1. Introductory remarks

1.1 Introduction

The aim in this study is to investigate the access to credit of rural women farmers in Uganda. According to Hilhorst and Oppenoorth (1992), it is commonly asserted that, in less developed countries, formal financial institutions provide more credit to men than to women, yet women are better at repaying loans than men. In several studies, gender has been highlighted as one of the most important considerations in loan disbursement to rural borrowers, and that gender is an important determinant of loan repayment behaviour (Padmanabhan 1988; Hilhorst and Oppenoorth 1992; Evers 1993). In the case of Uganda, these issues have not yet been investigated. The aim in this study is to examine these claims in the Ugandan context.

In this study, the impact of gender-related and socioeconomic factors on the size of loans allocated to the borrowers, and on their loan repayment performance, is investigated, as is the question of whether the lending policy facilitates the use of agricultural loans by the borrowers.

In this chapter, some background material relevant to the study is presented. The research problem is discussed, the objectives of the study are described, and the hypotheses to be tested are outlined. Finally, the relevance of and plan for the rest of the study are presented.

1.2 Background to the study - an overview of Uganda

1.2.1 Geography

Uganda is located in East Africa, bordered by Sudan in the north, Kenya in the east, Zaire in the west and Tanzania in the south. The country lies between 1000 m and 1300 m above sea level and encompasses a land area of 241 000 km^2 (UNICEF 1994). Climatic temperatures range between 15°C and 29°C. The country has two wet seasons (May to June and October to December) and two dry seasons (January to March and June to September) (Langlands 1988). The annual rainfall ranges from 500 mm to over 2000 mm. The vegetation is comprised of savanna and tropical rain forests (Statistishes Bundesamt 1992).

1.2.2 Demography

Uganda has a population of about 17 million. It is one of the least urbanised countries in Africa, with about 90 per cent of the population living in the rural areas. The population density is high at 85 per km^2 (Statistishes Bundesamt 1992). According to the 1991 Census, the country has a population growth rate of 2.5 per cent and about half of the population (8.5 of 16.6 million) is under 15 years of age. Some 51 per cent of the population are females (MFEP 1992).

1.2.3 Political history

The country has had a turbulent recent history. Prior to independence in 1962, the country had a strong infrastructure, a well-trained civil service, a well-functioning local administrative structure, excellent communications and the best road network in Africa (Senteza-Kajubi 1987). However, the inherent ethnic and religious divisions resulted in inequitable patterns of development and the militarisation of power (Macrae 1993).

Civil strife plagued Uganda from the mid-1960s for two decades. It was estimated in 1985 that between 100 000 and 500 000 Ugandans had been killed during the previous six years, most of them men, with consequent increases in female-headed households and size of extended families (UNICEF 1994). Also, there was massive emigration during the late 1970s and early 1980s (Statistishes Bundesamt 1992). By 1985, most infrastructure had been destroyed.

