Testing virtuous spirals

Exploring the process of women's empowerment through microcredit schemes in Kisumu, Kenya

Photo: Michael Wamalwa

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By

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Abstract

Access to credit is key for people living in poverty to improve their livelihood conditions. Microfinance, targeting women in particular, has been widely debated in academic circles for its potential to empower women. This thesis is based on a case study aiming at exploring the phenomenon of women's economic empowerment at the individual and group level thanks to the membership in 'credit plus' formal and informal microfinance schemes in Kisumu, Kenya.

In a context where gender structuring constrains women's access to credit, this study looks at the outcomes of microcredit schemes where tailored training for women farmers or businesswomen is offered. Specifically, expenditure mode, control over loans, bargaining power within the household and group bonds were investigated.

Data gathered through observations and semi structured interviews were codified and organized in categories shaped by Mayoux's 'virtuous spirals' and embedded in Kabeer's conceptualization of empowerment, as a three step process focused on resources, agency and achievements.

Findings support the argument that microfinance schemes can trigger empowerment, for women and their groups. Thus, women can start an income generating activity, gain decision making power in relation to their husband and also improve the wellbeing of their families by investing more in children's nutrition and education. This process boosts women's self esteem, encourages other members to take on bigger challenges and reinforces mutual trust within the group.

During field work the significant potential of microcredit schemes membership in relation to climate change also emerged. Thus, African women being repositories of environmental knowledge because of their considerable agricultural labor, the provision of financial services coupled with training can be crucial to help them cope with a changing climate.

In conclusion, this study not only adds valuable empirical data to a limited research area on microfinance in Africa but also gives empirical evidence on the importance of access to financial services for women in East Africa and the potential added benefits they create for climate change adaptation in the future.

Keywords: village savings and loans, Kenya, virtuous spirals, financial empowerment, bonded social capital, adaptation to climate change.

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Contents **Page**

Abstract *i*
Acknowledgments *ii*
List of figures *iv*
Acronyms- abbreviations *iv*

1. Introduction **1**
2. Statement of Purpose **2**
2.1 Scope and delimitations 2
2.2 Research questions 3
2.3 Analytical framework 3
3. Introduction to financial services in developing countries **4**
3.1 Access to financial service providers 4
3.2 Gender access to financial services 5
4. Research process **7**
4.1 Reflexive research 7
4.2 Research design 8
4.3 Research methods and fieldwork data collection strategy 8
5. Case study context **9**
5.1 The urban setting 12
5.2 The rural setting 13
5.3 Village savings and loans and Fanikisha Shaba 13
5.4 Portraits from the field: Grace and Lenis 14
6. Virtuous spiral of empowerment: a conceptual framework **16**
6.1 Resources 17
6.2 Agency 17
6.3 Achievements 18
7. Empirical findings and Analysis **19**
7.1 Resources 19
7.2 Agency 20
7.2.1 Control over loans 22
7.2.2 Bargaining power within the household 22
7.3 Achievements 24
7.3.1 Power within 24
7.3.2 Power to 25
7.3.3 Power with 26
7.3.4 Power over 28
7.4 A fourth virtuous spiral? 29
8. Conclusion **32**
9. Suggestion for future research **33**

References 34
Appendix I Interview guide *41*
Appendix II Financial service provider *42*
Appendix III VSLs and Fanikisha Shaba training and operations *44*

List of figures

Map 1. Africa, location of Kisumu, Kenya 2
Figure 1. Types of microfinance service delivery 5
Figure 2. Gender access to financial services in Sub Saharan Africa 6
Map. 2. Kenya and Kisumu area 11
Figure 3. Schemes and group names 11
Figure 4. Microfinance and women's empowerment: virtuous spirals 16

Acronyms- abbreviations

ASCAs Accumulating Saving and Credit Associations
EBL Equity Bank Limited
KES Kenyan Schillings
MFIs MicroFinance Institutions
NGOs Non Governmental Organizations
ROSCA Rotating Saving and Credit Associations
SACCOs Saving and Credit Cooperative Societies
SHGs Self Help Groups
USD United Stated Dollars
VI SCC Vi Skogen, Swedish Cooperative Centre
VSLs Village Saving and Loans

1. Introduction

African farmers are negatively affected by multiple environmental stressors caused by water scarcity and land degradation (WFP, 2009). Their vulnerability will further increase due to the more frequent extreme weather events resulting from climate change (Magadza, 2003; Smit, Pilifosova, 2003; IPCC, 2001). East Africa is also characterized by a rapidly-expanding population and a growing urbanization, putting extra pressure on already stressed resources (Thornton et al., 2010). Women constitute almost 80% of the farming workforce in Africa and 70% of the 1.3 billion living under the poverty line (Denton, 2002).

In this context, where women are natural repositories of agricultural and environmental knowledge, they are also initially the natural agents for counteracting and coping with the impacts of worsening environmental conditions (Petrie, 2010). But this agency is limited in Africa due to the traditional gender structure that not only regulates interactions between men and women but also limits access to resources according to gender nomination (Denton, 2002). Hence gender becomes a defining factor determining dynamic processes in society (Chant, 2007).

Given that the access to resources is governed by societal networks and their rules (Kabeer, 1999), by participating in traditional support groups (Agarwal, 2000) women can pool together their assets to promote common interests (Uphoff, 2005). In doing so women gain self esteem, respect and power, which are transmitted among group members (Chant, 2007). This dynamic, that has the potential to challenge male dominance, is defined as women's empowerment: 'a process of transition from a state of powerlessness to a more active situation of control over one´s life' (Sadan, 1997:144) so that 'women must gain equal capabilities and equal opportunities, as well as agency' (UNDP, 2005:19), at a personal and collective level (Chant, 2007).

At the group level, the building up of mutual trust and ties among members, termed as social capital, can also be seen as a gender measure of poverty reduction (Mayoux, 2001). That is because poverty is not just a question of physical, material deficiency, but also a question of social deprivation (Munasinghe, 2000). However, social capital by itself is not enough, external inputs, such as financial capital, are needed to reach higher development goals (Krishna, 2003). Thus, if the provision of financial services, such as microcredit to poor women's groups, is coupled with credit plus trainings, it is argued that it will stimulate social cohesion and participation and thus start a process to achieve empowerment (IFAD, 2009).

Women's economic empowerment is proven to have a multiplier effect (UN, 2009a). Indeed, saving and credit schemes have a positive impact not only on women's economic activities and decision making powers, but can also increase family well being and improve women's status within households and communities (Mayoux, 2000). However, some research highlights the potential disempowering effect of microfinance on women because it may add labor burdens to women's daily work and put extra pressure on them as financial providers for their families (Goetz et al., 1996).

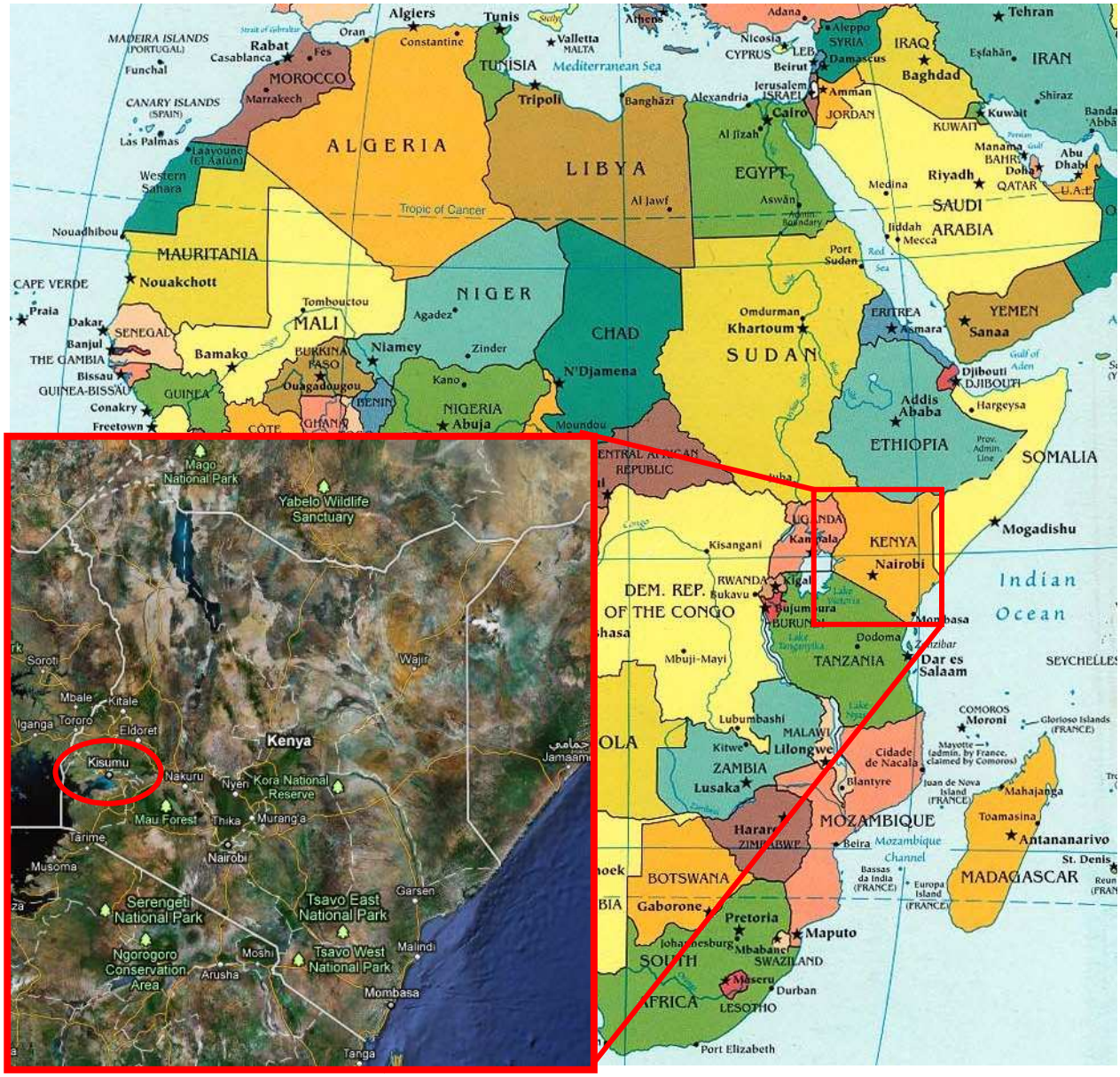
Whereas the outcomes in terms of women's empowerment in relation to microcredit have been mixed and there is no conclusive empirical evidence (UNDAW, 2008; Holvoet, 2005), this study attempts to add empirical data to expand to the so far limited understanding of the potential linkages between microfinance, empowerment and social capital in Africa as well as facilitating new knowledge about the dynamics of these processes for viable future adaptation to climate change on a local level in East Africa.

2. Statement of purpose

The aim of this study is to explore, through a case study, the individual and group outcomes of women's economic empowerment on their livelihoods. Indeed, it is assumed that individual income improvement, as a result of the enrolment in saving and credit groups, has a wider impact at the household and societal level.

2.1 Scope and delimitations

The scope of the study is limited to studying women's credit and saving groups in the area of Kisumu, Nyanza Province, Kenya (see Map.1).



Map. 1 Africa, location of Kisumu, Kenya (University of Texas Library; Google Earth).

Moreover, the study focuses on the individual and group outcomes generated by women's economic empowerment (Kabeer, 1999). While findings related to economic empowerment are presented, the

debate on whether or not microfinance is a way to include women in the market is not addressed in this thesis. Whereas a market led agenda could also be part of a plurality of strategies to enhance women's economic empowerment (Johnson, 2005), constrained access to credit due to customary engendered laws is the underlying problem (Fonderson, 2002). Thus, the process that leads to challenging such dynamics is outlined here. Furthermore, when talking about access to market, this study does not make reference to the regional scale, but it rather focuses on the local setting, particularly at the household and individual level. The term 'market', seen the scale of the commercial exchanges, either at market places or door to door, is not appropriate. 'Petty trading' describes better the specific case study circumstances.

Another limitation of the present case study is represented by the unique institutional setting determined by Equity Bank Limited, whose lending policy is preferential towards women groups (EBL, 2009).

The acknowledged complexity and non-linearity of social interactions, where the development researcher is embedded (Bevan, 2009), and the limited homogeneity of the research unit (Goertz, Mahoney, 2009) also restricts the possibility of generalization.

Despite these limitations, the evidence gathered can create insights to the subject of investigation and ultimately add to a better understanding of the theoretical concepts. Moreover, as will be highlighted in section 5, the case study setting is characterized by several typical poverty features in the context of Sub Saharan Africa. Therefore, beside its unique features, the case study could also become a starting point to theoretically generalize the findings at a regional scale (Mikkelsen, 2004).

2.2 Research questions

- How do women spend the incomes generated through the loans?
- To what extent do women control their loans and expenditures?
- Assuming that the relationship with the husbands has changed, how has it changed since women entered the group?
- How does the group bond operate? What significance do women attach to it?

