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**Micro-credit for Development: Testing the Claims  
With a Group of Women Borrowers from Cape Town's Khayelitsha Township**

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MNMJAN 002

*A minor dissertation submitted in partial fulfillment of the requirements for the award of  
the degree of Mphil Development studies*

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**DECLARATION**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: **Jane Mueni Mbithi**

Date: **23 May 2012**

## **Abstract**

*This research analyzed the impact of micro-credit on a group of women from Khayelitsha. The study had two objectives. The first was to test and refine an instrument that can be used to gauge the changes that have occurred in the lives of the women since receiving micro-credit. The second was to investigate the changes that they have experienced and to scrutinize whether they were linked to their access to micro-credit, or to other factors, or to a combination of these. In-depth interviews were used with a sample of 15 respondents who received micro-credit from a social investment company. The results reveal that micro-credit had both positive and negative effects on the lives of the women borrowers, but that the positives outweigh the negatives. There is evidence of increased income from starting or expanding businesses with the loans and of a range of basic needs being better met with the additional income, although profits from the borrowers' businesses were not always the sole source of their household income. Furthermore, the women borrowers reported that managing their loans and growing their businesses gave them greater self-confidence and financial independence. They also reported a number of negative changes in their lives after receiving their loans. Chief among these is the deterioration in domestic relations with their spouses that some experienced. This study suggests that micro-credit can be linked to small scale economic development and personal development, but the same cannot be said for changes in the gender dynamics in households headed by men with patriarchal tendencies.*

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# CHAPTER 1: INTRODUCTION

## 1.1 Research topic and rationale

This study assessed the impact of micro-credit on a group of women from Khayelitsha who participate in the Tetla Financial Solutions credit scheme. Tetla Financial Solutions is a micro-credit institution that seeks to promote sustainable development in poor communities in Cape Town's townships. This study explored the changes the women borrowers experienced in their lives, businesses and households since they started participating in the credit scheme two to three years ago. It investigated whether reported changes were linked to accessing of micro-credit by the borrowers, whether other factors brought about these changes or whether a mix of other factors and micro-credit accounts for them.

A further objective of this study was to test and refine an instrument designed to solicit information that would answer research questions posed by the study.

## 1.2 Debates about links between microfinance and development

In 2004, the United Nations (UN) Economic Commission for Africa (ECA) said that poverty levels on the continent had increased by 43% over the last ten years, with women making up to 80% of the people living on less than a dollar a day. In South Africa "about 50% of the population is considered to be poor. Most of the poor are in the rural areas which account for 72% of the poor in South Africa" (Bonti-Ankomah & Chamba, 2000: 5). It is estimated that 45% of the population (18 million people) live on less than two United States dollars a day, a poverty line suggested by the World Bank (Taylor, 2002).

A survey conducted by the United Nations in 2009 on the link between the empowerment of women and sustainable development, highlighted that "women's equal access to and control over economic and financial resources is critical for the achievement of gender equality and empowerment of women, and for equitable and sustainable economic growth and development. Gender equality in the distribution of economic and financial resources has positive multiplier effects for a range of key development goals, including poverty reduction and the welfare of children" (2009: v).

Over the years, policy makers, international development agencies and non-governmental organizations (NGOs) have devised various development approaches aimed at reducing poverty in developing countries. One of these strategies, which has become increasingly popular since the early 1990s, is micro-credit schemes. Micro-credit schemes provide

financial services in the form of savings and credit opportunities to the working poor (Johnson and Rogaly, 1997:118). Woller and Woodworth (2001a and 2001b) and Anderson *et al* (2002) demonstrate that micro-credit is increasingly used as an instrument for improving access to financial services among the poor, especially in developing countries, and for alleviating poverty. Asiama and Osei (2007) argue that microfinance is not a panacea, but rather an important tool for solving poverty and related development challenges.

The famous Grameen Bank Model developed by Mohammad Yunus in 1976 in Bangladesh has been the basis for many development programmes. This model is increasingly gaining support from development agencies and donors as well as from development institutions such as the World Bank and the UN (Thomas and Sinha, 2009:30). In this tradition during the 1990s, NGO micro-credit programmes emerged as a mainstream development intervention to address poverty alleviation and women's empowerment (Mayoux, 1998b and Kabeer, 1998). Micro-credit institutions have become increasingly involved in providing financial services which purport to go beyond merely helping the poor survive in the short term to helping them better meet their fundamental human needs in the medium to long term. The link between micro-credit and development has motivated micro-credit practitioners, donors and governments to take an interest in the extent to which these micro-credit lending interventions impact the beneficiaries (Afrane, 2002).

Since the establishment of the Grameen Bank and its relative success, many microfinance programs have rushed to replicate its micro-credit delivery model. In doing so, female micro-credit borrowers have received much attention. Women were specifically targeted because they make up the majority of the poor in the rural areas and they tend to take greater responsibility for the social and economic welfare of the family. During the 1990s, micro-credit was seen as successful amongst female borrowers because of their high repayment rates and capacity to save (Pitamber 2003:7). This was echoed by Swain and Wallentin (2007: 6) who state that an increasing number of microfinance institutions prefer women members as they also believe that they are better and more reliable borrowers and that this contributes to their financial viability. According to the Micro-Credit Summit (1997) there is a need to empower all people, especially women, by increasing their access to the means of production, including credit.

The Micro-Credit Summit website ([microcreditsummit.org](http://microcreditsummit.org)) argues that the entrepreneurial capacity of the poor can be enhanced by access to small-scale loans, which can introduce

them to the small enterprise sector (Micro-Credit Summit 1997). If one accepts this argument then the role of micro-credit is particularly important in developing countries where poverty levels are high and most governments cannot meet the needs of the majority of poor citizens. Otero (1999) asserts that micro-credit is not just about providing capital to the poor to combat poverty on an individual level, but it also plays a role at an institutional level to create institutions that deliver financial service to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004), citing Asiana and Osei (2007) argue similarly that microfinance programmes have emerged to address the problem of the predominant exclusion of the poor from the financial services sector of the economy.

A number of impact assessments of the performance of micro-credit programmes have been undertaken in recent years, with varying and revealing results. Hulme (2000: 79) observes that at one end of the spectrum there are studies such as Hossain (1988), Holcombe (1995), Khandar (1998), Otero and Remenyi (1992), Rhyne (1994), Schuler, Hashemi and Riley (1997), that argue that micro-credit has highly beneficial economic and social impacts. At the other end of the spectrum he notes writers such as Adams and Von Pischke (1992), Montgomery (1996), Rogal (1996), Wood and Sharrif (1997) and Buckley (1997), who caution against such optimism and point to the negative impacts of micro-credit on the poor. Mosley and Hulme (1998) further argue that work such as that by Hulme and Mosley (1996) and Mosley and Hulme (1998) takes an intermediary position, identifying beneficial impacts, but also arguing that micro-credit does not always assist the poorest as is often claimed.

Many impact studies of micro-credit programmes, including the above-mentioned, refer to changes in the borrowers' lives that are said to be a consequence of micro-credit, but they neglect to adequately demonstrate with empirical evidence that there is a clear connection between the reported change and receiving micro-credit. It is imperative that studies examine whether changes apparent in borrowers' lives are actually linked to their receiving micro-credit. This is the topic of my research.

### **1.3 Significance of the research study**

My study tested, on a small scale, the claim that microfinance contributes to poverty alleviation. I investigated the personal impact of micro-credit on a group of women in Khayelitsha who are part of Tetla's micro-credit scheme. The women have been receiving loans for two to three years. I examined whether they themselves thought that the micro-

credit they had received had changed their lives and, if so, whether or not their lives had changed for the better. My interest in the borrowers' perspectives is informed by Eade's (2005) emphasis that people-centered development interventions must always be measured in terms of how they affect people's lives, in ways which are meaningful to the people concerned.

It is imperative that the impact of micro-credit be understood from the beneficiaries' perspective so that microfinance organizations in general and, in particular, Tetla know how successful or unsuccessful they have been in meeting their clients' needs.

Although many micro-credit institutions are emerging in the world today, there has been limited analysis of the impact of micro-finance on women borrowers in South Africa. Most analysis and evaluation studies have taken place in Southeast Asia and my literature survey revealed that there is very little that critically reflects on microfinance in South Africa.

#### **1.4 Central research question**

Studies, including Terry (2006), McKernan (1996) and Steele *et al* (2001), claim that micro-credit enables the borrowers to start a business and improve their well-being. However, the question as to whether micro-credit is the key contributor to the observed changes in the borrowers' lives is left unresolved. From the outset I was of the view that there might be factors other than microfinance contributing to these changes. For example, there might be other sources of income in the household contributing to the household's well-being. With these concerns in mind my central research question was:

*In what ways (if at all) has micro-credit received from a microfinance institution impacted on a group of women borrowers from Cape Town's Khayelitsha Township?*

The sub-questions that guided the research and helped me answer the central research question were:

- i. What changes were experienced by the women after they received micro-credit?
- ii. Are these changes linked to their receiving micro-credit?
- iii. What factors other than micro-credit could have contributed to these changes?

## **1.5 Methodology**

A qualitative approach was considered appropriate for this study because I wanted to solicit detailed ("rich, thick") information from my respondents. Consequently I used semi structured interviews to collect the data. I adopted a purposive sampling technique which identified women borrowers who had received micro-credit two to three years prior to their participation in my research project. For data analysis, I used Miles and Huberman's (1994) approach and I drew on De Wet and Erasmus (2005).

## **1.6 Some limitations of the study**

The first limitation of the study was the language barrier. I do not speak *isiXhosa*, which was a major obstacle since this is the home language of the respondents. I had to rely heavily on the translation skills of my *isiXhosa*-speaking field assistant, who was very familiar with my research and seemed very competent. Notwithstanding his language competencies, I think it is reasonable to assume that my inability to speak the vernacular has affected the richness and depth of the fieldwork data. The second limitation is the scale of the study. This was designed as a small-scale study targeting 18 respondents, but 15 finally participated in the study. Not everyone was available and in a few cases I was unable to locate the potential respondents.

A small group of respondents from one micro-credit programme does not allow me to generalize about women borrowers in Khayelitsha. However, this study does provide vivid and nuanced insights into the extent to which micro-credit influenced change in this group of women borrowers' lives. Feedback has indicated that the findings proved useful to the women respondents and the micro-credit organization. The study is also valuable because I was able to design an instrument to gauge the impact of micro-credit on borrowers in preparation for further research upon which I would like to embark. It also allowed me to test my instrument.

