actual effectiveness of these programs in reducing poverty continue. More recently, these debates have been extended to the possible implications of such programs for women's empowerment, with some evaluations claiming extremely positive results while others suggesting that microcredit leaves women worse off than before.

In this paper I want to focus on a number of attempts to evaluate the empowerment potential of loans to women in order to find out why such diametrically opposed claims can be made about the same, or very similar, programs. I will be exploring examples of both "negative" and "positive" evaluations, interrogating them for the methodologies they used, the questions they asked, the findings they reported and the interpretations they gave to their findings. In addition, I will be drawing on the findings of my own evaluation of a rather different credit program in Bangladesh in order to explore the question of empowerment when it is assessed on the basis of women loanee's own testimonies rather than deduced from selected aspects of their behavior.

(a) *Does access to credit "empower" women? the negative verdict*

My first example of a negative evaluation is by Goetz and Sen Gupta (1994). They use a five-point index of "managerial control" over loans as their indicator of empowerment. At one end of their index are women who are described as having "no control" over their loans: these are women who either had no knowledge of how their loans were used or else had not provided any labor into the activities funded by the loan. At the other end are those who were considered to have exercised "full" control, having participated in all stages of the activity funded by the loan, including the marketing of produce. The study found that the majority of women,

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particularly married women, exercised little or no control over their loans by this criteria. Interpreting this as evidence of widespread loss of control by women over their loans to men, Goetz and Sen Gupta go on to suggest three possible repayment scenarios, all with negative implications for women.

In the first, the male family member using the loan takes responsibility for its repayment, a satisfactory outcome from the woman's point of view but one which the authors believe negates the developmental objectives of lending to women. In the second, men are *unable* to supply the requisite repayment funds and women loanees have to substitute funds from other sources, drawing on their savings, cutting back on consumption, selling off utensils and other assets. They have responsibility without control. In the third, men are *unwilling* to repay the loans, leading to an intensification of tensions within the household, often spilling over into violence. In addition, violence against women was also exacerbated by the frustration of husbands at the wives' delay or failure in accessing credit. Facilities to enhance women's access to the market is put forward by the authors "as the single most effective way of enhancing their control over loans, as well as their public presence and their self-confidence" (p. 59). The provision of transportation recommended to take women to the market place along with security measures to protect them against the possibility of male resistance to their presence in the market place are recommended as supportive measures.

In her study, Ackerly (1995) noted that underpinning most credit interventions in Bangladesh was an implicit model of the empowered woman:

> Empowered, the borrower wisely invests money in a successful enterprise, her husband stops beating her, she sends her children to school, she improves the health and nutrition of her family, and she participates in major family decisions (p. 56).

Rather than seeking to measure these outcomes directly, she takes "accounting knowledge" as her indicator of the likelihood of these and other transformative outcomes occurring. Women who were able to report on the input costs for loan-funded enterprise, its product yield and its profitability, were counted as empowered. She found that membership of some credit organizations was more likely than others to contribute to the likelihood of women's empowerment by this criteria. Women who provided labor to loan-assisted enterprise, sold their own products, or kept their own accounts were also likely to be empowered. She too concluded that women's access to the market was the primary route for their empowerment—"knowledge and empowerment come through market access" (p. 64)—and warned against the likelihood of overwork, fatigue and malnutrition were loans used to promote women's labor involvement without also promoting their market access.

Our third example of a negative evaluation of the impact of credit for women's empowerment is by Montgomery, Bhattacharya, and Hulme (1996). Although the evaluation of the empowerment impact occupies only a small section of their more general evaluation of credit programs for the poor, I have included it here because it exemplifies a particular understanding of households and gender relations within the literature on Bangladesh. According to their findings, only 9% of first-time female borrowers were primary managers of loan-funded activities while 87% described their role in terms of "family partnerships." By contrast, 33% of first-time male borrowers had sole authority over the loan-assisted activity while 56% described it as a family partnership. They also found that access to loans did little to change the management of cash within the household for either female or male loanees. Interpreting reports of "joint" management as disguised male dominance in decision-making, the authors concluded that access to loans had done little to empower women. Its main effect had been to increase the social status of loan-receiving women *vis-à-vis* less well-off women rather than *vis-à-vis* men within their household or the wider community.

(b) *Does access to credit "empower" women? the positive verdict*

In contrast to this set of evaluations are others which paint a far more positive picture of the impact of these same credit programs on women's lives. Rahman (1986) found that that loanee households in general, regardless of the gender of the loanee, had higher income and consumption standards than equivalent non-loanee households. Although loans to women were more likely to benefit male consumption standards than male loans were to benefit female consumption standards, women loanees nevertheless did benefit from their direct access