

Social Economic Impact of Microfinance for Women Empowerment (Comparison Analyses in Kosovo and Bosnia and Herzegovina as Post Conflict Countries)

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Abstract

Microcredit program is positioned with a potential to transform power relations and empower the poor—both men and women. Increasing up to 3652 microfinance institutions, by reaching about 205.3million clients, from which about 153mil are women, is a very promising progress. While, conflicts cause degradation of both quality of life and economic situation, presence of microfinance institutions was necessary. Microfinance is often hailed both as a tool for fighting poverty and as a tool for post conflict reconciliation. With such weight we say that the functioning and contributions of microfinance institutions have been necessary also in Kosovo, after the war ended in 1999. The impact and almost positive role of microfinance is the obvious in post-conflicts countries where this industry has developed. Therefore, the aim of this paper is focused to see the case in Kosovo, in comparison with the case in Bosnia and Herzegovina, in participating women as a client to microfinance institution. As overall the paper describes the role of importance of microfinance institutions since its established, including in the post conflict countries by focusing on women as responsible client of selected MFIs. By this, we say that the functioning and the contribution of microfinance institutions have been necessary and effective in Kosovo onward, this because of the role of women can have in society especially after the war ended. After work with data, will bring a picture about the number of women as borrowers in MFI in two countries, some remarks at the end of the paper will contribute.

Keywords: microfinance, empowerment, women, post conflict countries.

1. Introduction

Conflicts cause degradation of both quality of life and economic situation¹. Post conflict countries to recoveries an overall sustainable situation and continue with development in all scopes of life, numbers of difficulties have to overcome. In such cases as Das (2003) states, it is important for the microfinance institutions, to adapt to the transition and evolving political, social and economic changes that occur. Therefore, in such cases there are opportunities to contribute through studies, with effects on further progress.

Kosovo and Bosnia and Herzegovina are countries with a comparable history. Both countries were part of former Yugoslavia², until the armed conflict explodes in 1992 to 1995 in Bosnia and Herzegovina and 1998 until 1999 in Kosovo. Two systems within their priority after the conflict ended are very similar in regard of reconstruction and rebuilding the financial system.

In Bosnia and Herzegovina after the conflict ended, damages were numerous. Several households are affected in destruction of financial, physical, human and social assets, leading to significant increase in household vulnerability to risk (Matul and Tsilkounas)³. Because, microfinance is often hailed both as a tool for fighting poverty⁴ and as a tool for

¹ Welle-Strand, A., Sitter, N., & Kjøllesdal, K. (2010).

² See about , RSFJ – Jugoslavija

³ Matul, M., & Tsilkounas, C. (2004). Role of microfinance in the household reconstruction process in Bosnia and Herzegovina. *Journal of International Development*, 16(3), 429-466.

⁴ "microfinance is certainly not a panacea for poverty, it can prove itself a useful tool in the fight against poverty"(Kirsten Leikem,2012)

post-conflict reconciliation⁵, it is stated that BH can be taken as "best-case scenario for testing the impact of microfinance's" (Strand and Kjollesdal,2010).

Kosovo, after 1999 characterized by massive destruction almost in all spheres of development, by not excluding incurred losses in human aspect. Thus, support and the need for capital project for restructuring, economy, social and political development were inescapable. International community, organized to establish order and security and avert of post- conflict consequences. These consequences, returns Kosovo in just start-up with banking system activities, with non existence of financial intermediation, and with the cash transactions settled. Therefore, fast development will happen, financial sector will show positive activities started with the beginning of year 2001. As one of priority, microfinance institutions (MFI) starting its operations as non-government organizations, supported by international donors, to continue with expansion and development as a part of the Kosovo financial sector.

Creation of the MFIs in post- conflict countries, NGOs and other development and humanitarian organizations should aim to use and accept local social norms and practices, before imposing 'imported' development, which often are driven by donors⁶. Therefore, by presenting the achievements of microfinance institutions in Kosovo after the war ended, the paper will be focused in more detail to see the trend of women approach to the microfinance institutions services that currently operates in Kosovo market. Thus, some comparison of the data from specific MFI in Bosnia Herzegovina and Kosovo will be analyzed. So, if this weight of microfinance has led to the empowerment of women in Kosovo with a conclusion and some remarks in the end of the paper will contribute.

