

# **Microfinance, Gender and the Commons: Current Challenges and Future Possibilities.**

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## **Abstract**

Microfinance encompasses a broad range of financial services provided to people or groups of people otherwise unable to access mainstream financial services. Microfinance has gained importance since the 1980s within the international development field as an effective tool to alleviate poverty, and in many contexts, it is also understood as an effective tool for addressing gender inequality (Armendariz and Morduch 2010; Hulme and Arun 2009). The Microfinance institutions (MFIs) work on the premise that poor people are unable to engage in income generating activities due to inadequate access to saving, credit, insurance and other such financial facilities. Therefore, MFIs around the world concentrate their activities on providing these services through innovative means to suit each country's unique needs. It has become a vast global industry involving a continuum of interest groups, ranging from non-for-profit organizations to corporate banks.

This paper argues that the predominant microfinance model of lending to the poor, especially women, through group collateral has significant association with the utilisation of commons. A majority of the loan recipient of microfinance loans in the developing world make at least a part of their living by utilising common pool resources (CPR) such as forests, fisheries, agricultural lands, mineral resources, waterways and the like. Since the loan size offered through microfinance initiatives is small, it is tempting to ignore the environmental impacts of income generating activities (microenterprises) that are undertaken by recipients of microfinance. But the volume of microfinance loans recipients around the world, 106,584,679 million as of 2007 (Daley-Harris 2009), is large enough to warrant further research on the association between microfinance, gender and the commons. This paper seeks to draw the connection between microfinance, gender and the commons. In doing so, the paper proposes a broader theoretical framework, the Capability Approach, to evaluate microfinance initiatives which can accommodate gendered as well as environmental concerns.

**Key words:** *Gender, Microfinance, Commons, Capability Approach, Poverty, Development*

## **INTRODUCTION**

Microfinance is a set of strategies to address needs of people who are financially excluded. It provides access to basic financial services to people on low income to alleviate and eliminate poverty. Although historically associated with credit and savings, recently microfinance has come to include broader services such as enterprise, insurance and financial counselling (Martin, Hulme and Rutherford 2002). The iconic institutions which have influenced the evolution of microfinance have been Bank Rakyat in Indonesia, BancoSol in Bolivia and Grameen Bank in Bangladesh. The Grameen Bank, which gained immense popularity due to its founder winning the Noble prize, propounded an approach to poverty alleviation which mobilized marginalized communities through microenterprise loans and group formation. There has been a phenomenal growth of the microfinance sector since its

early days in the 1970s. By the end of 2002 there were 2,572 MFIs servicing around 41,594,778 million poorest<sup>2</sup> people globally. Of these 79 percent were women. At the end of 2007, these numbers rose to 3,552 MFIs reaching 106,584,679 million poorest people of which 84.3 percent were women (Daley-Harris 2002; 2009). While microfinance is not about financial services and initiative for women alone, it is clear that women form a majority of the client base, especially in the developing world. Most evaluations of microfinance focus on the economic and financial impacts of the initiatives (Isserles 2003; Rahman 1999). While these are necessary impacts, they undermine other impacts on gender, culture and environment. This paper begins by tracing the dislocations and contradictions in how gender is packaged and produced in the policy and practice of development in general and microfinance in particular. The reductive understanding of gender has a limited impact on the lives of poor women and men which in turn affects the sustainability of the commons on which these women and men depend. Using the theoretical framework of the Capability Approach (Sen 1999, 1995) and its emphasis on freedoms or real opportunities, this paper suggests that microfinance institutions need to look beyond the economics of programme success in order to bring about social inclusion and environmental sustainability for the poor and marginalised sections of the world.