## **1.7 Organization of the study**

My dissertation is divided into seven chapters. Following Chapter One:

- Chapter 2 introduces Tetla Financial Solutions;
- Chapter 3 summarizes the conceptualization of the research and discusses the key theoretical concepts;
- Chapter 4 discusses the methodology used in the study;

- Chapter 5 presents the findings;
- Chapter 6 discusses the key findings related to the central research question and to debates in the literature; and
- Chapter 7 provides concluding remarks, some recommendations and suggests ideas for further research.

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# CHAPTER 2: PROFILE OF TETLA FINANCIAL SOLUTIONS

Tetla Financial Solutions is a client of Tembeka Social Investment Co.Ltd, which is a South African social investment company that seeks to promote sustainable development in poor communities. Tetla hopes to do this by initiating a financial system that provides assistance tailored to the circumstances of these communities and by itself becoming an actor in this system. Tetla was established in September 2006 as a Section 21 Not for Profit Company to facilitate the empowerment of communities by making financial services accessible to disadvantaged members of the community for enterprise, income generation, livelihood support, as well as educational purposes. This is achieved through the group lending model originally created by the Grameen Bank. In this structure, a group of borrowers, mostly women, are liable for each other's loan repayments. If someone in the group does not pay, then the rest of the borrowers must cover that payment. Tetla recognizes that economic challenges faced by the poor, unemployed and underemployed in South Africa require solutions that go beyond micro-credit. They also focus on providing support in the form of access to markets, and assistance with productivity and competition. Currently, Tetla operates within the Western Cape only, but has plans to expand into neighboring provinces (<http://www.tembeka.co.za/clients>).

When a group of micro entrepreneurs indicates interest in a loan from Tetla, one of the fieldworkers arranges a meeting with the group to explain the loan terms which are as follows:

- Tetla disburses very small loans to micro entrepreneurs who are willing to form groups.
- Group members must have valid SA ID documents.
- The age limit is 21-70 years.
- The groups are made up of five to eight micro entrepreneurs.
- The first loan is R500-R1200, repayable over four months.
- The loan size increases after the group repays their loan in full and applies for the next loan.
- The loan is for business purposes only.

- Group members must know and trust each other and be willing to co-guarantee each others' loans.
- The group is required to open a group savings account at any local post office.
- The amount of the group loan is transferred to the group savings account.
- The payment of the group's first installment to Tetla is due one month after receiving the loan ([www.oldmutual.co.za/transformation](http://www.oldmutual.co.za/transformation) ).

Tetla claims that providing loans to poor women in townships has enabled them to become self-reliant and allowed them to earn an independent income and contribute financially to their households. There are scholars who advise caution about such bold claims. Cheston and Kuhn (2002:14), for instance, acknowledge that the lack of control of and access to capital is only one dimension of the complex and ever-changing process by which the cycles of poverty and powerlessness replicate themselves. They say that it is only by rigorously evaluating the impact of microfinance on borrowers' lives that microfinance institutions (MFIs) can assess the contribution they make to development and poverty reduction.

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# CHAPTER 3: CONCEPTUALISATION OF THE RESEARCH PROBLEM

With the research objective previously described in mind I proceeded to explore, from the perspectives of women borrowers, changes that they reported had occurred in their lives across four dimensions. The study asked:

*In what ways (if at all) has micro-credit received from a microfinance institution impacted on a group of women borrowers from Cape Town's Khayelitsha Township?*

The following sub-questions guided the research and helped me answer the central research question:

- What changes were experienced by the women after they received micro-credit?
- Were these changes linked to them receiving micro-credit?
- What factors other than micro-credit could have contributed to these changes?

## 3.1 List of key concepts

The following key words and concepts were used in this research: micro-credit, women beneficiaries, change, and impact across four dimensions. They are defined and discussed below.

### 3.1.1 Distinction between micro-credit and microfinance

The terms micro-credit and microfinance are often used interchangeably, but it is imperative that they be distinguished. Sengupta and Aubuchon (2008: 9) define micro-credit as the act of providing a loan. Microfinance institution (MFI), according to Terry (2006: 28), is the term used to refer to an institution which provides financial services to low-income clients, including the self-employed. Financial services generally include savings and credit, and some MFIs also provide insurance and payment services. In short, microfinance encompasses the field of micro-credit, and currently, it is estimated that any number from 1,000 to 2,500 MFIs serve some 67.6 million clients in over 100 different countries of the world (Sengupta and Aubuchon 2008: 9).

Sengupta and Aubuchon (2008:9) citing Yunus (2007) argue that it is important to distinguish micro-credit in all its previous forms from the specific form of credit adopted at the Grameen Bank, which he calls "Grameen credit". They argue that the "most distinctive feature of Grameen credit is that it is not based on any collateral or legally enforceable

contracts. It is based on 'trust', not on legal procedures and system" From the distinctions above, I opted to mainly use the term micro-credit (the act of providing a loan) or credit unless mentioned otherwise. The term "microfinance" has only been used in conjunction with institutions that render the service of providing the loan that is MFIs.

### **3.1.2 Women borrowers as the beneficiaries**

The beneficiaries in this research are women borrowers from Cape Town's Khayelitsha Township. They are the intended recipients of the benefits of Tetla's micro-lending development programme.

### **3.1.3 Change**

Newaz (2003: 73) defines change as a process with multiple dimensions which are interrelated and interdependent. Change is conceptualized in relation to "people-centered development". People centered development is a bottom-up, endogenous approach to improving the lives of the poor and which is characterized by building self-reliance (Max-Neef, 1991). Interventions must always be measured in terms of how they affect people's lives, in ways which are meaningful to the people concerned (Eade 2005). Max-Neef (1991) reiterates that, development is only truly people-centered if it entails the active and voluntary participation of its intended beneficiaries. Furthermore Max-Neef (1991:34) believes that development that is geared towards the satisfaction of human needs cannot be imposed from the top downwards, rather, it can only come directly from the actions, expectations and creative critical awareness of the intended beneficiaries. He further argues that instead of being the objects of development, which is so typical of the traditional approach, poor people must take a leading role in their own development.

By exploring the impact of micro-credit from the perspective of the women borrowers, my study provides a picture of the extent to which Tetla's microfinance is people centered and contributes to meeting the needs of the women borrowers.

### **3.1.4 Impact and impact assessment**

According to Johnson and Rogaly (1997), impact assessment is a management mechanism aimed at measuring the effects of projects on the intended beneficiaries. My research scrutinized the changes experienced by a group of women borrowers after receiving micro-credit and assessed whether these reported changes were linked to the borrowers receiving micro-credit or whether there were factors other than micro-credit that could have contributed to these changes. The rationale was to ascertain whether an

intervention in a poor community produced the expected level of output and benefits as well as whether it contributed to the mission of the microfinance organization. Indeed, for MIFs impact assessment is important in enabling them to remain true to their mission of working with poor people in their struggle against hunger, disease, exploitation and poverty.

However, according to Cheston (1999) the question of impact continues to plague micro-credit practitioners. Much of the debate in microfinance has centered on the question of attribution, or whether it is possible to demonstrate that it is the particular intervention of the MFI that has led to a specific change (Simanowitz, 2004). Hulme (2000) argues that behind all microfinance programmes is the assumption that the intervention will change human behavior and practices in ways that lead to the achievement (or increase the probability of achievement) of desired outcomes. Sebstad *et al*, (1995) point out that the fact that no agent can both experience an intervention and at the same time not experience an intervention generates many methodological problems. All changes are influenced by mediating processes (specific characteristics of the agent and of the economic, physical, social, and political environment) that influences both behavioral changes and the outcomes in ways that are difficult to predict. As Rhyne (1992) writes “For most part evaluations of credit are still based on the old-view ideas about causality. They are centered on the presumption of a direct line of causality between receipt of credit by individual borrowers and a particular loan”. Given the above challenge of specific characteristics that may influence the scale of changes that have taken place in the women borrowers’ lives since they acquired micro-credit, one can therefore not conclude that the changes mentioned were solely brought about by a combination of the factors identified by the research. Assessing causality in the social sciences is thus complex.

In his 2009 article “The Market as a Measure for Microfinance” Rhyne further explains the problem of causality in impact assessment: “the causal links between receipt of financial services by individual borrowers and their subsequent economic growth are affected by many factors, finance being but one part of a complex process of decision making by enterprises and households. One cannot therefore assume that changes perceptible in the lives of borrowers are as a result of micro-credit without looking at other factors that could have contributed to the change”. This is a gap in current literature on microfinance. Many studies of microfinance and development assume that observed changes in borrowers’ lives are as a result of microfinance and they rarely explore other factors. I did not want to make the same mistake and therefore I attempted to explore other factors that could have

contributed to these changes. With hindsight I do not think my research design adequately addressed this challenge.

In my quest to assess the link between the changes that have occurred in the women's lives and the micro-credit that they received 2-3 years earlier, I drew on the work of Chen and Mahmud (1995) to conceptualize change in the borrowers' lives. Chen and Mahmud's theoretical framework includes the following four dimensions: Material, Cognitive, Perceptual, and Relational. I found this useful because it provided me with multi-dimensional human scale (as opposed uni-dimensional economic scale) analytical scaffolding, which helped me make sense of the respondents' experiences and perceptions of the changes in their lives, I defined and located these four dimensions within the context of my central research question. Consequently, in this study each of the four dimensions carries a certain specific connotation and meaning as briefly outlined below:

- **Material dimension:** Change in the material dimension occurs through expansion in the material resource base of the beneficiaries. In my study I assessed changes in access to and control of the material resource base of the women borrowers. Material resources include: the ability to purchase food and meet nutritional needs, the ability to meet emergencies and the ability to save. The dimension further represents the women's ability to meet the educational needs of their children. In my view education is one of the fundamental human needs as described in the UNDP millennium goals and it is imperative to assess whether the women borrowers were able to meet their children's educational needs since acquiring the loan.
- **Cognitive dimension:** Cognitive change occurs when beneficiaries recognize and enhance their own cognitive abilities and skills which lead to greater self-esteem and self-confidence. In my study I looked for evidence of personal growth as indicated by each individual's cognitive skills, capabilities, and self-confidence.
- **Perceptual dimension:** The perceptual dimension includes both individual self-perception and others' perceptions of the individual's value. In this study, I was interested in non-material ways on which the women borrowers perceive their own lives and their self-worth and the perception of the women borrowers by others in relation to increased social prestige and social value.
- **Relational dimension:** The relational dimension is about changing relations between the beneficiary and her family and with the broader society as indicated by increases or

decreases in cooperation and affirmation. This study limits the relational dimension to the impact of micro-credit on relations within the family, the micro-credit group and the immediate community.