2. Literature Review

The more, examined issue about poverty, the more emphasis is about the role of microfinance. The first idea, about how to help poor people, to escape from poverty, is considered as beginning on offering the microfinancial services. In this context the effort given by Professor Muhammad Yunus from Bangladesh, to come up with establishments of "Grameen Bank"⁷, which " serves as an inspiration for those trying to help poor and low-income people in their own efforts to improve their lives"⁸. "Grameen idea was reaching more and more families and communities every year"⁹.

Microcredit Summit (2012), in December 31, 2010 indicates that 3,652 microfinance institutions reported reaching 205,314,502 clients. There are 137,547,441 of who were among the poorest when they took their first loan. The highest number, of these poorest clients 82.3 percent, or 113,138,652, is women¹⁰. Therefore, it is considered that, microfinance has provided important contributions to the development (Leike, 2012).

The impact and almost positive role of microfinance is the obvious in post-conflict countries where this industry has developed. This creates an idea that we have to deal with a productive instrument that poses special features. Microfinance is often considered both as a tool for fighting poverty and as a tool for post- conflict reconciliation¹¹. MFIs in conflict affected countries have been presented in more commercial approaches to their growth, by following the example of normal environments of MFIs around the world¹².

3. Weight of the Microfinance for Women Empowerment

In well-run microfinance programs, there is a relationship of respect between the institution and the client that is inherently empowering¹³. In addition, according to Hermes and Lensing (2011) targeting such group of client, is because, women often prove to be more financially responsible with better repayment performance than men¹⁴. They use substantial parts of their income for health and education of their children and play a very important role in reducing

⁵ Welle-Strand, A., Sitter, N., & Kjollesdal, K. (2010). *Assessing microfinance: the Bosnia and Herzegovina case*.

⁶ Das, N. (2003)

⁷ <http://www.grameen-info.org/grameen-founder-muhammad-yunus/>

⁸ David Hulme(2008)

⁹ Yunus, M. (2007). *Creating a world without poverty: Social business and the future of capitalism*. PublicAffairs.

¹⁰ http://www.microcreditsummit.org/uploads/resource/document/web_socr-2012_english_62819.pdf

¹¹ Welle-Strand, A., Sitter, N., & Kjollesdal, K. (2010)

¹² *Kosovo Case Study: Linkages between Microfinance and Other Livelihood programs*

¹³ Cheston, S., & Kuhn, L. (2002). *Empowering women through microfinance*. Draft, Opportunity International.

¹⁴ Littlefield, E., Morduch, J., & Hashemi, S. (2003). *Is microfinance an effective strategy to reach the Millennium Development Goals?*. Focus Note, 24(2003), 1-1

poverty within households (Hermes and Lensik, 2011).

Access to finance contributes to an improvement of the social and economic situation of women. This may empower to become more confident, assertive, more likely to participate in family and community decision, and also prepared to confront systematic gender inequities¹⁵. Next to this, microfinance initiatives reduce poverty, promote education of children, improve health and empower women¹⁶. As well, microfinance programs have the potential to transform power relations and empower the poor—both men and women¹⁷.

The findings, stated from, Cheston and Kuhn, (2002) affirm the importance of designing appropriate products for women. This, based on a survey conducted in 2001 by the Special Unit on Microfinance of the United Nations Capital Development Fund (SUM/UNCDF) of 29 microfinance institutions revealed that approximately 60 percent of these institutions' clients were women. Six of the 29 focused entirely on women. Among the remaining 23 mixed-sex programs, 52 percent of clients were women. The study also showed, however, that those programs offering only individual loans or relatively high minimum loan amounts tended to have lower percentages of women clients¹⁸.

4. Assessment of the Women as a Client with the Positive Performance

There are many surveys about "targeting women as a client with better repayment performance". At the same time there are several studies about the importance and meaning the empowerment of women. By adding Sanyal (2009), "microfinance programs with group-based lending, and a near exclusive focus on women as loan clients, have become a globally popular antipoverty intervention", while author argues, "microfinance groups have the potential to promote women's social capital and normative influence, thereby facilitating women's collective empowerment"¹⁹. In his paper about the "Impact of Micro Credit on women empowerment", he emphasizes the meaning about the "empowerment" which is "a process of change by which individual or group gain power and ability to take control over their lives" and involves "growth of well being, access to resources, self-confidence, self-esteem and respect... and increased control over benefits and their own life"²⁰.

