

Empowering Rural Women through Microfinance in Pucheng County, China

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Abstract

A study was conducted to understand whether and in what ways microfinance services had empowered rural women in China using the Pucheng County Women's Sustainable Development Association (PCWSDA) as a case study. The study focused on the role of microfinance in women's decision making power, their ability to contribute to household income, ownership and control of resources and assets, and their sense of worth and recognition. The study employed qualitative methods including interviews, focus group discussions and observations. A total of 21 women borrowers, five loan officers and a PCWSDA leader comprised the study sample. The findings revealed that microfinance services had empowered rural women in the study area by improving their household incomes, and enhancing their abilities to own and control resources and assets. This in turn had improved their decision making power in households and given them self-confidence, self-worth and recognition. Lessons learnt from this study include the importance of providing microfinance along with other services such as trainings and expert support in order to build borrowers' capacities to run their income generating

activities. Another key lesson is the need to involve male partners and considering other gender characteristics in providing loans to poor women.

Keywords: *Microfinance, Empowerment, Women, China*

1.0 Introduction

Microfinance sector has grown tremendously in the past few decades and it has become an important development strategy around the globe. It is estimated that there are more than 10,000 microfinance institutions with more than 150 million people worldwide (Plane Finance Group, 2013). There are many types of microfinance institutions including formal financial institutes such as commercial banks, donor agencies and NGO¹-type microfinance institutions. Microfinance empowers the low-income people by providing loans, savings and other basic financial services. In addition, many microfinance institutions provide social intermediation services such as group formation, entrepreneurial skills, financial literacy and management capabilities among group members (Ledgerwood, 1999). Furthermore, microfinance has been recognized as an essential way to increase incomes of women and bring them together to address gender related issues. As a result, many microfinance institutions in the developing world focus on women with the explicit goal of empowering them (Sarumathi and Mohan, 2011) by enhancing their socio-economic conditions and improving their status and self-esteem in terms of how they value themselves and their contributions in the community. This in

¹ Most microfinance institutions around the world started as Non-Governmental Organization

turn alters their gender relations (Goetz and Gupta, 1996; Kabeer, 1999; Mayoux, 2006).

Empowerment is a participatory process through which poor people gain mastery over their affairs and realize power relations in the society (Rappaport, 1987; Mayoux, 2002). Specifically, women's empowerment is the process whereby women acquire the ability (which they have been denied) to make strategic life choices (Kabeer, 1999). Malhotra (2002) identified common dimensions for understanding women's empowerment at different levels. These include economic, familial/interpersonal, and psychological dimensions, among others. At the household level, economic dimension includes women's control over income; relative contribution to family support; and access to and control of family resources. The familial/interpersonal dimension includes participation in domestic decision-making; control over sexual relations; ability to make childbearing decisions; use of contraception; control over spouse selection and marriage timing; and freedom from domestic violence. The psychological dimension focuses on self-esteem (how one values oneself and one's contributions in the community), self-efficacy (ability to succeed in specific situations), and psychological well-being.

Even though China has experienced rapid overall development, there is evidence that there are still socio-economic gaps among different groups such as the rich and the poor as well as males and females. The gap between urban and rural women continues to widen as well (Jacka and Sargeson, 2011). Women's participation in China is concentrated in informal unpaid sectors and they often occupy low-wage sectors. In rural China, many women are restricted to unpaid labour mainly in the agriculture and in the domestic activities such as childcare. Generally, rural women have remained vulnerable to poverty and gender inequalities, making

them suffer the double disadvantage of being both “rural” and “women”. In addition, women’s financial dependence on male family members has exposed them to male rules and gender discrimination (Wang and Wening, 2006). Consequently, most civil society-based microfinance such as NGO-type microfinance institutions target women in poor villages with the goal of enabling them to establish income generating activities and access agricultural inputs. Local women’s NGOs in China have often focused on supporting disadvantaged groups of women to fight against domestic violence, improving their participation in decision making as well as enhancing women’s economic conditions (Shen, 2011).

