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The non-financial effects microfinance loans have on women in the Eastern Cape: a case study of Ngxulu and Ngqeqe villages

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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND TO THE STUDY

For the last part of the twentieth century, microfinance was internationally recognized as a promising mechanism for the development of the poor. In particular, microfinance has been developed as a response to the poverty crisis, which has affected third world developing countries (Schrieder & Sharma, 1999:67; Otero, 1999:10). The severity of poverty in regions across the world is the one of the major reasons why many developing countries have remained in precarious situations.

According to Sen (1999:3), development requires the removal of the main causes of 'unfreedom', such as poor economic opportunities and systematic social deprivation, which can be broadly described as poverty. These examples can be seen as being different understandings of poverty. As a result, poverty can be seen as affecting many different aspects of individual or community's lived reality. These realities may be material, social, influencing various aspects of life, space or utility (Laderchi, Saith & Stewart, 2003:244). Alkine (2008:1) suggests that poverty has to be viewed as a multidimensional phenomenon. As poverty affects various areas of life, this would appear valid. Poverty distorts people's lives, removing them from what is understood as being the normal standard of living.

According to Perret (2001:3), those who experience poverty are without means to sustain a minimum standard of living or having little or no access to the essentials for survival. Banerjee and Duflo (2011:3-4) suggest that because of the severity of poverty across most African states, there needs to be more intense and radical tools to alleviate poverty. Because of the harshness of poverty, microfinance has become a popular tool to address the 'unfreedoms' that are the result of poverty. Otero (1999: 9-10) asserts that the use of microfinance helps address the poor's lack of initial capital, which is necessary for them to generate an income. The ability of the poor to access the necessary capital to generate an income is imperative to help them move out of the poverty cycle. If the poor remain in this cycle, poverty can never end, as it will move from one generation to the next and confine many to a never-ending cycle.

Many people, especially women, are constrained not only by lack of money but also by a lack of skills and education. This limits them to jobs that pay very low wages or to no employment at all. In the rural areas, where few jobs are available, this is more apparent, as the poor would need to migrate elsewhere or become self-employed and generate their own income in order to survive. However, generating their own income is difficult, as the activities the poor might embark on would most likely need working capital investments, which, because of their financial status, they would struggle to receive (Hossain, 1988:14).

Microfinance was created as a development tool to address poverty. This suggests that microfinance was seen not only to target financial poverty but other challenges the poor are faced with. This would further suggest that even if poverty were not to be completely eradicated through microfinance, the existence of microfinance would facilitate the solving or improving of other problems within the broader definitions of poverty. Effectively, the use of microfinance would help relieve the burdens of poverty. This particular study is a broader investigation that seeks to discover the social effects microfinance has, particularly in the social and cultural spheres. By examining these spheres the non-financial effects that result from the microfinance loans received by women, will be investigated.

1.2 RESEARCH PROBLEM AND RATIONALE

There have been criticisms of microfinance that suggest microfinance is not successful. In some instances, these debates have accused the use of microfinance as exacerbating the debt problem by creating over-indebtedness, not creating enough jobs, and adding to the crisis of poverty. According to Bateman (2012), the rising criticism against microfinance is a result of there being no substantive evidence supporting its promise to alleviate poverty. Microfinance has also been described as having short comings. Microfinance was seen as creating negative peer pressure through the group lending schemes. Microfinance was also seen as having adverse effects on the relationships the female borrowers have with their spouses. Johnson and Rogaly (1997:75) also suggest that even if microfinance is successful in increasing women's income levels, lowering vulnerability, or changing unequal power relations, there is no guarantee that, as an intervention, it will make a

change in the overall well-being of the disadvantaged. This reveals that the crux of the microfinance debate has been about its economic reach. The focus on the financial and economic outcomes of microfinance has led to a neglect of the social and welfare aspects of the poverty problem.

The wide-spread criticisms of microfinance institutions and skepticism of the outcomes of their programmes has not purged the existence of these institutions. In contrast to the criticism of microfinance, it has been suggested that microfinance has improved the lives of its recipients and their families. Historically, it has been the monetary approach to microfinance that has largely been used to assist the poor. The poor have been given working capital for income generation, to be used to smooth their consumption, to be able to use the money received for more than one thing (Dichter & Harper, 2007:10). Kabeer (2003:1) states that other studies have focused on the wider impacts of microfinance. However, they have mostly sought the economic impacts and the 'wider social impacts' still need to be investigated in greater detail. This suggests that research should be undertaken on the welfare approach to microfinance.

However, the following questions remain: is microfinance able to go beyond solving the poor's lack of finances? How far does microfinance go in impacting the individuals who receive the loans? Does it influence the communities they come from and the broader economy of a developing country? Therefore, there is a need for an investigation that goes beyond what the previous studies, researchers, and commentators have concluded about the microfinance industry. Thus, this research will focus on the non-financial experiences of women who have received microfinance loans from the formal development agencies sector.

More specifically, this study will attempt to build on the analysis of Nadia Kabeer (2003), in her research paper "Assessing the 'Wider' Social Impacts of Microfinance Services: Concepts, methods and concepts", a study that focuses on the "non-economic" aspects of poverty, highlighting that poverty cannot be limited to a lack of money, but should be considered a multifaceted phenomenon. In this way, this study will attempt to understand the non-monetary effects microfinance has on its female recipients, their family structures, and their communities.

In this study I examine the non-financial effects of microfinance, by studying women from the Amathole and Amahlathi Local Muncipality, who have received microfinance loans from a non-profit organization. This study aims to determine what non-financial effects do microfinance loans have on their women borrowers, in terms of the changes the women have experienced since receiving the loans. Have the women experienced changes in themselves, in their households and families, and in their communities?

1.3 OUTLINE OF THE STUDY

In Chapter 2, a background to development and microfinance is provided. This will be done in the form of presenting an overview of the notions on poverty and empowerment and how microfinance relates to these concepts. This is followed by Chapter 3, which is an in-depth literature review, focusing on a brief history of microfinance and explaining the reasons why it is imperative to focus on women and on the empowerment of women. Following this is Chapter 4, which provides the research methodology chosen for this study. Chapter 5 presents and analyzes the findings drawn from the data collected. Chapter 6 will provide the conclusion and suggest recommendations for future studies.

CHAPTER TWO: TRAJECTORY OF DEVELOPMENT MICROFINANCE

This section provides a background to the study, describing the development of microfinance in relation to women and their experiences with microfinance loans. Definitions of poverty and empowerment are provided and a brief background to the emergence of women's empowerment is outlined.

2.1 THE DEFINITION OF POVERTY

Defining and understanding the notion of poverty is important as it allows for an understanding of why microfinance institutions have mushroomed all over the world. According to Thornbecke (2005:4), the standard way of assessing whether a person is above or below the poverty threshold is their income level. If a person has access to a certain level of income it is assumed that they have the purchasing power to acquire benefits contributing to total well-being sufficient to function. However, the understanding of a person's level of poverty should not be limited to their income earnings, but should also consider non-monetary factors.

Besides income, Thornbecke (2005:7) suggests that other basic needs, such as nutrition, health, education, shelter, clothing and access to information, should be high on the list of crucial attributes to judge whether a person is or is not poor. Karnarni (2009: 43) and Newman, Schawrz and Borgia (2014:160) state that poverty cannot only be defined in economic terms but should include a variety of needs. The mistake of limiting the definition of poverty to the lack or the unavailability of money leads to a neglect of other factors that may have a direct impact on those who experience poverty.

Fukuda-Parr (2010:100) describes poverty as the denial of the opportunities and choices that are basic to human life. These include the opportunity to lead a long, healthy life with a decent standard of living, freedom, dignity, respect from others and self-esteem. This particular type of poverty is referred to as human poverty. Furthermore, Fukunda-Parr states that human poverty should be addressed before

income poverty. The concept of human poverty provides a broader understanding of poverty, extending beyond the monetary factors. Both income poverty and human poverty describe a certain lack that people would need to overcome, with human poverty going on to include social aspects.

Sen (1999:20) argues that those in development should not only be fascinated with income depravation. Rather, they should see it as being as important as capabilities depravation, and realize that there is a link between them. Again, this suggests that a lack of income should not be looked at in isolation and that income deprivation can be caused by other factors. If attention is moved from income poverty to an inclusive idea of capability deprivation, there can be a greater understanding of the poverty of human lives and freedoms (Sen, 1999:20). Subsequently, a better understanding to solve poverty may be established.

According to Chambers (2006:3-4), capability deprivation, a concept developed by Sen, refers to what individuals can or cannot do, or what can or cannot be done. Being and doing are related to freedom, which is the autonomy to be and do. This goes further than material lack, to speak of skills, physical abilities and gaining self-respect in society. Using this concept of capabilities, development can be viewed as going from ill-being to well-being. This transition can only be achieved through some sort of interventions to improve a person's well-being.

Similarly, Wagle (2009:510) describes capability as the ability to achieve 'functions', or the things that societies or individuals value and have reasons to value. The freedom or choices that a person has to make these happenings occur is also seen as capability. So the transition from the inability to do something to the ability to do something is subjective and can only be realized from the perspective of those who previously could not do something. Put differently, it is the move from experiencing 'ill-being' to experiencing 'well-being'. It would be difficult to develop a model which can describe the state of what well-being is, as it is a subjective process. But it can only said to have been achieved if a person's new experiences enable them to something they could previously do.

However, freedom can be looked at in two ways. Freedom in 'positive' terms is all the things a person can or cannot achieve. The 'negative' view of freedom focuses on the lack of restraints that one person may use over another (Sen, 1999:55-57).

These two views suggest that the way freedom is used by an individual may lead to the empowerment of one and at the same time lead to the disempowerment of another, if not used well.

Sen (1999:7-8) argues that freedom to participate in economic interchange has a basic role in social living. Sen further states that economic 'unfreedom', in the form of extreme poverty, can result in a person's freedoms being vulnerable to abuse. A lack of economic freedom can result in a lack of social or political freedom that, in turn, can lead to a lack of economic freedom. Therefore, the inability to access economic freedom hinders a person's ability to achieve other types of freedoms, and vice versa. This suggests that a person cannot achieve a certain level of freedom without the presence of other freedoms.

Barr (2002:281) argues that poverty is not merely about lack, but is also about marginalization, deprivation and exclusion. Buvinic and Gupta (1997:265) state that there are many social and economic situations that predispose certain families to poverty. These may be caused by cultural factors, such as premarital teenage pregnancies. The eradication of poverty requires sufficient attention towards these non-income related issues. This shows that poverty is not limited to lacking access to income, but also encompasses a variety of other problems. This suggests that the solution to poverty must address socio-economic factors as well as economic ones.

The importance of making a distinction between the types of poverty that exist can help decide to how each can be addressed. This research does not attempt to answer the larger question of whether microfinance is effective or not in the alleviation of income poverty. Rather, this research seeks to establish whether the loans received by the women have other results, which are in line with addressing types of poverty other than income poverty.

Yunus (2004:4077) challenges the dominant theories about the creation of poverty. He states that the Grameen Bank does not believe that poverty is created by the poor, but is rather created by structures that surround the poor, such as institutions and policies. He suggests that to solve poverty, alternative structures need to be put in place that will challenge the very foundations of poverty. Therefore, microfinance can be seen as a structural solution, as it provides people with opportunities to develop their skills, knowledge and capabilities.

2.2 THE DEFINITION OF EMPOWERMENT

Those who experience poverty often become more susceptible to the negative changes in their lives in their social and economic environment. An example of this can be the poor experiencing 'unfreedom', such as oppression or being taken advantage of. Sen (1999:3) argues that development can be recognized as a process of expanding the real freedoms that society can enjoy. Freedoms include social and economic factors. This suggests that there is more than one way in which a person's freedom can be adversely affected. If this is the case, then development policy would need to use a holistic approach to improving the lives of people.

Often, in development policy, empowerment is associated with women, the poor and the marginalized. Women usually fall into all categories (Mosedale, 2005:243) as they have been most affected by oppressive patriarchal structures. Mosedale and Kabeer (2005:14) suggest that there are some aspects that must be considered or present for empowerment to occur. In order to be empowered, a person must have been disempowered. Empowerment begins at an individual level and is an ongoing process that can have infinite results. However, these results are subjective according to what the individual experiences. In other words, what can be empowering to one may not have the same effect for another. Common to all forms of empowerment, however, is the fact that there is an economic or social improvement.

Sen (1999:18) describes freedom as a main factor of individual resourcefulness and social efficiency. The more freedom people have, the more able they are to help themselves and influence their families and community. The ability of individuals to exercise their freedoms also represents empowerment. Empowerment becomes more obvious when this freedom is available to them, when it was formerly not available to them. This suggests in order for people to optimize their empowerment, they first need to be freed from bondages or 'unfreedoms'.

Bisnath and Elson in Lakwo (2006) state that in the 1970's when women's empowerment was 'initially initiated by third world feminists and women's groups, it was specifically used to develop and guide the struggle for social justice and women's equality through transformation of economic, social and political structures

at national and international levels.' Lakwo (2006:15) states that the emergence of the empowerment approach was at the time directed towards 'handing over the baton' to enable local players (women) to take into their own hands their destiny by identifying and deciding on what development would be for them. Empowerment cannot be bestowed by outside parties' empowerment on a person who is not empowered, but must be claimed by that person for him-/herself (Mosedale :2005:245). It appears that empowerment is not a new phenomenon to development policy, but is rather integral to achieving the mandates set by development policy.

The Millennium Development Goals (MDGs), which are most associated with this study, would be the third goal. This goal aims to promote gender equality and empowerment of women. Littlefield, Hashmeni and Murduch (2003:1) state that microfinance goes beyond just the finance granted. The poor can use the loans granted to them not only for their businesses but also to contribute to the improvement of their health, education and overall household advancement. Microfinance can address both the poor's limited access to finance because of the stringent rules set by larger commercial banks and the problems the poor deal with on a day-to-day basis.

Razavi and Miller (1995:9) state that liberal feminist thought is that women's disadvantages stem from stereotyped customary expectations held by men and internalized by women, and promoted through various agencies of socialization. On the other hand, Boserup (1970: 25-31) and Rankin (2001: 28) suggest that women from developing countries residing in the rural areas have always participated in farm work and in effect have always been part of productive labour. Similarly Moser (1989:1801) states, that in low income households women's work includes reproductive work (the childbearing and rearing responsibilities required for the maintaining of the labour force) but also productive work. Through this, women become secondary income earners.

What Boserup suggests challenges the long-standing idea of women that women are less proactive than their male counterparts. Similarly Women in Development (WID) arguments represent women as productive members of society. Instead of seeing women as a marginalized gender, they should be regarded as a missing part of the puzzle in development (Razavi & Miller, 1995:10). The WID approach was adopted

by the United States Agency for International Development (USAID), with the underlying rationale that women are an untapped resource that can provide an economic contribution to development (Moser, 1989:1800). Sen (1999:201) states that women's economic participation is both beneficial for women and has a significant effect on social change, because women have for decades been part of productive labour and have had an influence on their social surroundings. It is fitting to see women as the part of development, as by including them in development a significant part of society, particularly children and the elderly, will be positively affected. Women generally fulfil the role of caregivers and with them being part of development would easily transcend to those they are caring for.

