



A Brief Guide to Establishing and Maintaining Micro-Credit Programs

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In the 1990's, microfinance emerged as a development strategy adopted by government and non-governmental organizations in order to address poverty in developing countries. It has created for itself a niche within international development by providing small loans to the poor and other groups of people that normally would not have access to formal avenues of credit.¹ In addition to providing small loans, many of which are under \$500,² numerous lending programs also teach people the self-discipline needed for saving money.

Most micro-credit programs target women in their search for clients. Women account for approximately seventy percent of the estimated 1.3 billion people worldwide living in dire poverty.³ Women are the largest group of people turned away from formal credit programs and they constitute a large percentage of the clientele who participate in micro-credit. As of 2002, The Grameen Bank, which has provided the blueprint for the micro-credit model in developing countries, has provided loans to more than 2.4 million borrowers, 95 percent of whom are women.⁴ To the satisfaction of micro-credit organizations, women's overall economic behavior has lent to the success of micro-credit programs. The Grameen model has shown that women make the best borrowers because they are more likely to invest their income into their families and communities.⁵ In addition, they are more likely than men to pay back their loans, as shown by a 98 percent loan repayment rate.⁶

Based on the brief outline above and for many other reasons, it is important that organizations implementing micro-credit programs put substantial effort to make them completely accessible to women.

Getting Started

1. Identify women clients⁷
 - a. Because women may not be easily visible in the community, it is important to seek them out in marketplaces, neighborhoods, the street, religious gatherings, clinics,⁸ and low-income residential areas
2. Conduct Market Research⁸
 - a. Helps the organization better understand the context in which it operates
 - b. Collect information from clients or potential clients in order to obtain info about them, the services and products they need or want, assess appropriate services and products for particular context, and what clients like or dislike about existing products and services
 - c. Gather, record, and then analyze the information⁹
3. Communicate with women about financial services⁹
 - a. Female communication channels are different from those of men; they tend to be less literate and less likely to obtain information through written forms of

media; therefore, training should stress visual materials to overcome illiteracy barriers and participation should be encouraged

- b. Visits to homes and community common areas will prove to be more successful in reaching women and disseminating information than setting up a single “bank location” to which clients must travel
4. Ensure that institutions are conveniently located and have flexible hours¹⁰
 - a. Women tend to have less free time than men do; therefore it is nearly impossible for them to travel significant distances to conduct financial transactions
 - b. Security should also be a consideration when considering location and hours¹¹
 5. Keep in mind programs and services for both genders
 - a. Mixed-gender programs ultimately help the community as a whole
 - b. They also help to increase women’s status in the family and community
 - c. If both men and women are offered loans, then women are less likely to bear the sole responsibility of obtaining loans in situations where they may be held responsible for repayment of funds that they don’t have control over

Create products and services that meet the special needs and constraints of women¹²

1. Conduct interviews, surveys, and focus groups in order to better understand the unique needs of female clients; moreover, make sure that there are adequate feedback mechanisms within the structure of the institution
2. Develop products and services that respond to those needs
3. Design a delivery system that makes access easier for women given their responsibilities and constraints
4. Keep costs down so that the products and services continue to be affordable for women, but also ensure that your micro-credit organization remains sustainable

Products and services should be varied and flexible¹³

1. Offer group *and* individual lending, based on the realities of each particular context
 - a. Some of the poorest women are not able to participate in group lending, as they lack the social networks required to be in such a group and are more likely to exit the group under times of pressure of repayment
 - b. Some women on the higher end of the financial spectrum may find it more desirable and efficient to seek larger amounts of credit, especially if they can offer more traditional forms of collateral
2. Loans are available for both trade, service, and manufacturing activities
3. Loan forms are simple and the approval process is rapid
4. Loan officers must be trained to help illiterate and semiliterate clients
5. Loan amounts and repayment plans must accommodate business cycles and capital flows of women’s businesses (which can vary and often be short-term, depending on the intensity of women’s reproductive, productive, and community roles and responsibilities)

6. Women must be allowed to sign for loans themselves without relying on male family members
7. Women with unregistered businesses are eligible for credit

Savings Services¹⁴

1. Ensure that savings are safe and private
 - a. Women need a place where their money is safe from other family members or anyone else who may try to lay claim on their savings
2. Make sure that borrowers are able to save small, variable amounts frequently
 - a. The variability and unpredictability of poor people's income often exclude them from traditional savings opportunities
3. Delyn savings from loans

Access to micro-credit has provided women with the ability to get themselves and their families out of abject poverty; however, improvements in social and political empowerment for women cannot be brought on by micro-credit alone. Critics of micro-credit argue that access to loans in itself does not automatically lead to social and political empowerment for women because providing credit alone does not challenge the underlying reasons behind poverty.¹⁵ Poverty cannot be measured by the level of household income alone; rather, poverty is also indicated by the ability to sustain a level of well-being, which can be greatly influenced by social hierarchies of class and gender.¹⁶ This is why it is so important for micro-credit institutions to partner with non-governmental organizations that specialize in education, literacy, health, human rights, and business training.

Form Partnerships with other NGOs

1. To combat the HIV/AIDS pandemic¹⁷
 - a. HIV/AIDS has placed a double strain on women- by caring for sick family members and by being infected themselves
2. To increase literacy
3. To combat gender violence and oppression
4. Partner with business development services (BDS)¹⁸
 - a. Bds includes marketing, product development, quality control organizational development, and training in general business or sector-specific skills
 - b. Bds should address gender constraints- gender violence being one of the main issues

Constant assessments and monitoring are important for an organization in order to not only gauge client and organizational progress, but also to present concrete information to outside interests, such as donors and potential partners.

