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POLICY RELEVANCE SUMMARY

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Project Title: Why Don't Women Dye For Credit?: A study of the impact of Social networks on urban women cloth dyers of Bamako, Mali

Project Final Report 2004:
Policy Relevance Summary

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Overview of Project

Microcredit programs provide small loans and savings opportunities to people traditionally excluded from commercial financial services. Microcredit has been a program targeting the "poorest of the poor. " Moreover, microcredit programs have also been referred to as an effective means in reducing hunger and malnutrition. At the same time, health related issues have been cited as a factor in preventing poor women from participating in microcredit programs. In West Africa, it is generally women who are the caretakers of the household. If someone becomes ill, it is the role of women to care for the sick. Bamako, Mali is the site of this study. For this dissertation project, I examined two research questions: (1) How do women decide whether to participate or/not in a microcredit program?; and (2) How does a womens' health or the health of her household affect her ability to participate in a microcredit program? I chose women cloth dyers as my sample group. Cloth dyeing is the largest woman run industry in Bamako, the capital of Mali. Among this group of women entrepreneurs, they comprise a large population of diverse income earners bringing together both users and non-users of microcredit. To answer these questions, I administered qualitative and quantitative research methods. I used network analysis in identifying processes of decision-making, a socio-demographic survey eliciting family health practices, interviewed and observed women participants of a microcredit program with combined health education and microcredit lending (Credit with Education: CEE Program).

Microcredit Programs

The research sample was divided into three groups of cloth dyers: a) women that use microcredit; b) women that use microcredit with health and nutritional training (CEE Program); and c) women that did not use microcredit. To date, the quantitative data, including the network analysis data has yet to been analyzed and conclusions drawn. However, information gathered from focused groups, interviewing and observing women as they met weekly in solidarity groups for loan repayment will be discussed.

<u>Constraints to using Microcredit</u>

Group A: Women that used microcredit

- Women repeatedly commented that the interest rates were too high (24-30% respectively). They said the interest was "eating their profit;"
- Scheduled repayment started too soon after the loan was issued. Two weeks after receiving the loan, clients made their first repayment; and
- The loan amounts were too small.

The majority of Group A women were not comprised of the "poorest of the poor" in Bamako. The majority of these women were older than the participants of the CEE program (which were women from the "poorest" communities). Although, several of the members of Group A had at one time participated in a CEE program. Group A women were more established in business; the majority were not interested nor participated in solidarity group lending; most of their children were older, some were adults which reportedly meant there were multiple income contributors in the household. Some of the members of Group A had dropped out of microcredit borrowing for several years because of the high interest rates. Additionally, some of the users only used microcredit once, twice or for emergencies only, also citing high interest as the reason. However, they stated that they never stopped participating in community ROSCAs (traditional savings groups) as a more economical way to generate needed working capital and money for other expenses. As an income generating strategy, the women said they belonged to several ROSCAs simultaneously, whereby saving consistently, a participant would receive several "lump sums" dispersed throughout the year, which of course is interest free money.

Group B: CEE Program participants

- Constraints were the same as for Group A, in terms of borrowing only.

Group C: Non-users of microcredit

- This group was comprised primarily of young women newly starting out in business. They were the "poorest" of the three groups surveyed. They contributed financially to their household income by dyeing cloth. Most women were unmarried, and had yet to begin their own families. As a constraint, they consistently spoke of not having a consistent cash-flow; and seasonal slow selling periods, making loan repayment too risky. Since all three groups live in close proximity and socialize together, Group C members also referenced high loan interest and immediate repayment schedule as additional deterrents to using microcredit.

<u>Opportunities</u>

Group A and B:

- Microcredit provided access to necessary cash for informal microenterprise, which possibly decreases the risk of failure;
- Provided institutional savings accounts;
- Makes available access to lump sums of cash which meant women were able to buy supplies in larger quantities at a discounted price; and

- Better able to diversify their inventory.

Group B: CEE Program participants

- Women said they appreciated and benefited from the health and nutritional training. As a result of participation, their families were less sick which helped them spend more time for incoming generating activities;
- Women reportedly were better able to more quickly detect and treat diarrhea in infant children; children were vaccinated for the first time; some visited a clinic for the first time; learned better feeding and frequency practices for infants; practiced better sanitation while cooking food.
- Some women chose to continue participating in health and nutritional training even though they were not taking a loan during the cycle.

Policy Relevance

The microcredit literature cites health as an obstacle to womens' participation in microcredit. Two key themes from this study emerged from interviews and observations of the women respondents. First, CEE participants reported behavioral changes as a result of the health and nutritional training they received. Women happily spoke of their children being sick less and they reported fewer missed days from work due to illness.

Secondly, in urban Bamako, health risks are a major concern for the "poorest of the poor" in determining whether to participate or/not in a microcredit program. As a work strategy, they use cooperative work groups to guard against loss of time while caring for their sick family member.

Admittedly, the microfinance industry holds the belief that specialization heightens effectiveness and efficiency; and a generalist, multi-sectoral approach decreases effectiveness and efficiency. However, the empirical data illustrated here does not support this idea that quality of either microcredit or health education must be compromised for the sake of a specialized one-service organizational approach. The majority of microcredit users in Bamako are not participating in CEE programs, neither are they clients from the "poorest of the poor" communities. A "one size fits all" model is not a dynamic or realistic model. Adapting the approach that every cultural region has specific needs would make for a more dynamic strategy of poverty alleviation. Bamako could be better served by maintaining both poverty alleviation strategies: specialized microcredit services and microcredit with health education, which offers a more inclusive strategy targeting less poor and the poorest clients alike. Moreover, health benefits of integrating health education promotes CEE programs as a preventive health measure of which the entire household and community benefits. Moreover, rethinking specialized programs promoted to target the less poor could and should continue to evolve into a more dynamic model supporting the financial needs of its clients. Therefore, it would be my recommendation that donor agencies devote and commit to creating low-costs, sustainable programs, which integrate health education and microcredit; and reform existing microcredit programs to reflect more of the socio-cultural needs of its constituents (i.e. lower cost loans, extended payback clauses, etc.).