However, although there is research that argues that women have long been productive members of society, this does not change the fact that women have long experienced marginalization. Including them in development and seeing them as active members of society will not only be beneficial to them, but to others as well.

Moser (1989:1799) states that it was only in the mid to late 1970s that the plight of women in developing countries was recognized. As a result of this recognition, the UN Decade for Women was set between 1976 and 1985. This served the function of highlighting and publicizing the role of women and their economic and social conditions. Feminist scholars have argued that advocacy on behalf of women develops mutual ground between feminist goals and official development agendas, which in turn creates major progress in the development agenda. Similarly, International policy agenda from the 1960's to the 1980's was becoming more concerned with incorporating women into the development process. It was only in the early 1990's that the focus shifted to women's rights and pushed for the questioning of women's positions in their own societies (Mukhopadhyay 2009: 95). Women and their incorporation in development policy may have started too late, as women have long endured patriarchy. However, their inclusion in such policies may prove to be helpful for decades to come.

Sen (1997:3) and Mosedale (2005:244) make an important assertion that people empower themselves. Governments and organizations do not empower people. What governments, policies and actions can provide are supportive environments or favourable conditions to aid the empowerment process. This supports the notion that

inasmuch as empowerment is a collective effort, which involves many players, the responsibility to become empowered also rests on the individual.

Sanyal (2009:530) describes women's empowerment as the ability of women to increase their self-reliance, their right to make choices and the capacity to gain control over resources. However, inasmuch as empowerment also encompasses women gaining autonomy over assets, the empowerment which will be examined in this research is the empowerment that involves women becoming self-reliant and independent. In this vein, Frediani (2010:175) suggests that well-being can be measured by assessing people's freedom and choices rather than their income and consumption. Sen (1997:8) argues that the effectiveness of a non-profit poverty strategy will depend on the extent to which it is able to address the underlying causes of poverty. This is an important point as it supports the notion that there are multiple factors that contribute to poverty, not only the economic factors.

Swain and Wallentin (2009:543) state that empowerment is a process by which those who were denied the ability to make strategic life choices gain the ability to do so. Similarly, Sen (1997:2) states that empowerment is about power, and the changing power relations in favour of those who previously exercised little power over their own lives. Power has two tenets, control over resources (being physical, human, intellectual, financial and the self) as well as control over ideology (beliefs, values and attitudes). Therefore if power means control, then empowerment can also be viewed as the process of a person gaining control over their own actions.

Otero (1999:11) states that the increase in material capital strengthens the sense of dignity a poor person possesses and contributes to empowering them to participate in the economy and society. This better equips them to become an active citizen. This shows that the ability to access and make use of finances can restore or give an individual a sense of self-worth. Furthermore, Razavi and Miller (1995: 17) state that even if women who have been given access to credit do not experience an improvement in their status, they may still see an improvement in their personal well-being by virtue of the overall improvement in household income. They may also receive welfare gains for their children. This is one of the main arguments for this report. Inasmuch as a person's long term financial status may not change as a

result of receiving microfinance, there may be a positive change in his/her well-being.

Sen (1997:3) states that the changes in a person's consciousness and self-perception are his/her own, and when they occur they can lead to the most creative and energy-releasing revolutions. This self-awareness can help people tap into sources of hope and enthusiasm where they had previously viewed themselves and their worlds in negative terms. This negative view can be the result of the presence of poverty or strife in their lives, which would erode their ability to view themselves otherwise. Furthermore, Sen suggests that change agents are needed as promoters, who assist in starting off the process of change. However the continuance of empowerment is dependent on the people who become empowered and how fast they embrace the change. This suggests that microfinance as an external change agent, such as a microfinance institution, is not solely responsible for empowerment. While they may facilitate empowerment, it is the recipients of the loans and how they take advantage of the loan in use of the loans, which will determine how empowered they become.

2.2.1. Women's empowerment

Historically, women have been disadvantaged and limited in terms of being able to access credit facilities. This is more prevalent amongst women who come from previously disadvantaged backgrounds (Status quo report, 2011: 8). Most of the appeal of microfinance has been its potential to empower women (McCarter, 2006:360; Karnarni, 2007: 36).

Women's empowerment as conceptualized for this study refers to the process of transformation in which one, a woman, is able to do and achieve what she was previously unable to. Stated differently, empowerment entails the process of change. Changes in the ability to make choices can be considered in terms of three categories: resources, which form conditions under which choices are made; agency, which is the process by which choices are made and achievement, which reveals the outcomes of choice (Kabeer, 1999:436). Each element that falls under the definition of empowerment is important as empowerment can only be achieved if each element is present.

However, I believe the most important of these is 'agency', which is the most relevant for this study as it is the freedom or ability to make choices. One can have resources but without the ability to make use of them, they mean nothing. Agency is the link between resources and achievement. According to Kabeer (2005:14), agency possesses both positive and negative connotations. In the positive sense, agency is the ability to make decisions and make own life choices even in the face of adversity. With this being said, without agency no achievement can occur. As a result one would have to act upon something in order to gain something. Sen (1999: 18) defines a person with agency who participates to bringing about change, and whose accomplishments can be judged according to her own values and objectives. If women are given the platform to become 'agents', this suggests that they have been empowered. Sen (1999:204) states that the presence of social and economic movements directed towards women increases women's agency.

One of the ways in which change can occur in one's life is through agency. Change can also occur through the use of resources, which are the tools that activate agency. Lastly, empowerment must equate to some sort of achievement, which refers to the potential which will or will not come about as a result of a person's efforts. Empowerment also constitutes change. This change will, in effect, influence women's ability to promote a positive change in their lives (Kabeer, 2005:13-15). This summarises the possible outcomes of the behaviour of a woman who is empowered.

Improving the position of the women within the household can empower women, especially those in a rural setting. This empowerment is reflected in women's involvement within the household, through decision-making and autonomy, as well as involvement in the surrounding community (Mahmud, 2003:571; Cheston & Khun, 2007:13). Women's empowerment ought to build the skills, abilities and their personal perceptions that are needed for women to take control of their lives.

The Women's Empowerment Matrix (WEM) elaborates on this. The WEM was developed by Charmes and Wieranga (2003) to assess the measure of gender inequality on a global scale and to work towards achieving women's empowerment. The women's empowerment matrix suggests that there are different spheres in which women's empowerment can occur. The spheres include; physical, socio-

cultural, religious, political, legal and economic spheres. The WEM makes users aware of the variables that can contribute to women's empowerment and also depicts the linkages between the various spheres in which women's empowerment can occur (Charmes & Wieringa, 2003:391,423-425). The WEM is useful in this study as it reveals that there is more than one way to achieve women's empowerment. It also alludes to the fact that empowerment is not an isolated process. This research report is largely centered on the socio-cultural sphere, which consists of the norms which have defined the behaviours of men and women in society. Factors such as traditions, customs, upbringing, cultural values, patriarchy and gender dynamics have all contributed towards this sphere.

Elson (1990:1) proposes that plans for the empowerment of women must look beyond economic restructuring but towards a 'restructuring of social relations'. But a question arises: which would come first, economic restructuring or 'restructuring of social relations'? However, each can be seen as mutually dependent, as neither is able occur without the other. Moser (1993:74) states that empowerment as an approach is important as it recognizes the need to develop women's power. However, it should seek to recognize power less in terms of dominating others and more in terms of recognizing self-reliance and strength. This can be argued, however, as women have been the powerless gender; but with their new power, should utilize it not to disempower others.

2.2.2 How to measure empowerment

Although gains that stem from empowerment are not always easy to recognize, this does not nullify the empowerment. However, it is necessary to assess what makes empowerment. In other words, how empowerment is measured should reveal how much someone has been empowered or the significance of the empowerment that the person experiences. Aslop and Heinsohn (2005:10) state that the direct measures of empowerment can be made by looking at:

- Whether an opportunity to make a choice exits (existence of choice).
- Whether a person uses the opportunity (use of the choice).
- Whether the choice resulted in the desired result (achievement of choice).

Put differently these three steps relate to resources, agency and achievement or outcome. According to these three elements or steps, if one of the elements is not present, empowerment would not be successfully measured or, in effect, take place.

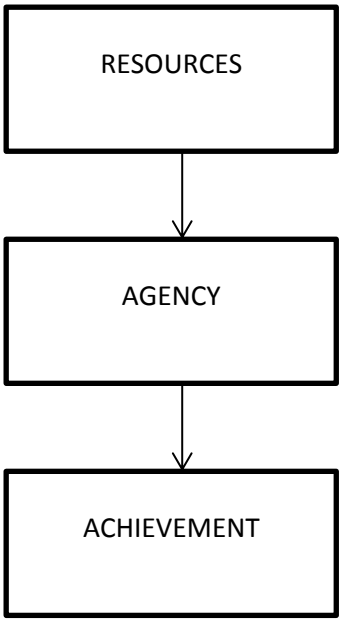

Figure 1. The process of empowerment. Adapted from Kabeer (1999).

2.2.3. Microfinance and empowerment

Microfinance optimists advocate that through microfinance there will be improvements in women's empowerment and general welfare. This empowerment should be achieved by enabling an expansion of their social and economic opportunities and lowering their susceptibility to unplanned risks (Hieltalathi & Linden, 2006:202). Studies have revealed that, in most cases, funding received by the women from the microfinance institutions has been directed toward promoting women's micro enterprise activities. This has enabled women to invest in small scale assets for their business (Anderson, Locker & Nungent, 2002:95). This argument assumes that with more investments in small scale assets, more income can be generated, although other factors can affect the amount of income made.

It is important to note that there is a distinction between the ventures that the women who are likely to take these microfinance loans embark on and those who approach the formal financial sector. The women, who take out these loans, are only creating a means to generate income or participating in income-generating activities (IGAs). At least initially they are not striving to become “pencil skirt wearing” business women and the chances are that their ventures will not become booming businesses. The reason for this is that often these loan recipients are from rural communities and their local communities experience low economic growth. Therefore, the criticisms against microfinance on the basis of their outcomes lacking economic sustainability and growth could arguably be because these IGA’s are in locations which experience low growth and that they are run by women who have very few skills or minimal education. This raises the greater socio-economic problems, which run deeper than the questionable economic viability of developmental microfinance.

On the other hand, microfinance has also led to increases in women’s own personal assets, through raised income levels (Haile, Bock & Folmer, 2012:256). There have also been several studies that suggest that microfinance results in the economic empowerment of women, as it gives them the power to reason within gender relations (Mayoux, 2001:439; Mahmud, 2003:529). How much empowerment microfinance can bring is affected by other elements, which may or may not be under the control of those who receive microfinance loans.

2.2.4. Approaches to solving poverty

In the rural areas, women are usually more credit constrained than their male counterparts and in this way suffer more discrimination. Women are the caregivers and the ones who are more responsible for the overall well-being of the family. It is thus more important that women receive a means to decrease the effect poverty has on them. One of the major concerns for Non-governmental organisations (NGO’s) that wanted to provide credit, was how they were going to reach the poor. Johnson and Rogaly (1997:35) state that schemes developed by NGO’s targeted toward the poor were deliberately designed to suit the poor, for example, forming a collateral system, or a peer-monitoring system, in order to reduce the lending risk.

Chemin (2008:464) and Coleman (2006:1613) state that theoretically if the poor have access to credit, it should be beneficial for economic development, as the

reluctance of commercial banks to lend to people without collateral is the one of the contributors to the poverty trap. These schemes not only secure consistent payback, but create social cohesion amongst borrowers. As discussed in the previous sections, poverty is not caused or worsened only by the lack of income, although it is often seen as the main reason for poverty. It is imperative to become aware that there are more ways than one to help alleviate poverty and microfinance can provide some solutions to problems the poor encounter.

This chapter covers the developmental trajectory of microfinance. It outlines various definitions of poverty, women's empowerment, the measurement of microfinance, how microfinance relates to empowerment and lastly the approaches to microfinance that exist. To follow is Chapter 3, which will present an in-depth literature review on the topic

CHAPTER THREE: LITERATURE REVIEW

This chapter provides an overview of the literature surrounding microfinance. Particularly, it delves into the literature on what microfinance has promised; why women have been the focus of the microfinance programmes; women's empowerment in relation to microfinance and lastly the non-financial effects of microfinance. This particular literature has been reviewed in order to help answer the central question: what non-financial effects do which microfinance loans have on women recipients in two rural villages of the Amahlathi and Amathole local municipalities?

3.1 THE PROMISE OF MICROFINANCE

Eradicating poverty and empowering women have been the two central objectives of development in third world countries. Over the past few decades, microfinance has been described as a mechanism to aid in the struggle against poverty (Bateman, 2012:587). Broadly stated, microfinance is the offering of finance, particularly small loans, to the 'unbankable'. That is, those who have no collateral to offer for such loans, generally known as the poor. Microfinance involves a range of financial services, including loans, savings accounts, insurance and social intermediation, amongst other things. The offering of small loans was recognized as a means of encouraging economic growth and improving the lives of those who are less fortunate. Historically, the use of credit as a weapon against poverty dates back to the late 1960s and early 1970s. At the time it was not known as "microfinance", but rather as "rural finance, agricultural credit and non-farm credit" (Robinson, 2001: xxx).

3.2 REASONS WHY WOMEN HAVE BEEN THE FOCUS OF MICROFINANCE

Focusing on gender equality is seen as good development practice because development issues cannot be fully addressed until the needs of both genders are addressed. Gender inequality in developing nations has hindered the growth and

development of women. Discrimination of one gender by another often leads to greater poverty and lower levels of standards of living (Cheston & Khun, 2002:7). Therefore, in order for a country to be seen as developing and progressive, higher priority must be placed on the marginalized gender, which, more often than not is women. Osmani (2007:695) and Kevane (2004:1) state that women's historical disadvantage in relation to men is a result of their lack of empowerment. This would imply that as a mechanism to help lower women's inequality, microfinance is entering a space where women have for many decades been on the back foot of development. Mayoux (2000:4-5) also adds that because of the sort of behaviour and practices that women are subjected to, women have generally been identified as the area of concern.

3.2.1 Challenges faced by women

Historically, poverty has been associated with women and viewed as a female problem; with more women being economically disadvantaged (Pearce,1978:2). Women from more disadvantaged households are often the ones who carry the weight of providing for the family. This is largely because of the existence of children. However, it is often difficult for women to fulfil this role because of women's unequal chances to earning opportunities because of gender discrimination (Agarwal, 1989:46-48; Buvinic & Gupta, 1997: 259). This means that there is a need for a discussion and understanding of how lower levels of income and human poverty affect women. Microfinance has been seen as a mechanism to specifically help women living in the rural areas who experience the realities of poverty more harshly than their male counterparts.

Women are subjected to realities that often lead to precarious livelihoods, which they may have no means of escaping. Research has shown that girls and women are often more harshly affected by poverty compared to men and boys (Dworkin & Blankenship, 2009: 463; Kabeer, 2001:1). Bateman (2010:25) suggests that this is particularly apparent in developing countries, which have a history of deeply entrenched patriarchy. Sanyal (2009:530) uses the example of South Asian women. He states that the contributing factors of the disempowerment that occurs is significantly non-economic, namely the social practices and rules that govern marriage and the norms regulating married women's behaviour. Because of this women experience the burdens of poverty severely as they may encounter

restrictions which disallow them from exercising their freedom and ability to support themselves and their children.