Perform Client Monitoring¹⁹

1. Monitoring involves the routine collection of client data to determine whether outcomes are consistent with the organization's goals/social mission
2. Look at business performance, income levels, education (the ability to send children to school, for instance)

²⁰ **Conduct Impact Assessment**

1. Donors, investors, and board members often request impact assessments for validation of causality between program participation and social outcomes
2. Usually involves significant quantitative studies using surveys and control groups

²¹ **Determine Client Assessment Objectives**

It is appropriate to formulate a broad objective, but be sure to also add on a few specific objectives so that the process is more manageable and in turn produces timely results. Keep your objectives to a minimum so as not to inundate the process with too many goals that assign resources in too many directions²²

1. Identify potential and existing clients
2. Understand client wants and needs
3. Track changes in client status (financial and non-financial) over time
4. Understand client exit²³

²⁴ **Building a Micro-credit Team**

1. All staff does not need to be involved in micro-credit matters; however, it is important that activities and updates are communicated to everyone so that they understand the importance of client focus and to ensure a common positive outlook on the success of micro-credit

²⁵ **Managing Client Expectations**

1. Engage in conversation, not a monologue, with clients in order to assess their needs and wants. This also allows them to feel comfortable to give information and provide feedback on the products and services
2. This can be achieved through informal conversations in the 'field': through annual meetings where clients can meet with other staff members other than their field officers, through informal feedback groups where preliminary findings are presented to a group of clients, and/or by way of consulting groups which are made up of a handful of experienced clients who know the institution and their fellow clients very well and have displayed leadership qualities.

²⁶ **Assess Human Resources**

1. Establish who will supervise the process of data collections and make sure that the information is correct
2. Determine how many staff members will be involved in client assessment, which will vary depending on the size of the organization, its resource capacity, and its experience with client assessment
3. Who will collect the data- determine if field officers are appropriate or if an external consultant is needed in order to avoid potential bias

4. Data analysis- determine the skill levels of employees to develop a data analysis team, or, hire external consultants
 - a. skills include focus group mediation, Participatory Rapid Assessment tools, data skills such as SPSS, etc.
5. If an external advisor is hired, make sure that he or she understands the institutional context²⁷

28

Research Design and Implementation

1. Determine which specific indicators will be used
2. How will data be collected? – group discussions, interviews, surveys, observation checklists, etc.
3. Who will be included in data collection? – each client, or periodic samples that are representative of the client base?
4. How often will the data be collected?
5. How will the data be analyzed?
 - a. If using qualitative data, will it be combined with data obtained through routine monitoring?
 - b. Is there a plan to conduct various tests through Excel or SPSS?
 - c. Will data be stored in an electronic format so that charts and graphs can be generated?

29

Reporting on the Data

1. Determine to whom the data will be presented- to employees at staff meetings or perhaps to upper management?
2. Ensure that the reporting process is integrated into an organization's client assessment so that organizational changes are made when necessary

30

Communicating Changes to Staff and Clients 1. Complete the feedback loop, from data collection to the implementation of responsive decisions to reporting back- failure to complete the loop promotes the perceptions that the process of data collection is a complete waste of time

Resources

www.seepnetwork.org
<http://www.villagebanking.org/work-afr.htm>
<http://www.womenforwomen.org/mlp.htm>
<http://www.micro-creditsummit.org/>
<http://www.grameenfoundation.org/welcome/microfinance/>

Endnotes

- ¹ Robin G. Isserles, "The Rhetoric of Empowerment, The Reality of 'Development as Usual'," *Women's Studies Quarterly* 31, nos. 3/4: 39.
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- Lynne Milgram, "Operationalizing Microfinance: Women and Craftwork in Ifugao, Philippines," *Human Organization* 60, no. 3 (2001): 212.
- ² Gow, *Banking on Women*, 11.
- ³ Sarno, *Too Rapid Growth*, 1.
- ⁴ Gow, *Banking on Women*, 12.
- ⁵ Gow, *Banking on Women*, 12.
- Milgram, *Operationalizing Microfinance*, 212.
- ⁶ Gow, *Banking on Women*, 12.
- ⁷ Deena M. Burjorjee, Rani Deshpande, and C. Jean Weidemann, "Supporting Women's Livelihoods: Microfinance that Works for the Majority," *United Nations Capital Development Fund, Special Unit for Microfinance*, January 2002: 25.
- ⁸ Christian Loupeda and Bobbi Gray, "The Road to Client Assessment: Travel Tips," *The SEEP Network*: 3.
- ⁹ Burjorjee, *Supporting Women's Livelihoods*, 25.
- ¹⁰ Ibid.
- ¹¹ Ibid, 27.
- ¹² Ibid, 12.
- ¹³ Ibid, 14-15.
- ¹⁴ Ibid, 19.
- ¹⁵ Milgram, *Operationalizing Microfinance*, 214.
- ¹⁶ Ibid.
- ¹⁷ Burjorjee, *Supporting Women's Livelihoods*, 31.
- ¹⁸ Ibid, 34.
- ¹⁹ Loupeda, *The Road*, 3.
- ²⁰ Ibid, 4.
- ²¹ Ibid, 5.
- ²² Ibid, 6-7
- ²³ Ibid, 5.
- ²⁴ Ibid, 8.
- ²⁵ Ibid, 13.
- ²⁶ Ibid, 18.
- ²⁷ Ibid, 21.
- ²⁸ Ibid, 22-24.
- ²⁹ Ibid, 25.
- ³⁰ Ibid.