2.0 Statement of the problem

Despite the growing microfinance sector in China, most existing literature focuses on the performance, financial sustainability and the impacts of microfinance on poverty reduction (Nichols, 2004; Bunning, 2004; Li, 2011; Hofmockel, 2005). The role of microfinance on women’s empowerment in Chinese context is not well documented. This study therefore explored whether and in what ways microfinance services have increased women’s empowerment in rural China using the Pucheng County Women’s Sustainable Development Association (PCWSDA) as a case study. The study focused on three dimensions of empowerment namely economic, familial/interpersonal and psychological aspects. This was necessary because economic indicators alone such as the repayment rate, income level or loan totals do not constitute reliable empowerment indicators. Specifically, women’s empowerment was assessed in terms of improvement of women’s decision making/ bargaining power, increased ability to contribute to household income, increased ownership and control of resources and assets,

and an improved sense of worth and recognition (i.e. women's contribution is being appreciated in the community). This paper is a part of larger study (master thesis at Beijing Normal University) on microfinance and women's empowerment in rural China.

3.0 Literature review

Available literature around the world indicate that microfinance is one important method for empowering poor women. In India, activities linked to microcredit programs such as the Self Employed Women Association (SEWA) and Working Women Forum have given women the opportunity to be part of larger social processes and helped them to overcome restrictive socio-cultural barriers. Microcredits have also widened women's opportunities to get information, become less dependent on their in-laws, and gain social recognition from the community (Hoffmann and Gnanou, 2003, ctd ADA 2007). In a survey of 1300 clients in Bangladesh, credit program participants exhibited higher levels of empowerment than non-participants. These results were linked to higher rates of physical mobility, ownership and control of assets, and greater involvement in decision making (Hameshi and Rojas-Garcia, 2004).

Studies conducted in Africa have also shown positive impacts of microfinance on the lives of poor women. In Ethiopia, studies (Aregawi, 2003; Tsehay and Mengistu, 2002; Meehan, 2001) have shown that most women clients of microfinance experienced increased household income; improved household consumption, living standard conditions and medical services; and increased savings. Women borrowers had also experienced better positions in terms of improved attitude and respect from their spouses as

well as increased self-confidence. Likewise, in a study conducted in South Africa, women borrowers reported increased assets and expenditures, higher levels of autonomy in decision making, greater valuation of their household contribution by their partners, improved household communication, better relationships with their partners as well as higher levels of participation in social groups and collective action (Kim *et al.*, 2007). In Uganda, Lwako (2007) reported that women had gained wider access to livelihood assets and strategies as they have invested in previously male domains such as fishing and retail trade. It is therefore argued that such women had gained 'power within' to live a more fulfilling marital life and they have attained 'power over' means of livelihood using their inspiring 'power to' engage in microenterprises. In a study conducted in Tanzania, Kato and Kratzer (2013) revealed that women borrowers had more control over savings and income generated from the business; had greater role in decision-making, self-efficacy and self-esteem, and freedom of mobility; and increased activities outside their homes.

On the other hand, the literature indicates that microfinance has negative impacts on women including domestic violence. For instance, Goetz and Gupta (1996) reported that most of the loans granted to women were directly controlled by males while the females were responsible for repayment. Similarly, a survey of 69 Bangladesh villages found that female borrowers who had little or no control over their credit experienced significantly more domestic violence. This led the authors to hypothesize that female borrowers faced more domestic violence than non-borrowers (Aktaruzzaman and Guha-Khasnabis, 2007). In another study, Hameshi and Rojas-

Garcia (2004) observed that women who received microfinance loans often served as conduits for loans to men, had little control over their loans, and were vulnerable to coercion with respect to repayment. Consequently, Kashf (2004) argued that even if empowerment resulted in women having more of their own income, freedom of mobility, and equal participation in decision making, women were still subject to many kinds of domestic violence such as dependence on their husbands, the restriction of basic rights by their spouse, and general lack of security.

The pressure exerted on some women for loan repayment can often lead to conflicts, misappropriation, exclusion, disappointment and frustration among women themselves, resulting in the breakdown of groups (Guerin and Palier, 2007 cited in ADA, 2007). Additionally, the pressure of repayment and fear of social sanctioning from other members in the group lending can weaken their courage and desire to accept the loans and risk of starting businesses themselves (Chowdhury, 2008). The failure to repay loans is considered a shame for women and may result in their social ostracization and expulsion from the village (Harper, 2007 cited in Chowdhury, 2008). Chowdhury concludes that access to credit in this sense is not likely to empower women. As a result, Mayoux (30) suggests modifications in the conditions surrounding microfinance delivery. These include the need for complementary services and gender training for both male and female to enable them overcome gender challenges they face.