On average women are mainly faced with two broad types of problems, social and economic. According to Cheston (2007:15), women experience a greater degree of socio-economic exclusions than men. This reveals that the need for women to have access to finance is an urgent one and that this access can be a potential tool for them to gain a sense of control over their lives. While access to finance may not remedy both their social and economic problems, it may provide the momentum needed to improve their livelihoods.

Microfinance has been particularly focused on women as it is believed that women who come from poor households are more likely to be credit constrained. Furthermore, poorer women generally have greater levels of financial risk, lack stability as a result of low income and are often seen as a non-viable market to lend money to (Matin, Hulme & Rutherford, 2002:276). Increase in access to finance would be a vital contribution toward women's economic status and autonomy. (Mayoux, 1998:40). Many also argue that if there are improvements in women's well-being, this will influence the well-being of the entire household, especially that of the children.

3.2.1.1 Benefits of serving women

Women in their gendered roles as caretakers of the home allow for many outcomes, which are not only beneficial to themselves but also to their children. Studies have revealed that women to whom money is lent, tend to be more reliable and reflect a higher payback rate on micro loans than their male counter parts (Hermes & Lensink, 2011:876; Swain & Wallentin, 2009: 542). As a result, focusing on women would contribute to making delivery to the poor more efficient. (Mahmud, 2003:579; Cheston, 2007:15; Ngo & Wahaj, 2011:1). This provides some evidence that focusing on women is a more economically viable option than investing in men. As women they have reflected greater trustworthiness and the socio-economic outcomes will be more easily distributed in their homes and to the rest of their communities.

Thus, it is likely that through microfinance human poverty can be addressed and in turn income poverty is also targeted. Yunus (2004:4078) also states that lending to

women is better because women tend to be better long term planners and are prone to bring change gradually into their lives. This change would influence factors such as their skills development and self-actualization. Furthermore, he suggests that rural women can manage scarce resources efficiently. The ability of women to make use of scarce resources in areas where there is a lack of resources would suggest that positive changes would be seen in the homes of rural women if they were provided with micro-loans.

The effect that microfinance has had on the children of female borrowers is often seen as the largest accomplishment microfinance has had. Dichter and Harper (2007:235) found that women's borrowing was likely to have a great impact on the nutritional well-being of both male and female children. According to Lakwo (2006: 161), female clients of microfinance are economically empowered to meet their children's educational costs and have the ability to make decisions about the enrolment of their children in school and the expenses of their children's schooling. This suggests that women's access to finance has positive ripple effects on their children's educational and nutritional needs. This emphasises the importance of women's access to finance.

On the other hand, previous studies have shown contradicting results. Some studies suggest that a focus on women improves their livelihoods through their ability to generate a greater net worth than those who have not been the recipients of loans. However, they also tend to reflect a higher level of debt owing and, become trapped in cycles of debt (Snow & Buss, 2001:203). It has been found that the credit imposes a liability on women, because of the pressure they receive from their group members, which in turn increases their stress and the pressure on the household as there is a need to pay the debts timeously (Mahmud, 2003:582; Kim et al., 2007: 1795). This suggests that microfinance can cause disempowerment rather than empowerment for women. However, inasmuch as the use of finance may lead to negative outcomes, the very use of finance can be seen as a window for improving the well-being of women.

3.3. WHAT IS MICROFINANCE REALLY?

Microfinance has gained popularity around the world, ever since the “microfinance movement” gained momentum in Bangladesh, through the establishment of the Grameen Bank, by Muhammed Yunus, in the early 1980s (Khandker, 2005:263). According to Yunus (2004:4007), he did not originally intend to start a bank. His modest intention was to help women move out of poverty and the debt created by moneylenders. Within a decade, microfinance had caught on globally, with other countries emulating the Grameen Bank.

Karnarni (2009:36, 42) suggests that the description of the poor as ‘creative entrepreneurs’ is wrong as the poor are not becoming entrepreneurs by choice but rather are compelled to do it. The poor are forced into IGAs because of the unavailability of jobs and so IGA’s are their only means of survival. International organizations have also promoted the use of business strategies to increase the poor’s consumption through entrepreneurship. The assumption is that poor people are willing and fully capable of becoming entrepreneurs. However, upon closer inspection, this may not be the case. The loan recipients are also driven by the need to pay back the small debt they have created, regardless of how successful their venture is.

Microfinance became a ‘revolution’ and gained both local and international support. The key reason behind this support was the assumption that the individuals who received the loans would become self-employed and start their own informal microenterprises and create opportunities for others. Bateman and Chang (2009:23) suggest that microfinance has an ideology attached to it and should not be considered at face value. They suggest that the concept of microfinance is consistent with neoliberal discourse, which advocates the need for privatization. Similarly, they suggest that microfinance has been seen as a legitimate ideal for neoliberal institutions, as it addresses the problems of poverty. However, these do not raise any concerns about the underlying issues of wealth and power which have previously contributed significantly to the problem of poverty, such as the policies of financial institutions and lending to the poor. This is a key argument, as it suggests

that microfinance only appeases the problems of the destitute, and does not interrogate the underlying causes of the marginalization of the needs of the poor.

Furthermore, Bateman and Chang (2012: 26) state that microfinance is underpinned by the concept of financially self-sustaining entities and discredits the notion of state support for organizations. The backing of self-sustaining financial activities appeals to the neoliberal paradigm, as it opposes the use of state resources. Karnarni (2009: 42) also recognizes microcredit as a free market solution that turns the poor into consumers. He also argues that microcredit does not significantly alleviate poverty, but rather romanticizes the poor as creative entrepreneurs. International donors have encouraged third world developing countries to make use of Grameen-style microfinance institutions, contributing to the spread of microfinance across the globe. The fact that international organizations have rallied behind microfinance for years, turning it into an international movement, has redirected the attention from what causes and worsens poverty and has promoted microfinance as a 'band-aid' over a wound.

Benefits that stem from microfinance should not be overlooked, such as the ability to generate income for its loan recipients, empowering women, improving women's general well-being by expanding their social opportunities and reducing women's vulnerability (Hietalahti & Linden, 2006:202). Other research also makes reference to possible alternatives to microfinance, such as financial cooperatives, credit unions, building societies and local and national development banks (Bateman & Chang, 2012:30). However, with each alternative there could be obstacles, setbacks, or other controversies, meaning they might not be any more effective than microfinance. The issue is not really whether microfinance works but rather the fact that, four decades after the Grameen Bank started, poverty still remains a severe problem in the developing world.

Khandker (2009:285) states that microfinance reduces poverty among the poor borrowers within the local economy but at lower levels. Other studies on microfinance have revealed that microfinance has spillover effects that not only influence poor loan recipients, but also non-programme participants. An example of this is where the revenue from women's businesses is also used to fund the consumption or the economic activities of their husbands or other male household

members (Berger, 1989:1022). It is necessary to make a distinction between a woman handing over control of her loan and helping the male family member also generate his own income. The latter is evidence that, when used well, microfinance can raise the total income of the household. However, Karnarni (2009: 43) states that the market approaches to reducing poverty have overlooked the social, cultural and political benefits, viewing them only as by-products. A further suggestion by Karnani is that there should be a safeguarding and cultivating of other non-economic needs. The focus on market based poverty alleviation programmes diverts the much needed attention from correcting governments' failures to fulfilling their functions of ensuring safety, providing education, healthcare and infrastructure.

Buckley (1997:1081) poses a question about whether the large amount of support from donors for microfinance enterprises really addresses the problems faced by the poor and their microenterprises or if it merely offers an illusion of a quick fix. The problems faced are deeply entrenched and cannot be solved solely by capital injections. Rather there is a need for structural changes of the socio-economic environment. This being said, finance is being made available to the poor all over the world through microfinance. The question should rather be: what kind of impact is the microfinance intervention having on those who receive the finance?

On the other hand, it can be said that seeing the poor as micro-entrepreneurs rather than poor is more appealing to the rest of the world and may create the impression that microfinance is a sound developmental plan. Karnarni (2009:40) suggests that businesses, non-profits and government must recognize that poor people encounter fundamentally different social, psychological, physical and economic realities than their wealthier counterparts. This suggests that the solutions such as encouraging pure entrepreneurship may not suffice in the fight against poverty. Since its inception, microfinance has had many controversial questions posed in relation to it, such as: whom does microfinance best serve? Does it serve those who borrow the money or those who lend the money.

3.3.1 The institutionist approach versus the welfarist approach to microfinance

There are two main approaches to microfinance. The first is the institutionist approach. This approach emphasizes the financial self-sufficiency and non-subsidization of the financial institutions that will serve the clients who are presently

underserved or not served at all. This is a 'financial systems' approach to microfinance in which the future of microfinance is seen as being dominated by numerous large-scale, profit seeking financial institutions. A major example of this approach in practice is the Banco Solivadio (BancoSol) of Bolivia.

The other main approach is the Welfarist approach, which focuses on the depth of outreach. It is an approach that is explicit in supporting the improvement of the well-being of its participants. Welfarists are less interested in banking, and more interested in the use of financial services as a means of alleviating poverty. Their objective is the self-employment of the poor, especially women. It is a Welfarist assumption that increases in income will empower women and improve the conditions of life for them and their children. A popular example is the Bangladesh Grameen Bank (Woller, Dunford & Woodworth, 1999:1-2). The broad microfinance debate is centered on the validity of these two approaches and, in practice, considered a debate of the NGO's versus the commercial banks (Olivares-Polanco, 2005:49).

In addition, the definition of microfinance can be widely categorized into the institutionist and welfarist approach, as microfinance encompasses the body financial services offered to the poor. The distinction between microcredit and microfinance is not so clear and over the years these words have been incorrectly used interchangeably (Midgley, 2008:474). Elahi and Danopoulous (2004:63-64) state that microcredit lenders lend without a profit motive, whereas microfinance is where institutions are similar to banks in that they also lend but predominantly to poorer households. Unlike their micro-lending counterparts, however, they have a profit motive. These microfinance institutions often offer a range of financial services such as insurance, transactional services and savings tools (Barr, 2002:278). This, in effect reflects, the welfarist and institutionist approaches. Microcredit lenders reflect the welfarist approach, as they have a developmental, not-for-profit focus, while the institutionist approach is reflected in the microfinance provider as it is a profit motive. It is useful to know this distinction, as it would allow scholars to critique microfinance according to these two categories and not assume that they are one concept.

Barr (2002:281) states that microfinance is quite insignificant in comparison with the extent of the problems of economic development. On the other hand, as small as

microfinance may be, Morduch (1999:1569-1571) agrees with the assumption made, that poverty can be alleviated and economic and social structures can be transformed by providing financial services to low or no income households. Furthermore, he poses a question whether the world would be a better place if institutions such as the Grameen Bank were forced to close down their doors. In order to answer this question he argues that one needs to assess the social impact of microfinance. This very important question links to the broader argument made in this research. Although some research suggests that microfinance may not be able to solve income poverty, this report argues that it could contribute in addressing human poverty.

Microfinance literature suggests that microfinance has offered more promises to the borrowers and has had less to show for it. Bateman (2010:120) raises the example of the Bolivian BancoSol and states that commercialized microfinance appears to have undermined the longer term fight against poverty and underdevelopment. How do the 'promises' made by such institutions fit into the broader argument? These promises are relevant because the conception of microfinance was to fight poverty. On the other hand, commercialized microcredit moves away from being 'for' the lender and becomes more 'for' the institution.

3.3.2 Microfinance in relation to poverty

Microfinance has been considered as a response to the crisis of poverty and demand for money, and is offered to individuals to support them so that they can create their own employment and generate their own income. John and Rogaly (1997:10), argue that if poverty is understood as low levels of income, then in order to decrease the effects of poverty, there is a need to increase the income earned by the poor per annum. I see this assertion as one of the failures of microfinance in its attempt to reduce poverty, as it focuses only on income poverty and does not consider other reasons for how and why poverty occurs. Therefore, to add to my argument, strategies developed to alleviate poverty to solve poverty, should aim to address income and human poverty.

For women borrowers to enter into IGA's or to start successful small ventures requires some entrepreneurial skill, whether it is innate or learnt, and, most importantly, a favourable local market. In some cases the areas where these

informal activities are started, rural areas, experience low returns and low demand and so the impact on aggregate poverty is very modest or even insignificant. In these circumstances, microfinance results only in income distributions or short term income generation (Khandker, 2005:263-264). Thus it is apparent that microcredit does not guarantee success for the loan recipient as external factors, such as a favourable market, are necessary for good returns, as is any business venture. Without entrepreneurial ability, good market returns will be small and reductions to poverty will be slight. In these circumstances, microfinance would only redistribute income and not foster economic growth.

Tsai (2004:1487) raises the important issue of rural households' lack of income and subsequent lack of access to formal sector credit. He also explains how these households are forced to turn towards informal finance to make ends meet. In most cases this creates dependency and often leads to exploitation by unscrupulous moneylenders or loan sharks (Barr, 2002:279). At the core of Muhammad Yunus's idea of creating an institution to provide low interest small loans was so that the poor could be liberated from the money lender and the cycle of debt (Bateman, 2010:9). Vanroose and D'Espallier (2013:1966) state that the promotion of microfinance can be seen as a significant factor of development policy that is able to address the market failures in the traditional banking system, and in this way, can be seen as a tool for poverty reduction. This suggests that the dependence the poor have on the informal lending system is not only a failure of the state but also a reflection on the deficiencies of the formal financial system.

Barr (2002:277-278) and Elahi and Danopoulos (2004:72), describe how the financial services industry has added to the perpetuation of poverty in third world countries and subsequently how poverty diminishes the possibilities for financial development. They state that the ability of women in rural areas to create an income depends on their access to credit facilities. The banking industry has put in place strict measures limiting or excluding the poor's access to formal financial services. Banking polices have had two socially negative outcomes. The first is that for years the banking sector has withheld from the poor the opportunity to earn money by creating their own employment. Secondly, the poor have been forced to go to informal lenders and pay extremely high interest rates. These two points reveal that the formal financial sector has contributed to the perpetuation of poverty. The

banking sector needs to be more accommodating or developmental finance needs to be improved to effectively move people out of poverty and out of the debt cycle.

Getting out of poverty is more complex than just receiving a small loan, and the success would depend on a number of variables such as how the loan was utilized and its sustainability thereafter. Johnson and Rogaly (1997:12) state that it is only when people have some economic security, such as access to microfinance, that they can get out of poverty. This assertion may be flawed, as it only focuses on income poverty. This raises another important issue: because of the magnitude of poverty and the fact that it is multidimensional, microfinance may not be an equal tool in dealing with an issue of this magnitude; microfinance may not be equal to the task of dealing with it.

3.3.3 Microfinance in relation to empowerment

Besides poverty, microfinance programmes have also targeted women with the goal of empowering them (Swain & Wallentin, 2009:542). Hunt and Kasynathan (2001: 42) also note that the provision of microfinance to women has been a strategy to empower them. Others have proposed that microcredit empowers women since it accords economic independence and instils confidence by virtue of the women's participation in groups, as well as their undertaking in economic activities (Burra et al., 2005:33). Thus, Kabeer's (1999:436) assertion that microfinance and similar programmes that are made available to women can be seen as the resources that provide conditions under which freedom of choice can be attained, holds.