Questions are arranged in this order to reflect Mayoux's categorization of Kabeer's conceptualization of empowerment, seen as a three step process encompassing *resources, agency* and *achievements* (see section 6).

Therefore the objectives of this study are to map women's expenditure mode, their control over loans, how the relationship with their husband change and capture what is the significance of the group bond and in which ways it helped them to improve their livelihood.

2.3 Analytical Framework

I proceed from a gender perspective in approaching the theoretical questions. The term gender does not imply simply women, on the contrary, it refers to the gender relations between men and women. Thus, it is impossible to mainstream gender as an isolated issue: women's issues are not addressed without impinging on the relations with men (Elson, 1991).

A gender perspective is appropriate for this case study because it helps uncover the constraints that women face in poor resource dependent communities. They suffer from an unequal access to resources.

This is due to a 'cultural bias in favor of men' (Chant, 2007:41), which is driven by the faulty assumption that women do not contribute to the family income because most of their repetitive work is reproductive and caring and therefore unpaid (Elson, 1991). Therefore investments on male family members are seen as bringing more returns. This bias causes women's exclusion from entitlements, such as education, land and property, heavier work burdens and socioeconomic mobility limitations (Chant, 2007).

In this case study, women's economic empowerment could be counteractive, if not coupled with men's understanding, collaboration and engagement in the household. And thus, women may find themselves taking care of children and the household duties on top of running their business (Barker et al., 2010). For that reason, the relationship with husbands, the male view on microcredit schemes and the participation of men in women's groups were investigated.

3. Introduction to financial services in developing countries

This section outlines the research milieu in terms of phenomena, such as access to microfinance and financial providers.

3.1 Access to financial service providers

In developing countries access to credit for people living in poverty is crucial to pay for life events such as funerals or weddings (Rutherford, 2000), but can also serve as a means to boost incomes, pay school fees or repay a debt (Ardener, Burman, 1995).

The provision of microfinance services, including microcredit, microsaving and insurance, pioneered by 2006 Nobel Peace Prize Laureate Mohammad Yunus with Bangladeshi Graamen Bank in the 1970s, has proven to be successful in giving poor people the chance to save and accumulate small sums of money (Hulme, Mosley, 1996).

The corner stone of this financial model is the joint liability approach[1], whereby if one of the group members defaults, the others have to cover for him/her (Agrawal, Carraro, 2010b). By reaching out to those who are excluded, for geographical, economical and social reasons from the traditional banking system, microfinance has shown that people living in poverty can repay on time (Murray et al., 2002).

Whereas microfinance institutions (MFIs) are recognized to have spread opportunities and reduced poverty (Rgan, Zingales, 2003) through small loans, ranging from 50$ to thousands$ (Sharma, 2001), still nowadays most people in developing countries do not have a saving account and have never carried out a bank transaction.

This happens because the outreach of micro-financial services is still uneven[2]. Indeed, microfinance institutions are more proactive in the urban context, while the greatest part of poor people lives in rural areas (UNDESA, UNDCF, 2006). Currently agricultural lending represents the biggest challenge for MFIs since it implies bigger risks related to weather unpredictability and price fluctuations (Johnson et al., 2006).

[1] For further explanations, see Appendix II.

[2] Commercial banks and MFIs around the world are 3552 MFIs, 935 of which in Sub Saharan Africa. In total 154 million clients are reached. Whereas 107 million out of 154 were amongst the poorest before entering a microfinance scheme, 90% of these 154 million clients were in Asia and only 9 million in Africa, 4 million of which, women (Harris, 2009; data from 2007).

MFIs have also been criticized because they seem to reach the relatively more active people living in poverty that already have a business, while extremely poor people are still excluded (Murray et al., 2002).

However, this is only if we consider formal financial services. In fact, as figure 1 helps to visualize, financial service providers in developing countries range from banks, to microfinance institutions (MFIs), to semiformal, as the case of saving and credit cooperative societies (SACCOs), and informal credit institutions, such as self help groups (SHGs) and village saving and loan schemes (VSLs) (IFAD, 2009) [3].

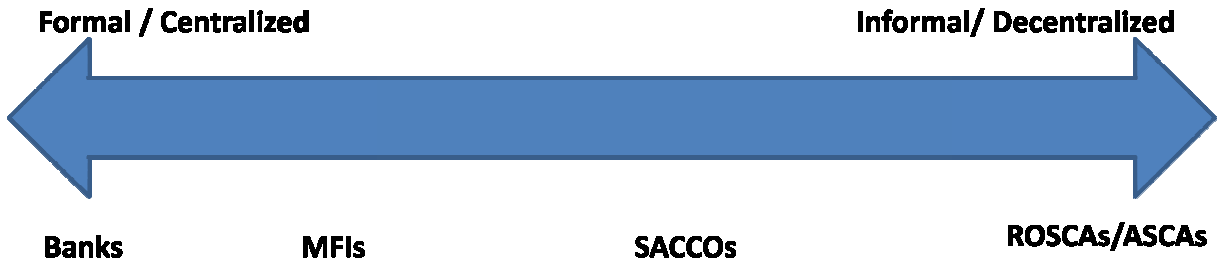


Figure 1. Types of microfinance service delivery (adapted from Johnson et al., 2006).

SACCOs, Rotating Saving and Credit Associations (ROSCAs) and Accumulating Saving and Credit Associations (ASCAs) are member based organizations, whereby members are both users and administrators, who are building up and partaking to the organization, while also enhancing their organizational capacity (Chen et al., 2005). The decentralization and self management of these services reduce their costs as compared to banks or MFIs (Johnson et al., 2006).

This study will make reference to ROSCAs and ASCAs. ROSCAs consist of a mechanism whereby every member contributes a certain fixed amount of money weekly or monthly which is given on a rotating base to one member of the group. ASCAs, on the other hand, are financial intermediation arrangements whose members save a fixed amount on a continuous basis and can periodically apply for a loan from the group (Ardener, Burman 1995).

In the context of Sub-Saharan Africa these groupings stem from the traditional mutual support arrangements that act as a social safety net, particularly for women, in times of emergency of special needs (Rocheleau et al., 1996). The literature shows that all these organizations, whether centralized or decentralized, improve their members´ welfare as compared to those who are not part of any similar organization (Anyango et al., 2007).

3.2 Gender access to financial services

Given that this study is focusing on women groups involved in formal and informal microfinance schemes, it is important to understand whether women are constrained in their access to financial services and why some institutions prefer them over men.

Despite the fact that the number of microfinance female clients in the developing world has gone up from 10 million in 1999 to almost 90 million in 2007 (Harris, 2009) and women have been recognized by the African commission as greater contributors than men in the agricultural and informal sector, which is the

[3] For further explanations, see Appendix II.

bulk of African economy (in Bardasi et al., 2007), still they face substantial credit constraints (Quisumbing, Pandolfelli, 2009).

Even if we only consider female and male entrepreneurs in Sub Saharan Africa (see fig. 2), given the data available, we can see that there is a clear asymmetry throughout the continent on gender access to finance (Bardasi et al., 2007). Thus, the customary attitude of identifying men as the head of the household or the ones in employment, while looking at women primarily as mothers or wives misses out on the fact that a great proportion of women own an informal business or are farming for the whole family and also necessitate financial credit (Chen et al., 2005).

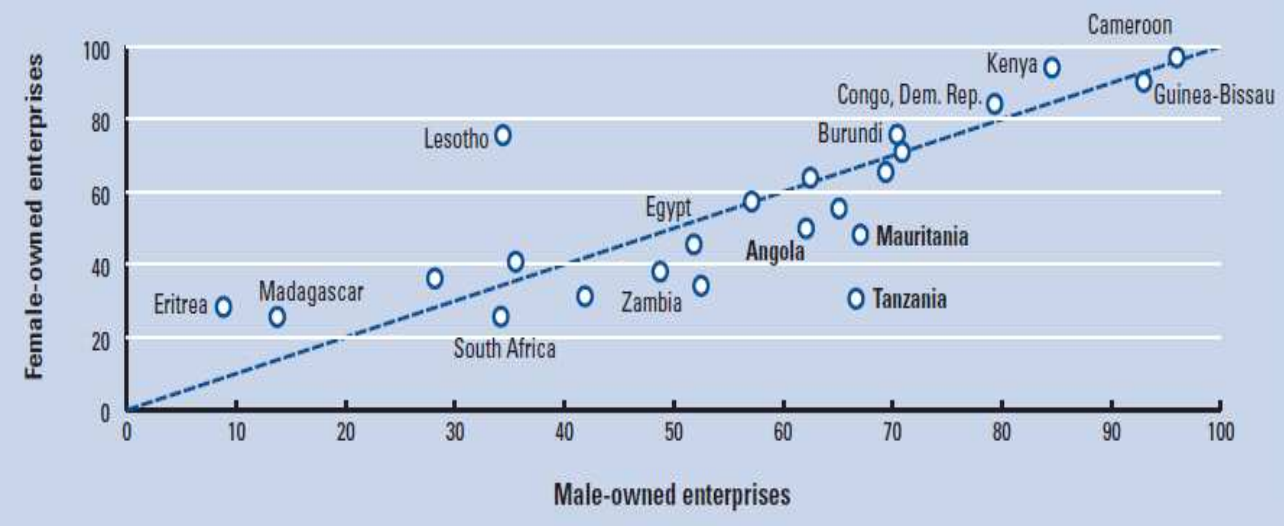


Figure 2. Gender access to financial services in Sub Saharan Africa (WB, 2008a).

Nevertheless, some financial institutions prefer to target women. This is the case of EBL investigated in this study. This Kenyan commercial bank has been key in giving businesswomen preferential access to group microcredit schemes and is the primary reason why, in figure 2, Kenya is outside the trajectory determining equal access.

MFIs in general have a preferential policy towards women because they are more reliable borrowers than men, they tend to repay punctually (Hulme, Mosley, 1996), they have a lower tendency to default or quit the group, given their limited mobility, and they engage in less risky businesses because they face more credit constrains than men (Quisumbing, Pandolfelli, 2009). Moreover, targeting women is seen as a better entry point to ensure programs functioning and increasing gender awareness (Murray et al., 2002) and it is claimed that their minimal economic empowerment is ideally going to spur a greater development within society (Mayoux, 1998) (see section 3).

Yet, single sex groups can create gender issues by excluding the other sex (Murray et al., 2002). Moreover, women's membership does not necessarily imply their empowerment, but it could actually reinforce gender disparities, they could for instance channel their surplus to their son's education, while still excluding their daughter (Mayoux, 2009).

Considering the gender analytical perspective of this study, it is also important to see why men's groups tend to be less successful. Studies, as well as personal observation, underscore men's attitude as more individualistic and opportunistic because they join more for the money than for the networking possibilities

that come with it, as women do (Anyango et al., 2007; Johnson, 2004). Men also tend to have a sense of shame through acknowledging their need for credit and therefore prefer not join (Johnson, 2004). For this reason, rural MFIs give men individual loans (Mayoux, 2009). Lastly, while peer pressure makes women repay, men will strategically default (WB, 2008a) and resist or make excuses whereby repayment will be enforced by other members, even by physically ambushing the defaulter.

According to the literature (Anyango et al., 2007; Johnson, 2004; Anderson et al., 2002), customary gender dynamics grant men the right to keep money for personal consumption of alcohol and cigarettes, while women direct their income on household goods. Therefore, services targeting men do not necessarily improve family's welfare, but they could rather deteriorate women's conditions (Mayoux, 2009). Moreover, women's, although limited, participation in the job market and contribution to the household welfare can help keep the family out of poverty (Chen et al., 2005).

4. Research process

The initial focus of this research was women's legal empowerment as an outcome of credit and saving groups membership, based on the Legal Empowerment of the Poor framework (UN, 2009b). Those findings are presented in a conference paper (Caretta, 2010).

During fieldwork it became clear that the provision of financial 'credit plus' services did not only improve women's and families' economic conditions, but they also had a wider impact on their livelihood status. For this reason other aspects of empowerment, particularly at the group and intra-household level were investigated. Moreover, when the possible linkages between microfinance and adaptation to climate variability emerged, this was deemed to be worth exploring, given its significance for sustainability science.

4.1 Reflexive research

This study was conducted as an iterative process of deduction and induction (Bryman, 2008; Bevan, 2009). Thus, starting from the literature research questions and interview guide were designed. After field observation, the interview guide was refined to get a better understanding of dynamics that had not been envisioned before. The first interviews made appeared clear that the case study setting was very different from the literature that was mainly focusing on India and Bangladesh, therefore questions were tailored time after time to disclose the intra-household gender relations and the group bond development. When back in Lund, interviews were reviewed and, as the main pattern of answer emerged, were combined with Mayoux's and Kabeer's concepts. Lastly, starting from Mayoux's categories of analysis, data were reinterpreted and arranged in order to present the results and their implications in a clearer and structured fashion.