## **GENDER IN DEVELOPMENT TALK AND PRACTICE**

*“Forget China, India and the internet: economic growth is driven by women”*

- The Economist 2006: 14

The twentieth anniversary of the Beijing Platform for Action (Fourth UN World Conference on Women, originated in 1995)<sup>3</sup> is fast approaching and it is perhaps time to revisit the *place* of gender in development discourse and practice. Clearly gender has found its place in mainstream parlance and practice in development agencies worldwide. Not only has it found its place, it has assumed priority in the library of development goals to be achieved by 2015 (Millennium Development Goal (MDG) Goal # 3 – to promote gender equality and empower women). While the concept of gender has gained common sense status in development policy there is little critical reflection as to how it is conceptualized, implemented and evaluated. Indeed Molyneux suggests that the repetitions of references to gender may be causing “gender fatigue” (2007: 227). The significance of the issue is evident in the World Bank Group Gender Action Plan 2006 report titled “Gender Equality as Smart Economics”. With a commitment to accelerate MDG # 3, The World Bank Group aims to intensify and scale up gender mainstreaming through women’s increased labour force participation and expanding economic opportunities. Equating gender equality with ‘smart economics’ (World Bank Group 2006: 2), however, is worrisome and necessitates a critical review of how gender gained its current status. By tracing the reasons and impact of such understandings, I suggest that mainstream

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<sup>2</sup> “Poorest” in developing countries refers to families whose income is in the bottom 50 percent of all those living below their country’s poverty line, or any of the 1.2 billion who live on less than US\$1 a day adjusted for purchasing power parity (PPP), when they started with the program – Daley-Harris 2009: 44.

<sup>3</sup> Available at : <http://www.un.org/womenwatch/daw/beijing/platform/plat1.htm>

development organizations have recast gender inequality in reductive and perhaps even regressive terms

A number of scholars contend that the term 'gender' in development discourse and practice has become hackneyed (Cornwall, Harrison and Whitehead 2007; Molyneux 2007). According to Cornwall, for example, the original intent to transform unequal power relations has been hijacked through the "domestication" of the term by development agencies (Cornwall 2007). Recent debate in development discourse has centred on the loss of political and analytical 'bite' of the term, leading to calls for revisiting the gender agenda (Ferguson 2010; Sardenberg 2007; Batliwala and Dhanraj 2004; Woodford-Berger 2004; Mukhopadhyay 2004). In reviewing gender mainstreaming<sup>4</sup> in international development organizations, specifically Swedish models, Woodford-Berger (2004) observes that there has been an emphasis on mainstreaming in planning at the expense of mainstreaming for social transformation. She cites examples of gender mainstreaming undertaken by international organizations such as developing and using statistical data disaggregated by sex, gender analyses of budgets, establishing gender units/taskforces, integrating gender perspectives into policies and programmes and so on. Whilst these are necessary to bring to attention gender concerns, they are falling short of addressing the heart of the matter – unequal power relations.

Empirical studies have shown that understanding of the term gender is no different in practice where the programmatic success<sup>5</sup> of development interventions has undermined the transformative capacity of gendered programs (Kilby 2006; Jakimow & Kilby 2006; Kannabiran 2005; Thorpe, Stewart and Heyer 2005). In their critique of participatory intervention programs with poor women in India, Jakimow and Kilby (2006) assert that gendered programs rarely challenge the norms which entrench women's unequal position in society. In their keenness to maintain goodwill of the community, non-governmental development organizations work within the patriarchal structures for program implementation rather than challenge them. While not undermining the transformative potential of such developmental projects, one needs to critically analyse what is defined by programmatic success. There is a need to reconceptualise wellbeing and empowerment such that women decide what their interests are and success is measured by their parameters.

A variety of reasons for the loss of focus in the gender agenda have been identified, and the primary ones are explored here. First, in mainstream development discourse and practice, gender has come to be understood as a biological difference rather than a social construction. Given the status of women relative to men as market

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<sup>4</sup> Defined by the UN Economic and Social Council as "Mainstreaming a gender perspective is the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality." Available online: <http://www.un.org/womenwatch/daw/csw/GMS.PDF>

<sup>5</sup> Programmatic success is evaluated based on proxy indicators which are easy to measure such as income, death rates, longevity etc. It rarely includes non-quantifiable indicators such as well-being, choice, self determination and the like.

unemployed with full responsibility as home maker and as the most vulnerable to market fluctuations, it became morally persuasive to incorporate women into the development agenda. This would have been a noble intent (making women visible) but the incorporation of woman as a category was based on biological universals rather than sociological and anthropological specificities. Therefore, woman's interests became a descriptor rather than a tool of analysis. Lamenting such reductive practices, Mohanty notes that women are put into coherent groups such that "sexual difference becomes coterminous with female subordination, and power is automatically defined in binary terms: people who have it (read: men), and people who do not (read: women)" (1986 : 344).