On the other hand, critics such as Bateman have stated that empowerment as a core impact is the wrong assumption to make about the campaign behind self-employment. He argues that microenterprises have been disempowering for the poor (Bateman, 2010:30), as the poor may not possess the skills to lead profitable business and, in turn struggle to pay back the loans they take out. Similarly, Lakwo (2006:1, 6) believes that microfinance in itself does not empower women. Rather, he argues, it provides a catalyst for women clients to create for themselves acceptable social spaces within their hegemonic gender relations. He later rejects the idea that microfinance can both provide finance and alleviate poverty. These arguments are contrary to one of the arguments brought forward in this research. In the same way

that poverty is caused by multiple variables, empowerment encompasses multiple variables.

It is in this light that I would disagree with the statements that microfinance does not empower its recipients. Although there is much debate surrounding the usefulness of microfinance, microfinance has been shown to improve the lives of individual recipients, sometimes not economically, but in terms of their self-esteem. This reflects Mayoux's notion of the virtuous cycle of economic empowerment, which results in increased well-being, as well as social and political empowerment (Mayoux, 2003:1).

3.3.4 The consequences of poverty on women

Research has shown that girls and women are often more harshly affected by poverty than men and boys (Dworkin & Blankenship, 2009:463; Kabeer, 2001:1). Bateman (2010:25) suggests that this is particularly apparent in developing countries, which have a history of deep seated patriarchy. Researchers have identified women as the area of concern as they experience greater levels of poverty and the burden of the household is often on their shoulders (Mayoux, 2000:4-5). Similarly, women experience a greater number of socio-economic exclusions than men (Cheston, 2007:15). This reveals that the need for women to have access to finance is an urgent one and that this access can be a potential tool for them to gain a sense of control over their lives.

Agarwal (1989:47) states that children's nutritional status under poverty conditions is linked more to the mother's earnings than to the father's earnings. Furthermore, if the man is the head of the household, the offspring may end up suffering more, having no control or access to money which is available in the house hold (Budlender, 2005: 31). The physical well-being of a woman and her offspring, and the risk of poverty, is seriously reliant on the whether the mother has access to income or productive assets. This suggests that poverty not only affects the woman but also has detrimental effects for her children. This suggests that only through access to finance can women meet the needs of their children.

Similarly, Buvinic and Gupta (1997:264) state that women experience lower average earnings than men, have fewer assets, and, in some instances, less access to remunerative jobs and productive assets, such as land. This gender-related

economic gap contributes to the economic vulnerability of women. Microfinance has been focused on women because it is believed that women who come from poor households are more likely to be credit constrained. Furthermore poorer women are associated with having greater levels of financial risk, lack stability as a result of low income, and are often seen as a non-viable market to lend money to (Matin, Hulme & Rutherford, 2002: 276). Increases in access to finance would be a vital contribution toward women's economic status and autonomy (Mayoux, 1998:40). Many also argue that if there are improvements in women's well-being, this will subsequently influence the well-being of the entire household, especially that of children.

On the other hand, some studies have shown contradictory results that contradict this. These studies suggest that a focus on women improves their livelihoods through their ability to generate a greater net worth than those who have not been the recipients of the loans. However, they also tend to reflect a higher level of debt owing, becoming trapped in cycles of debt (Snow & Buss, 2001: 203). It has been found that the credit imposes a liability on women, which in turn increases the pressure on the household as there is a need to pay the debts timeously (Mahmud, 2003:582; Kim et al., 2007:1795). This, in effect, could create disempowerment rather than empowerment for women.

3.3.5 Moving beyond Microfinance debates

The debates and arguments surrounding microfinance interplay between the economic and social variables of the recipients and the society. It can be seen as unfair if arguments of different bases are put up against each other as each has different aims. Although both are about microfinance, there is a common theme which is poverty.

Microfinance institutions have been criticized for charging high interest rates, even though their lenders are poor (Karnarni, 2007). In some instances, women's participation in microfinance programmes has led to women's subordination by their male partners, resulting in conflicts within the households (Mahmud, 2003:529). Some have argued that women are forced to hand over the loan to their male partners, which means that the loan is not being used for its intended purpose and results in violence towards the women (Hermes & Lensink, 2011:876). This

suggests the women receiving these loans stand a chance of facing greater harm than good, which adds to the women's burdens and stress.

Johnson and Rogaly (1997:75) have suggested that there may be some difficulty in ascertaining the microfinance interventions as unplanned events may occur which would make it challenging to identify the impact of microfinance. Khandker (2005: 263) also argues that microcredit loans are too small to make a significant influence on aggregate economic development. This critique can be opposed because microfinance programmes are normally directed towards women who come from rural areas and one should not expect significant short term economic changes to occur in these areas.

Dichter and Harper (2007:149-151) state that microfinance has become nothing more than a 'development fad', which has not only transferred money into the hands of the poor, but has also shown very little development results. They also suggest that microfinance has received more credit than it deserves as it does not eradicate poverty but is only a tool to deal with the harshness of its impact. This study argues that, although microfinance has shown inconclusive evidence of success in alleviating poverty, it has non-income effects that can positively influence recipients' lives.

Dichter and Harper (2007:3) state that the informal sector has become a magnet for development thinking and funding. It is from this sector that the poor can gain access to finance in order to positively influence their lives. Previous surveys have shown that household incomes have increased and nutritional and housing conditions have improved, when the members of the household are active in the informal sector. However, it is questionable whether the benefits they accrue on individual levels have a significantly wider effect on poverty, as Midgley points out (2008:467-468). However, if the informal sector is a means for more individuals to improve their livelihoods, it should not be overlooked as a channel through which the poor can get out of poverty.

There have been many arguments for the support of microfinance. As mentioned earlier, some arguments have largely been of a financial nature. Microfinance has been seen as a liquidity tool, aiding in the creation of additional household income which has been valuable for consumption in smoothing purposes and raising the

standard of living (Midgley, 2008:477; Otero, 1999:11; Bateman, 2010:25). Midgley (2008:474-475) states that the expansion of microenterprise in poor communities has a multiplier effect. It is assumed that an increase in the income of low income families will increase the demand for goods and services will increase as well. This increase would help to stimulate local production and other economic activities. With raised economic activities, new employment opportunities would be created as the successful ventures would expand and require more hands.

Ironically, in economic terms, it seems that microfinance has been mostly seen as failing dismally. It has also been noticed that microfinance institutions have mostly focused on the economic aspects of poverty and not addressed its non-economic dimensions (Burra, Deshmukh-Ranadine & Murthy, 2005:27). The discovery that women sometimes had to hand over control of their loans to their spouses was the result of ground-breaking research as no one had investigated microfinance from this angle before (Goetz & Gupta, 1996:49; Kabeer, 2000:64-65).

Inasmuch as there is a lot of criticism towards microfinance because of its failures, such as causing more trouble for women and its failure to provide sustainable finance, there is a need to isolate and highlight the possible wider social effects of receiving microfinance, and how these might be able to empower women beyond the economic sphere.

3.3.6 Non-financial effects of microfinance

From the above it is clear that empowerment can be influenced by more than financial inputs. The proposed research differs from other studies that assess the impact of microfinance, as it seeks to discover what non-financial outcomes women recipients experience after having received microfinance loans. Through this, the research will assess whether these effects are empowering for women. Although previous studies have only revealed marginal financial improvements in the lives of female loan recipients, these females have experienced more social emancipation (De Haan & Lakwo, 2010:530).

For this research, non-financial effects have been conceptualized as the individual intrinsic and extrinsic results of having received and utilized the microfinance. Intrinsic results can be defined as the ability to find fulfilment and the opportunity for self-development and growth. An extrinsic result is the recognition or feedback an

individual receives (Armstrong, 2010:161-162). This definition was originally used in Reward Management Practice, but it has been adapted for this study. It is important to note that the non-financial effects are not considered to be the direct results of receiving the financing but the gains that are acquired through the use of the loan and generation of income. These intrinsic and extrinsic results would have an influence on the level of the individual member and her immediate household, as well as the community at large (Zohir & Matin, 2004:304; De Haan & Lakwo, 2010: 542). The microfinance loans have a direct influence on the individual; this in turn creates a change within the individual woman who then has the power to influence her immediate surroundings, specifically her household. Finally, this will have an influence on her community or macro-environment, which is external to herself and her household. This research will be focusing on the micro level impact of microfinance. Namely being the individual and the household level.

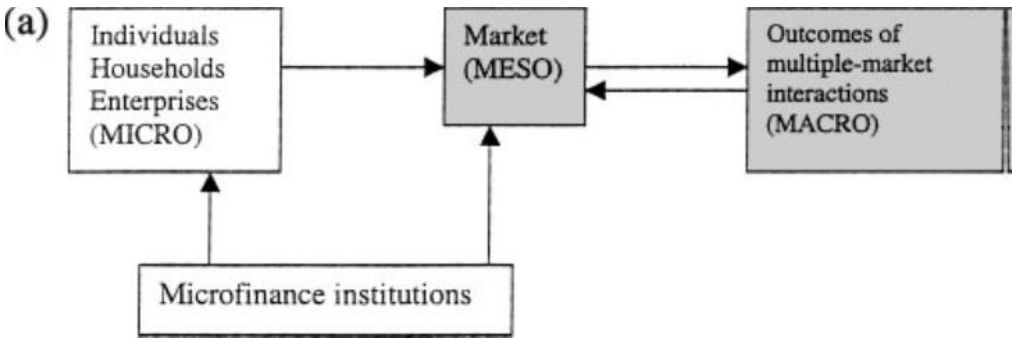

Figure 2. Depicts influences and effects of microfinance on women and their external environment (Zohir & Matin, 2004: 306).

Karnani (2007:36); Cheston and Kuhn (2005:14) all suggest that economic empowerment should create higher levels of esteem within a woman. This would include pride, self-belief, self-worth and self-respect. Bateman (2010:25) suggests that empowerment comes from the sense of responsibility women take on in having to manage and repay the loan they receive, which not only improves their acumen but confidence. De Haan and Lakwo (2010: 533) state that these feelings are brought about through social intermediation, which is the non-financial support provided to the borrowers to help them acquire skills or values to use in their micro-

enterprise. Examples include business training and literacy training, which are provided as a result of a woman having taken out a loan. The women will then make use of their loan and through the use of the loan, will be able to acquire new skills. This suggests that the manner in which women utilize their loan will have a direct influence on their outcomes.

3.4 BENEFITS MICROFINANCE HAS ON ITS FEMALE RECIPIENTS

For many developmental institutions, the act of placing microcredit in the hands of poor women has been seen as an achievement and a move towards gender empowerment for women (Bateman, 2010:42). It is important to assess what microfinance has been able to do for women when they have been able to use the finance. This statement disregards the critiques and debates about microfinance not being sustainable financially. Schriener (2002:594) states that microfinance may improve the welfare of the poor even if it does not improve the profits their businesses may make. Looking at the nonfinancial effects of microfinance, leads to a focus on the human aspects of poverty, social freedoms and development, which are often disregarded. Goetz and Gupta (1996:48) state that the increase in women's incomes improves the livelihood enhancement functions that women perform in their households. An improvement in women's livelihoods can potentially have 'spillover' effects on the other members of the household.

3.4.1 Changes in the women's self-perception

The changes that women see in themselves are often the first changes that they recognise. With access to income, women see themselves in a better position to fulfil their roles as caregivers as they have become economic providers (Hulme, Barrientos & Hanlon (2012:59). The fact that women can fulfil their traditional or gendered roles creates in them a sense of achievement, and a renewed sense of worth. Similarly, Swain and Wallentin (2009:545) explain that when a woman is better able to perform her role as a primary caregiver it can lead to an increase in her

self-confidence and feeling of self-worth; therefore increasing the conditions that can lead to a greater sense of self-worth Others may argue that microfinance creates more inequality rather than less (Cheston & Kuhn, 2002:29); however, if women can effectively fulfil these roles in their homes they can less likely be bullied or mistreated because of lack in the house hold. This, in effect, means women will be 'protected' and not subjected to abuse.

Women's access to microfinance can positively influence how they view themselves, but it is also up to the women whether they will adopt a new attitude. Sen (1997:3) states that changes in consciousness and self-perception are one's own and when they occur can lead to radical transformations. These changes can result in hope and enthusiasm among people who previously viewed their lives in negative terms. She further explains that external factors may be necessary to act as catalysts for this change, but momentum of empowerment can only be maintained by the individual. This suggests that in as much as women can receive a microcredit loan to improve their lives, maintaining drive and a positive outlook is entirely up to them.

Women's ability to earn an income improves their confidence. Nader (2008:655) states that as women's income and assets rise, they play an important role in enhancing women's economic independence, as well as a sense of self confidence. This implies that women's ability or freedom to earn an income is positively related to the level of independence and self-confidence a woman possess. The new confidence women gain is the result of the knowledge and know-how they have gained and, in effect, the capacity and the ability to do something they feel that they possess (Cheston & Kuhn, 2002:30).

Empowerment, goes beyond a programme or receiving a loan; it is accompanied by a changed perception of self, and the awareness of new possibilities. Løsnesløkken (2014:40-41) states that if women are unable to see themselves as capable of thinking, learning and making decisions, feel that they are worthless and are unable to be happy or achieve, then empowerment will never be realized. This suggests that for empowerment to fully occur women would need to see and think of themselves as being able to create positive change, even though they may not yet have done anything.

3.4.2 Household changes

Major debates surrounding microfinance and the household have mostly been about the changes in household consumption, women's bargaining power and the relationship the female recipients have with their spouses. Pitt and Khandker (1998: 791) found that there were increases in consumption expenditure. Similarly, Hulme, Barrientos and Hanlon (2012:53) state that money received by the women is typically spent on better and more varied foods, such as more meat, fruit and vegetables. An increase in household consumption tends to result in an increase in the entire family's nutritional food intake which implies that the family would be healthier. With the access to income women are more likely to invest in their children (Nader, 2008: 644). This results in a well fed family and better looked after children.

Nader (2008:647) hypothesizes that harmony in the family is positively influenced by microcredit as it could decrease household difficulties, such as disputes, by improving the economic status of the family. This suggests that when there is money coming into the home, this would result in a better household environment.

On the other hand, there have been debates which have been about women's bargaining power. Women's bargaining power has been extensively researched. There have been findings that suggest that when women contribute to household income, it improves their position in the household. Sen (1990:194) states that when a woman is earning an income outside the home, her contribution is more visible, than when she just works at home. Even the fact that women have money saved boosts their freedom should any problems arise, and thus contributes to their bargaining power. Similarly, Osmani (2007:698) states that by contributing more income in the household, women gain greater bargaining power to the house. This suggests that when women have more money, this has a positive relationship to the level of bargaining power they would possess in the household in and in relation to their spouse.

Inasmuch as women do reflect a higher bargaining power when they possess an income, this does not imply that women are more powerful than their spouses. In some cases women do not even have full control over how the money is used. Gupta and Goetz (1996:49) found that in Bangladesh a majority of women had very little or even no control over their loan. This would be unfortunate as it would result in

women being less empowered than before and thus take away the positive impact microfinance was intended to have on the women. It is important to highlight that changes in bargaining power would be more relevant in a household where there is a male partner or spouse. This is where the effects of patriarchy or male dominance are felt more greatly.