4.0 Methods

This study employed qualitative methods to gain a deeper understanding of the role of microfinance on empowering rural women. The collected information was grounded in the participants' experiences and perceptions. The study was conducted in Pucheng County in China using the experience from PCWSDA, which is an NGO-type microfinance provider. Pucheng County is primarily an agricultural region with an arid climate. In 2011, Pucheng County had a population of approximately 760,000 in 24 townships and 365 villages (The 1990 Institute, 2011). PCWSDA had been one of the most influential NGO-type microfinance targeting poor people in rural China. Its central goal is to empower women and lift them out of poverty.

Data were collected through interviews; focus group discussion (FGD), and unstructured observations. Six villages (*Yuexing, Liuhe, Hancun, Xicao, Chenzhuang* and *Wujia*) were randomly selected for this study. The sampling frame of the villages was compiled on the basis that microfinance services introduced by PCWSDA were operational for at least one year. This requirement was necessary in order to obtain data from respondents who had received loans for a relatively longer period of time; thereby determine the impact of loans on their lives. Since this was a qualitative study, the sample size comprised of only 21 respondents for interviews and 13 respondents for FGD. Of the 21 respondents, 15 were loan recipients, five were loan officers and one respondent was a manager from PCWSDA. Three different interview guides were developed, one for each of the three groups. Data were

analyzed qualitatively by deriving categories to code the data directly and inductively. All recorded interviews were transcribed and coding was done by identifying prominent themes related to the research problem. Many codes were inductively developed from the data and classified into categories related to different themes. Finally, identification of relationships among the coded themes was done.

5.0 Results and discussions

5.1 The PCWSDA microfinance delivery model

This study found out that PCWSDA provided microcredit and trainings to women borrowers. New women borrowers were trained on the process of securing and repaying the loans. Apart from the training sessions on microcredit, PCWSDA often brought agricultural experts to train the women on how to grow crops such as peas, apples, cotton and wheat, and raising of livestock such as pigs, sheep and poultry. PCWSDA also provided basic educational manuals with instructions on how to care for livestock and disease prevention. In addition, PCWSDA provided training sessions for women who aspire to be entrepreneurs; providing them with skills related to running small factories such as assembling boxes/packages for peas and apples.

Loan officers ensured that women applying for the loans met the required criteria that were mainly based on the credibility and personality of the applicant and her family. This study revealed that men played a significant role on women's access to the loans. When loan officers approve the loans for borrowers, they considered the

family's property including land, house, and any other family investment and whether household members (male or female) were physically and mentally fit and capable of earning income. Nevertheless, it was not obligatory for applicants to indicate in their application that they would use the loan strictly for income generating activities. This condition had enabled many women to access the loans. The PCWSDA loan was delivered by the loan officers to the women's groups (composed of 3 to 5 people) and each member of the group received the same amount. During this study, the loan amount available to each borrower ranged from 1000 to 5000 Yuan. It was observed that due to inflation pressures, most women took a 5000 Yuan loan from the project.

The borrowers were required to repay the loan in four installments of three month intervals and must be repaid in full within the maximum of 12 months. For example, if the borrower received a 3000 Yuan loan, she was expected to pay back 750 Yuan per installment, including an interest of 81 Yuan. Loan officers were responsible for collecting repayment from the borrowers. During this study, PCWSDA had already extended loans to groups of women in five out of 17 towns in Pucheng County. Furthermore, the number of women borrowers had increased from 311 to 2,256 while the loan outstanding had grown from 291,000 to 5,763,000 Yuan since the establishment of PCWSDA in 2005 (Pucheng Funxie, 2011).

The study also found out that there was relatively high demand for the microcredit service at PCWSDA mainly because there were no similar organizations providing microcredit to poor women in the area. The only organization which provided loans to women

was the Shaanxi Rural Credit Cooperatives (RCCs) but the procedure for obtaining loans was reported to be complicated and the loans required collateral. Furthermore, women could not turn to private lenders because their interest rates were very high.