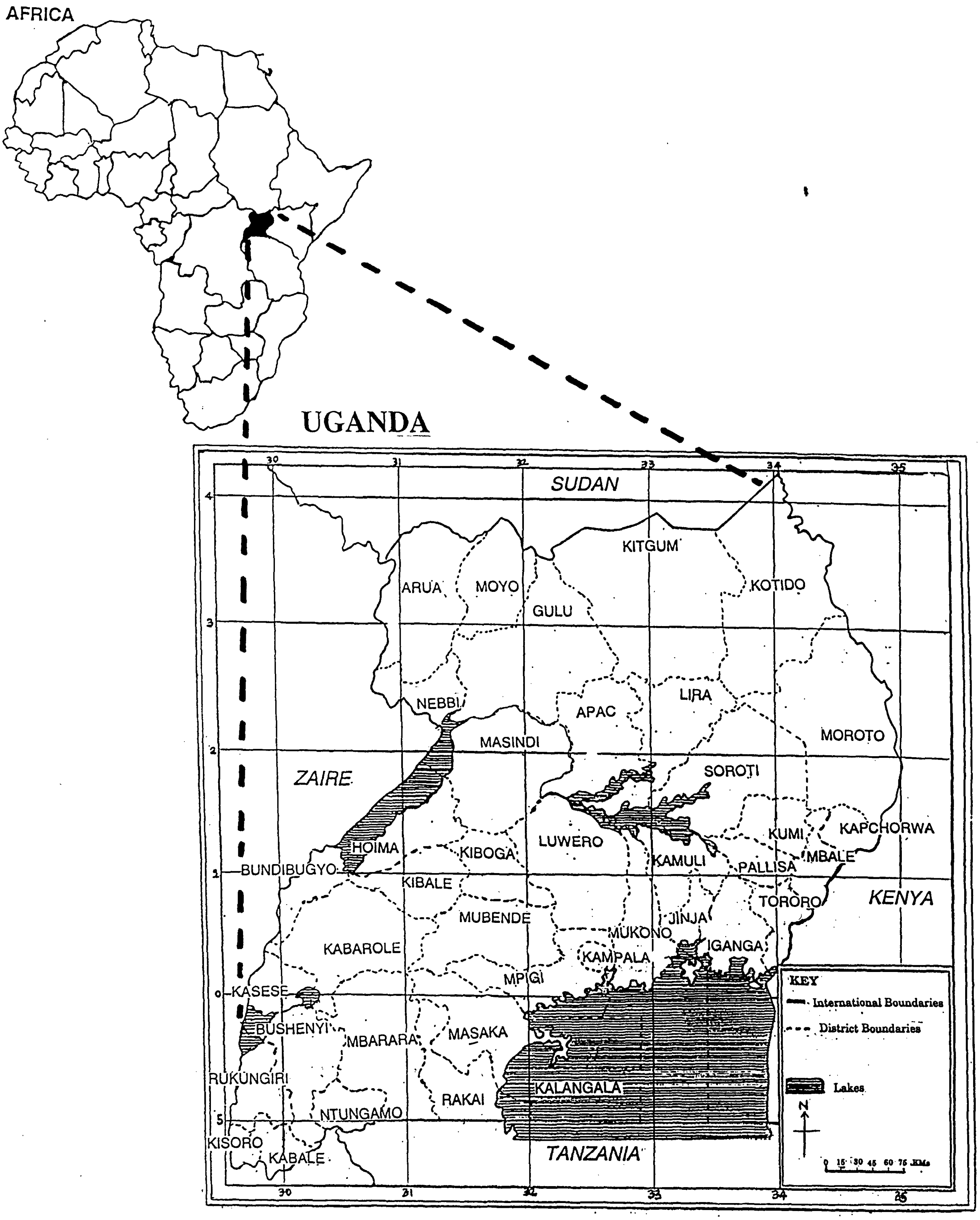
The National Resistance Army (NRA) assumed national leadership in 1986, setting the country on the road to recovery. Since then, the internal security situation has greatly improved (UNICEF 1994).

Uganda has 39 districts (see Figure 1.1), each further divided into counties, sub-counties, parishes and villages. A decentralised political system of Resistance Councils (RCs) operates (see Appendix 2), charged with identifying local problems, formulating solutions and development plans. Each committee has a Secretary for Women, who represents women's concerns and who must be a woman (UNICEF 1994).

1.2.4 Economy

At independence, Uganda boasted a thriving economy. For instance, in the period 1963 to 1971, the GDP grew at an average rate of 4.5 per cent per year.

Figure 1.1: Districts of Uganda



Source: Adapted from UNICEF 1994, p.21.

Unfortunately, the trend was reversed during Idi Amin Dada's regime, to the extent that, between 1977 and 1980, the economy collapsed with a drop in GDP of 18.8 per cent. In 1986, the annual inflation rate was around 260 per cent. After 1986, economic recovery was hampered by the structural weaknesses inherited from previous regimes, such as the low levels of public revenue due to low levels of cash crop production, high emphasis on subsistence agriculture, limited capacity to collect taxes, corruption, a large and inefficient civil service, and high levels of defence expenditure (UNICEF 1994).

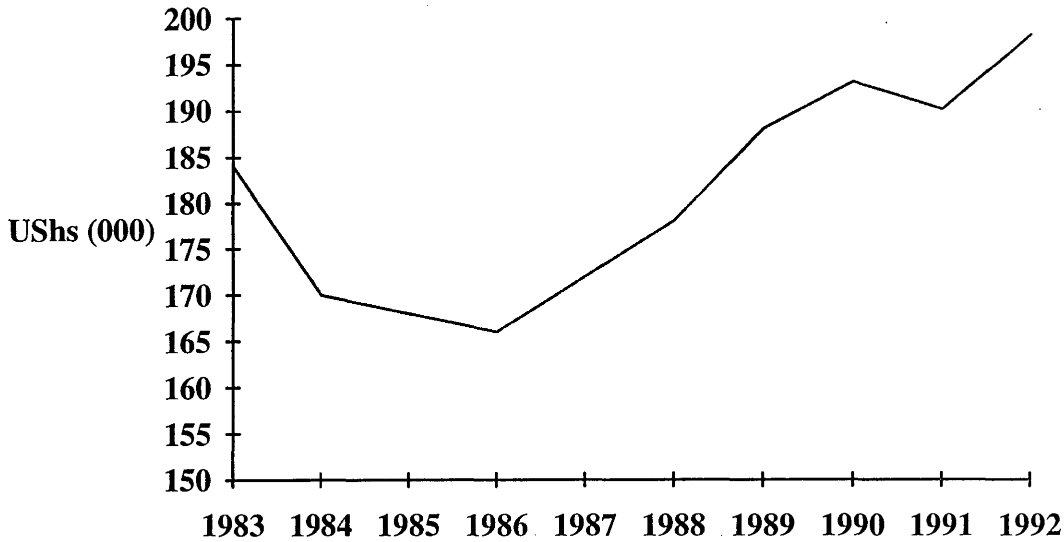
In an attempt to address these weaknesses, the Uganda government signed agreements in 1987 with the IMF and the World Bank committing the country to a structural adjustment program. Although there has been a dramatic increase in economic growth, inequalities in income distribution have escalated (UNICEF 1994). In particular, the welfare of the disadvantaged and vulnerable rural poor, most of whom are women, has worsened (CCA 1990). Further, the national revenue base is very small, resulting in high dependence on external aid to finance public sector deficits. Consequently, donors have been in a powerful position to influence the government's economic and social policy (Macrae 1993).