3.4.3 Community involvement

By virtue of the fact that women have received microfinance loans and are participating in income generating activities, there are positive changes that occur in women's homes, their neighbours' homes and, in effect, the whole community. In the developing world context, women's aspirations relate to their surroundings, such as family and community, and so through this there will be a relationship between women's empowerment and the strengthening of communities (Tesoriero, 2005: 321).

Women's access to microfinance and their ability to constantly meet with others creates a network of exchange that can potentially result in a larger group of people becoming empowered. According to Sanyal (2009:531), because of microfinance's group-based structure, it creates the possibility of gendered practices being opposed, such as women's abuse. In Sanyal's (2009) study, he sought to determine whether microfinance facilitates women's collective empowerment. The study further questions whether microfinance is able to address social problems in their communities and influence social norms.

Sanyal (2009:530) states that microfinance programmes can foster social capital. Social capital is achieved through positive levels of trust, information flow and mutual willingness of groups to help one another. People's participation in group meetings and group-based lending can amongst other things result in social capital. Gomez and Santor (2001:946) state that social capital can be described in several levels: country, community, and individual. Community and individual levels are the most relevant for this study. Community level social capital is the depth and the quality of connections created by community members. Individual social capital is the individual's own characteristics, such as charisma, status, and ability to access other networks. This access would enable the individual to extract private returns from his/her interactions with others.

Inasmuch as social capital is generated and used principally by women, more often than not social capital is not planned. The women are not meeting in order for there to be social capital. However, the result of many minds meeting with common and personal issues as is that it becomes almost natural for them to share some of these problems and develop solutions. Midgley (2008:447) states that the women in the groups will have strengthened collaborative relationships. Swain and Wallentin (2009:541) argue that women's empowerment can only occur when women get to a place where they can challenge existing social norms and culture to effectively improve their well-being. This suggests that because women are consistently meeting they are capable of addressing social problems, or at least deriving solutions collectively.

Women meeting together build and strengthen social relations. Gomez and Santor (2001:946) state that social relations can provide three things: instrumental support, productive information and psychological aid. Instrumental support is the availability of 'free' labour. For example, in the case where family members or relatives can provide their services at lower earning rates than what the market rate is. Being in close social relationships can also allow for the dissemination of useful information. This information would include the transfer of business ideas and knowledge about local competitors and trusted suppliers. This knowledge could assist in improving the women's IGA's, such as the transfer of customer referrals. This as a result means dissemination or word of mouth will be a positive influence on the women's business.

This chapter delves into what microfinance is, focusing on the reasons why women have been targeted and the different approaches there are to microfinance, as well as looking deeper into the relation of microfinance to poverty and empowerment. Finally, it describes the non-financial effects of microfinance, namely the changes in the women's self-perceptions, household changes, and what effect microfinance has on community involvement.

CHAPTER FOUR: METHODOLOGY AND RESEARCH SITE

4.1 METHODOLOGY

In this section the research approach is outlined. The research methodology, research activities, and research site are discussed. This is followed by discussions on the choice of participants, data collection, access, and ethics considerations and lastly, limitations to the study.

4.1.1 Research methodology

This research employs a case study methodology. I selected the case study method as it would allow me to highlight the aspects of the selected research site that make it different from other cases. Stake (1995:xi) describes the case study as the study of the particularity and complexity of a single case and that aids in understanding its activity within specific circumstances. Yin (1984:14) adds that the case study method allows an investigation to keep the holistic and meaningful characteristics of real-life events. As part of using a case study approach, I have been able to work with key informants - the field workers employed by the organization - who have assisted me in reaching the participants. I sat in at the group meetings, which were held at different “centres”. These “centres” were the recipients’ homes. At these meetings, the field worker would introduce me and explain to the participants why I was sitting in a meeting with them.

This case study is conducted qualitatively. Qualitative research provides textual and narrative accounts and these answers can provide more in-depth information in relation to the part of the population being studied (Vanderstoep & Johnston, 2009: 45). Qualitative research is described as being conducted in natural spaces in which the focus is on context and primarily based on interpreting what is observed (Marshall & Rossman, 2011:2).

I selected the qualitative method because it is the best method to answer the research question posed. In this study I am attempted to extract the experiences,

understandings and perceptions of the participants and because of the nature of the information I have received, it is beneficial to make use of a qualitative method.

By using this method it is possible to extract more in-depth information from the participants. With the qualitative method I am able to explore the responses received and to engage the responses with the research questions more deeply. This method has enabled me to maximize the response rate. In other words, the participants had the opportunity to explain and delve into their experiences to a greater extent. Due to the nature of the research question and this particular method, more time was needed for each question on the research instrument. The use of a qualitative approach was the best to elicit explanations meanings and understandings of the women's firsthand experiences with microfinance.

4.1.2 Research activities

Research methods are described as having the purpose of collecting the data that will provide the necessary information for answering the question (Sarantakos, 1988:166). I have elected to make use of in-depth interviews. This type of interview makes use of verbal questioning as a means of collecting raw information.

The interviews that I have conducted were semi-structured interviews. Semi-structured interviews fit between the format of structured and unstructured interviews, in which there is no rigidity in the manner in which a question can be asked (Sarantakos, 1988:247). This method was most suitable as I was able to use my own discretion during my individual interviews. I was not forced to follow a structure, but the semi-structured interview schedule that I developed, guided me through each interview. For example, when I was facing a wary or reluctant participant, I was free to adjust or change the questions and manner of questioning in order to make the participant feel comfortable and at ease in order to fully participate.

I went to the field in search, broadly, of the non-financial effects microfinance loans have had on the participants who have received loans. It was helpful for me to leave the questions semi-structured as I went to the field with only a theoretical understanding of what these non-financial effects might be. The semi-structured interviews have been advantageous as I have been able avoid the subjectivity of an unstructured interview due to the guidance provided by the semi-structured

interview. I did experience some challenges, while in the field. These mainly occurred when I was conducting the interviews. Having to think of appropriate follow-up questions during the individual interviews was not easy. The greatest trials I experienced were during my first round of interviews, but as I conducted more interviews and gained some experience, I was better able to handle asking impromptu questions.

During the interviews I made use of a Dictaphone to record the interviews and to help ensure the accuracy of the information when it was transcribed.

4.1.3 Choice of participants

The type of participant chosen will determine the form of the research question being investigated. This research focuses on understanding the experiences of black rural women. The relevance of the choice of this group will is discussed in this section. After two decades of democracy, South Africa is still trying to transform its society. Some of the challenges it faces include race and class gender-based inequality. The aims of transformation comprise the facilitation of socio-economic development, the enhancement of the standard of living, and empowerment of the historically disadvantaged, particularly women and the poor.

Poor black women's access to resources, opportunities and education, as well as to the growth and wealth of the country, has been limited. This is particularly the case with black rural women as they are the ones faced with the challenges of having no resources, living in poverty, and having little chance to prosper. According to Kehler (2001:45), in South Africa black rural women tend to be the poorest of the poor. Their lack of access to resources and basic services adds to the gender inequality they experience in the household. This means that black rural women are not only poor in society, but also the poorest within their family structures. This suggests that their experience of poverty is greater than that of men. The reality of rural black women is that they carry many burdens, such as their multiple reproductive and productive roles like child rearing and family caring. These women may also be at risk of discrimination or oppression within the family structure and household.

The participants chosen for this research are black rural women. This is because black rural women are, as Kehler (2001) suggests, the worst affected by poverty in South Africa. And organizations which aim to improve the livelihoods of the poor are

more likely to support the rural poor women. This is the case for the Small Enterprise Foundation (SEF), which predominantly finances women. If these organizations, such as SEF, support women, there is a greater chance that the support the women receive will be translated to their children in a positive way, in that their children's nutritional intake, access to health and education will improve.

The participants that I have sampled were accessed through the microfinance institution, SEF. According to Salkind (2010:1302), sampling occurs in research to observe a portion of a larger group of possible participants. Statements made from observing these groups are used to make generalizations that can be applied to the rest of the population. The type of sampling used in this research was convenience sampling. Convenience sampling is used when the participants are readily available (Salkind, 2009:1304). My sample was readily available, as I had access to the participants through SEF, the organization I was working with.

Initially I hoped to interview 20 participants, but I exceeded my expectations and managed to interview 22 participants. For the purposes of my research I categorized my participants into three major groups: women who are single or widowed with children, women who are married with children and living with their spouses and women who are married with children but living without their spouses. A significant number of the women were grandmothers' raising their grandchildren as their own because of migrant labour. The women were all Xhosa speaking and were all above the age of 30 years old.

These categories have been selected as it would be beneficial to see whether the non-financial effects influence the women differently depending on their particular demographic group; particularly to see the differences or similarities in the non-financial effects between women who are living with their spouses in comparison to those who are not living with a spouse. These categories also help assess whether the women who fall within a certain category have had different perceptions on the use of the microfinance loans.

4.1.4 Data analysis

To analyze my data, I elected to make use of the phenomenological approach. According to Guest, MacQueen and Namey (2011:13), phenomenology is the analysis of the participants' perceptions, feelings, and lived experiences that are

considered important and become the objective of the research. I chose this method to analyze my data, as my data set was small. Phenomenology has also allowed me to interpret and explore my findings. My data analysis began once I had transcribed my interviews. Upon which I read my transcripts and started to identify themes. This described as thematic analysis. According to Guest, MacQueen and Namey (2011: 50), a theme is a unit of meaning, which is identified in the data by the reader of the text. As the interviewer and the transcriber it was easier for me to make use of a thematic method as I was able to elicit the common 'threads' or recurring themes that ran throughout the interviews.

4.1.5 Research Site

Microfinance has spread throughout the world and what originated in Bangladesh has been replicated and adapted in other parts of the world. The world renowned Grameen Bank has been a model for MFIs throughout the world (Khandker, 2005: 264). Although microfinance has, over the past two decades, spread rapidly to other parts of the world such as Africa, Eastern Europe and Latin America, each of these regions faces both unique and common characteristics with the South Asian country.

Much of the poverty in South Africa can be attributed to income poverty or deprivation. South Africa has been categorized as an upper middle class country, with a skewed distribution of income. However, according to Statistics South Africa (Stats SA, 2014), the national poverty level in South Africa 2009 was at 56,8%, this percentage stating that a little over half of the country's population was living below the breadline at the time. The significant difference in the income gap between the poor and rich has received much attention. According to Machethe (2004:2), a total of 42% the South African population were living in the rural areas in 2001 and that 65% of those living in rural areas were living in poverty. Furthermore, Machethe states that in South Africa's case, poverty is more prevalent in rural areas in the former homelands. According to Stats SA (2014), Limpopo province had the highest rate of poverty, at 78,9%. This is followed by the Eastern Cape, that had a rate of 70,6%. Klasen (2000:33) also points out that, in African rural areas, the households with women as bread winners or female-headed households are more likely to experience higher levels of deprivation compared to urban dwellers. This suggests that Black African women, heading households in rural areas, are more likely than those living in the urban areas to suffer the realities of poverty. Furthermore, if it is

the women the rural areas who experience poverty most harshly, then there should be a prioritization of these women, and development strategies should be aimed at serving them, as well as their families.

In the case of Asia, in the rural parts of Bangladesh, vulnerable women experience complex social situations that affect their social networks and capital. Their lives exist within hierarchal systems of financial dependence. However, due to macroeconomic changes within Bangladesh the role of women has evolved. Consequently, women have had opportunities to access new kinds of livelihoods (Matriot, 2014:81-82). Although significant strides have been taken in South Africa to change the status of women, it has not been enough to effect a substantial change in these women's lives as many South African women are still far from being empowered. Women in South Africa form part of the majority of the impoverished and least empowered members of society (Hajdu, 2006: 120).This statement agrees with what was mentioned earlier about rural women in South Africa. This just verifies that women in South Africa, whether rural or urban, are the most affected by poverty.

In South Africa, the Limpopo and Eastern Cape provinces have the highest proportion of poor in the country of their populations living below the poverty line. SEF's financing of women in the Eastern Cape's former Ciskei commenced on between November 2007 and 2012. SEF saw that there was a lack of financing alternatives for the poor women of this region and felt a need to support the second most harshly poverty affected province in South Africa. Their presence in the Eastern Cape is a relatively new one and, which hopes to decrease the scourge of poverty amongst women in the Eastern Cape. Although SEF development microfinance is relatively new in the Eastern Cape, the organisation hopes that its contribution towards women will trickle down to the rest of the women's families who are also living under the breadline.

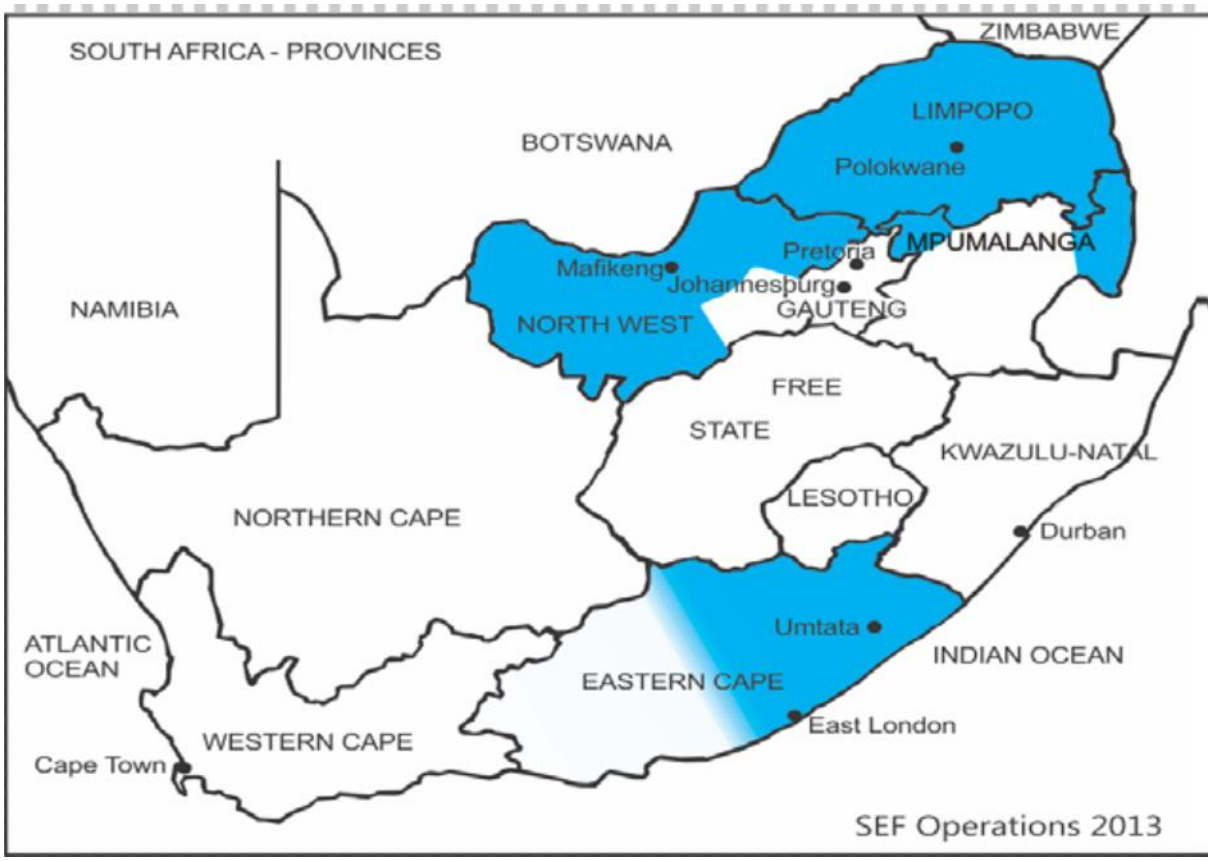

Figure 3: Highlighted provinces are SEF Branches in South Africa (SEF AFS, 2013)

The data collection for this study took place in the Eastern Cape in the Amathole Municipality, in two rural villages from the Amahlathi Local Municipality Gxulu Village and Ngqeqe Village. SEF was the microfinance institution through which the research participants were accessed and is also the case study for this project. As previously mentioned, the Eastern Cape is one of South Africa's poorest and least developed provinces. This region was selected as it represents a typical area where developmental microfinance programmes run, in rural areas with a high population of poor rural black women. The region matches the characteristics of a standard site that developmental microfinance institutions usually target. The site is a rural area and consists of communities with many disadvantaged and impoverished women who are being sought in order to help them start, or resume, an IGA.