Second, the representations of women in development discourse and practice continue to essentialize women. Portrayals of women as nurturers, carers, less corrupt than men, inherently peaceful, closer to the earth and the like, have inadvertently constrained possibilities for women. For example, Leach (2008) notes that essentialising discourses that conflate environmental and women's concerns, are providing the justification for NGOs and donor agencies to promote women's participation in environmental projects. Through these projects, women were recruited to undertake activities such as tree planting, soil conservation, fruit tree agroforestry and the like without remuneration. She explains that sometimes these activities have no direct benefit to women, such as in the Gambian example where women worked on fruit orchards but it was the men (husbands) who had control over the fruit commodities (2008: 71-72).

Third, amidst competing agendas and limited resources policy makers and practitioners in the development arena are reluctant to leave familiar territory of welfare, poverty and efficiency and take on the tenuous issues of unequal power relations and social justice (Mukhopadhyay 2004). Most reputable international non-governmental organizations - such as United Nations, the World Bank, the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) – and UN member countries (which have signed up for the MDGs) have incorporated gender-sensitive guidelines into their development practices. But, since the gender guidelines are only advisory in nature, there are often no penalties for noncompliance (Molyneux 2007). Feminist scholars have indicated that development agencies are wary of the political repercussion that a language of women's rights and equality might carry. There is an apprehension that by separating identity of women as citizen-subject from their identity as mothers, wives, daughters, there is a threat to the social fabric of the society. As such the gender agenda is rendered "ahistorical, apolitical, de-contextualised and technical" (Mukhopadhyay 2004: 97) with technical fixes that are cost effective, efficient, self-sustaining, replicable on a mass scale with limited investment from donor agencies or that state.

As a result of reductive understandings of gender, there have been negative repercussions in both discourse and practice within the development field. First, the most concerning impact has been in the conflation of gender with women. With the emergence of mainstreaming efforts, gender became equated with women's issues (although this was not the original intent of mainstreaming) resulting in the development recipe of 'add women and stir'. At the discourse and policy level, international organizations such as the World Bank, USAID, Department For

International Development (DFID), United Nations Development Programme, International Labour Organization and the like have co-opted the concept of gender mainstreaming to emphasise processes rather than outcomes (World Bank Group 2006; Baltiwala and Dhanraj 2004). Feminist agendas have been subsumed under organizational agendas, such as - gender equality as participatory sustainable development for UNDP, gender equality as dependent on rules of the market for the World Bank – thereby turning “a radical movement idea into a strategy of public management” (Prugl and Lustgarten 2006: 55). Since policies are framed at the conceptual level in this manner, the design and implementation of programmes in practice reflect this lopsided focus. Researching the economic development programmes in Honduras, Vonderlack-Navarro argues that by targeting women versus addressing gender, development agencies overlook relational and family dynamics in the women’s life (i.e. children, male relatives/partners) in most cases alienating men and increasing the burden of work for the children. She notes that “men’s violence or withholding money becomes a strategy to maintain control and reify the woman in a subordinate bargaining position.” (2010: 131).

Second, often the gender rhetoric in policy and practice has instrumentalised women to achieve certain ends – good governance, sustainable environment, poverty reduction and the like. The United Kingdom’s Department for International Development (DFID) uses such instrumentalist language in conceptualizing gender equality in its publication *Gender Equality at the heart of development* (DFID 2007). The subtitle reads “why the role of women is crucial to ending world poverty”. Such narratives of efficient and responsible women put enormous burden upon women to address the complex nature of poverty with limited structural and ideological changes in their lives. A suitable example of this instrumentalist focus is the Total Literacy Campaign (TLC) undertaken by the Indian Government in early 1990s. Literacy was seen as instrumental in addressing poverty and exploitation. There was an over emphasis on functional skills of literacy and numeracy with media advertisements of poor illiterate women learning to sign their name or opening a bank account “to live happily ever after” (Chakravarti 2008: 13). Such uneven focus trivialised the complex social reality and the structural conditions within which the lives of the poor and marginalized was enmeshed. As such, the poor needed to gain literacy for instrumental purposes of gaining employment and such but not to critically reflect, debate and challenge social structures, norms and practices which keep them entrenched in their lower positions in the society.