UNICEF (1994) reported that more than half of the households in Uganda qualify as poor, i.e., defined as spending less than U Shs 6000 per month (approximately US$ 6). Also, the poverty is reflected by the low purchasing ability even for basic needs, substantial crowding of households and low GDP per capita (the trend for annual GDP per capita for the period 1983 to 1992 is presented in Figure 1.2). According to the World Bank (1993), the major causes of poverty in Ugandan households are, loss or lack of a provider, insufficient income, high demand for scarce resources and polygamy. The most vulnerable poor comprise, for example, female-headed households, women in polygamous marriages, widows, orphans and the elderly (UNICEF 1994).

1.2.5 The agricultural sector

Agriculture accounts for over 60 per cent of GDP, about 98 per cent of export earnings and over 40 per cent of government revenue. Farming is labour intensive. Women provide 60-80 per cent of the labour for cash and food crops (Topouzis 1994). The major agricultural exports comprise coffee, cotton and tea. Coffee is the main cash crop. The main food crops are sorghum, millet and bananas (UNICEF 1994). Other sub-sectors such as forestry, manufacturing and industries and tourism, contribute significantly to economic growth (CCA 1990).

Figure 1.2: Annual GDP (UShs) per capita, Uganda, 1983 to 1992



Source: Adapted from UNICEF 1994, p. 30.

The country has a great potential for the development of livestock industries (CCA 1990). In Uganda, livestock, especially cattle, are a major component of total wealth, also providing manure and draught power (UCB 1984). The Uganda government supports the development of the livestock sub-sector. For instance, the government allocated $16.25m in 1987/88 for drugs and vaccines against trypanosomiasis, exotic heifers from Germany and Shorthorn Zebu heifers from Tanzania (UCB 1988).

The climate of Uganda is conducive to cattle farming (CCA 1990) and cattle are the major type of livestock kept (UCB 1984). By 1990, the population of cattle was estimated at 5 million (CCA 1990). According to UCB (1983), 90% of the cattle in Uganda are owned by smallholders. Herds are composed of indigenous beef and dairy breeds which provide meat and milk for family income and subsistence. Small-scale cattle farmers may require funds for capital items such as improved cattle breeds, water pumps and engines, water reservoirs, tractors, milk plants and transport. Other requirements include, for example, insemination services, pasture seeds, fencing materials, drugs and vaccines, and milk cans (UCB 1986).

Dairy farming is one of the ways in which women (and men) can be provided with self-employment to generate some income which, in turn, may reduce their poverty and that of their households. Dairying improves the nutritional status of the family by providing energy and protein, through meat, milk and other dairy products. For rural households in Uganda, these products are important since UNICEF (1994) found that 46.3 per cent of the children are stunted. In most developing countries, dairying is the responsibility of the women (Ahmad 1993). Dairy activities may include feeding, milking, distributing milk, making butter, cleaning and herding.

1.2.6 The financial system

The financial system in Uganda comprises the Bank of Uganda, i.e. the central bank, together with commercial banks, cooperative banks, trust organisations and traditional lending schemes. The ability of women to gain access to credit from these institutions (other than the central bank) depends on the approach of the institutions. Whereas some commercial banks and building societies are entirely urban-based and not focussed on providing small-scale credit to rural women, others, such as the Uganda Women's Finance and Credit Trust, have been established particularly to provide credit to rural women. However, women generally face difficulties in obtaining financial services from the formal banking system (CCA 1990).

1.2.7 The situation of the rural women

UNICEF (1994, p. 4) defined a Ugandan woman as a female who is 20 years and above. The women play the important roles of being producers, change agents and home-makers. Ugandan women contribute over 80 per cent of the total agricultural labour force (UNICEF 1989). In a survey of rural women in Uganda, conducted by Nalwanga-Sebina and Natukunda (1988), 97 per cent of the women respondents were farmers. Further, the survey showed that the women were on average less well-educated than the men. They owned only few resources, if any, and lacked access to credit, capital, inputs, and information. Also, the women suffered from heavy workloads, high morbidity and mortality rates, and economic and social isolation. These constraints made the fulfilment of the reproductive and productive roles of the women difficult (Nalwanga-Sebina and Natukunda 1988). These issues are discussed in greater detail in section 2.10.