4.2 A PROFILE OF THE SMALL ENTERPRISE FOUNDATION

The Small Enterprise Foundation (SEF) is a not for profit, non-governmental, pro-poor microfinance institution founded in 1992 and based in Tzaneen in the Limpopo province. It applies the model of the Grameen Bank in extending loans to groups of five women on a joint liability basis. The aim of SEF is to work towards the elimination of poverty and unemployment. This is accomplished through two programmes, the Microcredit Programme (MCP) and the Tšhomišano Credit Programme (TCP). MCP focuses on existing, but generally marginal micro-enterprises and provides them with micro-loans. On the other hand, TCP strictly targets women who live below the poverty line. In both MCP and TCP, once a client requests a loan she is required to form a group with four others whom she knows very well and trusts. Each of the five must also be interested in obtaining a loan for their own individual businesses. The five group members are then required to guarantee each other's payments. No other collateral is required. SEF's loans are only for enterprise and a series of checks are in place to ensure that loans are not diverted for other purposes (Small Enterprise Foundation: Background, 2014).

Currently SEF has 54 branches throughout South Africa. Nine branches are in the eastern and western parts of Mpumalanga Province and eleven in the North-West Province stretching from the villages around Hammanskraal all the way through to this province's western border. Twenty-one branches cover the entire headquarter province of Limpopo. Thirteen branches are in the rural areas of the Eastern Cape between East London and Mthatha.

The meeting of the women is in such a way that they meet with a field officer on a fortnightly basis. The various centre meetings held are designated for each of the groups the women are part of in a certain area. The 'Centre' is usually a group member's house or a space they have volunteered to hold the fortnightly meetings. The interviews were held a separate room, away from the other members as to ensure privacy for the participants.

4.3 ACCESS AND ETHICAL CONSIDERATIONS

In order to reach the participants, I first consulted with the microfinance institution, SEF. Permission was granted by the institution. I was then able to start conducting my data collection. There was only one interview held with each participant. At the beginning of the interview the participants were asked verbally if they agreed to becoming participants in the research. If they agreed they were requested to sign on the consent forms. The consent involved two kinds of consent; consent to conduct an interview and consent to do an audio recording. I clearly explained to the participants that they were free to stop participating in the study if they felt uncomfortable.

The nature of the research did not explicitly infringe on ethics as, for example, there were no questions asked about the women's financial positions. However, I did receive ethics clearance from the university. Anonymity and confidentiality were upheld in this research as the participants' real names were not published and pseudonyms were created instead.

This chapter has demonstrated the methodology applied in this research. It provided a discussion of the research methodology, research activities, and research site. This was followed by discussions on the choice of participants, data collection, access, and ethical considerations.

4.4 LIMITATIONS OF THE STUDY

The first limitation to the study was that the participants were accessed through the Small Enterprise Foundation. This may have created a methodological interview bias because the participants might have assumed that I was somehow affiliated with the organization. Although, I had explicitly explained to my participants that I was conducting independent research, during my interviews some participants offered only favourable answers, although I had explicitly explained that I was conducting research independent of the organization.

CHAPTER FIVE: PRESENTATION AND DISCUSSION OF FINDINGS

The previous chapter presented the methodology applied to conduct this research and how it relates to this research, as well as the research site. Namely, it looked at the research methodology, research activities and data analysis. This chapter will be demonstrating and discussing the findings so that the primary and secondary research questions can be answered. The primary data collected will be used in this chapter to report on the key characteristics common between the participants. A discussion is given on how the women were surviving prior to receiving the loans. This is will be followed by the effects microfinance has had on the women, their household and family dynamics, and lastly, the effects microfinance has had on the community. This chapter will conclude by showing the impact the micro loans had on the different aspects of the women's lives, individual identities, social position and economic position.

5.1 CHARACTERISTICS OF THE 22 WOMEN PARTICIPANTS

According to Machethe (2004:1), poverty is felt very harshly by those living in the former homelands. Similarly Westaway (2012:116-117) states that rural households earn far less than urban homes and, on average, the rural households do not have a single member who has been formerly employed. Thus, members of communities in rural villages would be struggling to make ends meet, as most households would have only small amounts of income, or none at all. All the participants in this study were part of a family unit within the rural community, although the households the women come from are not financially the same. There was a need for the women to be part of SEF to supplement whatever income they had.

Furthermore, the women were not joining SEF for their own well-being but to contribute to the well-being of others in their family units. In some cases their joining SEF not only benefited their immediate families, but also those who are part of their extended family.

All of the women interviewed had received a loan from SEF, and each of them belonged to a joint-collateral group. Each of the women interviewed belonged to different groups of five members each. However, not all members of the groups agreed to be interviewed. The groups the women represented from Gxulu Village were: Kwanobuhle, Siyazama, Sinebhongo and Qhayiya from Gxulu Village. From Ngqeqe village: groups Kuyasa, Masimbumbane, Kuyasa, Khanya and Masithembane, were represented. At least one member of each group present at the meeting agreed to be interviewed. Only 22 women from the two villages agreed to be interviewed. Of the 22 women interviewed, 10 were married, two were recently widowed and the rest were single.

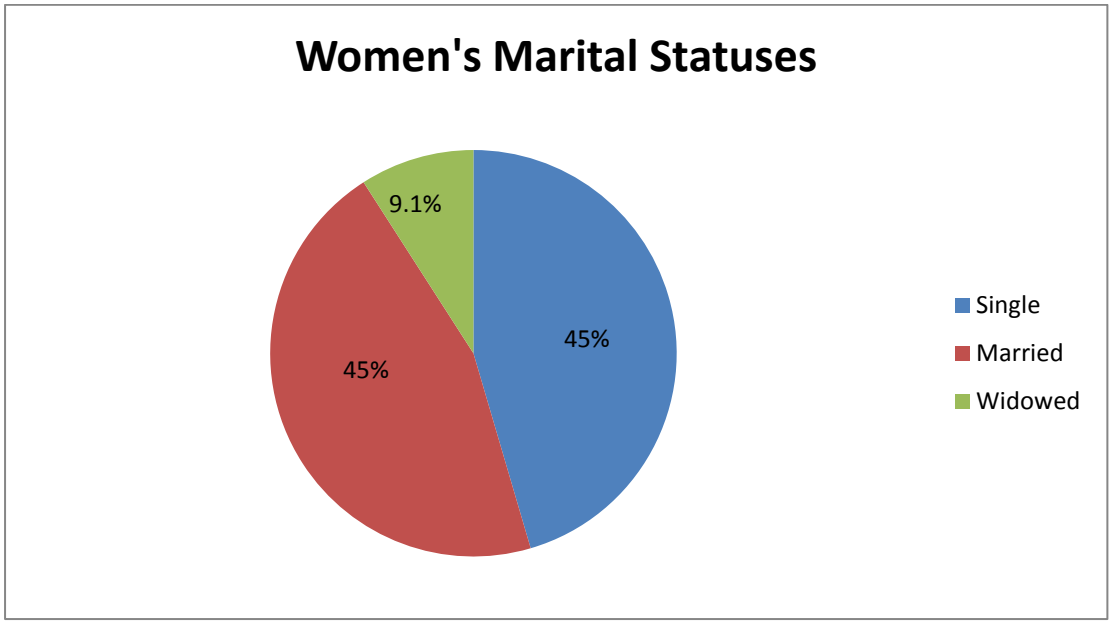

Figure 4: The women's marital statuses

The fact that a woman's marital status is either married or single will play a significant role in the control and the use of the loan. The women's marital statuses can only reveal who they might be accountable to, in terms on decision-making about how their income is spent.

A key characteristic of the 21 women was that they all had children. A common trait was that some of these women were also taking care of the second generation after them. These women were raising their children's children as their own. The main reason behind this was that their own children were working and living outside of the

village, having migrated to the bigger cities in search of work. In some instances, their children were unemployed and so they had taken on the responsibility of providing financially for the children.

Only one out of 22 had a spouse who was working, and contributing to household expenditure. Out of the 22 women, four described receiving remittances from their employed children.

5.1.1 Derivation of themes

The themes which are about to be discussed were derived through the research instrument that was used and the responses which were revealed by the women when they were answering the questions posed to them. The themes that I recognized were broadly placed into three categories. The first category is the effects and changes the women saw in themselves after receiving microfinance. The second category is the changes in the household and family dynamics after the loan was received. The third category is how women were able to create changes in their external environment - their community.

5.2 WOMEN'S SURVIVAL STRATEGIES BEFORE JOINING THE SEF PROGRAMME.

African women living in rural areas are often the worst affected by poverty. Their lack of access to opportunities and resources often leads to them being the poorest members of society (Kehler, 2001:45). In terms of formal employment, only one of the women interviewed was currently formally employed. This is a common case for many people living in rural Eastern Cape.

Apart from doing important unpaid household labour, such as caring for children of migrant workers, women in the rural villages of the Eastern Cape are often also involved with informal trade because of a lack of jobs, skills, and education (Kehler, 2001:450). Unlike their Asian counterparts, South African rural women are unable to consistently sustain themselves with agriculture. According to Westaway (2012:116), agriculture in the Eastern Cape can no longer be relied upon, as over the past 60 years there has been a gradual move away from agriculture in the former

homelands. This suggests that the traditional role of farming is now unable to sustain rural livelihoods.

Prior to joining SEF, the women explained that they were living under rough conditions. The women were depending on varied means. Borrowing from moneylenders, neighbours, or families was not uncommon. State pension or children's social grants, as well as remittances they would receive from migrant workers, were means of income they relied upon. With what they received, the women would prioritize the well-being of their children and families. The women knew that if they did not remedy their situations they would continue to struggle. The participants were asked through interviews to describe their lives prior to joining the microfinance programme and receiving the loans, such as how they were making a living and also why they had begun their IGA's.

As mentioned earlier, the availability of credit to the poor has been broadly seen as an effective strategy to reduce poverty. It is not only the poor's lack of income that has contributed to the high rates of poverty in developing countries, but also the lack of access to finance from traditional banks, which have reverted from doing business with them because of their lack of collateral (Tettah, Antwi & Opareh 2014:875). This has resulted in the poor being heavily credit constrained. These constraints have a number of severe consequences such as the inability to provide for consumption in the short run and families remaining in the poverty trap. According to Baiyegunhi, Fraser and Darroch (2010:2244), credit constraints can lead to behavioural adaptions such as the establishment of lender-borrower relationships in the community.

Such lender-borrower relationships are common in the rural areas. Poor rural households are continually dependent on informal money lenders because of the lack financial resources and opportunities for wage labour. This proved to be the case for the women interviewed as well. The women described how they were borrowing from moneylenders, waiting on remittances, and receiving government welfare for themselves or the children they are looking after.

> "I was not working for a long time. I became interested in SEF when the car arrived, which I did not see, carrying SEF employees, came to tell us about SEF. I heard

through word of mouth, of what SEF was and I became more interested and joined. This was my only means of surviving and supporting my family." (Mam' Gatyeni Ngqeqe Village)

"Because we are in the rural areas *siphila ngetyala* (we live on debt) or grant. You will find that in order for us to have money and survive, we have to wait on our pension grants. We live that life." (Mam' Madwe Nqgeqe Village)

"My children who do have jobs are sending me *'i-centana'* so that I can add to what I have." (Mam' Matodlana, Ngxulu Village)

"Our children are just sitting in Cape Town; they are not working. Those who are in Gauteng used to work but the firms closed down. Because we gave birth to children in the old days, in which when one had standard ten it looked as if they were going somewhere in life. Now they look for work in firms. There is no other place they can go because they are not educated. We are in that sort of pain. Also we are in the rural areas - we live by borrowing or on our grants. You find that in order for us to have money to survive we wait for our pension grants. We live that kind of life. We are not given a chance at the banks as older people. We end up going to the *"Mashonisas".* (Mam' Madwe, Nqgeqe Village)

"We were struggling very much. I do not have a child who works; well my child does work, however the older one teaches at a crèche. She started last year, and she has not been paid up until now. It is her and her child, they are dependent on me. We are being helped by their grant. I do not count it because it is too small. I need to pay the transport that takes the child to school. I struggle, but manage." (Mam' Sindiswa, Ngxulu Village).

One woman describes the harshness of borrowing from the moneylenders, this being the reason why she opted for the SEF micro loan.

"We are used to borrowing money from the skoppers and at the skoppers you will pay the interest but the principal amount will be waiting for you" (Mam' Njokweni Village, Ngqeqe) .

Borrowing money from money lenders and unscrupulous loan sharks is a reality for some in the rural Eastern Cape. This is not out of choice but out of desperation for a means of survival. So an organisation such as SEF has not created debt or a dependence on debt but has offered another source for these women to access what is, for them, a normal source of livelihood or income, through borrowing.

15 women out of the 22 interviewed had been embarking on their own informal trade, as a means to provide for themselves as well as their families before joining SEF. They all joined SEF, as they hoped to help strengthen their businesses, by injecting capital into their businesses.

> "I used to sell - growing and selling my own vegetables. It was not enough. I felt in my struggles, that we would not get any work; we were not getting anything. My husband and I were unemployed, dependent on the grants of our grandchildren and now our pension grants." (Mam' Booi, Ngqeqe Villiage)

> "At home we had many struggles. I figured I would start a business. I had no money since I had no job. But the little that I could find, I began selling small meats, such as polonies, in order to support us." (Mam' Madlingozi Ngxulu Village).

> "I started my business in 2008; I was just selling alcohol at the time. I was also selling snacks, such as chips for the children. I was a person whose business would fail, but I would then try and start again. Now I have happened to meet SEF. This is how I have been able to build my business to become as strong as it is today." (Mam' Jali Ngxulu Village)

Only one participant had a 'formal' job prior to joining SEF, but found that the job she was in was not financially fulfilling and was very risky. For this she opted to approach SEF to start her business.

> "The reason why I started my business was because I was only working as a volunteer. I was a home-based caregiver. We work very hard. In the villages where we work in, the houses are very far apart. We walk by foot. We escape rape and being attacked by dogs, because we are walking through deserted areas, which can be surrounded by bushes as well, so in these places we are at risk of anything. When we are hurt or injured because of our job, the government does not respond to that.