Hulme (2000:4) says that “all impact assessment exercises have a conceptual framework at their heart”. He defines three main elements to a conceptual framework

- A model of the impact chain that the study is to examine
- The specification of the unit(s), or levels, at which impacts are assessed, and
- The specification of the types of impact that are to be assessed.

#### **3.1.4.1 A model of the impact chain**

According to Hulme (2000), the impact chain is a model that illustrates the process of change from the initial stage of receiving micro-credit. In other words, the change that is most likely to occur once an individual acquires the loan. This research will thus explore the changes experienced by the women after they received micro-credit within the four dimensions. For example “the loan may lead to the client modifying his/her own microenterprise activities, which may in turn lead to increased or decreased microenterprise income. The change in microenterprise income may cause changes in household income, which in turn leads to greater, or lesser household economic security”. I will further investigate whether reported changes were linked to the borrowers accessing micro-credit, whether other factors brought them about or whether they are accounted for by a mix of other factors and micro-credit.

#### **3.1.4.2 Units of assessment**

Hulme (2000: 6) outlines the common units of assessment used in micro-credit research. They are: Household, enterprise and the institutional environments within which agents operate. Some impact studies in the microfinance field have attempted to assess impact at an individual level (e.g. Goetz and Gupta 1996; Peace and Hulme 1994; Panda 2009; and Barnes *et al* 1999). Then there are studies that have assessed the impact of micro-credit on an institutional level (e.g. Dunn 1999; Mutua *et al* 1996 and Perry 2002). Other studies (e.g. Copestake *et al*, 2001; Afrane 2002; Goetz & Gupta 1996; Hashemi *et al* 1996; Schreiner 2002; and Hulme and Mosley 1996) have attempted to assess impact at all levels (household, institution and enterprise).

This study focused on investigating the impact of micro-credit on three levels: the individual, household and enterprise. These levels overlap and therefore it is best to study the impact of micro-credit on all three simultaneously.

# CHAPTER 4: METHODOLOGY

This chapter focuses on the research methodology that was adopted. In short, it describes the overall research design, the method of data collection, the sampling method and the method of data analysis.

## 4.1 Research design

My study used a qualitative research design. This approach was considered appropriate as it focused on gathering rich, thick information based on the respondents' perspectives. Qualitative research adopts an insider perspective on social action (Babbie and Mouton 2001: 357). I attempted to study the changes from the women borrowers' viewpoint - also referred to as the "emic" perspective. Babbie and Mouton (2001:53) define this approach as describing and understanding rather than explaining and predicting human behavior.

## 4.2 Method of data collection

Qualitative data collection methods yield detailed information whether by researcher observation in the field or individual interviews with respondents. I used both in my study. Qualitative methods solicit in-depth information from a few cases unlike quantitative methods, which are less in-depth and which provide more breadth of information across a large number of cases. Patton (2002) notes that using more than one data collection instrument strengthens and gives credibility to the study. Terry (2006) reiterates that studies that use only one data collection procedure are vulnerable to errors linked to the particular method used. Below is a short description of the qualitative methods used in this study to collect data.

### 4.2.1 Interviews

Fontana and Frey (2005) describe three forms of interviews namely, structured, semi-structured, and unstructured. In this research, the researcher used a small number of structured questions but most of the questions were semi-structured. The structured interview questions were closed ended questions to solicit demographic information from the respondents. Semi-structured interviews were considered appropriate for this research because they are a flexible method for conducting interviews, allowing the widest possible exploration of respondents' views and opinions in their own words and at their own level of understanding. This is one of the features of in-depth interviewing noted by Babbie and Mouton (2001: 291). Individual face-to-face interviews provide depth and detail about the

opinions and experiences of respondents. In qualitative interviews the researcher is able to seek clarification and amplification where necessary (Terry 2006: 56).

*isiXhosa* is the first language of all the respondents although most, but not all, also speak English. For this reason all the interviews were conducted in both *isiXhosa* and English. I do not speak *isiXhosa* and, therefore, I recruited an *isiXhosa* speaking student to translate. The translation process between English and *isiXhosa* seemed to go reasonably well, but I suspect that some of the translations were a little clumsy. Probing a translated response with follow on questions was the most challenging part of the interviews. This probably affected the depth of the information obtained. Had I been able to speak the vernacular, I would probably have solicited richer information.

I used a digital audio recorder to record the interviews and I also took field notes. The interviews were conducted over four weeks at the end of 2010.

### **4.3 Developing the instrument**

I used a semi-structured interview schedule in my field work. In developing an interview schedule guided by the four dimensions suggested by Chen and Mahmud (1995), the interview questions were first piloted in order to assess their suitability. Subsequently the interview schedule was revised and refined. Analysis of the data obtained from the pilot necessitated some adjustment to the instrument. Some complex questions were simplified and some wording changed to make the questions more easily understood. The questions were made more specific so that the answers would be more revealing of information that would allow Tetla to gauge how effective they have been in meeting their client's needs.

To investigate their lives and status before they joined Tetla Financial Solutions, the respondents were initially asked "*to reflect on their lives before they joined Tetla*". The pilot showed that this question was not successful in generating substantial feedback as the respondents found it hard to grapple with it. The question was rephrased to read "*How would you describe your life before you joined Tetla in relation to occupation and overall standard of living e.g. food and nutrition, meeting educational needs, personal dignity and self-confidence etc*". In the pilot interview the respondents were also asked "*how has your life changed*". They struggled to understand the question and literally asked "in connection to what"? Given this challenge, the question was rearticulated to read "describe what has changed in relation to the four dimensions (Material, cognitive, perceptual and rational)".

In the *material dimension*, the respondents were asked to describe changes in material well-being after receiving the loan. The responses from the respondents indicated that the instrument successfully assessed the changes in material well-being.

The *cognitive dimension* which tackled changes within the individual also yielded rich responses. The respondents discussed changes in: personal decision making, self-confidence and dignity and knowledge and skills. Substantial data was collected as the women seemed enthusiastic to talk about the issues that affected them as individuals. Overall the interview solicited a comprehensive picture of the cognitive dimension.

The instrument further assessed the *perceptual dimension* which explored the perception of women by others in relation to increased social prestige and social value. Changes in time pressure, public respect and acceptance and participation in social activities were explored. Out of the four dimensions, the perceptual dimension yielded the least responses, but the instrument still helped to generate adequate information.

The *relational dimension* focused on exploring the impact of micro-credit on relationships within the family and the micro-credit group structure. The discussion revolved around improved quality time with family, relations with family, and strained relationships within the micro-credit groups.

In the remainder of the interview I explored in a fairly unstructured way factors that the respondents attributed to the reported changes in their lives.

Overall the instrument yielded a wealth of information as the respondents tried to accurately answer the questions.

I am of the view that translating the questions from English to *isiXhosa* played a key role in helping the respondents grasp what was asked in relation to the four dimensions, thus yielding richer information than a set of English questions would have done.

I designed an instrument that is potentially useful to Tetla. It will help them assess how successful or unsuccessful they been in meeting a wide range of the clients' needs.

#### **4.4 Sampling method**

Purposive sampling was adopted for this study. Using purposive sampling a non-representative subset of some larger population is constructed to serve a specific need or purpose (Babbie and Mouton 2001: 166). For the purposes of this research, the sample included women borrowers who had been receiving micro-credit two to three years prior to their participation in the research project. My thinking here was that substantial time

needed to pass after the women had received their micro-credit in order to assess any possible impact that this might have on their lives.

I had hoped to interview 18 respondents, but in the end my final sample consisted of 15 respondents who had received credit from Tetla Financial Services under the same terms and conditions. The respondents were 30 years or older and they were all *isiXhosa*-speaking.

#### **4.5 Method of data analysis**

I used Miles and Huberman's (1994) approach to qualitative data analysis and I drew on De Wet and Erasmus (2005) to guide my analytical procedure. De Wet and Erasmus analyze qualitative data with the research question in mind.

Some initial data analysis occurred while I was conducting the in-depth interview and asking probing questions based on previous answers. Once the interviews were transcribed, the next analytical step was to read the transcripts in order to get acquainted with the data as a whole, and to get an initial feel for issues arising from the data (De Wet and Erasmus 2005: 29). The two main objectives of this process were firstly to understand the data, and secondly to test whether the interview schedule had done its job in soliciting detailed information in order for me to answer the central research question. With the aid of QSR NVivo, a computer software package, the transcripts were analyzed to assess the extent to which the respondents' lives have changed since they started receiving micro finance. QSR NVivo assisted in management and coding of the data.

Miles and Huberman (1994: 56) define coding as the process of assigning units of meaning to the text passages that contain references to particular categories of data. According to Fielding and Lee (1998: 41) coding is a basic part of data reduction. Codes bring together selected data and identify emerging themes (Miles and Huberman 1994). Miles and Huberman's first level coding was used for naming and classifying data, to produce working categories (Fielding and Lee 1998: 41). At this level descriptive codes were used. Descriptive codes attribute a class of phenomena to a segment of text (Miles and Huberman 1994: 57). They simply describe the data, which involves little interpretation.

The next stage of the analysis involved using Miles and Huberman's second level coding to identify regularities in the data (Fielding and Lee 1998: 42). This was achieved through grouping first level codes into categories based on regularities, patterns and relationships

in the data. Second level coding was consciously guided by the central research question and sub-questions.

#### **4.6 A note about research ethics**

Consent was obtained from Tetla Financial Services and all the respondents who participated in this research. At the beginning of each interview, I introduced myself and reminded the respondents of the purpose of the study. The respondents' views and opinions were respected and their interviews remained anonymous. I submitted a final research report to Tetla in accordance with our agreement.

University of Cape Town

# CHAPTER 5: KEY FINDINGS

In this chapter I present the findings answering the central research question. The chapter reports on characteristic features of the respondents, changes in their lives, the factors that brought about the changes in their lives and whether the changes were as a result of micro-credit or other factors or a combination. Changes are assessed across four dimensions namely: material, cognitive, perceptual and relational.