Selecting four (4) MFIs per country (Bosnia and Herzegovina and Kosovo), by adding latest period from 2010-2013 (this because for other MFIs in both countries, were not all data available for our paper work) considering number of clients on yearly bases. The age of MFI is selected, the status and outreach and the regulation including scale of MFI is considered the important data. This, to get a picture of the women position as a client within selected MFIs. While it is important to mention that for this modest comparison the data is used from "mixmarket.org". We consider that more advance analysis can be produced in using more extensive data in similar work.

Table 1 - MFIs in Bosnia and Herzegovina

NUMBER OF CLIENT / ACTIVE BORROWER DURING THE PERIOD 2010 -2013 - MFI Bosnia and Herzegovina																
EKI	Client number	female	Male	Entity	% F	% M	% E	LOKmicr	Client number	female	Male	Entity	% F	% M	% E	
	2010	41,805	17,116	24,289	200	41%	58%	0.5%	2010	29,800	11,510	17,420	870	39%	58%	2.9%
	2011	35,342	14,062	21,152	128	40%	60%	0.4%	2011	23,546	8,300	13,837	1,409	35%	59%	6.0%
	2012	33,987	13,232	20,644	111	39%	61%	0.3%	2012	24,872	8,133	14,813	1,725	33%	60%	7.0%
	2013	36,237	14,218	21,905	114	39%	60%	0.3%	2013	19,101	6,818	10,619	1,664	36%	56%	8.7%
MI BOSPO	Client number	female	Male	Entity	% F	% M	% E	SUNRISE	Client number	female	Male	Entity	% F	% M	% E	
	2010	16,195	16,195	-	-	100%	0%	0.0%	2010	19,103	8,015	11,007	81	42%	58%	0.4%
	2011	13,912	12,936	976	-	93%	7%	0.0%	2011	15,262	6,245	8,988	129	41%	58%	0.8%
	2012	14,172	12,173	1,999	-	86%	14%	0.0%	2012	12,424	5,083	7,215	125	41%	58%	1.0%
	2013	15,643	12,313	3,330	-	79%	21%	0.0%	2013	11,635	4,882	6,674	79	42%	57%	0.7%

Source : MIXmarket.org (table adapted from authors)

Note: MFI selected as per author's valuation (EKI, LOKmicr, MI BOSPO, SUN RISE)

¹⁵ Littlefield, E., Morduch, J., & Hashemi, S. (2003). *Is microfinance an effective strategy to reach the Millennium Development Goals?* Focus Note, 24(2003), 1-1

¹⁶ Welle-Strand, A., Sitter, N., & Kjøllesdal, K. (2010). *Assessing microfinance: the Bosnia and Herzegovina case.*

¹⁷ Cheston, S., & Kuhn, L. (2002). *Empowering women through microfinance.* Draft, Opportunity International.

¹⁸ Cheston, S., & Kuhn, L. (2002). *Empowering women through microfinance.* Draft, Opportunity International.

¹⁹ Sanyal, Paromita. "From credit to collective action: The role of microfinance in promoting women's social capital and normative influence." *American Sociological Review* 74.4 (2009): 529-550.

²⁰ Malik, N. H., & Luqman, M. (2005). *Impact of Micro Credit on women empowerment: A review paper.* Pak. J. Agri. Sci, 42, 3-4.

Table 2.

PERCENTAGE OF female FROM THE TOTAL NUMBER OF CLIENTS IN YEARLY BASES							
Year	EKI	MI BOSPO	LOK Micr	SUN RISE	Total Clients	Total female	% female
2010	41,605	16,195	29800	19103	106,703	52,836	50%
2011	35,342	13,912	23546	15262	88,062	41,543	47%
2012	33,987	14,172	24672	12424	85,255	38,621	45%
2013	36,237	15,643	19101	11635	82,616	38,231	46%



Table 3.