Third, the neoliberal ideological framework within which the development industry functions, has attended to gender as it relates to productivity and growth enhancement. The dominant discourse assumes control over resources such as income, education, health and so on as a proxy for empowerment. But research indicates that not just access, but ability to command and allocate resources is equally if not more important (Chant 2006). Unfortunately, both in discourse and practice the emphasis is on quantifiable indicators such as income, literacy, longevity etc. with little focus on the life experiences of poor women and men. Programme objectives are viewed in vacuum of the social, political context of the lived experiences of the poor. Commenting on her work with NGOs in Bahia, Brazil, Sardenberg (a gender consultant to NGOs in Latin America) notes that attempts to work on issues of power relation, such as domestic violence, were considered radical. As long as the focus was on providing income generating activities and the

like for women, the NGO maintained goodwill, but the moment unequal power structures were mentioned, Sardenberg and her team were dropped from the project for being feminists. Latin American development practitioners have delineated 'doing gender' (i.e. incorporating women in development) from 'doing feminism' (i.e. addressing unequal power relations)(Sardenberg 2007: 58). The following section explores further the notion of gender and gender inequality in the context of microfinance through analytical strategies of dislocations and contradictions utilised by Magnusson, Rönnblom and Silius (2008: 9-10) in analysing Nordic policies aimed at gender equality. Dislocations highlight how dominant discourses are rearranged while keeping social norms intact. Contradictions make visible the disjuncture between rhetoric and reality.

## **MICROFINANCE AND GENDER: DISLOCATIONS AND CONTRADICTIONS**

A prominent *dislocation* within the policy and practice of microfinance has been the focus on the economic outcome of programmes rather than social impact. Most evaluations of microfinance initiatives have assessed 'self-worth' through economic contribution to household income, rendering reproductive and domestic work invisible and marginalised in microfinance discourse and practice. Scholars critical of microfinance believe that it remains within, rather than challenges, social norms which relegate women to subordinate positions in society. As Jakimow & Kilby point out, lack of change in underlying norms is evidenced through practices such as "males eating first, women not seeking medical attention, and suspicions of infidelity of mobile women" (2006: 392). The focus on changing women's economic position, at the cost of ignoring entrenched social structures and norms exacerbates conditions for women making empowerment a mere lip-service rather than a genuine actualization.

The predominant focus on woman within the microfinance industry has also created *dislocation* in the feminist theorising of gender as power relations. By targeting women rather than gender inequality, the analytical power of the notion of gender has been muted and replaced by the descriptive properties of gender, seeking disparate set of interventions for women and men with little transformational potential. The everyday experiences of poor women is inextricably interwoven with that of their male kin necessitating contestation of male and female universals which frame most microfinance initiatives. Such a myopic focus on women's participation has left little "theoretical space for men who want to change" (Ahmed 2008: 138). In other words, microfinance initiatives capture women's interests at the risk of ignoring or alienating men. Therefore, attempts toward social transformation are limited as society's dominant power group is not accounted for.

Feminist critics (Rankin 2008; Jakimow and Kilby 2006; Kannabiran 2005; Elyachur 2005; Milgram 2005; Goetz and Gupta 1996) of microfinance have highlighted the contradictions present in the empowering potential of such programs for women. As Goetz and Gupta (1999) have revealed in their study of microfinance programmes, although women are the recipients of credit, it is often men who control its investment and the income generated from it leaving the woman borrowers to bear the liability for repayment. Those women members who are unable to meet their weekly repayments tend to borrow from local money lenders (Glazer 2010) thereby recycling their debt and class-based hierarchies instead of gaining financial

autonomy and independence. In studying the workings of the most popular microfinance institution, Grameen Bank, Aminur Rahman (1999) observes that new forms of dominance over women are taking place camouflaged under the guise of financial empowerment. He suggests that targeting women is a strategic choice for the bank to achieve its goal of investment and recovery of loans since women are more "...easily traceable...more disciplined (passive/submissive) than men" (p. 69).