Given that this study focuses on the understanding of processes and of people as agents of change, it is founded on the epistemological standpoint of interpretivism aiming at the conceptual reinterpretation of reality (Mikkelsen, 2004).

The research model was shaped by the sociological ontological perspective of critical realism, which depicts the world through its complex relations between people and structures and seeks to identify these arrangements, particularly when they result in unequal social dynamics (Bevan, 2009). In this study this perspective helps disclose the gender customary practices shaping relations between men and women and see how this can be modified by women's groups.

Results will be presented starting from empirical examples, coming to the claims and then leading the reader to interpreting the material and its general implication (Silverman, 2010), in a hermeneutic fashion, aiming therefore at understanding the context around the findings (Bryman, 2008).

4.2 Research Design

In order to explore the issue at stake, this project is designed as a case study. This approach, one of the most common in social science qualitative research (Bryman, 2008), facilitates the understanding of a topic through its contextualization, helps the comprehension of a theory by linking it with evidence and can therefore add to the potential of theoretical generalization (Silverman, 2010).

Two units of analysis were picked. On one hand, two women's groups doing village saving and loans (VSLs) in a rural setting and, on the other hand two women's groups involved in Equity Bank Limited (EBL) loan scheme in an urban setting. This is an instrumental case study because the units were not meant to be compared, but the bigger sample and the groups' differences were used to complement the understanding of the specific dynamics occurring in women's credit and saving groups (Yin, 2003).

4.3 Research methods and fieldwork data collection strategy

The methodological foundation of this study lies in the concept of triangulation, which consists of combining data collection and construction in order to cross-check findings (Bryman, 2008).

Data collection, based on a literature study, was done in two steps. Before going to fieldwork literature served to acquire a general comprehension of the geographical and empirical setting and to be able to structure a tailored interview guide (see Appendix I). After fieldwork an in-depth literature review of relevant theoretical concept was carried out to find supporting material to substantiate the study arguments in relation to the existing debate.

Field work data collection was done during five weeks of fieldwork in and around Kisumu, Kenya by applying ethnographic methods such as observation and interviews (Bevan, 2009).

Unstructured and non-participant observation (Bryman, 2008) took place during the first days of fieldwork in order to choose the most appropriate case study units. VSLs women groups were also visited prior to the interviews for the purpose of introductions and explaining to the group representatives what the study was about and set a date for the actual interviews. Visiting the groups was key to observe the local setting and to reconsider the sample characteristics. EBL group members were interviewed in their own houses and businesses. This involved walking around different neighbourhoods and having the chance to ask questions regarding the area's social status.

In order to specifically answer the theoretical proposition semi structured and focused interviews (Bryman, 2008; Yin, 2003) were conducted with four key informants: VI SCC field officer and VI SCC microfinance unit head, EBL field officer and EBL credit manager.

Respondents were identified through VI SCC and EBL officers[4]. Open ended interviews, where questions were organized in themes (see Appendix I) , were used to gather a wide array of ideas and from those start

[4] Selection bias resulting from self-selection of participants and selection of officers cannot be excluded (Holvoet, 2005).

a conversation that could lead to a deeper understanding of the specific theoretical aspects (Silverman, 2010).

The assistance of a male interpreter[5] was needed for half of the interviews. Previously, the interview guide had been revised together with the interpreter to grasp which were the sensitive cultural questions and in which terms these were translated.

At the end of each interviews an exercise of communicative validation, whereby all answers were confirmed by the interviewees, was carried out to improve the reliability of answers (Mikkelsen, 2004).

The sample characteristics were communicated to the group leaders, who picked the interviewees. Thus one can say that it was both a purposive and convenience sample (Bryman, 2008). Before going to the field the ideal interviewees were identified as women, who had been part of the group for at least two years, between 25 and 35 years of age, with children and living with their partner. However, the groups' age structure was different than previously envisioned, therefore women up to 40 years old were interviewed, most of them being between 30 and 35. Sampling was designed with the conviction that such groups could be found in the bigger population, while at the same time answering the research questions, therefore the sample was not fabricated (Carter, Sealey, 2009).

A diary was kept with impressions and notes gathered daily. Interviews were all taped and then transcribed. All these materials laid the foundation of data codification: each interview was revised to trace the main patterns of answer and complemented with notes from the field (Yin, 2003). In order to create conceptual linkages between the reality and the literature distinctive coding techniques were used to obtain discreet categories of analysis based on the research questions and on the study theoretical concepts (Mikkelsen, 2004).

5. Case study context

Fieldwork was conducted in the surroundings of the Kenyan city of Kisumu, capital of the region of Nyanza and third largest urban settlement in Kenya, located on the shoreline of Lake Victoria (see Map 2, p. 11).

Given the high HIV incidence, the lack of basic infrastructure, the spread poverty and the ongoing environmental degradation due to population pressure and climate variations, Kisumu can be seen as the epitome of Sub Saharan Africa. Hence the selection of case study site.

For several reasons it is also an ideal location for a study on the gender aspects of microfinance and possible linkages to future climate change adaptation.

First of all, since colonization, Nyanza has been an area of labour migration and has become marginalized from the main market centres of Kenya. In Kisumu agriculture has not been successful because it is located far from food and livestock markets (Francis, 2000). Hence, subsistence agriculture still remain as the region's main economic activity despite several challenges related to climate variations, and small scale agricultural business development (Ndonga, 2010). This context is representative of the Kenyan economy, where 23% of GDP comes from agriculture (WB, 2008b), 70% of the population lives in rural areas and a

[5] It was questioned whether a male interpreter was the best choice in this context. However, given that the interpreter did not have any personal relation with any of the interviewees, but he had been previously introduced to some members before I entered the field, this actually facilitated the whole process.

majority of them are dependent on agriculture[6]. Additional challenges facing the country are widespread soil erosion, decreasing soil fertility, land fragmentation and fluctuating yields which have resulted in prolonged poverty and increased rural-urban migration (Ekbom et al., 2001).

Secondly, Kisumu is the poorest city in Kenya, with 53% of its inhabitants living under the poverty line and 60% of residents lacking access to basic necessities such as clean water and sanitation (Huchzermeyer, 2009).

Lastly, Kisumu is located in the western region of Kenya where gender inequality is higher than the national averages (UNDP, 2006)[7]. Hence exploring VSLs initiatives and commercial bank group loans to women is of particular interest here to investigate women's empowerment and participation. Indeed, since 2007 communities around Kisumu have been introduced to women´s ASCAs by the Swedish NGO Vi Skogen, Swedish Cooperative Centre (VI SCC) and are now widespread in the area. Additionally, the Kenyan commercial bank Equity Bank Limited (EBL), have initiated group loans to low income women interested in developing small businesses in an urban setting.

The widespread presence of EBL in the area (4.1 million customers holding 54% of the Kenyan bank accounts) and its financial accessibility to poor women as the first commercial bank in Kenya promoting Graamen's bank joint liability approach targeting women's groups makes this case study unique (Kuyoh, 2010). This is a significant change for a country stricken by poor communication systems, low literacy levels and low profitability of business (Johnson et al., 2006), and for a considerable part of the population, around 33%, still do not have access to any form of financial services and for women the number is even higher, 77%. Moreover only almost 4% of the rural population is reached by formal microfinance institutions. Yet, thanks to the rapid development of mobile phone money transfer technology, such as Safaricom M-PESA, in recent years, today almost 18% of the adult population can now at least make financial transactions, even though loan and saving services are not yet offered (FSD, 2010).

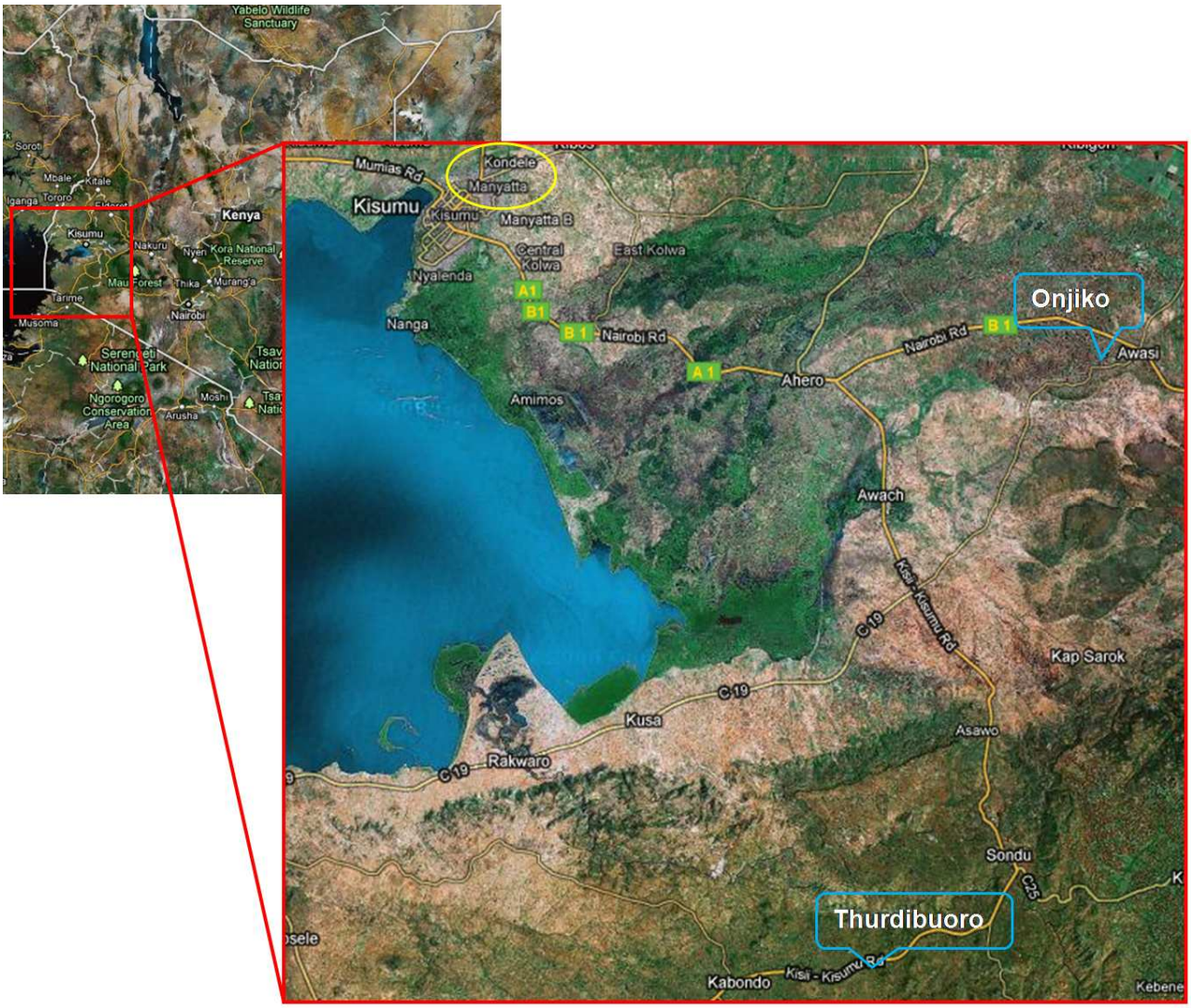
Informal credit institutions, such as Rotating Saving and Credit Associations, have existed and have been spreading rapidly since the 1970s and 1980s in Kenya in part fuelled by the Harambee[8] ideology (Johnson, 2004) yet only 33% of all women and 20% of all men are today part of ROSCAs. The higher percentage of women being part of ROSCAs has to do with their lower access to formal financial services 23%, while MFIs reach 47% of all men (FinAccess, 2009).

This is exactly where EBL credit scheme for women's groups comes in as a complete novelty in the African context (Coetzee et al., 2002). Thus, not only has EBL since the mid 2000s reorganized itself to be able to reach more clients (Johnson et al., 2006), but it has specifically been focusing on women, who are believed to be more reliable borrowers.

[6] Kenya is at the 147th place out of 182 countries in Human development index (UNDP, 2009). This level of ´medium development´ is mainly due to the GDP per capita, which is relatively high for African standards (645$). Nevertheless, infant mortality rate (79.8/1000), 54 years of life expectancy at birth (WB, 2008b) and 1.2 million people HIV positive, 65% of which women (HKF, 2005).

[7] Kenya is ranked 127th out of 177 countries in the Gender Development Index due to low life expectancy and poor literacy and school enrolment (UNDP, 2009).

[8] Harambee, which means 'pulling together' in Kiswahili, is a self help movement which can involve exchange of cash, labour or material (Buckley, 1996).



Map 2. Kenya and Kisumu area (Google Earth). Kisumu and location of groups, VSLs groups (blue), EBL groups (yellow)

The following two sections will briefly present the two groups interviewed. Figure 3 is meant to summarize groups characteristics and facilitate the readers' understanding in relating the groups' names and schemes.