## 5.1 Characteristic features of the 15 women borrowers

While there is some diversity such as marriage status and education level, the respondents have a number of features in common. All 15 respondents were female and were 30 years or older. Of the 15: five were married, one was widowed, one was divorced, and the rest were single. All but one had more than one child. Their levels of education varied. Three had obtained Matric and the other 12 respondents left school before completing their Matric. The respondents had received micro-credit from Tetla in the last two to three years. All the respondents said they were the primary breadwinners in their families. Six out of the 15 indicated that there was another source of income in the household. Three said that another member of the family was working and another three said that they receive monthly child grants.

## 5.2 Changes according to four dimensions

The respondents were asked to describe the changes they have experienced in their lives after acquiring micro-credit irrespective of whether or not the changes were linked to getting the loan. They were asked to do so for each of the following dimensions in their lives: material, cognitive, perceptual and relational.

### 5.2.1 Material Dimension

In this dimension changes in access to and control of the material resource base of the women were assessed.

#### ***Occupations, other sources of income and financial issues before receiving micro-credit***

Eleven of the respondents owned small businesses before they acquired the loan. Among the remaining four, two were employed while the other two were unemployed. For the eleven women who owned businesses, life was an everyday struggle and a matter of

survival. It seemed that the lack of finance was a major obstacle in running their businesses. One respondent described her situation as “just surviving”.

I was selling chips and sweets on the streets, which was not generating a lot of money. I was just surviving (Respondent 2, 12/11/2010).

Another respondent linked her lack of finances before joining Tetla to the absence of capital investment and consequently the slow growth of her business.

The business that I was running was moving very slowly. The challenge was: there was no money to buy things for my business which meant no growing and profits. (Respondent 9, 26/11/2010).

One of the eleven entrepreneurs describes how her business was sustainable, but personally she barely coped.

I ran a spaza shop, although my business was small back then, at least it was able to sustain some of my household needs with the money I made. But it was not easy. (Respondent 7, 26/11/2010).

For the two respondents who were neither in business nor employed, life was even tougher. They borrowed money from people, which strained relationships, and they also resorted to borrowing from loan sharks. Both described how they were “caught in a vicious cycle of debt” (Respondent 5, 17/11/2010).

I was struggling. I can't tell you how I managed, but I did. I used to borrow from people and loan sharks. And I would be under pressure because they would ask me to repay the money. So I found myself with many debts, broken relationships and broke (Respondent 6, 17/11/2010).

Despite being employed, the two women who were working also found life very difficult. One of them explained how she earned very little.

I was selling meat for another lady and she would pay me properly only when there was enough sold. Times were very bad, the business would have bad days where I don't sell anything at all and the lady would give me R40 which I would use to buy food for my family. So things were not at all easy. (Respondent 13, 7/12/2010)

### ***Changes in material well-being after receiving loans***

Those who had businesses described a positive improvement in their businesses as a result of the loan and for those who were unemployed the loan provided an opportunity to be self employed. One businesswoman said:

The loan has helped me a lot; it has helped me grow my business and has enabled me to provide for my family. It has also saved me from borrowing money from loan sharks. (Respondent 11, 3/12/2010).

Another pointed how the loan has helped her buy more stock and expand her business.

The loan has really helped me improve things in my business... I have been able to buy more stock for my business. I am even able to pay for things I took on credit before the loan with the money generated from business so in a sense the loan has played a key role in my life (Respondent 7 26/11/2010).

For the two respondents who were unemployed before joining Tetla, taking the loan created an opportunity to start a business. One of them described what it was like being self employed. She is no longer an exploited worker and has become self employed.

Taking the loan gave me an opportunity to open my own business. It feels good to make my own money. Now I can help with a lot of things at home that need money. The loan has really helped me (Respondent 13, 7/12/2010).

For the other respondent the loan helped her to get on her feet again after experiencing retrenchment from her previous job:

After I was retrenched from the restaurant where I was working a year ago things were very difficult for me and I was jobless for a while. Now the loan has enabled me to start a business which is slowly coming together. I can say now that life is better for me. (Respondent 12, 3/12/2010).

Of the fifteen, seven respondents linked the changes in their businesses to receiving micro-credit while eight identified other factors that also played a role in bringing about positive changes in their lives. The seven respondents stressed that the small income from their businesses was not enough to meet all their needs, but that they had seen slight improvements in the growth of their businesses and consequently were aware of the potential for more. One of the struggling businesswomen explained:

When I took out the loan I had very little money with me. So I invested the R500 that I borrowed in the business which slightly increased my income. It was the only money that helped me grow my business and to buy what I needed for the business. (Respondent 13, 7/12/2010).

In contrast, eight of the fifteen respondents identified other financial sources besides micro-credit that played a role in bringing about improvements in their businesses. Typical sources included savings, money borrowed from loan sharks, and contributions by a family member. One respondent, who was previously employed, said she had some of her own savings that she combined with the loan to establish her business.

As I said earlier I was working for someone before and although the pay was not that good I managed to put some money aside. So when I took out the loan I added what I had saved and started my business (Respondent, 7/12/2010).

Another also combined her savings with the small Tetla loan to start a business.

Before I got retrenched at the restaurant I was working in, I was saving a little bit of my earnings which were mostly through the commission I got from customers. When I went to apply for the loan

at Tetla I was given a small amount which was not enough to start my business. It was only when I took the money I had kept and put it together with the loan that I was able to start the business (Respondent 12, 3/12/2010).

Amongst the eight respondents, one woman described how access to micro-credit was insufficient and she still found herself borrowing money from a loan shark.

When I applied for the loan at Tetla, I expected a reasonable amount, but what I received was not enough to start my business. I then decided to borrow some money from the loan shark to add to what I was given. This really helped me to establish my business (Respondent10, 3/12/2010).

Another in similar situation borrowed money from her brother.

Last year when I told my brother who works in the Eastern Cape that I wanted to start a business, he promised to help me with some money. Even after I took the loan he still kept his promise. My husband also gave me some money which I used to start my business (Respondent 15, 7/12/2010)

### ***Ability to purchase food and meet nutritional needs***

Out of the fifteen respondents, twelve reported an improvement in their ability to afford food and improvements in their diet after receiving the loan. Twelve women attributed this change to the growth in their businesses and consequent increase in their income as a result of the loan.

Things aren't as bad as before in the business and even at home. I have seen my business move from strength to strength and the money I make everyday helps me to meet the daily expenses at home especially food. Now I can afford to buy my children good food unlike before (respondent 4, 17/12/2010).

One respondent described how before she received the micro-credit to grow her business there were times when her family "went to bed hungry" and that increased profits from her business were used to improve her household's diet.

Before I took out the loan my business was not doing well. I was not making a lot of money and sometimes we went to bed hungry. But things have improved now, at least the loan has helped me to improve my business and I get reasonable money at the end of the day which I use to buy food for my children (Respondent 8, 26/11/2010).

The above respondents were asked whether the improvement in food and nutrition was linked to them receiving micro-credit or are there other factors that could have contributed to these changes. Out of the twelve respondents, eight (which includes the three mentioned above) confidently asserted that the change was directly as a result of micro-credit.

I am the only one working in my home; the only money I get is what I make in the business and this is what I use to meet the different needs in my home including buying food. The money I make in the business has really helped me and my family (Respondent 8, 26/11/2010).

While acknowledging that micro-credit has played a role in their ability to afford food and better meet their nutritional needs, four out of the 12 identified other contributing factors. Three respondents in particular acknowledged that their husband's income has also contributed to the general household income. One respondent explained:

The money that my husband earns also helps a lot in the house. We put all the money together and decide on how to use it but we try to keep the business money for business purposes (Respondent 7, 26/11/2010).

Another respondent added:

My elderly daughter and my husband also buy food for the family since they are both working. We support each other and sometimes we use the money I make in the business to buy food (Respondent 11, 3/12/2010).

In contrast to these views, three women remarked that the loan had in no way helped them meet the nutritional needs of their households.

Things "remained the same" (Respondent 6, 17/11/2010) even after investing the loan in the business.

The reason why I took out the loan was because I was sure things were going to improve after I start the business. But this has not been the case. My business is not making money. The little I get I have to buy stock for the business and I hardly have enough to buy other things for my home such as food. Things have remained the same and even worse my husband is still unemployed (Respondent 6, 17/11/2010).

The above respondent added that the family still relies on the son's salary, which is never enough to meet the many needs of the household.

One of the three women who had not experienced changes for the better blamed the poor business performance and consequent low income on her selling commodities that are in over supply in the market and not having the necessary cold storage to preserve excess perishable stock.

It is very difficult to make a profit at the market. Everyone around me also sells the chicken I sell and since I don't have a freezer my chickens go bad. I haven't been able to make money at all, it's been a struggle and now my children are not eating properly as there is not enough money to buy food (Respondent 4, 17/11/2010).

## ***Ability to meet children's educational needs***

The ability to meet their children's educational needs was another change that was identified by the respondents. Nearly half (six) of the fifteen respondents explained that the loan helped them expand their businesses and this led to their profits increasing. Consequently, they had money for their children's education which they did not have before. One respondent succinctly articulated the link between the loan, increased income and expenditure on education.

The loan has helped me grow my business. I am now able to educate my child without strain. At least am at peace knowing that my child has all the things she needs for school. Am also able to pay fees and unlike before am not in arrears (Respondent 13, 7/11/2010).

From the six respondents, three acknowledged that savings have also contributed to their children's education. One respondent explained that she has used her own savings and income from her business to pay her children's school fees.

I put some money aside for savings when I was employed. At the moment that money has come handy in paying for my children's fees. I only add a little from what I make in the business (Respondent 12, 3/12/2010).

One respondent acknowledged that contributions from an older daughter played a key role in educating her younger children.

Since my daughter is the one who pays for the children's fees, the money I make helps to buy other things that they need for school. (Respondent 1, 12/11/2010).

The other nine respondents said that that the loan has not played a role in educating their children. One respondent firmly expressed how difficult it was to educate her children after they had completed Matric.

Before the loan I was struggling and even after the loan am still struggling when it comes to schooling. What I make in the business is not enough to afford tertiary fees. Two of my children had to resort to financial aid because I couldn't afford the fees. (Respondent 11 3/12/2010).

Another expressed disappointment that despite the loan she remained dependent on financial assistance from her father to cover her children's school fees.