Another significant contradiction within microfinance practice and policy revolves around assumptions of inherent or potential social capital. Proponents of microfinance initiatives express the 'value in gathering with other women to meet and talk' (Wilson 2002: 229). A typical microfinance setting requires loan recipients to meet on a regular basis to discuss repayment and project related issues. It is suggested that these meetings lead to relatively open and active channels of communications amongst its members. Such communication "greatly increases the chances of successful collective action" (Anderson, Locker and Nugent 2002: 99). But scholars critical of microfinance suggest that social support has turned into social pressure. Since group members are often held jointly liable for repayment of loans, vigorous monitoring of group members' consumption and repayment patterns generates an environment of hostility and coercion. Commenting on 'the dark side of microfinance' Hulme (2007: 19) reports that loan recovery tactics have included repossession of personal belongings (pots and pans), arrests by police, threats of physical violence and so on.

The discussion hitherto substantiates a need to reconceptualise the concept of gender in the transformatory sense, specifically in the context of microfinance. Addressing inequalities at household, community, market and state level are required which incorporate both men and women in problem solving. This has serious consequences for the commons since microfinance through its group based activities could provide the conduit for community based common resource management. As Schrieder and Sharma suggest "Microfinance has the potential to enable collective action, the coming together of the community, and more sustainable community-based organizations...In as far as microfinance interventions allow to invest in education and training, members of the community can acquire skills that will allow them to locally design, develop and manage community projects" (1999: 74). Through microfinance group meetings and activities, decisions can also be made about the community's commons production, consumption and management. So far, the evaluation of microfinance initiative does not include impact on commons within the parameters of success. This paper proposes that the Capability Approach is a suitable framework to conceive, address and assess approaches to accommodate more than financial information in the evaluation of microfinance initiatives. The following section provides an in-depth study of the capability approach and its usefulness to inform evaluation of microfinance initiatives to accommodate gender as well as environmental concerns.

## **THE CAPABILITY APPROACH**



Conventional measures to evaluate poverty and development use the informational space<sup>6</sup> of consumption of certain goods and services. This informational space is constrained in what it includes as potentially valuable and what it excludes as not valuable (Sen 1999, 1993). For instance, traditional poverty measures include in their informational space, household income levels as a proxy for standard of living for all members of the household. What is excluded in this informational space is certain household member's (mostly women) contribution to unpaid work, their lower participation in paid work and different quality of leisure time. As such, the wellbeing of these members of the household is inaccurately measured, sometimes not measured at all. Therefore there is need for a broader informational space.

Nobel laureate Amartya Sen, proposed an approach to evaluating human wellbeing and development as 'the expansion of "capabilities" of people to lead the kind of lives they value – and have reason to value' (Sen, 1999: 18). According to him the informational space should be viewed in terms of functionings and capabilities to function. These concepts of Functionings and Capabilities have gained purchase in practice as well as academia. Termed the Capability Approach (CA), in practice it has been applied in the general assessment of human development in countries, the identification of poverty in developing countries, and in poverty and wellbeing assessments in developed countries in order to assess the deprivation of disabled people, the assessment of gender inequalities and in debates about public policies (UNDP 1990 - 2009). An example from developed countries is Germany, which has adopted Sen's CA as the conceptual framework for the government's official Poverty and Wealth Reports. As Arndt and Volkert (2007) note, in 2004 Germany's 'National Action Plans against Poverty and Social Exclusion' sought enhancement of capabilities as the primary goal. This approach has also been integrated into the curriculum of many courses including welfare economics, political philosophy, and development studies. It is also taught as part of certain courses such as public health, disability studies, and gender studies, among others.

The central concepts involved in the CA are Functionings and Capabilities. The concept Functionings refers to what people are able to be and do, in other words, what they are able to achieve such as being well fed, being literate, working in the labour market, avoiding escapable morbidity, taking part in the life of a community and so on. There is no definite list of basic Functionings since the list will vary depending on what is being evaluated and in which setting. On the other hand, the concept Capabilities reflects freedoms to achieve Functionings which people value. In other words, Capabilities are opportunities that people have, and Functioning are the outcomes. Each concept is intimately connected with each other but is also independently useful. The focus on capabilities brings to light issues of freedom and opportunities in a way that a focus on functionings alone cannot.