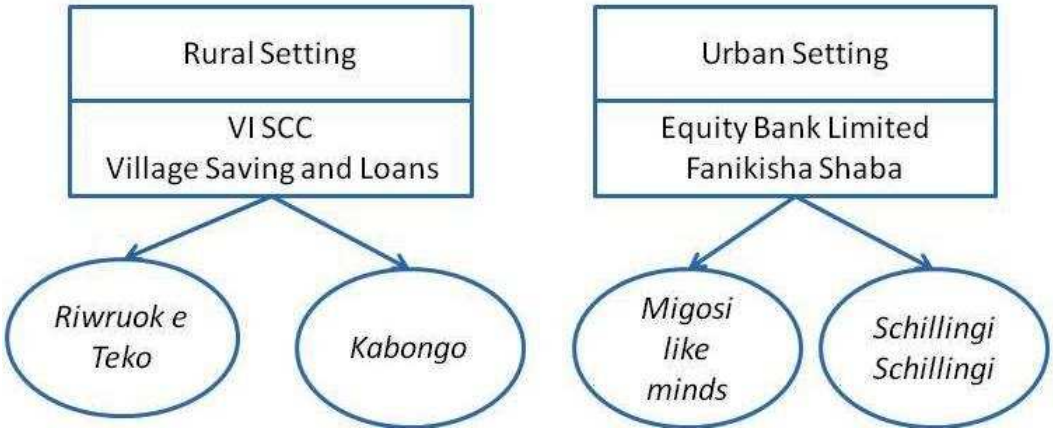


Figure 3. Schemes and group names

5.1 The urban setting

During fieldwork, thirteen members of two groups involved in the EBL *Fanikisha Shaba* scheme were interviewed. *Fanikisha Shaba* means 'achieve bronze' in Swahili. 'Bronze' refers to the fact that there are other two upper schemes: 'silver' and 'gold' lending individually to businesswomen.

The first group, called *Migosi like minds,* meets weekly outside the Young Women Christian Association, located downtown Kisumu. This is a successful three year old group of 30 women that has never defaulted, but has rather been asking for bigger loans. Six group members were interviewed in their respective homes in the neighbourhood of Migosi/Kondele (see Map. 2), at the periphery of Kisumu. All women are engaged in small business activities ranging from *mutumba* (second hand clothes) to basketry, to fish selling and small grocery, which they sell door to door or every Sunday at Kibuye market, the busiest in town.

Kibuye market, Photo: Benson Gudu

The second group interviewed, called *Schillingi Schillingi* (*schillingi* is the local currency) meets weekly outside the Anglican Church in the neighbourhood of Manyatta (see Map. 2), at the periphery of Kisumu. This group of 15 women, has had some members in arrears however, no one had ever totally defaulted. Nevertheless, the group was facing some level of economic and organizational struggle compared to the *Migosi like minds* group. The group was therefore chosen in order to investigate the dynamics in challenging circumstances. The members have small grocery, dairy and chemistry businesses, just to name a few, that they operate through a stall or a small shop in their neighbourhood.

5.2 The rural setting

Interviews were carried out with four women each from the two village saving and loans (VSLs) groups investigated.

The first group, called *Riwruok e Teko*, which means ´growth from strength´, is located in Onjiko (see Map. 2), an agricultural plain 40 minutes driving east of Kisumu. The 30 group members are quite diverse in terms of age, occupation and household situation: some are elderly widowed farm women and some others are in their 30s and early 40s married with children and having small businesses like pottery, *posho* (wheat) mill, dairy or a wage employment, beside agriculture.

The second group, called *Kabongo farm learning center*, is located in Thurdibuoro (see Map. 2), a small community on the hills towards Sondu, one hour driving south east of Kisumu. This VSLs group has almost 40 members and among them there are also a few men. The remote location means that all group members practice agriculture along with agroforestry techniques which help them counteract soil erosion and adapt to changing weather patterns (Wamalwa, 2010). This group is also characterized by an internal age structure divide widows and younger women married with children, who, in most cases, sell their agricultural products at the local markets. In each group four younger women involved in agriculture and small retailing, were interviewed because the sample was conformant with the theoretical questions.

5.3 Village Savings and Loans and *Fanikisha Shaba*

As aforementioned (see section 3), this case study focuses on the two ends of the microfinance service providers, an ASCA and a commercial bank scheme, which will be presented here by comparing their differences and similarities , as emerging from fieldwork observation and interviews.

Village savings and loans (VSLs) initiated by VI-SCC, is a one year time bound ASCA with everyone saving a weekly minimum share (Rutherford, 2000), which nowadays counts a total of 7000 members (Osoo, 2010). Starting from the agroforestry training, VSLs was extended to women farmers or businesswomen living in rural areas surrounding Kisumu.

Since 2007 EBL offers the so-called *Fanikisha Shaba* loan to groups of up to 30 women having a small business in Kisumu (Kuyoh, 2010) and now involves 16,000 people, comprising a minority of men enrolled in the so called 'youth groups', benefitting from this scheme in Kisumu (Ndonga, 2010).

Considering the theoretical questions on which this study is founded, these two schemes complement each other in various ways. First, they are based in two different settings, rural and urban. Second, they target women with different occupations and different level of welfare. Indeed, women that sign up for *Fanikisha Shaba* can offer securities to the bank and have built up some savings by being part of a ROSCA for some years. Third, both schemes offer 'credit plus' trainings and support to members. Lastly, these schemes have been operational for some years now, so the development over time and the member's progress and expectations can be investigated[9].

[9] See Appendix III for further explanations on training and operations of the two schemes.

5.4 Portraits from the field: Grace and Lenis

Since it is important to shed light on the environment in which this data was gathered during fieldwork and on the women that were interviewed, this section presents the portraits of two women embodying the conditions of VSLs and *Fanikisha Shaba* members. Although, this section will partially anticipate results, it is useful to get an overall understanding of what is the research setting and most of all, what is the context that these women live in. Grace and Lenis' interviews will also be brought up later in this thesis (see section 7), to better contextualize results.

First of all, Lenis and Grace have also a very similar daily routine, like many millions of African women. They both wake up around 5am, their children help them to clean the house, they prepare breakfast for the family and then they fetch water. They then leave either for the vegetable garden, *shamba,* or for their business. They come back at lunch to prepare the meal for their children and then return to their occupation. At night they come back to prepare dinner for their family, after that they clean up, pray and go to bed around 9pm.

A homestead in Thurdibuoro, Photo: Elisabetta Baccarin

Grace is a 35 year old VSLs member. She lives in the surroundings of Thurdibuoro with her husband and her three children. They live in a thatched hut with walls consisting of a wooden frame stuffed with dried mud. Around their house they have a *shamba* producing onions, tomatoes, cassava and kales, which they eat and sell. Grace is indeed a farmer, but also a businesswoman because she sells the vegetables at the weekly markets in Ahero and Katito. To reach these market places she has to walk roughly half an hour to the main road and then take a shared taxi *matatu,* for almost an hour. The time and the transportation cost are part of the biggest challenges she is facing with her business. In addition to that, the changing weather patterns, particularly the unreliable rainy seasons, is becoming a serious threat to their rain fed agricultural

production. Grace has been a member of VSL for three years now and she has borrowed five times. She saves a minimum share of 55 KES (0.7 USD)[10] fortnightly, but in good times she can make up to 500 KES (6.3 USD) a week by selling vegetables. Becoming a member of VSLs has been very important for Grace, because with the money she borrows from the group, she buys more resistant seeds, which she learnt about thanks to the agroforestry training.

Lenis is a 35 year old *Fanikisha Shaba Migosi like minds* group member. She lives in the neighbourhood of Migosi/Kondele with her three children and her husband. Migosi is a middle class neighbourhood, with no sewage or water pipeline, where bank officers and NGO workers also live. However, Lenis and her family live in the poorer area in a one room apartment located in a block with many others. The room that they share between five is made of brick, has only one window and is roughly 20msq. Lenis spends all her day outside the house washing clothes or cooking on the three stone stove. She is a small scale businesswoman, during the week she sells homemade buns door to door in the neighbourhood. On Sundays she works at the market of Kibuye, the largest and busiest market of western Kenya, buying second hand clothes and reselling them. Lenis has been part of EBL *Fanikisha Shaba Migosi like minds* group for more than two years and is now taking her third loan. Joining the *Fanikisha Shaba* group has been fundamental for Lenis because she started her two income generating activities, which she is now planning to expand. Without the loans she has been taking, she would not be able to have all her children in school and take them to the hospital when they get sick.

Lenis' house, Photo: Elisabetta Baccarin

[10] Curency convertions are all calculated based on the 13th April 2010 exchange rate.

6. Virtuous spiral of empowerment: a conceptual framework

This section outlines the main concepts that provided a guide, both in framing the research focus and in analyzing the results. Indeed, the research was not based on a comprehensive theory, but rather on two conceptualizations of empowerment, which were useful to interpret the reality and reflect upon the data.

In this thesis empowerment will be investigated as theorized by Kabeer (1999). Based on Amartya Sen's capability conceptualization (Mikkelsen, 2004), Kabeer defines empowerment as the ability to make choices. Empowerment is seen as 'a process of change' rather than an end itself, (Kabeer, 1999, p. 437) whereby people gain the ability to make choices, which they did not have before. Kabeer conceptualizes the attainment of this ability as a three step progression entailing *resources* (access to), *agency* (power of decision making) and *achievements* (outcomes).

Empowerment, a buzzword particularly within the development community, is a multidimensional concept and can be investigated at the household, community and societal level (Beetham, Demetriades, 2007). Measuring empowerment is difficult, for instance income increase cannot be used as a proxy of attainment of decision making power, because decision making is a process. Moreover, when doing qualitative research there is the incumbent risk of self selection among group members' (Sharma, 2003) and, in this case study, also among interviewees. For these reasons, it is important to root the concept in clear categories of investigation to make it measurable at all levels.

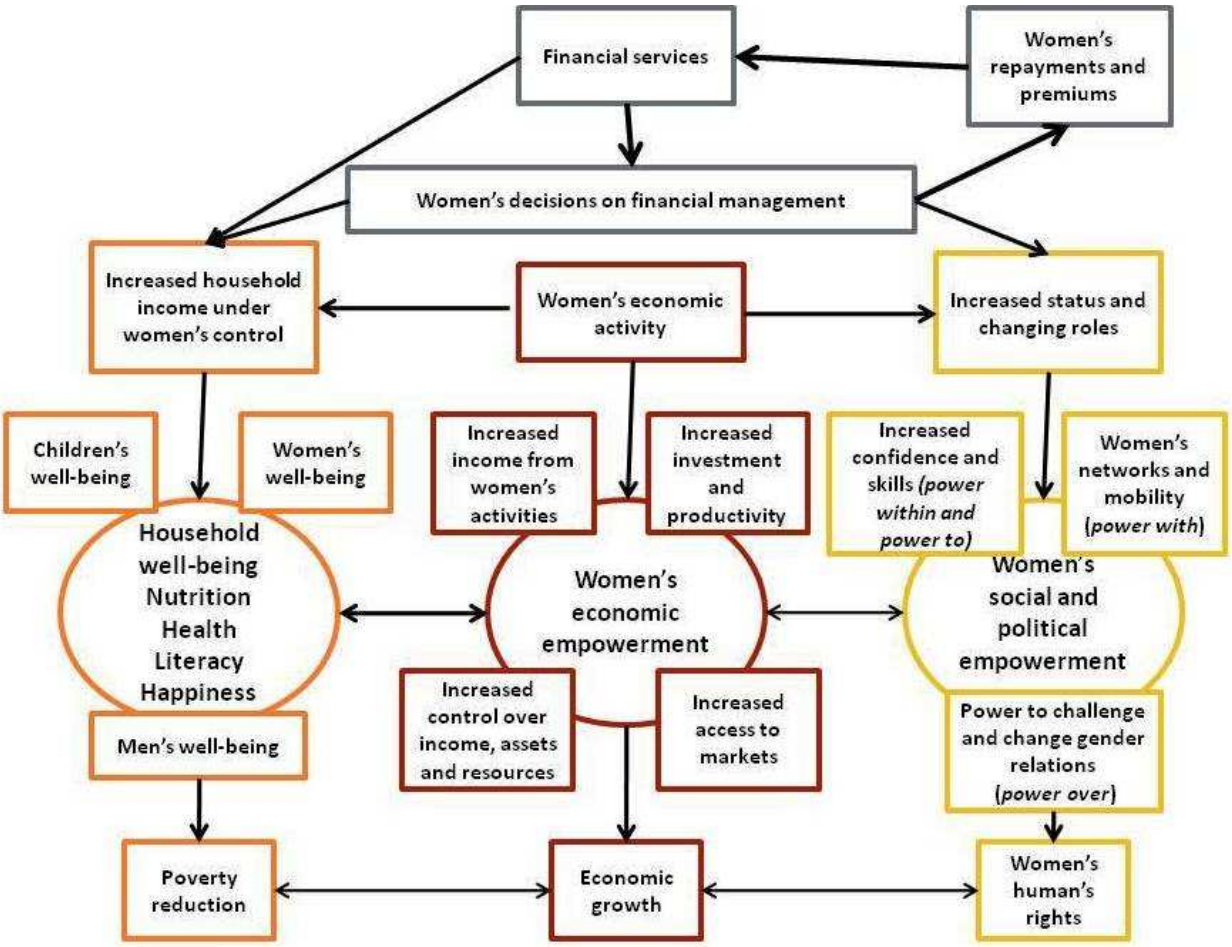


Figure 4. Microfinance and women's empowerment: virtuous spirals (Adapted from Mayoux, 2009).