My father pays for my children's fees with his retirement fund and when I applied for the loan I was optimistic that things were going to change but this hasn't been the case. He is still paying for them as my business hasn't performed well at all (Respondent 15, 7/12/2010).

## ***Ability to meet emergency needs***

Six of the fifteen respondents mentioned that their ability to meet emergency needs such as helping relatives financially or meeting medical expenses was another major change that they experienced after acquiring the loan.

Two of the six respondents reported that the income generated from their businesses had enabled them to assist family members when a need arose. For one the extra income made it possible for her to help a sick relative and contribute to family funeral expenses.

Over the past two years I have had a number of tragedies taking place in the family. My husband's father was very sick for some time and I had to bring him to Cape Town to nurture him until he passed away. The money from the business really helped me to take care of him. Soon after that my husband's sister also passed away and this year my mother's sister also passed away, so I had to travel to attend the funerals. (Respondent 7, 26/11/2011).

Each of the above-mentioned six respondents emphasized that while micro-credit enabled them to help family members in need business is fickle and this affects their ability to do so. One respondent explained:

When the business is doing well I manage to send my mother more money but when the business is struggling, I don't have a choice but to ask my elder brother to help my mother. (Respondent 1, 12/11/2010).

Another respondent, whose business has done well, used the additional income to fix the roof of her house. She explained how quickly she was able to bring the situation under control.

My roof was leaking so I had to fix it. It was a critical situation. The money I had made in the business really helped me to do so since my business was doing well. I was able to take out some money from what I had made that week and fix my house (Respondent 5, 17/11/2010).

Despite an increase in business income as a result of micro-credit, the remaining 9 respondents stressed that they still found it challenging to meet emergency needs that arose in their households or extended family. This was echoed by this respondent:

Although my business income increased a little bit, I am still struggling. There are so many needs in my household that I hardly have any extra money. Last month my daughter was very sick and I didn't have money for medication hence my brother had to come to the rescue (Respondent 11, 3/12/2010).

## ***Ability to save***

Only three out of the fifteen respondents put money aside for savings. Various reasons were given for saving. One woman said she saved in order to expand her business.

The reason why I am saving is because I want to grow my business further; I want to sell a variety of goods. So the money will help me grow my business. That's why I want to continue taking more loans. (Respondent 5, 17/11/2010).

Another woman said 'she saved for rainy days:

Just in case of death or a child gets sick I might need the savings for such a situation. That's the reason why I save (Respondent 2, 12/11/2010).

Although positive about savings, these respondents emphasized that it is not easy to save as it is dependent on how business is performing. One respondent emphasized the importance of discipline in saving extra income rather than spending it.

Business is sometimes down and there are days I don't make a lot of money. But I have trained myself to put away whatever I may have. When I can't manage in certain months I don't stress as I make it up in the following month. I really take this seriously and do my best to be disciplined (Respondent 2, 12/11/2010).

Two of the three respondents stated that their ability to save extra income was made possible by the loan they had invested in growing their businesses and stressed that they never had savings before the loan. The third respondent also inherited some money from her late husband.

For the majority (12/15) of respondents, savings was the last thing on their minds. Many blamed this on the micro-credit group repayment system which holds members accountable for each other's debt and also loan repayment in general. They also disclosed that poor business performance has a major impact on their income and without extra income they cannot save. One respondent in particular said that the one thing that hinders effective saving is the group repayment of the loan.

Saving shouldn't be difficult. But one issue that hinders savings is the group structure that Tetla uses whereby we are all accountable for one another's loan and if one of the members cannot pay then the rest of us must pay on her behalf so you end up coughing out what could have been your savings (Respondent 8, 26/11/2010).

Furthermore, twelve of the fifteen women maintained that paying back the loan has the greatest impact on their finances. One respondent explained how this affects her ability to save.

Tetla doesn't care how your business performed, the loan has to be paid back. The challenge is that the interest rate is high which affects my finances in general so I never have enough left to put aside and given other needs in the house the money comes and goes (Respondent 6, 17/11/2010).

Furthermore, at least one respondent admitted borrowing money on occasion when their loan repayment was due. The point is illustrated by this comment:

Sometimes I don't have a choice other than to borrow money so that I can pay for the loan. This has sometimes left me in a cycle of debt (Respondent13, 7/12/2010)

While accepting that loan repayments are challenging, four of the twelve women mentioned that they are able to cope with the repayments only because their husbands help them. One respondent mentioned that she is dependent on her husband's help to make the repayments and in this way she manages to save.

My husband always contributes when the time to pay back the loan comes. That is why I have been able to save as I have surplus at the end of each month (Respondent 2, 12/11/2010).

## **5.2.2 Cognitive dimension**

The cognitive dimension deals with changes within the individual and personal growth. Personal growth is growth in individual women's self-confidence that comes from greater cognitive skills and capabilities to influence domestic affairs such as their ability to make informed decisions and to be self-reliant.

### ***Ability to make informed decisions on the loan***

Twelve of the respondents confidently said that they made decisions concerning the loan. They mentioned that the major decisions included whether to take a loan, the size of the loan and how to use it. One woman commented on the freedom and independence she enjoyed because of her access to finance:

I feel free when I make my own decisions on the loan. Being in control of my own finances feels so good. I am the one who decides on the amount to take and how to use it for different purposes (Respondent 10, 3/12/2010).

Another woman found that acquiring micro-credit encouraged her to be more responsible:

When I got the loan I decided on how I would use it, even the amount to take. It has taught me responsibility and I have grown a lot. I know how to handle money better (Respondent 12, 3/12/2010).

When asked whether freedom in decision making came as a result of micro-credit the twelve respondents gave mixed responses. Seven stressed that they had financial

independence before they received the micro-credit. This is mainly because these women are single and head their households. One respondent explained:

I have always made decisions on finances in my household, this didn't start when I took out the loan (Respondent 11, 3/12/2010).

Five women said that they experienced a sense of empowerment after taking out the loan, since their husbands had previously been the sole household decision-makers. One respondent described in the following way how this had changed:

My husband always made financial decisions in the household before I took out the loan, but since I received the loan I decide how to manage it. My husband is never involved in the business finances. I feel very confident now that I can make financial decisions without second opinion (Respondent 3, 12/11/2010).

One of them contrasted her current independence and growth with the tensions that she previously experienced when making joint financial decisions with her now deceased husband.

When my husband was alive we used to make decisions together. It was not easy because sometimes we had disagreements on how to use the loan and sometimes I agreed on certain things for peace sake. Not that am happy that he died, but now I am able to decide on things and do things my way. I don't have to answer to anyone. I decide when, how and where to use the loan (Respondent 9, 26/11/2010).

However, for three particular women, who are not amongst the twelve mentioned above, decision making in the household has not been influenced by the availability of micro-credit. One respondent said that her husband still continues to make decisions and control finances in the household.

When I started the business my husband still wanted to know how much I was making. I am not the one who decides on how money is used in my home, my husband does and even when I take out the loan he still wants to see how I used it (Respondent 15, 12/11/2010).

This woman pointed out that her husband was not impressed when she applied for the loan and ultimately started the business.

To be honest my husband has always being controlling. I have never done anything without his approval and this happened with the business too. When I told him about it he didn't seem happy. He wants to know about every cent I make and although it's my business I have no say whatsoever (Respondent 4, 17/11/2010).

## ***Increased self-confidence and dignity***

Nine respondents described the impact of the loan on their self-confidence. They were convinced that managing their finances had definitely had an impact on their personal development. The following quotations illustrate how they feel about themselves:

I feel good about myself. I make decisions regarding the loan and I don't allow people to manipulate me. My self-confidence has increased in the past years and I am no longer the shy women that people knew before (Respondent 2, 12/11/2010).

One woman explained that her involvement in a micro-credit group has created new leadership opportunities for her.

I have really grown, before I was appointed the chairlady of the group I could hardly speak to people. Now I lead the group and discussions as well as giving ideas. It feels good to do this (Respondent 7, 26/11/2010).

There was also an emphasis on the impact of managing a business on the individual. One respondent in particular said that she is no longer discouraged even when things are not going well.

Since I started this business, things haven't been the same. From the very beginning I had to decide on many things in the business as well as managing people. So that's how I gained a lot of confidence and not afraid to take risks. I am also very respected too where I live (Respondent 11, 3/12/2010).

One consequence of these women learning to manage loans and businesses was that they managed their own households better. One respondent described how this boosted her self-confidence and her ability to run her household after her husband died.

I am a testimony to many women. When my husband died people thought my household was going to break in pieces. Society always thinks that women can't do anything without men. But I surprised them; I have been running my home alone for nearly ten years. It feels good. It has brought with it a lot of maturity and growth (Respondent 8, 26/11/2010).

However not everyone experienced an increase in self-confidence after acquiring the loan. For the following respondent, it has been an uphill battle given that she has no say in the management of the business and its finances.

It's hard to grow as an individual when everything around you is controlled. Taking the loan didn't make any difference in my life since my husband still makes decisions. I am still the same individual I was before I took out the loan (Respondent 4, 17/11/2010).

Another respondent described how she continued to experience gender discrimination and how this affects her.

I don't know what is wrong with people. Women are still looked down upon in our community. When men see that you are establishing yourself they become jealous and want to show you they can do better. It's very difficult for me around here. How people perceive me matters to me and at the moment this has affected the way I see myself in some way (Respondent 9, 26/11/2010)

### ***Knowledge and skills***

All fifteen respondents explained that since acquiring micro-credit, they have gained useful knowledge and skills. Of the fifteen, six emphasised that the group structure created an environment where they can openly express their views and opinions. One woman explained how the micro-credit group has helped her grow as a person.

When I joined the group I was a very quiet person and hardly spoke. The group has allowed me to be myself. Now I am involved in discussions and am always free to express my views and opinions. This is something I couldn't do before (Respondent 1, 12/11/2010).

Another respondent emphasized the opportunities to learn she enjoyed by being a micro-credit group member.

I have really learned a lot from the group. There is always something that one learns every day. The other day someone gave us ideas about business which was good as I needed that (Respondent 15, 7/12/2010).

The above respondents highlighted that before micro-credit they seldom had opportunities to get together with other like-minded women. For them, micro-credit had provided excellent opportunities for business and social networking which in turn produced valuable knowledge and skills.

One respondent explained that with the loan came discipline and money management skills.

