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Microfinance for Women in Least Developed Countries — Experiences from a Case Study in Rural Tanzania

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Abstract

Microfinance is a widely accepted tool to further economic development and to enhance welfare. Different lending methodologies exist, i.e. credit unions, village banking, microfinance banks, and solidarity group lending. Still, research normally limits itself to general issues that relate to all microfinance types. Less attention is given to particular features of specific models. This paper presents findings of a case study of group loans for poor women showing the significance of group organisation, the target group's perception of the microfinance service offered, and gender issues as success factors of this specific microfinance model. The target group's organisational capacity has only recently entered the regard of microfinance research. Because the members of a credit group are jointly liable for the loans received and monitor themselves they need self-management which requires organisation building. Groups which are solely created for a microfinance project often lack social cohesion and the members lack commitment towards the group. Tapping the social capital of already existing groups might improve project efficiency. Problems may arise if a microfinance project claims to be a charity organisation while simultaneously trying to offer financial services on a sustainable basis. Such projects frequently experience that the target group perceives the loans as gifts and defaulting becomes a serious problem. Separating the microfinance service from other services may be an answer for projects that follow a comprehensive approach. Some microfinance projects for women try to overcome women's discrimination as regards access to productive factors, i.e. capital. But these projects may also fail exactly because of this discrimination since financial capital is not the only missing factor. Most women lack access to land which is crucial in rural agricultural societies. African women also lack time due to their extensive and strenuous work obligations. They further lack decision making power as how to spend their time and where, and in many cases also how to spend the money they have generated on their own. Thus, women have very limited possibilities to use microfinance services. In this sense, taking a closer look to the specific circumstances may positively contribute to microfinance projects' sustainability.

Keywords: Case study, microfinance, success factors, women

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