Given that this study is looking at the phenomenon of microfinance, one would assume that the overall aim would be to assess women's economic empowerment. Nevertheless, economic empowerment stems from social interactions and produces individual and collective outcomes. While attaining an universal comprehensive measure of empowerment has not proven possible (Perkins, Zimmerman 1995), and is not a realistic goal for this thesis, assessing only women's financial access and inclusion would be reductive (WB, 2007). Consequently the translation of the existing links between microfinance and women's empowerment, as shown in figure 4 by Mayoux (2009), a renowned global consultant on gender mainstreaming and microfinance, was utilized to prepare the interview guide (see Appendix I) and categorize findings.

Mayoux's operational conversion of Kabeer's three step process of change: *resources, agency* and *achievements* is presented in the following sections and will be mirrored in the discussion of empirical results.

6.1 Resources

The term *resources* does not only imply the acquirement of broadly defined material means, but it also refers to the conditions which allow people to gain access to such *resources* (Kabeer, 1999). If one looks at figure 4, this corresponds to the left side of the diagram.

The argument that women's status and family well being are improved due to microcredit schemes is supported by a vast body of literature (Mayoux, 2009). Indeed, studies show that women tend to invest more in children's nutrition, health and education and in the improvement of the family's living conditions when their individual financial means increases (Chen et al., 2005; Smith et al., 2003; Quisumbing, 2003; Pitt et al., 2003; Wright, 2000).

One category of analysis of this study therefore looks at how and what women spend their increased incomes on.

6.2 Agency

Kabeer defines *agency* as a an incremental process whereby it is assumed that women's increased monetary contributions to the household economy make them gain voice within the household (Mayoux, 2009). Considering that empowerment can be interpreted as a transition from a state of powerlessness to a condition of active control over one's life (Sadan, 1997), the *agency* stage is therefore the most central to the empowerment process. Indeed, the attainment of *resources*, the increase in income in this case, provides one with the capability of exercising choices and decision making and enhances a woman's bargaining power within the household (Kabeer, 2002). Moreover, as Mayoux interprets it in the central part of figure 4, *agency* can be looked at as the 'control over income', the 'increase in investment and productivity' and the 'increased access to market' (Mayoux, 2009).

While accessing a saving and credit scheme can be an entry point into economic empowerment, this does not necessarily mean that they exercise control over the loan. The power structure and the gender division of labor within a family can shape a dynamic whereby women transfer money to their husbands or relatives who are the ultimate users (Goetz, Sen Gupta, 1996). It is therefore important to assess whether they are the effective recipients and re-investors of the sum to be able to state that they are economically empowered (Kabeer, 2002).

For this reason, this study will address how the relationships between husbands and wives have changed after entering the microfinance scheme, in particular, it will investigate to what extent women are in control of their loans. This can ultimately be done by assessing a woman's capability to make small or big purchases (Hashemi et al., 1996) and see how the decisions are made within households.

In regard to this last category one can make reference to the concept of 'bargaining power within the household'. Given that intra-household relations are shaped by complex gender dynamics which have economic effects, such as the representations of women and men's skills and the internal division of labor (Agarwal, 1997), sharing expenditure decisions does not necessarily mean that resources within the household are equally distributed. Most of the time women do not have ownership over the household's money, but they are given an allowance to provide for the household needs (Burgoyne, 1990). Therefore, when a woman starts earning her own money, even a small amount, this triggers a process of change whereby she can be granted with bigger decision making power (Hashemi et al., 1996) and she acquires a feeling of psychological ownership over the money (Burgoyne, 1990).

In this context, a unitary household model is not realistic (Deshmukh-Ranadive, 2005; Francis, 2000; Bruce, 1988; Guyer, 1988), but rather a conceptualization of intra-household interactions characterized by conflict and cooperation is adopted (Sen, 1990). Indeed, cooperation, stemming from conflict, allows partners to be better off (Agarwal, 2001). Cooperative conflict shades light on the gender relations within the household; it particularly highlights the underpinning arguments of intra-household social arrangements. In fact, the perception of one's contribution and the sense of legitimacy within the family grant one's entitlement over resources, while others with a worse fallback position have to accept such arrangements (Sen, 1990). It is therefore sound to say, that economic opportunities can improve women's 'fallback position' (Agarwal, 1997; Elson, 1991) and consequently give women more bargaining power within the household (Anderson, Baland, 2002).

6.3 Achievements

As aforementioned, empowerment is a mounting process where the last step is *achievements*, which is presented on the right side of figure 3.

This last stage can be broadly understood as the outcomes generated by the exercise of *agency* (Kabeer, 2002). However, this does not imply that empowerment is an end state, but it is a continuous process (Chant, 2007; Mosedale, 2005), which aims at continuously challenging power structures (Sadan, 1997).

Mayoux categorizes *achievements* as 'increased confidence and skills' or the *power* that one gets from *within* and *with* the group which is the *power to* exercise her choice. These two lead to the most important outcome of this process of change, the *power over* relationships and resources, which challenges the existing gender relations (Mayoux, 2000). This is an increasing process. For instance, if the norms that restrict women's mobility do not withstand, the earning possibilities outside the house increases and this brings to further improvements of women's bargaining power (Agarwal, 1997)

This last category of *achievements* exemplified by Mayoux (2009) as 'women's social and economic empowerment' is self reinforcing and does not necessarily work only in one direction. For instance, a woman's endowments and the external support of a network, such as in the case of microfinance groups (Holvoet, 2005), can be crucial in improving the interaction with her partner (Agarwal, 2001).

Empowerment works at different scales (Chant, 2007). It starts from within the individual, mirroring her and her family's well being, by challenging power structures and finally becoming *power with* (Kabeer, 2002; Mayoux, 1998) because it spreads at the group level (Mikkelsen, 2004; Malhotra, Schuler, 2003; Perkins, 1995). Within the collective sphere there is a double dynamic: on one hand a woman attains more autonomy and self-esteem through collaboration with her fellows, on the other, her own autonomy fuels her fellows' sense of worth and attitudes (Sadan, 1997; Rowlands, 1997).

Within this context one can make reference to the concept of social capital, that is the cohesion and the support originating from a network which can bring about potential improvements in the members' lives. This study approaches social capital from a cognitive point of view because it is concerned with how networks are shaped and how they change the life of their members (Bebbington, 2008). Specifically, the concept of 'bonded social capital', referring to those networks based on common identity, goals (Szreter, 2002) and mutual trust (Munasinghe, 2000), is relevant in this case study because women's limited mobility makes them more reliant on their local connections, which are crucial in times of need or crisis (Agarwal, 2000).

Achievements in this study is measured by looking at the four types of power identified by Mayoux. Women were asked about how they feel about themselves after entering the scheme (*power within*), why the group is important for them (*power with*), which skills they have learnt (*power to*) and how they managed to overcome their husbands' skepticism towards the scheme (*power over*).

7. Empirical findings and Analysis

This section presents and discusses the empirical results of the case study. First, representative empirical examples, sometimes drawing back to the portraits of Grace and Lenis, summarizing the general outcomes of the interviews are outlined. Second, based on the current academic debate, claims are made starting from fieldwork findings. Lastly, their implications are addressed.

7.1 Resources

While *resources* are not only identified as material means, the current subsection focuses on aspects related to the immediate level of economic empowerment: income and loan increase and expenditure mode.

Grace has been a member of VSL for three years now and she has borrowed five times: starting off from 1000 KES (12.5 USD) and reaching 3500 KES (45 USD) nowadays. She saves a minimum share of 55 KES (0.7 USD) fortnightly, but in good times she can make up to 500 KES (6.3 USD) a week by selling vegetables (19th January 2010).

Lenis has been part of EBL Fanikisha Shaba Migosi like minds group for more than two years and is now taking her third loan. She started off borrowing 10000 KES (129 USD), then moved on to 20000 KES (258 USD) and is now repaying a 40000 KES (517 USD) loan. While it took her six months to repay the first loan and four for the second, she now estimates it is going to take her nine months to repay this one (13th January 2010).

In terms of the first indicator, both Grace and Lenis' interviews support the claim that membership in microfinance groups does increase women's income (Mayoux, 2009). Moreover, they also manage to reduce the payback time considering that they have been taking bigger and bigger loans in the same time span.

The increase in income has also resulted in an improvement of living conditions.

> *Since Lenis joined the Fanikisha Shaba group her life has improved because she started two income generating activities and is now planning to expand her second hand clothes business somewhere else. She can now afford to have all her children in school and to take them to the hospital when they get sick (13th January 2010).*

Other group members reported that they could move to another house or they can now afford to build a permanent house or to buy a cow to give the milk as a nutritional supplement to their children.

The idea that the borrower's sex is key for the allocation of income is therefore reinforced. That is to say that women's income increase improves family welfare and children education, nutrition and health (Goode, 2010; Fletscher, 2009). This evidence is in line with several studies highlighting that women are also more concerned with the education of their education (WB, 2008a). Moreover, their economic empowerment greatly improves family health because they do not invest their money in physical assets as men tend to do (Quisumbing, 2003). This evidence is particularly crucial if one considers that one out three children in preschool age is malnourished in developing countries (Smith et al., 2003).

Therefore, Mayoux's conceptualization of ´virtuous spirals´ does apply for this case study and, as we will see in the following sections, it also pertains to women's self esteem and participation thanks to their network.

However, observation and interviews made emerge that women, particularly in the rural context, still suffer from limited accesses to financial resources. For instance an interviewee in Onjiko stressed that they 'put up an internal mechanism whereby some members wait to get a loan because the saving amount is around 10000 KES (129 USD) on average, so if more than three women want to get a 3000 KES (38.7 USD) we cannot satisfy everyone's request' (Member 2, Riwruok e teko women group, 2010). This supports the claim that women who want to aim higher in terms of loan amount find themselves constrained (UN, 2009a; Schreiner, 2000).

Furthermore, they are 'longing to join Kenyan Women Trust Fund, which offers a similar scheme to EBL' (Member 1, Riwruok e teko women group, 2010). However, EBL is still reluctant to take on board women group based in the rural areas. This is due to the changing and unreliable weather patterns and to the fact that people in the rural setting hire their parcels of land and therefore cannot offer any security (Ndonga, 2010). In such settings women lack any property rights over their land. Therefore they cannot give any collateral and this increases the risks and the costs for commercial banks, which eventually decide not to take on board new customers (IFAD, 2009).

Nevertheless, women 'wish to be able borrow more from the group to hire someone to help in the *shamba* or plant other crops' (Member 3, Kabongo group, 2010). This limitation needs to be overcome because according to estimations, agricultural productivity in Sub Saharan Africa can increase up to 20% if women would have access to the same resources as men, such as land and seeds (DFID in Petrie, 2010).

The evidence gathered shows that limited access to financial resources in a rural context can hinder women's access to environmental resources. However, the entitlement to a secure livelihood is a human right which is rarely taken into consideration in the gender debate (Underhill-Sem, 2006).

7.2 Agency

Given that *agency* refers to the attainment of choice and decision making (Kabeer, 1999), this subsection will present the findings in relation to control over loans and bargaining power within the household (Agarwal, 1997). Before looking at those indicators, the increase in investment of productivity presented in Mayoux's categorization of empowerment, is briefly addressed.

Whereas the coupling of VSLs and agroforestry training increase the productivity of women's *shambas* (see 7.4), the same reinforcing cycle of income, credit and investment (Hulme, Mosley, 1996) can be observed in EBL groups, whose members report that they want to expand their business with their current loan. They have very precise ideas of how they want to utilize the money: some are planning to offer a different range of products, while some others want to offer new services and products, such as phone scratch cards or photocopies.

The income increase reflected in bigger investments and thus improved productivity is the direct outcome of the EBL training in business selection and expansion. Moreover, it was observed that in their weekly meetings members discuss the challenges they faced with their businesses so they can learn from each other how to diversify their products offer, how to treat customers and how to use the ´word of mouth´ to advertise their business.

> *Lenis has been part of a ROSCA for four years because it helps her buying things for the house and to repay the bank loan, since her income fluctuates seasonally, particularly in January when people do not have money to buy clothes because they have to pay school fees (19th January 2010).*

The case of Lenis is similar to several other interviewees, who reported that the bank officer taught them to diversify their offer of products, for instance one member reported: 'In January people are paying school fees and do not have money to buy second hand clothes, so I started selling stationery's items' (Member 4, Schillingi, Schilling women group). Others stated that the market gets easily saturated because all small businesses are offering the same services. The bank officer's and group members' suggestion to expand the products range was followed and so one for instance she is now planning to get a freezer to start selling yoghurt (Members 2 Schilling, Schilling women group). Moreover, all women getting a loan through *Fanikisha Shaba* are still part of a ROSCA. This helps them to compensate for income fluctuations and still be able to repay the bank loan.