Proponents of CA suggest that policies need to be evaluated and analysed based on their impact on people's capabilities. This approach asks for instance, if people are working in the labour market (functioning) and if there are opportunities and freedoms (capabilities) to achieve this through job availability, racial tolerance,

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<sup>6</sup> Informational space refers to breadth of information that is needed for assessing a person's advantage/well-being or evaluating social arrangements.

access to transport, political stability and so on. The CA advocates that instead of focussing exclusively on utilities, income or resources normative evaluations should focus on expanding people's capabilities. This approach evolved as a critique of traditional welfare economics which predominantly used income as the primary indicator of wellbeing. Sen argues that, income is only a partial indicator of what people consider to be their wellbeing. According to him, income, commodities or resources are not the ultimate ends, but instead are the means to achieving ends.

The expansion of freedom or capabilities is viewed as the i) 'primary end' (constitutive) and the ii) 'principal means' (instrumental) of development (Sen 1999: 36). As the 'ends' of development, it includes basic capabilities such as freedom from starvation, freedom for political participation and the like. Sen argues that even a rich person who is prevented from speaking freely is deprived of something he/she has reason to value. Hence, while evaluating wellbeing, freedom of speech in itself can be seen as end of development. As the 'means' of development, expansion of freedom concerns the permutations and combinations of various freedoms that people have reason to value. Sen emphasizes five distinct types of instrumental freedoms which contribute to the general capability of a person to live more freely. These are i) political freedoms ii) economic facilities iii) social opportunities iv) transparency guarantees and v) protective security.

*Political freedoms* are the opportunities that people have to decide who should govern them. It refers to all the political entitlements associated with democracies such as political dialogue, uncensored press, voting rights and so on. *Economic facilities* are the opportunities to utilize economic resources for production, consumption or exchange. These are dependent on the resources and infrastructure available as well as on the workings of the market. A global financial crisis for example, would greatly affect the economic entitlements people are able to secure. *Social opportunities* refer to the social arrangements made by governments with regard to health care, education, environmental protection etc. These facilities influence an individual's substantive freedom to live better. For instance, illiteracy can hinder participation in political activities which involve communicating in writing.

*Transparency guarantees* are the opportunities to interact in a space of trust and openness. These guarantees are important in addressing if not preventing corruption, bureaucracy, red tape and other underhand dealings. *Protective security* is the opportunity for social safety nets to prevent vulnerable populations from succumbing to abject poverty and starvation. Institutional arrangements such as unemployment benefits, famine relief are examples of this security. These five distinct instrumental freedoms supplement one another in the pursuit of expanding human capabilities. Just as economic growth can lead to increase in social services, investments in social opportunities (health, education, and so forth) can bring about economic growth. Sen asserts that Development policies aimed at human wellbeing need to seize these interconnections more fully (1999: 40).

In applying Sen's CA to studies in gender inequality, feminist economist Ingrid Robeyns observed three key strengths to the approach. First, she argues that CA is ethically individualistic and ontologically nonindividualistic (Robeyns 2003: 65). Ethically *individualistic* means that each person is accounted for in normative judgements without subsuming them under other categories of household, family,

community, and so on. Hence, individuals are the ultimate units of moral concern in the evaluative exercise. For instance, an ethically individualistic approach would recognize that people living with disability require more income to achieve similar functioning as non-disabled people. If their wellbeing or poverty analysis is subsumed under household or family income, their variation in need compared to others in the household would be overlooked. As Zaidi and Burchardt (2005) have found that adjusting for extra costs associated with disability, the incidence of disabled among bottom quintile of the income distribution of British population rose from 25 to 40%. These findings have important implications for disability related state benefits and overall poverty estimates in the population. Such a nuanced assessment of poverty, is better equipped to highlight the status of women vis-a-vis men making this approach relevant for assessing gender inequality.

At the same time, CA is ontologically *nonindividualistic* meaning that it does not ignore societal structures and institutional practices. Individuals are not viewed in a vacuum of time and space. It recognises the connections between individuals, their social relations and their social embeddedness. This is evident especially at the theoretical level, as CA acknowledges social and environmental factors which influence the conversion of commodities/resources into functionings. For example, the provision of childcare facilities will expand the capability for paid work for mothers and fathers much more than for childless people.