5.2 The role of microfinance on women's empowerment

This study employed three of the six basic empowerment dimensions - economic, familial and psychological dimensions - identified by Malhotra (2002) to measure women's empowerment. Within the three dimensions, the study focused on contribution to household income, ownership and control of resources and assets, participation in household decision making as well as women's sense of self-worth and recognition by other household members.

5.3 Contribution to household income

All respondents declared that access to microcredit has given them opportunities to invest in income generating activities such as agriculture, animal keeping as well as running small factories and shops. These in turn had enabled them to obtain earnings to increase their household income. The respondents reported that before they had opportunities to access the loans, only men used to work for cash. Upon receiving the loans, women started to invest in agriculture independently and expand the farms for peas and apples, cotton and wheat. Selling additional outputs had increased household incomes which had been recognized by household members. For example, woman borrower #17 responded that:

“Now I run the factory and my husband is doing another job. The income from my factory is higher than that of my husband. Prior to obtaining the loan, the household income was only from my husband”.

The findings also revealed that access to trainings had empowered women by building their capacities to generate household's income, which had in turn improved their bargaining power within the household. The respondents reported that prior to accessing the loans, only men were able to work for cash to support the families. These findings are consistent to those from similar studies (Hameshi and Rojas-Garcia, 2004; Kim *et al.*, 2007; Kato and Kratzer (2013) which reported improved incomes of women borrowers.

Access and ownership of resources and assets

The interviews revealed that although women borrowers had access to land, none of them owned a piece of land. All respondents disclosed that before investing their loans in the land, they had to discuss with their husbands and reach mutual understanding about how to proceed. Since PCWSDA provided the women with skills on cultivating crops, raising livestock and entrepreneurship, it is concluded that women's access to microfinance services increased the utilization of family lands. This study also found that household assets were owned by both men and women. Although some newly acquired assets were purchased using the money from women's investments, they still belonged to the couple. Most respondents insisted that the assets did not belong to either; rather they belonged to the family. This suggests that access to microcredit had enhanced shared ownership of assets in the households. Generally, income

generating activities had enhanced women's ability to make strategic choices to improve their livelihoods. This is in line with Kabeer's (1999) definition of empowerment which is the expansion of people's ability to make and exercise strategic life choices.

5.4 Participation in household decision making

This study focused on how women were involved in making decisions particularly on how to use the loans and how to spend household incomes. This dimension was particularly important because decision making power influences other dimensions such as asset ownership, resource control as well as sense of self-worth and recognition. All respondents declared that access to loans had improved their decision making power in households. It was reported that previously it was very rare for women to discuss with their husbands on how to use the husband's money. Nonetheless, since they started accessing microcredit, they were involved in deciding how to spend the household income. Some women responded as follows:

“Now I can make more decisions in the family such as deciding what to buy for the family.” (Woman borrower #4)

“In this family I make decision because money comes from my investments” (Woman borrower #10)

“...the power in making decision has increased because the household income comes from the loans investment. I usually discuss with my husband but I give more suggestions” (Woman borrower #8)

they joined PCWSDA. All the respondents reported to feel more self-confident and experienced a greater sense of self-worth in their households since joined PCWSDA. Other respondents felt being able to express their opinions and negotiate on matters such as where to send their children to school, what to eat, what to buy, and other household decisions. Having greater say in these matters led to better feelings of pride, increased self-esteem and improved sense of self-worth. This study therefore confirms what was found by other studies (Kashf, 2004; Hameshi and Rojas-Garcia, 2004; Hoffmann and Gnanou, 2003) that microfinance services successfully lifted up women's self-esteem, confidence and recognition by the family members and relatives.

6.0 Conclusion and recommendations

The findings in this study have indicated that microfinance has empowered rural women in terms their household income through income generating activities such as agriculture, animal keeping as well as running small factories and shops. Microfinance has also improved women's ability to own and get control over resources and assets. This in turn has improved their decision making power in households and given them self-confidence, self-worth and recognition. Surprisingly, this study did not find any negative impacts of microfinance services to women borrowers as experienced elsewhere. This is perhaps because male partners were involved in the process of getting loans; and the fact that women borrowers were provided with technical services such as training. Key lessons learnt from this study include the importance of providing microfinance along with other services such as training and expert support in order to build the borrowers' capacities to run their

income generating activities. Another important lesson is the need to involve male partners and considering other gender characteristics in providing loans to poor women.

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