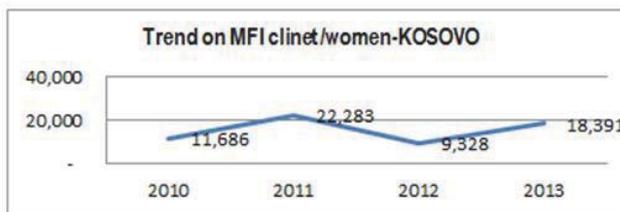
NUMBER OF CLIENT / ACTIVE BORROWER DURING THE PERIOD 2010 - 2013 - MFI IN KOSOVO																																							
FINCA								AFK					KEP					KGMAMF																					
Year	Client number	female	Male	Entity	% F	% M	% E	Year	Client number	female	Male	Entity	% F	% M	% E	Year	Client number	female	Male	Entity	% F	% M	% E	Year	Client number	Female	Male	Entity	% F	% M	% E								
2010	16,581	3,257	13,324		20%	80%	0.0%	2010	4603	1015	3588		22%	78%	0.0%	2010	21,083	7,414	11,513	2,156	100%	0%	0.0%	2010	4868		4868		0%	100%	0.0%	2010	4809	1456	3353		30%	70%	0.0%
2011	13,281	10,723	2,558		81%	19%	0.0%	2011	5192	1215	3977		23%	77%	0.0%	2011	17,100	5,642	9,855	1,603	93%	7%	0.0%	2011	4703	4703	0		100%	0%	0.0%	2011	4809	1456	3353		30%	70%	0.0%
2012	10,520	2,009	8,511		19%	81%	0.0%	2012	6410	1456	4954		23%	77%	0.0%	2012	14,960	4,407	9,651	902	86%	14%	0.0%	2012	4809	1456	3353		30%	70%	0.0%	2012	31,745	9,328	22,417		29%	71%	0.0%
2013	11,424	2,198	9,226		19%	81%	0.0%	2013	7695	1777	5742	176	23%	75%	2.3%	2013	13,364	9,607	343	3,408	79%	21%	0.0%	2013	4815	4809	6	176	100%	0%	3.7%	2013	31,380	18,391	12,989		59%	41%	0.0%

Source: MIMarket.org (table adapted from authors)

Note: MFI selected as per author's valuation (FINCA, AFK, KEP, KGMAMF)

Table 4.

PERCENTAGE OF female FROM THE TOTAL NUMBER OF CLIENTS IN YEARLY BASES							
	FINCA	KEP	AFK	KGMAMF	Total Clients	Total female	% women
2010	16,581	21,083	1015	4868	43,547	11,686	27%
2011	13,281	17,100	1215	4703	36,299	22,283	61%
2012	10,520	14,960	1456	4809	31,745	9,328	29%
2013	11,424	13,364	1777	4815	31,380	18,391	59%



According to the latest statistics the percentage of women participations within the MFI in Kosovo and BH is about 27% in 2010 by increasing in about 59% or 6k clients more, and 50% in 2010 by decreasing in 46% in 2013, respectively. This shows some difference between two similar environments but having in mind that functioning of MFIs started earlier in BiH and their banking and loan culture amongst its citizens was a quite higher level of understanding before the war

started then we can conclude that this is one of the reason for the mentioned difference. At the same time one good sign for Kosovo during the later years of 2011-2013 is the steady rise in the women recipients of these loans which show growing trust of MFIs towards them.

5. Conclusion and Some Remarks

As per, above paper describe the role of importance of microfinance institutions since it's established, including in the post conflict countries by focusing on women as responsible client of selected MFIs, we say that the functioning and the contribution of microfinance institutions have been necessary and effective in Kosovo onward, this because of the role of women can have in society especially after the war ended.

The main fact that is related to our paper is the numbers of women take part as borrowers in Microfinance institution, which can be considered that in the future this number of women as a MFIs client can be increased. As well it shows that the women themselves are showing more confidence in their own abilities and see themselves as somebody who can take direct decision in helping family to get out of poverty with their acumen for business.

In the framework of supporting small business, it is necessary for Kosovo government budget, to determine a fund on support to women's entrepreneurship. Such fund should be coordinated with financial projects for a woman's entrepreneurial, that the microcredit programs or donor projects have.

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