A second strength of CA is that its informational space captures both the market and the non market settings. Conventional inequality measures are applicable to the distinctions in the market economy through comparisons of income, job-holding and the like but bypass crucial well-being aspects which are located in the non-market sector such as care labour, housework, availability of social networks, empowerment and so on. CA looks at people's 'beings and doings' in the non-market sector thus revealing complexities and uncertainties in the overall distribution of wellbeing. For example, in comparing three small scale development projects in Pakistan, Sabina Alkire (2002) argues that a cost-benefit analysis is unable to provide sufficient information since it cannot integrate intangible effects into the analysis. The three projects she compares are goat rearing, female literacy classes and rose garland production.

Alkire observes that standard monetary evaluations found goat rearing to be a sound economic investment due to higher returns. The project that fared worse off in the cost benefit analysis was the female literacy classes with no returns since there was a limited market for female employment in that region. In spite of this, the transformative effects on wellbeing, which the female literacy project had are missed by an economic analysis which is unable to quantify examples such as the following: "My mother and father did not allow girls to speak; they would beat us. Now I have learned to trust my own talk, and ability to judge that this is good and this is bad..." (Alkire 2002: 267). Overlooking this non-market dimension of wellbeing has policy implications for the survival of such female literacy classes which would no longer be funded unless wellbeing is viewed as expansion of capabilities rather than merely achieving certain functionings.

The third strength of CA is its explicit acknowledgement of human diversity that emerges in any grouping such as personal heterogeneities, environmental

diversities, variations in social climate, differences in relational perspectives, distribution within the family and so on (Sen 1999). An income-only or resource-only evaluation might reveal wellbeing of an idealised independent, physically and mentally healthy person with substantial control over her/his life. Such an evaluation cannot provide measurement of wellbeing for those deviating from this ideal, such as mothers with caring responsibilities, underemployed workers living in rural areas, women living in a patriarchal society and so on. The CA on the other hand, proposes an evaluative space made up of functionings and capabilities, considered a *multidimensional metric* (Robeyns 2008: 88), which looks at several dimensions of wellbeing including both non- financial and non- material.

By recognizing human diversity, CA allows for a variety of functionings and capabilities given the same resources to different individuals and groups. Sen notes human diversity 'is no secondary complication (to be ignored, or to be introduced 'later on'); it is a fundamental aspect of our interest in equality' (1995: xi). For example, let us suppose two women have equal access to education and scholarship and they obtain the same educational degree and both of them want to acquire some functioning, such as employment. One woman belongs to a cultural group that does not permit women to participate in paid employment while the other belongs to a group with no such restrictions. Given cultural diversity, one woman is unable to use her degree to achieve her functioning, while the other one is able to. Therefore, equal command over resources does not automatically translate into equal opportunities since individuals differ in their ability to convert resources into functionings. The CA notes the importance of societal structures, which impact different individuals/groups, differently.

However, even sympathisers of the capability approach have recognised that one of its weakness is its underspecified nature (Sugden 1993; Srinivasan 1994; Nussbaum 2003) CA purports expansion of evaluative space to include functioning and capabilities but it offers no guidance on which functionings and capabilities are to be included, how they are to be combined or sequenced. By refusing to provide a comprehensive list of functionings and capabilities, Sen emphasizes a bottom up alternative to assessing wellbeing. Instead of being "passive recipients of the fruits of cunning development programs" (Sen 1999: 53) conceived from above, people decide democratically their joint outcomes (functionings) and freedoms (capabilities) which they have reason to value. This implies the need for public discourse, which enables individuals and communities to identify, refine and decide upon what is of intrinsic value to them.

In contrast, Martha Nussbaum argues that as long as there is no particular list of capabilities that need to be evaluated, any capability can be deemed to be valuable including those that are harmful. She instead endorses a concrete list of Central Human Capabilities (2003: 41) which every society needs to guarantee its citizens in order to qualify as a just society. The list is composed of the following 10 categories i) life , ii) Bodily health, iii) bodily integrity, iv) senses, imagination and thought, v) emotions, vi) practical reason, vii) affiliation, viii) other species, ix) play, and x) control over one's environment. She makes the proviso that her list is general and abstract so that there is "room for the activities of specifying and deliberating by citizens" to apply it to their specific context (2003: 42). In spite of this disclaimer, the list of central human capabilities needed to achieve a 'life with dignity' (2003: 40) is

over specified with a suggestion for universal prescription raising concerns of paternalism and imposition (Alkire 2002).