> Even if you are bitten by a dog at these houses there is nothing that you will receive. I have not stopped working as a volunteer. We are getting peanuts; I suppose it is because we are not formally hired. Then I decided, let me do it myself; this was when I went to SEF." (Mam' Mali Ngqeqe Village).

When the women were asked why they had joined SEF, they mainly responded by saying that part of joining SEF was for purely economic reasons and not necessarily for the social benefits.

> "I saw that my things were not going well in my business. Then I heard about SEF. I noticed that the women who had entered into SEF, had successful businesses, which had gained a lot of progress since receiving the loan. I then decided that I too should enter into SEF. I also see, that where I could go is very far." (Madlmini, Ngxulu Village).

> I was someone who was unemployed but was always someone who wanted to go into business but I had no money. Once this idea of SEF appeared, I entered SEF. I was able to borrow money from SEF. I was then able to start my own business (Mam Njokweni, Nqgeqe Village).

Life before the women received the microfinance appears to have been one with a lot of strife, where they were dependent on remittances from working children, government grants and informal moneylenders from the community. The fact that one woman out of 22 had a formal job before joining SEF indicates the limited opportunities of employment in the rural areas. This is in agreement with what was stated by Kehler (2001:46) that rural women are faced with limited access to education, skills, and training, which contributes to them being severely affected by poverty. So by being part of such an intervention, women have not only increased their access to income, but have also gained independence and freedom, from their poverty-stricken past.

The informal sector provides a solution to the high levels of unemployment in the rural areas, although according to Mosoetsa (2009:124), the informal economy is not sustainable for the ratio of unemployment to waged work. Being part of the informal economy seems to be the only livelihood strategy available to rural women. Not only

is this a means of survival for these women, but it is also a way for women to fulfil their role as caregivers. Being part of the informal economy allows women to combat the effects of poverty.

5.2.1. The women's perception of the loan they have received.

Four out of the 22 women commented that, inasmuch as they are indebted to SEF, and need to pay SEF on a fortnightly basis, they feel that the benefits they have reaped from being part of SEF far outweigh the fact that they need to pay back the loan. They are glad to make the payment and proudly take the responsibility upon themselves.

> "I chose SEF because I noticed that SEF does not charge large amounts of interest. If one were to go to another place, they would take away your grant or bank card and it would stay with them. Unlike the other lenders who expect you to pay the whole amount borrowed plus its interest, with SEF, you pay back only bit by bit. They do not ask for all the money, which is what causes the most stress." (Mam' Mdletye Nqgeqe Village)

> "I am handling the money I have borrowed well; it is working well for me. I would advise others who take out the loan that, they should put aside some of the money they make so that they can pay back the loan" (Mam' Tolo, Ngxulu Village)

Although some are saying that they have been able to handle the payments and are up to date, there was one case where the participant shared she had experienced some difficulty.

> "I do not have any outstanding debts with SEF. SEF has helped me a lot. I live with my mother and children in my family home. But on the days of meeting with the others and paying back, if I am short by a certain amount I can always ask my mother and she would give me the amount that I am short." (Mam Jali, Ngxulu Village)

One woman out of the 22 described how the receiving the loan has had a changed effect on her home situation. She described the loan as something that has set her free.

> "The house has changed so much. All is lighter now. You will find even if the school children are around, they will ask for money for this and money for that. It sets you free; it sets you free. I can eat what I want through this money I got through SEF. It sets you free for my child. I have no problems as compared to the start." (Mam Sjadu, Ngxulu Village)

The woman stated how the loan she received from SEF has set her free, although she has a small debt to pay. This suggests that being able to overcome hunger is freeing for the woman. Freedom, particularly the freedom from the burden and the pain of not being able to provide for the family, most especially the children, appears to be one of the greatest advantages the women had received.

It appears that the women's involvement in SEF has not put strain on the women, as they have been devising strategies to ensure payback. Although previous studies have suggested that microfinance leads to an increase in women's debt problems (Bateman, 2012), these responses show otherwise. This may be as a result of the low interest rate charged by SEF, which is not detrimental for the women, as well as the group structure, joint liability and the fortnightly meetings with the loan officer. The fact that the women chose to be in groups with people they trust, would suggest that there was positive pressure from group members to ensure timely repayments. Although the women are able to pay back the loans, they do encounter struggles. This is not contrary to prevailing debates, but cases which exist do vary and women's own support systems play a significant role in repayment. These women have suggested that they have received positive reinforcement at home. This shows that with support consistent repayment can be possible.

5.3 THE EFFECTS OF MICROFINANCE ON THE WOMEN

5.3.1 The financial effects

Unlike the findings of Pitt and Khandker (1998:791), Nader (2008:647) and Samanta (2009:105), which assert that a majority of the spending that women do once they receive the loan is on consumption purposes, a majority of the participants of this

study shared that they spent the loan received mainly on stock for their business and on other household goods.

> "With the money I am receiving I am hoping to buy a lot of stock. So that in the case where people do not pay me for what they take, I still have stock to sell. It is important that you buy a lot of stock so that you do not run into problems along the way." (Mam Njokweni, Nqgeqe Village)

> "The remaining profit I buy things for the children and food so that the refrigerator can be full, so that good food can be eaten at home and so that the house can be a warm place. All in all it is a happy home; no one is saying they are hungry. Whoever wants a slice of polony can have a slice of polony. No one is saying, "you cannot have any or no you will finish it." (Mam Mali, Ngqeqe Village)

This would reveal that since the women joined SEF, they have been able to support their families. Through the intervention provided by SEF they have become the main source of income in their families. Having their spouses, children and grandchildren depend on what they make, they are making significant contributions to the survival of the household.

Three women added what they would do with the next loan they take out.

> "When I get my next loan I will add to the stock I have. But probably add something different for my customers. By doing that hopefully I will be improving my business." (Mam' Jali, Ngxulu village)

> "When I take out the next loan I hope to build a small pen, to keep my chickens. If I could get that I will have a place to breed my chickens. I will also buy a water tank, so that the chickens have clean water to drink all the time. This way I will have healthy chickens and grow my business as well." (Mam Nkwana Nqgeqe Village)

> "I ensure that while I am selling my chickens, I am also putting money aside. I sell until I can put aside the principal amount. Once I have done that. I will buy some stock" (Mam Mdletye, Ngqeqe Village)

One participant describes how she will make use of the profits she makes.

> "The profit that I make, I break it up, so that I have money to save; the remaining amount of profit I would go to the shops and stock some food for my children, so that the refrigerator can be full." (Mam Mali, Ngqeqe Village)

What the women shared suggests that with the loans they have received, they anticipate their profits will not only be used for consumption but also for productive purposes such as reinvesting in their ventures. Although one woman explicitly stated that after she has saved, she buys food for her family, it shows that the women are aware of their obligations. The women's two biggest priorities are to pay back their debts and to feed their children. However, it is also worth highlighting that the women's eagerness to reinvest in their businesses shows a sense of responsibility and seriousness in the desire for their small businesses to remain sustainable and profitable.

These aforementioned outcomes describe the intrinsic changes that the women have seen in themselves after they received the loan. These changes suggest transformations in their physical attributes, self-perceptions, confidence and self-esteem.

One out of the 22 women made reference to the success of their business and how it has physically changed her. One participant attributes her physical appearance or beauty to the success of her business.

> "As you can see me now, I used to be someone who was very thin; now I am nice and plump; I can carry myself with pride. At least now I am confident and proud." (Mam' Stemele, Nxgulu Village)

This woman attributes the physical changes she has seen in her body as a sign of success and prosperity. To her, the way she looks now is a result of receiving a loan-compared to how she was before receiving the loan. This implies that it is not much about being attractive but about healthy and well nourished, which is what the loan has helped her achieve. Panjaitan-Drioadisuryo and Cloud (1999:777) suggest that an increase in household income can improve the family members' overall nutrition. This implies that women's nutrition and even their looks have been transformed positively through the use of microfinance.

Other women have described changed attitudes, self-perception and self-esteem.

> "I feel more independent and no longer dependent. I can do things on my own." (Mam' Tolo, Ngxulu Village)

> "I have found the loan to lift me up and grow me. My spirits are higher I am more encouraged to do things on my own. It grows us all quite a lot." (Mam Njokweni, Ngqeqe)

> "There was a lot of poverty and strife in the area, but since receiving the SEF money, I believe it has ended. The money that I have received from SEF has uplifted me; it has made me a person again." (Mam' Cynthia, Ngxulu Village)

> "SEF has taught me that I should be a mother who can stand for herself. Not feel sorry myself, but to wake up and do something. SEF has done something great for us, which we will never forget." (Mam' Madwe, Nqeqe Village)

For the most part, women involved in the programme appear to see themselves better off having participated in the microfinance programme. They have described how the influence of the credit and its use has uplifted them in the way they see themselves. This supports Mahmud (2003:585) and the dimensions of empowerment (Chen and Mahmud, 1995) they had found. The women's responses reflect on cognitive empowerment, which is a result of women's recognition of their own abilities and skills, which increases their self-esteem and self-confidence.

For a person to refer themselves to being a "person" suggests two things: that they may previously have not seen themselves as being worthy enough and, now that something radical has happened, they can, as a "person", contribute and be a part of society. Their participation in the microfinance programme has given them a sense of worth. This reveals that without the resource of money or the loans that the women have received they would not have been able to experience these changes in their lives.

5.3.2 Women's plans and visions for the future

The access to small loans appears to have given the women a new lease of life. They appear to be future and goal orientated. Making future plans was something

they did not previously do, as they saw their lack of resources as an obstacle and could not see further than their problems.

Six out of the 22 women interviewed showed a lot of ambition. They had ideas and plans to grow their businesses.

> "I would like to go to Durban and buy clothes, duvets and shoes. I would like to focus less on selling meat, but I see myself selling clothes. I won't stop selling the meat. But I would like to sell clothes like I used to before I sold meat." (Mam' Madlingozi, Ngxulu Village)

> "I would like to buy the machine which mixes the cement, so that I can make bricks because I used to do this but money was a problem; then I stopped. But I know that the machine is needed, so then I will be working towards saving money so that I can buy it. " (Mam Ncube, Ngxulu Village)

> "I am selling chickens and cleaning products and perfume. I would like to venture into selling earrings and slippers. These are products that women appreciate so I know I would be appealing to them." (Mam' Gatyeni, Ngqeqe Village)

> Through SEF we are keeping busy; we are not just sitting next to the side of the house. You keep busy. When you have taken money you must go and sell to make it back; even sell on credit if need. Not sitting with your arms folded. (Mam' Mdletye, Ngqeqe Village)

The women have shown creativity and that they have different business interests. This is contrary to Karnarni's argument that seeing the poor as creative individuals is an incorrect assumption (Karnarni, 2009:36, 42). This suggests that these poor women do have "creativity", vigour and desire to direct their activities into different ventures or ventures they have experience in. This has shown that receiving microfinance has enabled these women to think broadly in terms of using this opportunity efficiently to expand their business. This implies that the women are in fact realizing their empowerment. This notion also supports Sen's capabilities approach (Sen, 1999:64), as these women are now able to live lives they can choose and influence because of money they have been able to generate through the use of microfinance.

5.5 THE EFFECT OF MICROFINANCE ON THE COMMUNITY

Since the women are all part of the groups, they are obliged to meet on a fortnightly basis, to either pay their interest on their loans, or deposit their savings, or to orient any new groups that have joined their centre. Their regular meetings allow them to interact freely and not only discuss issues that have to do with their group schemes but other problems as well.

One woman described the freedom she has had in discussing her problems with other women.

> "Here in the group you are able to share your problems. And with the advice of the other women, your problems can easily be sorted out. But if you keep things to yourself, you will not receive help." (Mam' Gatyeni Ngqeqe Village)

The money the women earn from their informal trading has allowed them to start societal groups, in which they can each contribute whatever is agreed. These groups are not necessarily started only by women who are part of SEF.

> "There are two groups that I am participating in. The one is for traditional ceremonies, the other is for the collection of December stamps. We buy each other food stamps which we can redeem at the grocery store. At the end of the year we go and buy ourselves groceries. The groceries we buy will be for Christmas, which must see through December until January. I do this mostly for my children so that the home may be warm during Christmas." (Mam' Maseti, Ngxulu Village)

> "There are two groups which I am participating in. In this group we help each other when we have traditional ceremonies; another is one in which we buy stamps for one another, for December. We buy groceries with the stamps we collect during the year which will see us through the months of December and January." (Mam' Maseti Ngxulu Village)

> "I am part of a money stokvel. Each month we save money and then we pay each other out. This stokvel is separate from the group I joined SEF with. With the money I

> receive through the stokvel I will be buying things which my home needs." (Mam' Cynthia, Ngxulu Village)

The groups that the women have formed are also apart from the joint liability groups they are part of. It is only through the women's coming together that these groups can be functional. If they do not meet or contribute it will jeopardize the functioning of the groups. The women are each responsible for the success of the group they participate in.

It can be assumed that because the women are meeting at regular intervals, social action will be taken; responding and challenging whatever social problems or community issues are prevalent. However, the women had not embarked on social actions, although there are social problems occurring in their villages, such as crime. This is contrary to the findings of Sanyal's (2009) research in which he argued that through microfinance and the regular meeting of women, they create social capital and, because of these networks, are able to challenge social problems that are often caused by men and in which women become victims. The women have formed Community Based Organisations (CBO's) which are often recognized as a form of social capital (Mosoetsa, 2011:87). These CBO's usually take the form of burial societies, money and grocery stokvels. The aim of these groups is to supplement the money which is coming into the home. It can be assumed that by being part of such groups the women are taking care of their own well-being; for example, ensuring that their families are fed. This seems to be of greater priority and importance to the women than trying to solve other prevailing issues.

As Mosoetsa suggests (2011:89), the effects of poverty can often result in members of CBOs being unable to contribute, as they cannot keep up with the monetary contributions required, although this is not the case for the women in this study. In their case, the income they make from their IGA's has enabled them to make some contributions, no matter how small. The networks created by the women have resulted in strong bonds through which the have gained support.

This chapter has revealed that through microfinance the women can achieve things they could not do in the past. These achievements have contributed to their well-being, the well-being of their families and, the community's well-being. The negative

effects of poverty may not been completely eradicated. But the receipt and use of the microfinance loans, follow-ups by SEF, and the fortnightly meetings have allowed them to overcome their human poverty.

5.4 HOUSEHOLD AND FAMILY DYNAMICS

The women selected for this study were fulfilling their gendered role as caregivers; however, they are also taking on the responsibility of bringing income into the household. The changes in household and family dynamics are mainly apparent in the women who were married and living with their spouses. Of the 22 women, 10 of them are married and living with their spouses.

5.4.1 The effects microfinance has on the relationship with the spouse

The women described instances where their spouses were very apprehensive about the loans they received. Their husbands were dismissive about the loans, not believing in SEF, and, in general being negative towards the loans. However, once the men saw that the loan was enabling the women to achieve good things, their attitudes towards the loans changed.

> "Things at home have changed a lot. My husband really wants the loan as well. If men were allowed to get a loan, he says he would have gone to take one a long time ago. He says, 'This wife could take us very far in life, if we were both allowed to get it.' He is in support of this loan, as he sees what I have been able to achieve. "(Mam' Njokweni Ngqeqe Village)

The women described how their homes have changed since being able to generate income from the loans they had received.