These findings support studies stating that women can and do tackle business obstacles, such as market seasonality and saturation (Chen et al., 2005), as effectively as men do, being at the same time as much productive as their male counterparts (Bardasi et al., 2007).

In order to better illustrate this outcome, the focus will specifically be on: relationship with the husband before and after entering the microcredit scheme, household expenditure model and capability of making small purchases independently (Hashemi et al., 1996).

7.2.1 Control over loans …….*'I am not waiting for my husband to provide for me any longer'* (Member 3, Migosi like minds group, 2010)

´Managerial control over loans´ is defined as the actual control over the sum of money borrowed. This means that women are the ones deciding how to use their loan and income (Goetz, SenGupta, 1996).

Interviews and observation back the argument that interviewees hold control of their own money. One woman for instance reported: ' I decide how to spend the money myself. Sometimes I consult my husband, but the decision ultimately is mine'(Member 3, Schillingi Schillingi women group,2010). Overall, all interviewed women said they are the manager of their own money. They decide how much to borrow, when and how to invest it. Yet, seen that most of the income would go for collective family needs, the husband is often consulted

Moreover, women stressed how they can now enjoy 'peace' because they can make small purchases on their own without consulting their husband. Some of them make more money than their husband (Member 2, Kabongo group, 2010). Whereas one might be drawn to think that an increase in income would bring about more conflict, which can be the case in wealthy Western societies (Norton, 2009; Stevens, 2003), this does not correspond to the evidence gathered. Indeed, in those resource dependent families the injection of an extra sum of money can make a real difference and actually soothe the tension generated by the lack of money and the frustration of not being food secure or being able to afford school fees for children.

In conclusion, these findings are in line with existing evidence shedding light on the actual control over loans gathered in Africa (Mayoux, 1999; Arku, Arku, 2009). Similar studies conducted in Bangladesh and India showed no managerial control due to the fact that women were only used by their partners as a means to reach the money, which they would then use in their own business while women would experience an increase in domestic tension (Goetz et al., 1996; Hashemi et al., 1996).

7.2.2 Bargaining power within the household…….*'my husband always consults me when we have to decide what to purchase'*(Member 5, Migosi like minds group, 2010)

This section looks at how decisions are taken within the household in order to understand if the woman has gained decision making power or *agency* by entering the group and to grasp what is the most common household expenditure mode.

Several interviewees highlighted that the 'husband is the one making decisions in the family because he is the one making the most money' (Member 6, Migosi like minds, 2010). However, women are always consulted.

In some cases, women did gain a voice after entering the microcredit scheme because their partners saw the benefits of her membership.

> *Grace and her husband now pool resources together and decide what to buy for the house. The group has brought about a lot of changes in her life because she now has 'a small business and a lot of peace with her husband ' (19th January 2010).*
>
> *Lenis relationship with her husband has also improved. He appreciates that she is now making her own money and helping him to pay expenses when he is in need. Since she became a member of Migosi like minds they have been discussing how to spend their income and there has been less conflict between them (13th January 2010).*

A common pattern highlighted by Grace and Lenis and also by other women is that now the husband and wife are complementing each other in the couple, not only because they would 'not quarrel anymore about small money matters' (Member 1, Kabongo group, 2010), but also because the husbands became encouraging towards their business.

This study therefore adds to the evidence supporting the academic claim that women can gain decision making power within the household through microfinance. Thus, microfinance and the consequent economic empowerment is seen as a means women can use to free themselves from gender subordination (Mayoux, 1999). It is also demonstrated that when credit institutions go beyond the rationale of financial sustainability by promoting women's entrepreneurial qualities (Sinha, 2003), as in the specific case study, and channelling funds through a group there is a seven fold higher chance for women to decide on their own how to spend the money (Holvoet, 2005). This form of resistance is probably the strongest form of power that women can exercise to challenge gender subordination (Rowlands, 1997). However, it needs to be noted that sharing income responsibilities does not mean that men are now open to also contribute to work and time burdens. Indeed, no empirical data from the field supported such a change in traditional labour role dynamics. Indeed, men did not start helping their wives in the house chores for instance. But if men were to share those burdens, then this could ultimately lead to a change in gender structuring, that is to say, the societal structures defining the organization of productive and reproductive work between men and women would become more balanced (Sorensen, von Bulow, 1990).

Nevertheless, an increase in women's control over household resources would at least lead to a change in the household expenditure model (Johnson, 2004). In the specific case study, the household expenditure model reported was dual. On one hand, a pooling system (Johnson, 2004; Burgoyne, 1990) where partners share their income and discuss how to spend it, but ultimately the man has the last word. On the other hand, ´a partial housekeeping allowance´ model (Hoodfar, 1988) whereby the man was still considered the breadwinner and traditionally had to provide for school fees, rent and clothes, while the wife uses the small sum that is given to her to buy vegetables (Silberschmidt, 1999). However, after entering the microcredit scheme the wife would chip in and help the husband whenever he could not fully sustain the family.

The intra-household arrangements emerged during fieldwork show that assuming a unitary household model, where partners do not need to bargain about their expenditures and the husband is considered the head of the household, is erroneous. Whereas the distribution of power and resources always tends to favour men, microfinance can partially reverse the trend. Moreover, the evidence of a non unitary household model has implications for policy making in developing countries, particularly in the context of resources transfer programs. Indeed, this case study and several other studies show that giving women, rather than the customary household head, control over resources has wider positive effects for children's education and nutrition (Quisumbing, 2003).

Moreover, all women stated that they could also make small independent purchases with the money they would make out of their business. Most of them brought up the example of buying second hand clothes or sandals without consulting their partner. Again this shows that in this case study microfinance does have an empowering effect, despite some previous studies indicating its disempowering outcomes as some men may withhold their income for personal expenditure when they see that their wives now can contribute to collective family needs (Hoodfar, 1988). That in turn indicates that an increased income might not automatically translate into more decision making power (Chant, 2007). But in this case study this is not the case since all women interviewed in fact do take some of their financial decisions on their own and in other instances financial queries are dealt with together with their spouses.

In conclusion, empirical findings from this research study shows that gender relations are continuously changing (Silberschmidt, 1999) and that the household model accounts for co-operative, shared income responsibilities (Arku, Arku 2009). Moreover, by productively (considering that the reproductive and repetitive housework is not valued), contributing to the household's income a woman gains a sense of legitimacy and entitlement over household goods. Thus, an improvement in her fallback position in the bargaining process takes place since she can stake her own claims in any financial conflict (Sen, 1990).

7.3 Achievements

Increased economic contributions and enhanced decision making power are not sufficient indicators to state that a woman has been through a process of change leading to empowerment (Hashemi, 1996). 'Achievement´ within Kabeer´s (1999) conceptualization of empowerment refers to women's emancipation and to a change in the perception women have of themselves and other people have of them. For this reason, the following sections will look at the four categorizations that Mayoux makes of social and political empowerment: *power within, power to, power with* and *power over* (Mayoux, 2009). As expressed in the conceptual framework this four aspects are all reinforcing each other (see 3.1).

7.3.1 Power within ……*'I am working hard so I decide what to make with my own money'* (Member 1, Migosi like minds group)

Power within refers to the confidence and self esteem that women gain by being part of a group (Mayoux, 2009).

Grace reported that she now feels totally stress free because she does not need to ask women in the village for money, who will then talk negatively about bad her behind her back. She can come to the group and borrow (19th January 2010).

Lenis also feels more free after entering EBL because she can take money out of her pocket if she wants to buy something and does not have to ask her husband (13th January 2010).

As these two extracts indicate, the increase in women's self confidence emerged as common pattern during interviews. Hence the argument that entering a microfinance scheme can enhance women's belief in their own potential becomes evident. This is a consequence of the acquisition of control over resources and of bargaining power within the household. *Power within* can also be enhance by the skills obtained (power to 7.2.2) through the group interaction (power with 7.3.3) (Mayoux, 2009).

7.3.2 Power to…… *'The group has been fundamental in learning a lesson about food security and other skills, such as cooking'* (Member 3, Kabongo group, 2010).

Power to refers to the skills that women obtain through the group membership (Mayoux, 2009).

Evidence gathered through interviews shows the learning experience that members had thanks to the training offered by EBL and VI SCC. VSLs groups reported the crucial significance of knowing about farming techniques and new seed types. This has not only avoided further environmental degradation, because they could for instance stop soil erosion by planting trees, but it made them food secure.

In the case of EBL groups, observation and interviews confirmed the idea that the groups are a business classes. In fact, women share their business challenges and learn from peers how to tackle and solve those issues. Women stressed that 'you learn how to grow from other's people experiences and challenges' (Member 2, Schillingi Schillingi women group, 2010). This dynamic is quite unique if we consider that EBL offers business guidance in a context where only 24% of Kenyan entrepreneurs are trained because most of the time a business is inherited (Biggs, 2003). Moreover, credit institutions offering training and overcoming the idea of mere financial sustainability can actively develop social capital (see 7.3.3) (Dikito-Wachtmeister, 2001).

Observation and interviews also back the notion that groups are information and innovation spreading points (Mayoux, 2000 and 2009). Indeed, interviewees reported how the group is valued (see 7.3.3), not only because of the money that can be borrowed, but particularly because it has become a channel of education and information. Thus, 'the group is important because if a new cooking technology coming up or if there is a disease spreading you are the first to know through the network' (Member 4, Kabongo group, 2010).

This case study then further substantiates what other studies have shown: group dynamics instill and strengthen women's self-confidence, security and *agency* and this makes them more receptive and open towards other developments, such as birth control and education (Wright, 2000).

7.3.3 Power with ……. *'we grew from other people's experiences and challenges'* (Schillingi Schillingi women group, 2010)

Power with is Kabeer's (2002) definition of the process of women's economic empowerment spreading on the group level, which is then exemplified by Mayoux (2009) as increased mobility and networks. Since *achievements* is a reinforcing process, the increase in the network potential can be consequential but also functional to *power with*. At the same time, either *power to* or *power within* can grow from the network or vice versa.

Before looking at the more specific question of how the networks work, a few considerations regarding women's mobility and networks can be made.

All the 17 interviewees, having some kind of business, trade their products in markets or door to door, at least twice a week. In the case of VSLs members living in rural communities going to the market locations, it requires hours of walking because often any means of transportation is too expensive. Moreover, in order to participate in the weekly meetings women have to manage their time and walk to the meeting location.

One could therefore assert how women's economic empowerment through market access can ultimately lead to increased mobility of women (Mayoux, 2009). As aforementioned, this study is concerned with the local aspects of relations and transactions, therefore Mayoux's categorization does not withstand here. Mobility, in the case study context, does not seem to be the issue because women would normally get together also before entering VSLs for their ROSCAs. Moreover, asserting that going to the market to sell their foodstuff shows their progress in terms of mobility is not accurate. Whenever women had to work in their *shambas* or help out other women, they could always go. Indeed, women were never constrained to begin with, because they would normally only move to carry out their work burdens (Member 2, 3, 4 Kabongo group, 2010).

If one looks at networks, interviews indicated an increase in the exchange of favours and information. Interviewees said that after they got to know each other through VSLs they can now count on each other in case of emergency or if they are running out of something in the house (Member 2, Kabongo group, 2010). Moreover, one women said : 'After I became friend with some members, we grew trust among each other and now I sell milk door to door to them and they always buy from me because we know each other' (Member 4, Kabongo group, 2010). Additionally, the network surrounding groups also grew (see section 7.3.4). Indeed, group members made contacts in Kisumu with EBL and opened a bank account with the group name. VI SCC also created links with people in Kisumu, who are coming in to present new technologies. This dynamic illustrates and substantiates Mayoux's argument that *power with* also develops from the links that a group can create around itself (2009).

Secondly, to understand how *power with* operates women were asked why they think that the group has been so successful and what value is that they attach to their membership, considering that none of the four groups interviewed have ever had any defaulters.

> *Lenis thinks that the group is going to continue being successful and that some members will then move to the individual loan schemes. Membership in the group has helped her develop her business skills thanks to the other group members, but also to the training that the bank officer is giving them. The most important thing that she learnt is that the key of group success 'hard work, cooperation and mutual support' (13 January 2010).*

The expressions used by Lenis to describe the group were repeated several times during interviews with other members. Cooperation, trust, cohesion and hard work are indeed the building blocks of social capital. Moreover, women reported the progression over time of the group bond because they 'have grown from strength'. This increased mutual trust among them since they have proved to each other that they are reliable and they can pay back on time (Member 2, Riwruok e teko women group, 2010).

Another interesting aspect that emerged when asking them what is the most important lesson they have learnt from the group is that they give particular significance to the lesson learnt of 'poverty eradication' because in this sense 'the group can really make a difference in someone's life'(Member 3, Riwruok e teko women group, 2010).