Before the loan I was not disciplined with money and didn't know how to manage what I had. Now with the loan I am more disciplined and keep records of what is happening. I handle money more responsibly (Respondent 3, 12/11/2010).

Another respondent acknowledged that investing in the loan had enhanced her skill in marketing goods:

When I took out my first loan in 2008 I didn't know how to market my goods. As the years went by and I took out more loans I found ways of telling people about what I sold. I now have customers in the Eastern Cape who wait to buy the shoes and blankets I sell that's how much my market has expanded, (Respondent 7, 26/11/2010).

Two respondents highlighted that their involvement in micro-credit refined what they had already gained over the years.

I have been a businesswoman for two years now. I have learned everything to do with business especially leadership, financial management and communication skills. The loan is helping me develop these skills further (Respondent 12, 3/12/2010).

While agreeing that micro-credit provides an opportunity to learn from others, four respondents who already had businesses before obtaining the loan emphasized that they had already acquired enough skills and knowledge from their business operations and that their membership of the micro-credit group did not really provide them with anything new. One of the respondents saw her role in the group as that of an adviser to less experienced members.

I was already in my own business for several years before I joined Tetla. I have made many friends whom we met and chatted about business as well as sharing the challenges. I learned through experience and as a result gained a lot of knowledge on business. In the group I now help those who have just started a business by giving them tips (Respondent14, 7/12/2010).

### **5.2.3 Perceptual Dimension**

I assessed the non-material ways on which the women borrowers perceive the quality of their lives and their self-worth in the context of their households and communities. In this dimension I also assessed how others perceived them in terms of social prestige and social value since they acquired micro-credit.

#### ***Time pressure in managing domestic duties and growing business***

Although all the women borrowers were happy with the contribution they made in their households, time management and the pressure of juggling domestic duties and the growing business and financial responsibilities was another change they experienced. Some experienced this positively and others negatively.

For six women being busier because of the growth in their business with the injection of loan finance had a positive impact on their lives. They observed that running a business has helped them to be more active and diligent as this respondent explains:

From the beginning ever since I took the loan I have been very busy from morning to evening doing business so there is never time to be idle like before. I think it has been good because before it was not like this, the business was small and I was never busy (Respondent13, 7/12/2010).

Another respondent added similarly:

I am quite busy now, especially on weekends since I also sell liquor. I have many customers who want my liquor so I hardly sit down. Others come early to my house to get it which means I have to

prepare myself early. My hands are forever busy. This was not the case before (Respondent 7, 26/11/2010).

When I arrived at this respondent's house for an interview, there was a long queue of people who had come to buy liquor. Her business certainly keeps her busy.

Nine women did not share this positive perspective on having less time at their disposal because of their growing businesses responsibilities or having to deal with loan repayments each month, which was also a form of time pressure.

These nine respondents made various negative comments about how their growing business responsibilities had impacted negatively on their time. Four mentioned that their business responsibilities compete with their domestic duties. They said that not only did they overwork daily but also that their time with their families had been affected. One respondent described how she spent so much time running her business that her marriage had come to an end:

I am grateful for the loan but my life is no longer the same. I work from morning to evening and hardly spend time with family. I travel to the Eastern Cape frequently and my husband was unhappy about this so he decided to end our marriage saying I have chosen business over our marriage (Respondent 12, 3/12/2010).

These respondents link the negative impact on time to micro-credit. However, three of the six respondents acknowledged that issues relating to time pressure were actually there even before they took out their loans. One respondent illustrated the point clearly:

Running a household on its own is time consuming and this has always affected the way I manage time. It's something I have learned over the years and even when I started my business I expected it to be challenging (Respondent 5, 17/11/2010).

### ***Participation in social activities and other income generating activities***

Eleven respondents mentioned that participation in social activities and other income generating activities was another major change that they had experienced since obtaining their loans. Seven of the ten respondents perceived a negative and four a positive change. One of the seven respondents confirmed the general belief that their businesses had taken over their lives and that there was hardly any time to socialize:

Since I started the business I hardly have time for social life and doing anything extra. Before the loan I could meet with friends to chat and laugh but these days my life revolves around the business (Respondent 11, 3/12/2010).

For another respondent, there were no opportunities to undertake any other income generating activities besides her business.

Before I took out the loan I was doing three piece jobs. Since I started the business I had to stop doing that as I have to concentrate on the business. I thought I could multitask but realized that it might affect my business (Respondent 5, 17/11/2010).

These women have come to realize that although micro-credit has created opportunities for their main businesses it has curtailed other income generating activities and they have had to sacrifice their social lives.

Three of the ten respondents who were more positive about the changes in their life-quality identified the micro-credit group structure and family support in the business as the two main factors that have brought about this change. One respondent thought that the group structure opens doors for social networking:

Being in a group with other women helps us to connect. Despite the failure of people to pay which affects all of us sometimes, we have a lot to learn from each other and that is my social circle. We meet on a monthly basis to chat about our lives and encourage one another. We also have each other's contacts in case something arises (Respondent 4, 17/11/2010).

One respondent said that her family assists in the running of her business which gives her an opportunity to do other income generating jobs.

My family assists me in the business which has really made things easy for me. My husband when he is off duty avails himself to buy stock and sell for the day. I am now able to do an extra job like ironing which gives me extra income (Respondent 15, 7/12/2010).

The three respondents were certain that micro-credit had created these opportunities and brought about positive change in the quality of their lives.

### ***Monthly pressure in repaying loan***

Thirteen of the fifteen respondents highlighted that they experienced pressure each month when it was time to repay the loan.

Before I started this business I was relaxed as I didn't have to worry about paying anyone money. Now I am pressured all the time and have to ensure that I have money at the end of every month whether I made profit in the business or not. (Respondent 13, 7/12/2010).

For another respondent the monthly uncertainty about group members repaying their loans puts pressure on her:

I am always stressed when I think about someone in the group not paying for their loan and fear that I will have to pay for them. It has happened so many times in the group and you never know when it will happen (Respondent 2, 12/11/2010).

The six respondents attributed regular stress at a certain time of the month to the loan repayment. For four of the six this did not exist before they took the loan. However, two respondents felt that the pressure of financial responsibility had obliged them to cultivate sound financial planning and that this helped them when it came to loan repayment:

Because of the many financial responsibilities on my shoulders, I have learned to plan in advance. Even with paying the loan I plan in advance and make all the necessary arrangements before the end of the month (Respondent 12, 3/12/2010).

### ***Public respect and acceptance***

The respondents perceived that earning and their more assertive roles in their businesses and households had increased their social prestige. A widow described the stigma that widows normally have endured in her traditional community. She pointed out that her status as a businessperson had restored her social standing. She further attributed the respect she enjoys, despite being widow, to her ability to succeed as a businessperson.

When my husband passed away people in my community thought that my household was going to fall apart. But I have surprised everyone, now my business is doing well and my household is still standing. I feel more respected and accepted by the members of community unlike before, they no longer undermine me. (Respondent 9, 26/11/2010).

She added that the micro-credit scheme had been one of the factors in her becoming a prominent businessperson (Respondent 9, 26/11/2010).

According to one respondent, public respect and acceptance only become manifest when one respects and accepts her or himself.

I think people will only respect you when you show respect for yourself first and when you don't think you are better than others. This has really earned me more respect and I am at peace with everyone. (Respondent 14, 7/12/2010).

Another respondent pointed out that she did not earn public respect and acceptance only when she started her business, but rather that she had always had a good relationship with members of her community (Respondent 15, 7/12/2010).

Respect and acceptance is not enjoyed by all the respondents. Three narrated their experiences of prejudice and male chauvinism from men in their communities. One said:

People look down upon me especially men. They think that as a single woman I am not capable of anything. This one man the other day talked to me in a scornful manner telling me how to run my business. As a woman I am still undermined around here (Respondent 2, 12/11/2010).

Asked whether this prejudice was specifically towards her or towards all single women in business, she replied:

The problem has been there for many years, even before I acquired the loan. The men around are the problem. The women are friendly (Respondent 2, 12/11/2010).

## 5.2.4 Relational Dimension

This dimension focused on exploring the impact of micro-credit on relationships within the family, the micro-credit group and the wider community.

### *Relations with family*

Thirteen of the respondents observed that the availability of micro-credit, which had enabled them to start their businesses and consequently increase their income, had also provoked tensions with their relatives.

One respondent articulated clearly that obtaining a loan is a mixed blessing.

Taking the loan was the best idea as it has helped me make money. But as they say money is the root of all evil. Everybody in my family thinks I have all the money in the world. My children like asking for things I can't afford and when I say no they think I am stingy. Sometimes they don't talk to me and when they do they are very rude (Respondent 1, 12/11/2010).

One respondent pointed out that the problem with her children only began when she started making money in the business. Before the loan, the children understood the situation in the household and were more considerate.

Other respondents spoke of relatives wanting to benefit from their business and their hard earned money. As a result, relations had become strained.

My relatives in the Eastern Cape think they have a right to what I make in the business. My phone is forever ringing as people come with all sorts of stories when they want money. Some of them are so demanding and don't take a no for an answer. Now many hate me and accuse me of not caring (Respondent 10, 3/12/2010).

Two respondents also said that their relationship with their husbands had deteriorated since they had taken the loan. One respondent described how this had negatively affected her marriage.

My husband has always been controlling, but since I started the business he has become worse. When I took out the loan and started the business, my husband never seemed happy or told me how proud he was. Instead he is always angry and rude towards me and also dishonest with the money we make. Our marriage has been affected immensely (Respondent 4, 17/11/2010).

Two respondents said the loan had improved their relationship with their families. One described how her relationship with her husband had improved after she obtained a loan and this domestic harmony had helped her grow her business.

Lack of money nearly destroyed my family. My husband was always stressed not knowing where to get money for food more especially after he got retrenched. Since I took the loan things have changed. The business is making substantial income and we now support each other and are happy (Respondent 7, 26/11/2010).

### ***Improved quality time with family***

While the loan has given most of the women the opportunity to develop their businesses with consequent improvement in their domestic finances, four from the fifteen respondents also mentioned that they enjoy better quality time with their families because they now have more money to do things together.

I am now able to spend some good time with family especially my children. Sometimes we go to the park and I would buy them KFC. Before we only stayed in the house as I didn't have money to spoil them (Respondent 8, 26/11/2010).