To achieve a middle ground, where in the CA's underspecified nature is addressed and at the same time its wide scope is retained, it is fruitful to look at the procedural exercises suggested by Ingrid Robeyns (2003) to construct a list. She puts forward five criteria for selecting capabilities. First is *Explicit Formulation* meaning that the list needs to be explicitly discussed, debated and defended. Most applications in welfare studies work at the quantitative level of analysis given the available data sets without defending a priori list of functioning and capabilities for which information is not available. Second, *Methodological Justification*, which means that the process of generating a list has to be clarified and scrutinized. This could include unconstrained brainstorming, testing a draft list in various circles, engaging with other lists that are available and debating the list with other people.

The third criterion is of *Sensitivity to Context*, means that the level of abstraction or specification of the list should cater to the objectives being sought by the evaluation. So for philosophical discussions, the list will remain abstract, but for policy discussions, the list may be categorized and labelled in a manner that links it to existing literature. Fourth is the criterion of *Different level of Generality*, wherein 2 stages are needed to come up with a list. The first stage makes an ideal list unconstrained by limitations of data or measurement. The second is a pragmatic list which takes such constraints into account. Robeyns argues that the ideal list will strengthen the case for collecting specific data in the future that can better inform the evaluative space. The last criterion is of *Exhaustion and Non reduction*, that is, all important elements should be included in the list. In addition, those elements included, should not be reducible to other elements. The core concepts, strength and weaknesses of the CA explained above highlight the relevance of this theoretical framework for accommodating gender and environmental concerns in development initiatives, specifically in microfinance initiatives.

## **CONCLUSION**

Small enterprises undertaken through majority of microfinance based activities can have pronounced environmental consequences relative to larger enterprises due to inefficiencies in production and waste management (Kent, 1991). Considering the fast pace at which the microfinance sector is growing, the environmental consequences could be alarming. Most microenterprise activities in rural natural-resource based activities involve farm-based projects which could have negative consequences on the environment such as chemical-intensive agriculture, deforestations, loss of species habitat, livestock slaughtering and so on. Non- farm activities financed through microfinance loans such as small-scale mining, metalworking, tanning, textile dyeing, brick production and the like could also put immense pressure on common pool resources (Anderson et al 2002).

Therefore, it is important to reconceptualise the mission of microfinance to include more than economics in its parameters of success. Just as the reductive understandings of gender have implications for real freedoms of women and men, the inadequate understandings of environmental consequences (either positive or negative) related to micro entrepreneurial activities could be detrimental to the

sustainability of the commons. There exist a number of MFIs which have been able to marry environmental goals with financial goals. For instance, The Western Forest Complex in Thailand has used microfinance group meetings to report on forest burning activity and coordinate village responses to support deforestation. Another example is Myrada in India, which organises microfinance groups to manage micro watersheds and reforest arid areas.

In this paper I have argued that the predominant microfinance model of lending to the poor, especially women, through group collateral has significant association with the utilisation of commons. The CA with its focus on capabilities or real freedoms brings into the informational space issues that are important to the poor people (beings and doings). Microfinance initiatives through their group lending model and group based activities, provide the institutional structure for group resource management that is essential for sustaining the commons (See table 1 for further explanation). Most MFIs are embedded in the community social order, working closely with the loan recipients in their community. They are aware of the community’s changing demands and the environmental, political and cultural practices within which members have to function. If MFI are able to include these concerns in their evaluation of programme success, then microfinance is better equipped to achieve its goal of sustainable poverty alleviation.

Table 1.How MFI can provide the institutional structure to support the commons.

Financing	In addition to the task of meeting financial needs of poor group members, MFI could mobilize and secure funds to support CPR management
Staffing	Use the MF staffing to encourage groups involved in CPR management
Provisioning	Facilitating access to services, resources, networks and local assets
Community-Based Action	Physical construction and mobilization of village resources
Capacity-Building	Provision of training programs

Coordination	Coordinating linkages with other organisations
Monitoring and evaluation	Keeping track of organisational inputs, outputs and performance.
Conflict Resolution and Accountability	Preventing and mediating disputes through regular meetings with various stakeholders.
Information Sharing and Dissemination	Sharing information between and within various organisations

Source: Adapted from Alspo and Kurey 2005: 6-7

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