Overall evidence shows that women attach a strong value to communication and hard work. Moreover, sharing information and getting reciprocated support creates cohesion among members, who have common identity, common goals and mutual trust, which can also be called bonded social capital (Szreter, 2002). Particularly in regards to common identity, interviewees reported that they belong to the same village and share kinship relations or religious background. This is a dynamic of *assortative matching*, because people tend to bond with similar fellows (Barr et al., 2009).

As highlighted in the aforementioned findings, at the foundation of *power with* there is mutual trust, which is built around the repayment enforcement mechanism. Whether the loan is not repaid at all or is not repaid on time the group members must cover for the defaulter. This was confirmed by one member who reported that other women had to cover 100 KES (1.29 USD) temporarily for her because she had some arrears.

This dynamic also entails a certain level of social sanctioning. Indeed, interviewees stressed how 'defaulting is really embarrassing' not only for the members whose securities can be dispossessed, but also for the 'the chair woman who has to put a defaulter in the spotlight and initiate the process of dispossession' (Member 4, Riwruok e teko women group, 2010). Ultimately, even though members try to be understanding the defaulter faces a certain level of social pressure and can be sanctioned by experiencing shame. F or example when peers go to check her property, seize her securities or exclude her from the group.

In the context where the mutual trust bond has been the corner stone of the joint liability approach, the evidence gathered during fieldwork supports the argument that women's networks have internal enforcement mechanism that ensure repayment (Hulme, Mosley, 1996).

7.3.4 Power over ……*'my husband is thankful that I entered the scheme because with my first loan I could start a business where I also employ him now'* (Member 2, Kabongo group, 2010).

Empowerment is a mounting process where *achievements* is the last step. *Power over*, or the power to challenge the existing gender relations, is the last stage of the *achievements* reinforcing process.

According to Kabeer´s (2002) conceptualization *power over* consists in the control over resources. However, Mayoux (2009) by identifying it as the power to challenge and change gender relations, goes one step further.

To grasp how this process of gaining *power over* takes place, evidence is provided to show how women make the most out of the existing gender dynamics, how they have changed the relationship with their husband and how women's groups can become inspiring role models.

The first place where women need to tackle gender structuring is within their household. Therefore, it is interesting to note how the relationship with their husband has evolved throughout times and how they managed to overcome their scepticism by dodging gender relations.

Three main traits of how women women managed to overcome the preexisting gender structuring emerged clearly from fieldwork.

First, some women reported creating an opportunity of employment for their husband from their business idea. One bought a taxi for her partner, another one is employing her spouse in her vegetable retailing business and a third one is revamping her husband's business. This is an impressive occurrence, that really shows how microfinance can subvert gender dynamics in a couple.

Second, some VSLs members did not tell their partner that they were becoming a member of the group because they knew men would stop them from joining. Women said their husbands would behave in such manner because they would not see the point of sharing money with other women and they would deem the weekly meeting as a waste of time. However, when the benefits in terms of raised productivity and household income became evident, the husbands not only became supportive, but they 'decided to join and created their own group' (Member 3, Riwruok e teko women group, 2010). Furthermore, some interviewees said that their partners started giving them their savings to be able to get a bigger loan .

The last prominent element showing that women are challenging and elude gender dynamics is the fact that Kabongo VSLs group includes some men. These men were elected as representatives because '*women are busy all the time, so it is better to have some men in the group'* and *'men are richer and have more contacts in the bigger villages or in Kisumu and this can be helpful to us all'* (Member 2, Kabongo group, 2010). These facts uphold the notion that men in women's groups can help dealing with local institutions and create better opportunities (Odone, 2002) because of their connections, their unrestricted mobility and their availability of time. While one could interpret this as the reinforcement of traditional gender customs, men's collaboration can increase women's benefits. Moreover, by involving men a first step towards the questioning of masculinity is taken (White, 1997 in Pease, Pringle 2001), which could eventually trigger a gender transformative process (Murthy, 2003).

Empowerment is a process that takes place in different arenas: the household, the community and the group level. In this latter setting, women reported the importance of group leaders as role models. Chairladies and secretaries initiating the groups inspire members to work hard to remain within the group and be on time with their payments. Group leaders provide also learning opportunities for members, according to interviewees. Moreover, interviewees reporting that they hire women to work in their *shambas* show that members themselves can become role models for other women. This is a proof that empowered women can spread their impulse to their fellows and ultimately throughout society. Moreover, evidence gathered ties back to the idea that empowerment is a reinforcing process encompassing both the individual and the group level (Kabeer, 2002).

In conclusion, given that context is crucial in making sense of empowerment (Cornwall, Edwards, 2010), these case study's findings are in line with the academic stand asserting the potential empowering effect of microfinance. Indeed, evidence shows that microfinance coupled with ´credit plus´ services can trigger the so-called 'virtuous spirals' conceptualized by Mayoux (1999 and 2009). Moreover, as will be discussed in the coming section, the case study has also identified a possible fourth virtuous spiral which can be seen as an achievement in itself or as a result of an improved control over resources.

7.4 A fourth virtuous spiral?

As aforementioned, women reinvest their loans in their income generating activities. This also happens in the rural setting. Looking at the upcoming findings it might then be possible to draw a linkage between microfinance, women's economic empowerment and the enhancement of adaptive capacity to climate change.

As emerging from interviews, the two communities, where the VSLs groups are based, are facing different environmental challenges, which are both representative of the Kenyan situation (Ekbom et al., 2001).

Onjiko, located on an agricultural plain, has been 'facing many challenges with the weather, which shifts from floods to droughts' in the last five years (Member 3, Riwruok e teko women group, 2010). This led to the destruction of crops, to economic losses and most of all, to families' food insecurity. Interviewees reported that rains historically would come in January and farmers would plough and clean their plots in November or December. Nowadays, it rains too heavily in December to be able to plough and it keeps on raining up until late January (the flooded fields can be seen also in the picture below taken in mid January) therefore planting can go up to April. March and April instead became very dry moths. For that reason farmers need to use a generator to pump up water from the river. However, there are only two generators for ten people, therefore a new machine is needed.

Surroundings of Onjiko, Photo: Michael Wamalwa

The farmers of Thurdibuoro, located in the hills, have also been struggling with the change in rainy seasons. During drought they started doing bucket irrigation, while during the floods the crop and the topsoil were swept away. Adding to the changing climatic patterns, is massive soil erosion that is enlarging gullies every year, which is the main issue in Thurdibuoro.

Gully surrounding Thurdibuoro, Photo: Michael Wamalwa

These are two particularly relevant examples in the current Kenyan context. Environmental degradation and floods displaced up to 12,000 people during the month of March throughout the country and caused an increasing food insecurity (USAID, 2010). This, coupled with population growth that drives the reduction of available arable land per capita, which went from 0.23ha in 1980 to 0.14ha in 1997 (Ekbom et al., 2001), gives a sense of the strain put on resources and people.

> *Becoming a member of VSLs has been very important for Grace, not only because she can borrow money, but also because VSLs was coupled with agroforestry and agricultural training. Farmers, like her, were taught how to cultivate different kind of crops such as ground nuts and cassava and which type of seeds were more resistant and productive. VSLs and the agroforestry training allowed her family and her to become food secure and sell the surplus they produce(19 January 2010).*

By looking at Grace's report and considering that farmers are now planning to buy a water pump which, together with new seed varieties, will ensure successful harvests and avoid food insecurity, one can understand why microfinance is as a source of investment for livelihood diversification (Ellis, 2000 in Zoomers, 2008). Moreover, in the specific case study these measures can help women counteract the progressive degradation of environmental conditions. Indeed, since the '70s the Lake Victoria Basin has witnessed a reduction of the vegetation cover due to the progressive intensification and enlargement of cropping caused by population growth, urbanization, mismanagement and lack of environmental concern (Odada et al., 2009).

Mere credit will not solve the problem, but training plays a crucial role in empowering women (Mayoux, 2009) and making them aware of other livelihood possibilities. Indeed, all women reported that the agroforestry training resulted in a greater quantity of agricultural products, which increase the market revenue and the chance to reinvest elsewhere. Moreover, VSLs is also important to ensure the flow of cash into the household and a minimum of savings in times of food insecurity to be able to buy food (Member 4, Riwruok e teko women group, 2010). Observations and interviews highlighted the significance of microcredit and training to provide women with the capability to be able to plan for their future, which is what adaptation is all about.

In this sense, the provision of financial services can enhance people's capability to put in place adaptative responses (Smit et al., 1999) to climatic and environmental stressors (Agrawal, Carraro, 2010a) in order to avoid food insecurity.

According to scientific models, reduction of crop yield due to climatic changing and degrading environmental conditions are going to hit Africa (Rosengrant et al., 2008). In this context, the evidence that some women want to rent a new plot of land while some others want to fertilize or plant new varieties is crucial. In fact, recognizing the role that women play in food production and the fact that they are the ones putting in place adaptative responses has fundamental implications for the planning and management of agricultural projects. Indeed, training and transfer of small scale technologies should be directed to women instead of the customary head of the household, who is a man, that often enough is not responsible for farming (Quisumbing, 2003).

Moreover, women represent an astonishing 90% of all microfinance clients around the world, so MFIs could become a promising delivery channel of adaptation funds to vulnerable groups. The Adaptation Fund set up within the IPCC architecture to sustain developing countries in the fight against climate change could be merged with funding coming from international banks, which finance microcredit programs. Many MFIs and NGOs already offer trainings coupled with credit and in many projects, such as the case of VI SCC around Kisumu, microfinance and the improvement of vulnerable livelihoods overlap. Therefore, adjusting these projects and reorienting them towards cross cutting actions, such as crop diversification, could be a viable option. Surprisingly enough, however, microfinance has been absent from the climate change debate and 'adaptation finance' by itself cannot by any mean effectively and unilaterally solve the issues of vulnerable groups. Additionally, the underlying problem of microfinance is that it does not reach the poorest strata of people and therefore it would need to make repayments more flexible and lower interest rates (Agrawal, Carraro, 2010b).

8. Conclusion

This thesis looked at the process of women's empowerment thanks to the membership in formal and informal microfinance groups through a case based approach.

Based on the selected analytical categories used in this study the empirical findings show that the provision of financial services can trigger a process of change in women's life at the individual and the group level. The empirical data collected in the field support Mayoux's claim that microfinance can not only empower women, but it also creates 'virtuous spirals' that lead to the improvement of family well being and to enhancement of women's status within society as a whole.

Four main conclusions can be drawn from the empirical findings.

First, and most importantly in regards to sustainability science, this study sheds light on the multiple benefits of microfinance, not only for women's economic empowerment and but also as an enhancement of adaptation through the provision of credit coupled with agroforestry training in a rural setting. In the African context where a great part of women are farmers, the provision of microfinance coupled with financial and agroforestry training can enhance environmental knowledge and expertise. This can help women cope with unreliable weather patterns and resulting decreasing yields through diversification of income earning activities and climate sensitive agricultural production in order to attain food security. In this sense, Mayoux's framework could be adjusted to also include an environmental element possibly originating from women's microfinance membership in a rural context. Moreover, being the setting representative of Sub Saharan Africa, this study adds to the theoretical generalization of Mayoux's categorization in an Africa context and reinforces the claim that there is a tight connection between women's microfinance groups and their members' empowerment.

Second, the outcomes of this study reinforce the idea that it is more economically convenient to banks, but also to society as a whole, to give women access to microfinance because they tend to invest their loans and the income generated in their children's nutrition and education, which is the first brick to build a healthy and functioning society. However, if men are not included or are not convinced of the mutual benefits of these schemes, then it is a sum zero game because gender structuring will not be challenged and women's work burden will increase. These implications need to be better taken into account by MFIs

setting up new gender preferential schemes in the future and included into future adaptation strategies targeting rural natural resource dependent communities.

Third, the case study setting highlighted how microfinance needs to be coupled with training to be more effective and have a wider impact on women's and their families' lives. Indeed, the same evidence would not have been materialized if women were only given a loan. Without the training in business selection and expansion or agroforestry they would have probably invested their money in a less fruitful way and, particularly in the rural setting, they would have not be able to reach food security and counteract environmental degradation.

Lastly, the creation of the group bond is central to women's empowerment. Thus, women draw inspiration from fellow members and together they have the feeling they can accomplish more. This dynamic is crucial to ensure the timely repayment of loans, which is confirmed by the fact that none of the group interviewed was defaulting. Moreover, this supports the argument that women's group are more successful and reliable than men's groups.

9. Suggestions for further research

This study, positioned within the wide debate on microfinance as a strategy for women's empowerment, is particularly significant if one considers that no research on EBL *Fanikisha Shaba* had been done before (Ndonga, 2010) and that the VSLs model has been extensively reproduced in various settings, but few studies look at its performance (Anyango et al., 2007). Moreover, empirical evidence gathered in Africa through similar studies is very limited (UNDAW, 2008), particularly in regards to the possible linkage between microfinance and climate change (Agrawala, Carraro 2010a; Anderson et al., 2002).