Another woman responded similarly:

My relationship with my extended family has improved. Now I can afford to go to the Eastern Cape with my own family more regularly and spend some days with relatives (Respondent 14, 7/12/2010).

For these two respondents improved quality time with family was prompted by micro-credit. For them, the increase in household income has strengthened the family bond.

### ***Strained relationships within the micro-credit groups***

Thirteen women mentioned that there were often tensions among the micro-credit group members, which had affected their relationships. Two respondents in particular stressed that lack of payment by some members had resulted in disagreements among the women.

One respondent articulated the problem clearly:

When some people don't pay the loan, the other members of the group will not trust them and this creates many issues. I remember last year when I failed to pay, one of the woman hardly talked to me but when I finally paid our relationship got back to normal (Respondent 15, 7/12/2010).

### **5.3 Summary of key findings in relation to the four dimensions**

The key findings of the research are summarized below in relation to the four dimensions. The findings revealed both positive and negative changes identified by the women borrowers.

There were mixed responses in relation to changes in material well-being after receiving the loan (ability to purchase food, meet children's education needs, meet emergency needs and save). Those women who owned businesses before the loan described a positive improvement in their businesses as a result of the loan while for those who were unemployed the loan provided an opportunity for self-employment. Some respondents linked the changes in their businesses to receipt of micro-credit while others identified other factors that also played a role in bringing about positive changes in their lives. Those who identified other factors stressed that the loan they obtained from Tetla was insufficient hence they had to seek other additional financial options. The factors mentioned were savings and borrowing money from loan sharks and/or family members.

The findings further revealed that the majority of the women attributed positive changes in family diet to the growth in business as a result of the loan, though some acknowledged that other factors such as their husband's income also contributed to the household income. In contrast to these views, some respondents remarked that the loan had in no way helped them meet nutritional needs in their households.

Furthermore, some women explained that the loan has helped them expand their businesses and this has led to increased profits. Consequently they had money for their children's education which they did not have before. However some acknowledged that savings and contributions from other members of the family also played a key role in educating their children. For the majority of the women, micro-credit has played contributory role in educating their children.

The findings also showed that majority of the women do not save even after acquiring the loan. The few that saved emphasized that this is not easy as it always depends on how business is performing. Those that did not save attributed this to the group repayment system which holds members accountable for each other's debt. Loan repayments outside the Tetla scheme are also a factor. Poor business performance has also had a major impact on their income and without extra income they cannot save.

Growth in individual women's self-confidence and their ability to influence domestic affairs and make informed decisions were also assessed. Most of the women confidently asserted that they made decisions on their loans including how large a loan to take out and how to use it. For some women, financial independence already existed before they received micro-credit. Others however experienced a sense of empowerment after taking out the loan and managing their finances since their husbands had previously been the sole decision makers in the household. This has had a major impact on their personal development. Managing the loan and business had a positive impact on the self-confidence of most of the women and on their ability to run their households better. For others, however, household decision making had not been influenced in any way by the availability of micro-credit, and their husbands continued to make decisions and control finances.

All the women explained that since acquiring micro-credit they had gained useful knowledge and skills in areas such as money management and marketing. Respondents who had businesses before acquiring the loan stated emphatically that they had already acquired adequate skills and knowledge before the loan. While some women highlighted that the group structure created an environment where they could openly express their views and opinions, others said that the micro-credit group did not really provide them with anything new.

Time management and the pressure of juggling domestic duties; heavy financial responsibilities; the sacrifice of social time and other income opportunities were all new challenges that accompanied growing businesses. Some women stressed that being busier resulted from growth in their business which has helped them to be more active and diligent. However, not everyone was positive. For others, growing business responsibilities compete with their domestic duties which have not only resulted in them overworking but also in their time with their families having been negatively affected. Issues about the shared responsibility for the loan repayment created monthly uncertainty and pressure. Some testified to their new found assertiveness in their businesses and their households which brought social prestige and public respect; others reported prejudice and male chauvinism.

There was also evidence that micro-credit had aggravated tensions amongst some of the women and their families. Some women perceived that their relationships with their husbands had deteriorated since they had taken a loan while others spoke of relatives wanting to benefit from their business and their hard earned money. Tensions were also

evident in the group structure, mainly prompted by lack of payment by some members which resulted in disagreement. Furthermore findings showed that in many cases an increase in family income has strengthened the family bond and many women enjoy better quality time with their families since they now have more money to do things together.

Although the findings reveal that micro-credit has played a positive role in creating chances for self-employment, opportunities to expand and overall improvement in business as a whole. It is important to emphasize that it is not micro-credit alone that brought about this positive change. Other factors such as savings also contributed, confirming that micro-credit alone is insufficient in bringing about change in the business.

The results reveal that micro-credit has had both positive and negative effects on the lives of the women borrowers, but that the positives outweigh the negatives. There is evidence of increased income from starting or expanding businesses with the loans and a range of basic needs being better met with the additional income, although profits from the borrowers' businesses are not always the sole source of their household income. Furthermore, the women borrowers report that managing their loans and growing their businesses has given them greater self-confidence and financial independence. They also report a number of negative changes in their lives after receiving their loans. Chief among these is the deterioration in domestic relations with their spouses that some have experienced. This study suggests that micro-credit can be linked to improvements in small scale economic development and personal development, but the same cannot be said for changes in the gender dynamics in households headed up by men with patriarchal tendencies.

# CHAPTER 6: A DISCUSSION OF KEY FINDINGS

This chapter reflects on the key findings in relation to the debates in the literature.

## 6.1 Material Dimension

According to the International Labor Organization website ([www.ilo.org](http://www.ilo.org)), by helping people start their own small businesses microfinance can be a helpful tool in the fight against unemployment. Studies by MckNelly and Dunford (1998) who interviewed Freedom from Hunger clients in Ghana and Brana (2008) report that micro-credit create an opportunity for entrepreneurs to generate income. This is supported by a study conducted by Mosley (1996) in Bolivia which noted that respondents' enterprise income increased by 91 percent and 39 percent as borrowers became employed after participation. This is evident in my findings. I found that the loan helped two women who were unemployed to start small businesses and other women borrowers were able to improve and expand their existing businesses. Consequently both categories of women were able to generate more income. Terry (2006) makes a similar observation based on her research in Tanzania. Her study revealed that an increase in women's income from micro-credit helped women borrowers to create new economic activities and diversify enterprise activities. However, there is one significant difference between Terry's research findings and mine. While the women in my study identified a positive improvement in their businesses as a result of income, half of the women said that it was not micro-credit alone that had brought about the changes they reported. Other factors including their personal savings, loans from "loan sharks" and borrowing from friends and relatives had also contributed to increases in their earnings. Studies such as those of Robinson (2001) and Otero (1999) which link micro-credit to poverty reduction suggest that micro-credit can provide underprivileged people with enough capital stability to give them financial security in the face of sudden monetary problems. Some of the women borrowers in my study had not achieved capital stability from micro-credit alone. Micro-credit may contribute but it does not on its own necessarily achieve this objective.

The majority of the respondents also reported that micro-credit increased their income and consequently they could purchase better quality food and improve their families' nutrition. This finding is supported by both the qualitative and quantitative results of a study by Afrane (2002:18). Terry (2006:75) also reported an overall improvement in respondents' household diet noting that quality and quantity of food improved. Unlike Afrane and

Terry's studies which did not go further to investigate whether the changes in food and nutrition were brought about by access to micro-credit alone or by other factors in addition, my study found that other factors especially the input of other family members contributed to improvements in the nutrition of the borrowers and their families. In my view this is misleading and a major omission because it effectively exaggerates the role of micro-credit in poverty alleviation.

Although some of the women in my study experienced increased income, greater stability and were able to use the additional income on their children's education, just over half did not share this experience. The findings differ from those of Swope (2005) who conducted a research in Asia. According to Swope, microfinance, by contributing to an increase in household income and better financial stability, enables poor families to bear the costs of sending children to school (2005: 44). A number of the women found that they were only able to meet their children's basic educational needs with help from other sources such as their husband's income, savings and contributions from other family members. A few respondents had not seen any change at all in the educational dimension of their families' lives. One can conclude that micro-credit may in some cases enable borrowers to meet their children's educational needs more effectively but this is not consistently the case.

Gobezie (2005: 7) reports that microfinance has the potential to reduce vulnerability by helping micro-entrepreneurs increase savings. My findings support this, revealing that micro-credit increases the potential for savings though in practice there are many factors such as loan repayment that undermine the ability to save. However, those that do manage to save are less vulnerable to life's shocks and surprises.

## **6.2 Cognitive Dimension**

Dadhich (2001) found that women in micro-credit self help groups in India commanded more respect and got their due affection and rightful place in the family. Their involvement in family decisions had been substantially enhanced. Similar findings emerged in my study. Almost all the women said that they made decisions on how much to borrow and how to use it as well having an enhanced role in other family decisions. Like the women in an ethnographic study by Vreeken (2007) in Kenya, those in my study experienced "highly valued financial independence". However not all the women experienced freedom to control the loans. A few mentioned that their husbands are still in control of household finances. This is similar to the finding by Goetz and Gupta (1996) that an average of 39% of women had little or no control over their loans in the four Bangladeshi programmes they

studied. This contradicts the assumption that access to micro-credit and participation in income generating activities necessarily strengthen women's bargaining position within the household, thereby allowing them to influence a greater number of strategic decisions (Cheston and Kuhn, 2002). A study by World Rwanda (1999), found that 54% of clients experienced an increase in their ability to control the loan and 38% experienced an increase in decision making. Five women in my study shared similar sentiments, asserting that micro-credit had empowered them to have control of finances and that their husbands had supported them.

It is thus clear that access to micro-credit does not always strengthen women's bargaining power in the household. However, Goetz & Gupta (1996) argued that, it might be expected that women's control over loan use would increase in tandem with the number of years during which they are involved in credit societies. As women gain more experience of credit procedures and of managing small scale enterprises, as their grassroots organizations become institutionalized over time at village level, and as they gain access to more training opportunities, an overall accretion of competence and confidence in controlling loans would presumably follow. This is a plausible trajectory for which there is some evidence in my study.