> "At home there is peace, because there is money coming into the house. Because there is money coming into the house, my husband and I do not quarrel. Because we know there is food. When we have no food we have quarrels. Now it is nice in the home because I can fulfil my role as a mother." (Mam Mdletye, Ngqeqe Village)

The women do not appear to feel that being part of SEF has negatively influenced their relationship with their spouses or families. Rather, being part of SEF has relieved some of the tensions between them and their spouses as there is some money coming into the home. The burden of there not being money has become a thing of the past. The women now have access to money and can generate an income. They are proud to fulfil their roles as mothers and wives.

The women described how supportive their husbands have been since receiving the loan; how they have been willing to assist them in their businesses

> "My husband at home never used to take SEF and the money from SEF into high regard. But now he can see that the house has become a home. We are trying. So much so, that I did not have a stand; now I have a stand in front of our house. I am receiving so much love; I am even getting more affection from the man of the house now." (Mam Stemele, Ngxulu Village)

> "At home things are going well. My husband is very assistive. In fact, when my husband has money, he will give me some and say, that I should go and collect from those I sell on credit to. We are working as a team. I will even find that of the meats I have left behind, when I leave in the morning, have been cut up and prepared. He would have cut it up and the children would have washed it. We are just lighter. We are helping each other out." (Mam Sjadu, Ngqeqe Village)

> "My husband was a teacher but had pensioned many years ago. My husband does not shout at me and say where is this money? In fact he gets worried when the time for repayment approaches; he would ask, woman, are you not meant to pay the loan tomorrow? I would reply and say no, we are paying on such a day and he would reply and say I was only reminding you so that you would not forget. He encourages me. He likes SEF and also likes what I am doing. I have learnt to do things on my own. I am even able to travel to King William's Town and buy my husband socks and underwear. I can even afford to make big purchases such as buy appliances for the house. I could even buy myself a microwave. "(Mam Madlingozi, Ngxulu Village)

Samanta (2009:103) and other scholars have suggested one of the cases where women can achieve empowerment is when women are given a chance to gain equal

access and control over resources. Although women may gain access and control over resources, this does not guarantee that they will gain empowerment at home. The participants expressed a positive change in their husbands' attitudes towards them after receiving and using the loans.

Of the 10 married women, two explicitly indicated that they were part of the planning and decision making since they had been bringing income into the home. They explained what big changes they would like to see in their households.

> My husband and I were people who did not have a brick house. But since I was making money I was able to buy bricks and build a house of bricks, all with my husband's backing and oversight. (Mam' Stemele, Ngquru Village)

> I have started a brick-making business with my husband. I have left my husband to take care of it. My cousin and her husband are helping with the making of the bricks. I can say that now I will be able to put up a house through SEF. Since my husband is not getting work, we are dependent on the business. (Mam Sindiswa, Ngqeqe Village)

These responses suggest that the women have gained bargaining power in their relationships with their spouse, having received more clout through the money they have been able to earn by the loan they had taken out. With this clout they have the capacity to contribute to decision-making in the home. No matter what the women would like to do in the home they consult their husbands and get their husbands' approval.

This reveals that women's newly acquired economic importance does not necessarily translate into their acquiring more power in the household. This also shows that women with spouses may not be as empowered as their counterparts without spouses. Patriarchy is felt more by women who come from homes that are headed by men. However, women from male-headed households did receive more respect and support from their spouses since they were contributing to household needs, as they had a say in the household decision-making.

5.4.2 Benefits the women have gained from receiving the loan

The women described how, upon receiving the loan, they were able to do things they were previously unable to. They described how the income they were able to generate afforded them these opportunities. These duties were mainly comprised of them being able to satisfy their roles as mothers, which they were previously incapable of fulfilling. Siimmons and Emmanuelle (2007:534) state that women are more altruistic compared to men, as they will give more gifts of time and money. This suggests that women take their roles as mothers seriously and will make use of their means to do the best for their family. The women were not only able to provide the necessities, such as food and items and such as appliances, but also buy luxury items, which they seemed proud to be able to do. All 22 of the women described how they have been able to achieve this in one way or another.

> "I saw a difference in my life after I was given the loan. My business started to flourish. I found that I could buy things for the house; I could even by myself a microwave. I am even able to travel to King William's Town and buy my husband socks and underwear. Everything that I do, I do by myself; even my children can get what they want. The one will say, 'Mother I want this phone,' which they would have seen on T.V, and I can ask how much does it cost, my child? And I can get for them." (Mam'Madlingozi , Ngxulu Village)

> "I do not have a child who does not carry lunch to school. Every day my children carry something to school. Another example is that there may be one whose shoes have worn out. They are able to say to me, 'Mother I need Batas[1].' I can give them what they want from the money I make from what SEF has given me. (Mam' Stemele, Ngxulu Village)

> "I have managed to buy a stove because I was using a two-plate burner for a long time. So now I have a stove, a big one." (Mam Njokweni, Ngqeqe Village)

What the women reveal aligns with Pitt and Khandker (1998:791) and Nader's (2008:647) findings that women's access to microfinance increases the household's consumption. Something as simple as women being able to buy something for their children or their spouse brings pride and joy to the women. There is a sense of

[1] A reputable footwear brand

achievement in having the financial freedom to provide for their children. This shows that the women are able to participate in their gendered role as the caregiver of the home, and their sense of achievement, suggests that the women enjoy the role they fulfil and the credit they receive helps them to achieve this.

Therefore, this suggests that the women need to have expendable income to fully play their role as mothers. Without a means of earning income, these women would not be able to satisfy their role as mothers. The women's function as mothers, although it is encouraged by the availability of finances, is also a non-financial outcome. The material gains from taking out the loans and earning an income has enabled them to acquire assets and also increase household consumption. This reveals that the women are not financially dependent on their spouses and that the flow of income has allowed them to have some autonomy in their lives and to effectively fulfil their role as mothers.

5.4.2.1 The effect microfinance has had on their children

Society and culture have defined women's social role as that of being caregivers and caretakers (Kehler, 2001:41). The women want to take care of their children, but also appreciate the support in the business that their children give them running then business. These roles are not only defined by culture or society, but also encouraged and perpetuated by the women.

The women described how their children's behaviour has changed in response to them receiving credit, and having gained some improvements in their business. Twenty-one of the 22 women have children and explained how excited and helpful their children have been, together with the hope the businesses have brought into their homes.

> "My grandchildren are helping me; they are helping by selling. In fact they will take the ice-cream and go sell for me when it is summer." (Mam Ntloko, Ngxulu Village)

One woman describes how she is raising her grandchildren as her own and how she found that her grandchildren had been stealing from her and causing her to not profit, and were responsible for the demise of her first business.

> "I was someone who was selling but also bought biscuits, chips and other similar snacks and sweets. But as time went on I found that *bendichanywa*"[2] by my grandchildren. I eventually decided to stop selling these things." (Mam' Madwe, Ngqeqe Village)

This shows the difficulties the women face as mothers, and the success of their business could be jeopardized because of the responsibilities of raising their children.

The children now have the freedom to ask their mothers for things. Previously, the children knew that there was no money to buy recreational things. The women are proud that they can fulfil their children's desires in this regard.

One woman shared the following:

> "Everything I do, I do by myself and even my children can get what they want. They will say mother, I would like a cell phone, which I saw on T.V. I can now say to them, it is alright my child I can buy it for you." (Mam Madlingozi, Ngxulu Village).

5.4.3 The affect microfinance has had on the overall atmosphere in the home

South Africa's rural areas are generally characterized by poverty and high unemployment rates, as well as a lack of resources and assets. This affects both women and men in the family structure. According to Mosoetsa (2009:59), men's traditional role as a major wage earner in the household is being weakened because of these deficiencies. Mosoetsa (2009:67) adds that conflict in the home is caused by the allocation and use of income, as men will tend to use their income on recreational things and women will use what they earn for caregiving purposes. This context compels women to do something to help them and their families. There have been findings that microfinance loans have had negative effects on women and their families. These findings include increased violence from spouses or partners to women and married women being controlled by men and their wives being left with the sole responsibility of the loan's repayment (Kabeer, 2001: 64). Contrary to these findings, all the women in this study described the positive effect microfinance has had on the household. They generally describe how the home has become a more

[2] Being 'hit'- Causing waste by taking from the stock

pleasant place to be in compared to a time when they did not have a regular income. In many respects, they describe how the loans from SEF have turned their houses into homes.

> "Being able to start this business was very helpful for this family. In fact I can say that hunger has left the house. The hunger is out. Because with the same vegetables I sell, I can take from them and cook and even cook for the children. I can cook porridge, stiff pap and vegetables, so that the children can eat. And go to bed having eaten." (Mam' Daniswa, Ngxulu Village)

> "The difference is quite significant. And my husband and I were working and helping each other. Although he has recently passed on, he did not leave me in shame." (Mam' Nkwana Ngqege Village)

Unlike what has been found in previous studies, the fact that the women received loan financing not only helped the women materially in terms of being able to buy nutritious food for their families, but it has also improved the general atmosphere in the home. These women generally described a helpful and supportive spouse, who does not take ownership of the loan. This is not to suggest that there will be no problems between the woman and her spouse, but that whatever conflict that may have arisen is not because of the woman's control over the loan.

CHAPTER SIX: RECOMMENDATIONS AND CONCLUSION

The purpose of this final chapter is to give an overview of the previous chapters, to contribute to future studies by providing recommendations, and, finally, to provide a conclusion.

6.1 OVERVIEW OF THE STUDY

Chapter 1 provided an introduction and background to the study. It also presented the research problem and key question being investigated. The research question investigated in this study was: What non-financial effects do microfinance loans have on women in the Eastern Cape?

Chapter 2 reviewed literature on development and microfinance, particularly how the two have been implemented in the fight against poverty. This chapter focused on the definition of poverty, as well as the definition of empowerment and women's empowerment, and how empowerment and microfinance intersect. This section introduced the relevance of the use of microfinance in the alleviation of poverty.

Chapter 3 provided an in-depth literature review on microfinance. It mainly examined why women have been the focus of microfinance. It also provided a section on the non-financial effects of microfinance.

Chapter 4 provided the research methodology and described the research activities conducted for this study; it provided a discussion on the choice of the participants chosen for the study, data analysis; how the data gathered was analysed. The method chosen was a thematic analysis and phenomenological approach. This chapter also described the research site selected. A short profile of SEF was provided; access and ethical considerations were described and, lastly, the limitations to the study were provided.

In Chapter 5, the key findings were presented and analyzed. These findings were analyzed thematically, drawing out the effects microfinance has had on its women

recipients, the effects on household and family dynamics, and, lastly, the effects microfinance has had on the community.

6.2 KEY FINDINGS

This study reveals that microfinance loans have non-financial effects on the women they are granted to. This study showed that poverty, in its entirety, does affect women, especially their ability to fulfil their caregiver roles. On the other hand, the study found that through the use of microfinance, women successfully achieve their caregiver roles. This reveals that fulfilling these roles, asserts women's identities, and validates their relevance in their households and communities.

The women interviewed described being able to gain autonomy and a sense of freedom from their past bondages caused by poverty. Although the women received loans, the effects of these loans are not necessarily tangible, but are arguably the result of psychological benefits. These women see themselves as worthy and see it as an achievement to be able to fulfill their roles as mothers. This study revealed that there is a direct relationship between the income generated through the microfinance loans granted by SEF and the improvements of the women's general well-being. This confirmed that there are non-financial effects that are a positive outcome for the women.

This study has also revealed that by assessing the non-financial impacts microfinance loans have on their recipients is equally important to assessing the financial aspects. By focusing on the non-financial impact, this report was able to see what social impact the loans and their usage had on the women's lives; how they perceived themselves internally and within ~~in~~ their household structure and lastly in their communities; also by looking at the non-financial effects, namely, the effect microfinance has had on the women and their immediate family; the impact it has had on their children and on the relationship with their spouses; the collective impact microfinance has had on their community and lastly what changes the access to microfinance loans has had on the women. These findings have proven that poverty possesses many forms of deprivation, and addressing the non-financial

impact has helped to address poverty at a social level and not only a monetary level. This was the why the definition of poverty was highlighted from the beginning in the study.

This study has referred to the WEM for understanding how and where empowerment took place through the microfinance tool. It was the non-financial effects found that fitted mostly with the socio-cultural sphere, how the woman saw themselves in relation to their communities and households as mothers and spouses.

According to the WEM, the women of Ngqeqe and Ngxulu were able to make the most impact in their socio-cultural sphere. This sphere is made up of their households, which include their family or relatives. This collective effort from all the women has also resulted in them making a greater impact in their households and communities. However, it is in this socio-cultural sphere that women experience the most patriarchy, as this sphere is made up of family as well as community. Ideally it is in this sphere is where one would need to be most developed in order to participate in other spheres. This research however revealed contrary results to what have been found previously in earlier research that microfinance turns the relationship between the woman borrower and her spouse from bad to worse. As mentioned above, the women gained more support from their male counterparts than opposition. The women being able to receive microfinance loans and effectively make use of them without conflict with their male spouses also challenged the negative stereotype that men became more forceful with the use of the money with their partners when they were granted the loans. The women who had partners were receiving support from their spouses and were being respected by their men. This was because what they were doing was uplifting everyone in the home.

The changes that women saw within themselves were cognitive changes. This is because the women revealed improved self-perceptions and better attitudes towards themselves and what impact they could have in the world. There has been a growth in knowledge which has allowed them to make decisions and reach goals they could previously not attain. Before they received the microfinance loans they not only lacked the financial resources to achieve some of their desires but also lacked the confidence to see their lives being worthy of improving.

6.3 LIMITATIONS TO THE STUDY

The greatest challenge I experienced was the fact that whilst conducting my interviews I was being accompanied by the SEF field agent, although it allowed the women to trust me and be more open, as I was with someone they were familiar with and whom they trusted. The responses I received from the women almost seemed too good to be true as they were giving biased answers in favour of SEF. Because the women only meet every fortnight, and they meet with their field worker, the amount of time spent with the participants was limited. I had a set amount of time with the participants. I was only allowed to spend a certain amount of time with the groups of women interviewed, as agreed with in the permission letter agreed with SEF. The interviews took place in the women's home language so translating the interviews into English took away some of the essence and emphases communicated through the interviews.

6.4 RECOMMENDATIONS FOR FURTHER RESEARCH

Firstly, I recommend that further research be conducted in the rural areas, but suggest that comparative studies should be done, looking at whether there are different effects if microfinance is offered by different types of institutions. This is necessary as the institution selected played a significant role in the meetings held amongst the women and the higher repayment rate, as fieldworkers were meeting with the women on a fortnightly basis. Furthermore, the research should be conducted independently from the MFI, in order to limit the respondent bias. Other stakeholders, such as the spouses, fieldworkers, or community members, should also be interviewed, to investigate whether the changes the women see in themselves are also seen by other people.

Secondly, I propose that research be conducted to establish whether women recipients conduct the appropriate kind of business ventures with the loans granted. This sort of study would be necessary in order to establish whether the loans the women receive actually alleviate poverty and do not contribute towards it. Although

SEF dictates that the loans are not to be used for other purposes, the women may be concealing the real use of the loans.

Lastly, I recommend that research be conducted in the urban areas to establish whether the effects are different on women who come from the townships, where the women face different social and economic problems and, subsequently, may have different attitudes and handle situations differently to their counterparts in the rural areas.

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