The analytical and conceptual framework used in this study could serve as foundations for masculinity studies looking at how women's economic empowerment affects men's behaviour and attitudes within the household. Exploring men's changing opinion about their wives would be crucial in addressing the need for gender inclusive interventions, seen that programs engaging men and boys in relation to 'female issues' are few and all focusing on health (Barker et al., 2010).

Research gathering empirical evidence on the linkage between microfinance, women's economic empowerment and enhancement of adaptative capacity to climate change in a rural setting needs also to be expanded (Agrawala, Carraro, 2010a; Anderson et al., 2002). Moreover, it would be relevant to carry out studies focusing on climate change governance and specifically on UN negotiations, to explore the feasibility of channelling adaptation funds through microfinance loans (Agrawala,Carraro, 2010b).

Lastly, considering that this is the very first study looking at EBL *Fanikisha Shaba* and that there are several limitations hindering the expansion of this model to the rural areas, a study on EBL agricultural loans and insurance would be appropriate. This new financial product was designed in the last months of 2009, but has not been advertised yet (Ndonga, 2010). Whereas the bank officers claim that it would not be challenging to expand credit to rural areas, the implementation process could be difficult. For this reason, a study monitoring the performance of agricultural loans would be key to understand how the bank and the customers manage uncertainties connected with weather changes and the lack of securities in a remote rural setting.

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Appendix I – Interview guide

The interview guide was organized in themes in order to address all the theoretical questions: personal data (questions 1, 26, 27); group operation and bond (questions 2 – 11, 16, 25,26); relationship with husband (questions 12 – 15,20); occupation (questions 17-19, 21-24,28).

Below is the interview guide used with EBL members. Slightly different interview guides were utilized with VSLs and EBL members. For instance, VSLs member in correspondence to question 23 were asked about the changing climate patterns and what they learnt from the agroforestry training.

1. Name
2. How does the microfinance scheme work?
3. How many circles did you take part to?
4. How much each circle are you borrowing?
5. Group composition. Number of members. Age range, activities performed.
6. How much are you managing to save weekly?
7. Were you part of MGR before? For how long?
8. How does MGR work? Like a welfare fund to boost your income or as an option to get cash if you are defaulting?
9. Are all the members in your group part of MGR?
10. Have you ever defaulted? How would you feel about it? How do you feel if one group member does it? What kind of measures do you take?
11. Why did you decide to join the group?
12. Who takes the decisions in the family? You? Your partner? Or both of you?
13. Who decides how to expend your income? How do you spend your income? Is it a common decision that you take with your partner? Who generates the most of the income?
14. Do you discuss the meetings' outcomes with your partner?
15. Has your partner always been supportive about your activity within the group? Was he positive since the first time you mentioned it? If not, why?
16. How do you see the group activity evolving?
17. How has your life changed since you enrolled in the group? In what ways? In which ways did it improve?
18. How do you envision the process of scaling up your activity?
19. Are you thinking about getting an individual loan? If yes, how would you want to invest it? What is your ultimate goal?
20. How do you think your husband will react?
21. What kind of business do you have?
22. How much do you make?
23. What are the challenges you are encountering with your business? Does your income fluctuate? Why? When?
24. How do you think you could solve that problem?

25. What would you say is the most important/valuable thing you have learnt all throughout this process?
26. Why do you think your group is so successful?
27. Age
28. # people in your household
29. Describe your daily routine

Appendix II - Financial service providers in developing countries

Rotating Saving and Credit Associations (ROSCAs)

ROSCAs, known as *tontine* in French speaking countries and *merry-go-round* in English speaking countries (Rutherford, 2000), consist of a mechanism whereby every member chips in a certain fixed amount of money weekly or monthly, then the sum is given on a rotating base to one member of the group (Ardener, Burman, 1995). The order of distribution among members can be decided randomly, by auction or through collective decision (Van Bastelaer, 1999).

ROSCAs are a form of basic financial intermediation which does not require the payment of fees or interest rates (Rutherford, 2000) and gives a credit leeway to those who are excluded from the financial market (Van Bastelaer, 1999).

The whole structure of this arrangement is based on interpersonal trust ties, but this does not necessarily imply that members are kin or have known each other for a long time. Sometimes it is actually easier for unknown people with no common past to mutually support each other through this scheme (Rutherford, 2000). However, as people come together to respond to a shared individual need, this creates a bond between them, which ensures repayment. Indeed, the close relationship between borrower and lenders puts pressure on the whole group (Van Bastelaer, 1999). Besides the fact that shame and disgrace act as a deterrent to defaulting, women deem the arrangement as important to networking and solidarity, while men are more interested in the money. Therefore, ROSCAs tend to be single sex groups (Johnson, 2004). Moreover, women seem to join because they want to protect their savings from the husbands´ immediate consumption and in this way they increase their control over the household's resources (Anderson, Baland, 2002).

On one hand, the lump sum of money distributed to one member weekly or monthly would probably never be reached through personal savings (Anderson, Baland, 2002). However, on the other hand, ROSCAs have the disadvantage of not being flexible. Indeed, members have to save the same amount of money in the same time span, while personal needs and circumstances vary amongst people. This can be counteracted by being part of more than one ROSCA (Rutherford, 2000).

As long as one has completed the circle, anyone can leave or join the group and this form of mutual aid, particularly among women, can cease to exist when members have reached a level of economic independence where they do not need to be supported by group savings (Ardener, Burman, 1995).

Accumulating Saving and Credit Associations (ASCAs)

ASCAs, named also self help groups (SHGs) and village saving and loan schemes (VSL), consist of financial intermediation arrangements whereby members save a fixed amount on a continuous basis, called share, or multiple of the same, and can periodically apply for a loan. In the weekly or fortnightly meetings members deposit their savings and loan repayments, which include also a fixed interest rate. At the end of every circle, usually one year, the amount accumulated through the interest rates is distributed. The loan repayment schedule ranges from one to three months and, as for the case of ROSCAs, clearance is enforced through social pressure (Rutherford, 2000).

Whereas ROSCAs are flexible and anyone can leave at the end of any circle, ASCAs are time bound and usually continue with the same group for several circles (Rutherford, 2000).

To some extent, ASCAs can be considered a sort of upgraded ROSCAs. Indeed, members are bound to save a certain amount, but they can also save more. Moreover, they can require a loan anytime they need it or just save and get the surplus at the time of sharing out. Furthermore, ASCAs deal with a larger amount of money and the fact that members have to pay back a fixed interest rate shows that they all need to have a profitable income generating activity . Therefore, ASCAs´ members, mostly women, for the same reason as ROSCAs, when joining tend to divert their funds from ROSCAs (Mayoux, 2009).

Formal financial institutions

In the last twenty years, commercial banks and microfinance institutions (MFIs) started offering group micro-credit service in the global south, particularly in Asia, more recently in Sub Saharan Africa.

These institutions provide people living in poverty with small individual or collective loans, which they repay in a given time period with a rather high interest rate, given the transactions costs that need to be covered (Rutherford, 2000).

Groups of 15-30 members apply for a group loan through a bank or a MFI; they are consequently individually granted a loan dependently on their request and on the securities that they can report to the bank.

Joint liability, ensures, on one hand, the payment to the bank, while at the same time, creates an incentive, given the group, social pressure, for the member to repay (Van Bastelaer, 1999). This approach is also useful from the bank's perspective to overcome transaction and service costs and adverse selection. Indeed, assortative matching, that is to say the tendency for members to form groups based on trust relationships due to kinship, gender or religion (Barr et al., 2009), might not always reduce the risk of members default. To overcome the limitations of this approach banks are now also offering individual micro loans (WB, 2008a). It is however, demonstrated that joint liability and the mechanism of contingent renewal are connected with better repayment rates (Rutherford, 2000). In fact, if one member of the group defaults, he/she can be banned from the group, but when more than one participant defaults the bank will not renew the loan and this will jeopardise the whole group (Van Bastelaer, 1999).

Despite the relative success of commercial bank and MFIs´ loans, a great number of poor people cannot still access this service due to interest rates between 8% and 14% , limited availability and, in the case of women, limited mobility (Tamale, 2004). Lastly, ROSCAs and ASCAs are still widely used also in contexts

where formal institutions services are available because of their flexibility (Rutherford, 2000). At the same time, however, banks have started offering a wide variety of savings services such as mobile branches, deposit collectors and cell phone technology (WB, 2008a).

Appendix III VSLs and *Fanikisha Shaba*

Training

As aforementioned, both VI SCC and EBL train group members for them to be able to master the scheme and make the most out of it.

VI-SCC Agroforestry takes groups through a two week training programme consisting of five modules, which are presented in figure 4.

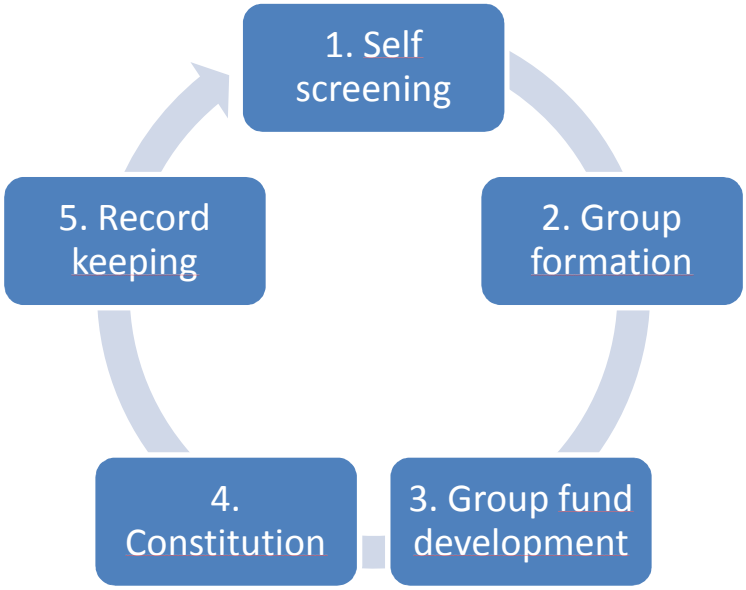

Figure 4. VSLs training modules.

During the first circle, which is one year, the officer attends during every group meeting. At the end of the first year the group "graduates" and is then monitored regularly by the officer to see if it can work on its own. After that, during the second and following circles the group is monitored by group members who have been trained in financial management, facilitation skills and group dynamics.

The methodology of VSL aims at creating transparency and accountability, for instance the cash box keys are kept by different group members (Osoo, 2010).

In the case of EBL *Fanikisha Shaba,* the group is taken through eight weeks of training involving understanding constitution, duties and rights and learning how to handle savings and bookkeeping. A treasurer, a chair and a secretary with a two thirds majority are also elected. Additionally, women are taught business selection, business expansion, default management, customer care and business bookkeeping. Finally, each group is assisted weekly by a field officer following up on the training and on the challenges and success experienced (Ndonga, 2010).

Operations

In VSLs saving is done in so called shares, from a minimum of 50KES (0,64USD) to a maximum of 250KES (3,23UDS). Such shares are summed up, and from this fund women can borrow an amount that can be up to three times the total amount of their savings. For example if a women has 1000KES (12,94USD) as total savings, she can borrow 3000KES (38,83USD) from the group. The loan has a 10% interest rate, which is added to the common fund and then distributed at the end of the circle. Three months before ending the circle women cannot take loans anymore, but have to complete their repayments, for that reason some level of competition in asking the last possible loan is present. The average time to repay the loan plus the 10% interest is one month, and then the possible arrears are rolled over as if it was a new loan, which have to be repaid again with a 10% interest until the total amount is settled up.

EBL requires that a minimum of 200KES (2,5USD) is saved every week. Every group has three bank accounts: one for saving and one for loan repayment, which are both administered by the bank management and one for their own welfare. Money is deposited the same day of the meeting by one member on a rotating base (Ndonga, 2010).

Loan requests are evaluated and then granted by the bank officer. The bank officer will verify the record of the member, in terms of repayment rate, time and savings. A member may also be granted an amount lower than that requested. The officer, who is both as a teacher and a motivator, normally stresses how a loan should not be considered a grant and how the trust relation between the banker and the client is central, because if only securities were to be considered, no one would qualify for more than 10000 KES (129USD)).

A loan can go from 3000KES (38,83USD) to 100000KES (1294USD) with an eight percent interest and can be repaid either in six months or in one year time. Loan repayment must begin two weeks after the loan has been granted (Ndonga, 2010).

In the case of VSLs meetings are every fortnight, while *Fanikisha Shaba* groups meet weekly. In both settings attendance is compulsory and if no apology is sent in, one is fined 5KES (0,06USD) for being late and 10KES (0,12USD) for not attending, which goes toward the social or welfare fund. This fund is a form of micro insurance within the group because, in case of an emergency, members can borrow the money without interest for VSLs and with a lower interest rate for EBL. This fund is also used to buy stationary for the bookkeeping or to start up a small common activity within the group (Ndonga, 2010; Osoo, 2010; Riwruok e teko women group, 2010; Kobongo group, 2010).