Cheston and Kuhn (2002) assert that when women join microfinance programmes, many have had little opportunity to voice their opinions or participate in decision making. I too found evidence of this, albeit on a very small scale. For them micro-credit has opened an opportunity for social networking which has further enabled them to acquire valuable knowledge and skills such as those in leadership. These findings are supported by Sebstad and Cohen (2001) who found that "lending groups provide a means for women to know and be known by other women: a forum for learning leadership and public speaking skills". While some women in my study identified skills acquired through the group structure, others, especially those who were in business before the loan, stressed that micro-credit was polishing skills and knowledge that they had acquired previously. The impact of the loan on the individual was also evident in the current study. Most of the women attributed their increased self-confidence to the freedom in managing their finances. These findings are supported by Kim *et al* (2007) who affirm that newly acquired business skills may be accompanied by improvement in self-esteem and self-confidence.

However, not everyone experienced an increase in self-confidence. For some, the lack of independence in controlling their own finances stifles their growth. Their husbands still have total control of the loan and make decisions thus preventing opportunities for greater

self-confidence. Micro-finance is likely to increase self-confidence, but other factors such as patriarchy prevent this from happening. Micro-finance interventions in development are not on their own enough to bring about transformation in gender politics in the household.

### **6.3 Perceptual Dimension**

The women in my study reported an increased workload and heavier responsibilities as a result of the loan. This finding is similar to those of Cheston and Kuhn (2002) and Johnson (2004). Johnson further asserts that having women as key participants in microfinance projects does not automatically lead to empowerment; sometimes there are negative impacts such as increased workloads and increased domestic violence (2004:5). Kabeer (1998) found that the majority of women who experienced an increased workload were happy and felt that the benefits outweighed the costs of participation. However, the majority of the women in the current study described increased workload as having some negative impacts particularly reduction in family time. Johnson (2004:6) further argues MFIs must analyze both the positive and negative impacts on women of their interventions and that they need to work with men to pave the way for a change in attitude to women's enhanced contribution to the household.

Cheston and Kuhn (2002) show that women have gained more respect from their communities than they had before joining a microfinance programme. A study by Vreeken (2007) in Kenya revealed that the reputation of women borrowers within the community was transformed and positive characteristics were assigned to them after taking the loan: they were considered strong, smart and hardworking. This is similar to the findings of my study. Some women confidently said that their ability to run a business has increased their social prestige. This was confirmed especially by the only widow interviewed in my study who asserted that her ability to manage a household and business has earned her respect after her husband's death and that she was considered hardworking. A study conducted in Ghana by Afrane (2002) supports this finding. It found that widows noticed that men generally respected them more because they saw that they were serious in their business and, in the case of the widow in my study, capable of supporting their families alone.

### **6.4 Relational Dimension**

Newaz (2003) and Moyoux (1998b) have noted that when women's income-earning potential increases, so does their role in deciding how that income will be spent. As a result, marital dynamics are affected. My study supports this finding. Almost all the women

noted that the availability of micro-credit had in one way or another strained relations with one or more of their relatives and in some cases with their spouses. This is confirmed by a study of a BRAC project (a development organization in Bangladesh) which found that violence against women actually increased when women joined the programme, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger (Chowdhury and Bhuiya 2004 cited in Wrenn 2005: 9). However, I also found that a few women experienced an improvement in their relationship with their husbands and family members. This corresponds with what Khan *et al* (1998) and Husain (1998) found. They argue that with an increase in household financial prosperity brought about by micro-credit and growth in the women's businesses there is a decrease in domestic violence. Although the majority of women in my study mentioned how the group structure has promoted a greater sense of community, trust was undermined by the group repayment system. Zohir and Matin (2004) focus exclusively on the positive link between MFI groups' increased in-group cooperation and trust and make no mention of trust being undermined by joint liability for the monthly loan repayments. A study conducted by Gine and Karlan (2009) however, found that the major disadvantage of group lending is that individuals suffer from the defaults of others within the group on their portion of the loan.

## **6.5 Some Pitfalls in Microfinance**

### **6.5.1 High Interest Rates**

The argument that micro-credit contributes to poverty reduction is further challenged by the high interest rates charged by micro lending agencies. Most of the women in my study complained about the high interest rates they had to pay. Some women struggled to repay their loans. The group as a collective is responsible for the loan repayments of each member of the group, which means that when one or more member defaults the repayment burden on the other members increases. In an article by Pollin (2007) micro-credit interest rates can be high for poor people, even if they are what market forces dictate. Pollin further states that "real annual interest rates on group loans range between 30-50%, according to a 2004 survey in *Microbanking Bulletin*. These rates are perhaps lower than what moneylenders typically charge, but remain punishingly high" Pollin (2007). As Yildirim (2009) asserts, high interest rates change the pattern of loan consumption by borrowers and preclude the chances of profitable entrepreneurial activity. This was evident in my study when thirteen out of fifteen respondents said that high interest rates had hindered savings. One is prompted to ask along with Dichter (2006) and Murdoch (1999).

Do current interest rates for microfinance cause more harm than good? Is micro-credit really intended for the poor?

### **6.5.2 Lack of business training**

Failure to assist and empower borrowers through lack of business training is another pitfall that microfinance ventures may experience. The women borrowers in my study felt that Tetla should become more involved in their lives by holding workshops where the women can be taught various skills such as business management, financial management, budgeting etc and also where they can express their needs, views and ideas. The women strongly felt that receiving money is insufficient if they not going to acquire certain skills in the process.

## **6.6 Impact of microfinance on poverty alleviation and development**

This study tested on a small scale the claim that microfinance contributes to poverty alleviation. Poverty is one of the major problems confronting developing countries today and is at the centre of development policy (Chirwa, 2002:2). Pitamber (2003) asserts that poverty reduction has been identified as the overarching long term goal for most development interventions in Africa, crystallized in the Millennium Development Goals and the New Partnership for Africa's Development (NEPAD). Furthermore, Pitamber (2003: 5) emphasises that more than 40% of Africa's 750 million people live below the internationally recognized poverty line of \$1 a day, and the statistics are even more worrying for sub-Saharan Africa. This is supported by United Nations Development Programme (UNDP) reports which note that the number of poor people has grown relentlessly, causing Africa's share of the world's poor to increase from 25% to 30% in the 1990s (UNDP, 2001 and 2002). While my understanding of poverty and development is broader than economic indicators, the point here is to indicate the scale of the problem.. Given the magnitude of the problem and the fact that sustainable interventions to alleviate poverty are few, any and every development programme that shows signs of working should be carefully considered.

In his message to the 2002 Microcredit Summit (Microcredit Summit 2002: 4), former United Nations Secretary-general Kofi Annan stated that "microcredit is a critical anti-poverty tool and a wise investment in human capital". Hotze and Hospes (2004: 31) agree that micro-credit is generally considered to be an effective tool for reaching the poor and stimulating the transformation of the vicious circle of poverty into a virtuous cycle of economic advancement.

While micro-finance makes it more likely that women borrowers' businesses will grow leading to increased income and personal growth, factors such as gender politics and patriarchal oppression in Africa need also to be addressed for significant, lasting transformation and development to take place. A single strategy is not enough; development requires a multi-pronged strategy and my study shows that a refined intervention around micro-credit/finance can be one of these prongs. Micro-credit helps the poor by creating opportunities for them to generate income through self employment. Both my study and existing literature show that while increased earnings are by no means automatic, client borrowers have overwhelmingly demonstrated that reliable sources of credit provide a basis for planning and expanding business activities. However, for some women in my study, micro-credit is insufficient and does not live up to the expectations, especially about self-reliance, and some still find themselves dependent on loan sharks and other family members to make ends meet.

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# CHAPTER 7: RECOMMENDATIONS AND CONCLUSION

## 7.1 Recommendations for further research

I recommend that more microfinance research be conducted in townships in South Africa. Comparative analysis was limited by the small scale of my research. A future research project that builds on my work could be on a larger scale and more sophisticated. For example, it could include non-borrowers for comparative purposes. In future studies, it is also important that male partners or members of the family be interviewed for their perspective on the impact of microfinance. There were also too few recommendations made by the respondents and these should be more actively solicited from respondents who are involved in and knowledgeable about micro-credit. Many of them felt that the group lending structure was not a fair system as the failure of payment from a group member put immense pressure on others who made the effort to repay their loans. As a result some of the women borrowers felt that individual lending would be more effective and it would help to avoid unnecessary conflict. Group lending versus individual lending is an area that has not received sufficient attention in the literature and warrants further research.

## 7.2 Conclusion

This research project explored the impact of micro-credit on a group of women from Khayelitsha. In-depth interviews were used with a sample of 15 respondents who have been receiving micro-credit in the last two to three years from Tetla Financial Solutions. The study had two sets of objectives. The first was to test and refine an instrument that can be used to gauge the changes that have occurred in the lives of the women since receiving micro-credit. The second was to investigate the changes that they have experienced and to scrutinize whether the changes were linked to their access to micro-credit and other factors or a combination of the two. To a large extent the study succeeded in determining the changes that have taken place in the women's lives and established whether or not these changes were as a result of them receiving micro-credit or a combination of micro-credit and other factors.

Despite the attempt to assess the changes through the eyes of the women and interpret their accounts, the research was insufficient to provide a comprehensive picture of the

effect of micro-credit on the women's lives. Consequently more research is needed. The findings from my study were also not different from those in other studies. However, what made this research distinct from other studies was its ability to test whether other factors have played a role in bringing about the changes perceptible in the women's lives.

The data collection instrument worked effectively in enabling me to gauge the impact of micro-credit on the women borrowers across the four dimensions. In the material dimension, while the instrument was successful in assessing the impact of micro-credit on loan control and decision making, responses from other household members would have been useful in confirming the women's . In the cognitive dimension, the instrument was effective in assessing changes in self-confidence. This might have been influenced by how others perceived them; it is also possible that their responses were affected by their own increased self esteem and confidence, and that possibly the opinions of others was not the vital factor. Although insufficient feedback was given by the women in the relational dimension, more especially on how availability of micro-credit has had a negative impact on relationships, this is also dependent on how the women themselves associated with their loved ones.

Micro-credit helps the poor by creating opportunities for them to generate income through self employment. While increased earnings are by no means automatic, the women beneficiaries in my study demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities. However, for some women borrowers, micro-credit is insufficient and does not live up to the expectations, especially the promises of self-reliance. Some women still find themselves financially, socially and domestically shackled; dependent on loan sharks, relatives or spouses in ways that do not ultimately meet their human needs. As Pollin (2007) asserts "Making credit accessible to poor people is a laudable aim. But as a tool for fighting global poverty, microcredit should be judged by its effectiveness, not good intention".

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