1.3 Problem definition

The contribution of women to development has been recognised by the Government of Uganda. Attempts have therefore been made to address the obstacles that limit women from obtaining the resources needed to improve their welfare and that of their households. In particular, the Government has realised the need for special credit for women farmers in view of their inability to provide collateral, which severely inhibits them from securing loans from the formal banking system. (Women can seldom offer collateral for loans because they own few assets, as noted in the previous sub-section). The Government has therefore, been providing funds to financial institutions to extend credit to women (CCA 1990).

One such institution is the state-owned Uganda Commercial Bank (UCB), which operates the Rural Farmers Scheme (RFS). The RFS was started in 1987 to offer priority financial support to rural women, with a target of providing at least 70 per cent of its credit funds to the latter. Credit has been offered in the form of inputs, such as fertilisers or tools, and also in cash, to women and men borrowers, such as dairy farmers (UCB 1993b).

According to UCB RFS (1993a), the RFS has been facing general performance problems, manifested by low loan recovery rates, poor repayments, high operational costs and poor monitoring facilities, to mention a few. Moreover, according to a survey conducted by Musoke and Amajo (1989), some women borrowers are dissatisfied with the services offered by the scheme. New strategies to remedy the situation have been proposed, such as cutting down on operational costs, reducing the radius of operation, group-lending and improving the administration of the scheme at the branch level and at head office (UCB RFS 1993b).

In view of these apparent problems, it seems worthwhile to investigate the operations of the UCB RFS, especially with respect to the way loans are advanced and the repayment performance of different types of borrowers. Particular attention needs to be given to the effects of gender on these two aspects of bank performance.

1.4 Objectives of the study

The objectives of the study therefore are:

- to investigate the effects of various factors including gender on the sizes of loans disbursed to dairy farmers of the UCB RFS;

- to investigate the effects of various factors including gender on the loan repayment performance of dairy farmers of the UCB RFS;

- to use the findings from the study to suggest recommendations that could lead to improvement in women's access to, and utilisation of, credit; and

- to use the findings from the study to suggest recommendations that could lead to improvement in the operation and sustainability of the UCB RFS.

The relationship between various socioeconomic factors and the sizes of loans allocated to women and men borrowers is important and relevant for the study because it would highlight whether the credit allocation policy actually accords priority support to women borrowers. In addition, the effects of various socioeconomic factors, including gender, on loan repayment will indicate the comparative repayment performance of women and men borrowers. This relationship will highlight which factors should be concentrated upon to improve the repayment performance of the borrowers.

The recommendations derived from the study may be used by planners and policy makers to assist in the formulation of appropriate strategies and policies for the provision and utilisation of credit by rural women and men farmers.

1.5 Hypotheses

The hypotheses for this research are:

1. for dairy farmers receiving loans from the UCB RFS, there is no effect of gender on the amounts allocated to borrowers when other factors are taken into account; and

2. for dairy farmers receiving loans from the UCB RFS, there is no effect of gender on the loan repayment performance of borrowers when other factors are taken into account.

Hypothesis 1 is set to examine whether the lending policies of the scheme actually enhance the access of credit to women, as would be evidenced in the absence of gender bias against women in the loan size policy.

Hypothesis 2 is set to examine whether indeed the women borrowers are better repayers than men borrowers, as alleged by such writers as Berger (1989), Hilhorst and Oppenoorth (1992), and Evers (1993). If gender is not significant in loan repayment performance, this would imply that these claims do not hold in the context of the UCB RFS borrowers and that the scheme should focus on issues other than gender in order to enhance repayment. If, on the other hand, gender is significant and women are poorer repayers than men, this would signify a problem for a policy aimed at increasing the access of women to credit. In such a case, it would not follow that the policy should be dropped, but would suggest that other measures may be needed to improve the capacity of women to repay. Also, more attention may need to be given to which women get loans, and the riskiness of their projects.

A quantitative analysis of the sizes of loans disbursed as well as the loan repayment rates will permit the hypotheses to be tested.

1.6 Relevance of the study

Hilhorst and Oppenoorth (1992) asserted that, although many credit programs have been established in response to the financial needs of rural women in the third world, very few studies have questioned whether the financial needs of the poor women are being met, or what impact the programs have had on the women's needs and bargaining positions.

There has been a debate on the appropriateness of the criteria that should be used to assess credit programs. Adams (1988) has argued that, since the results of credit on borrowers are too diffuse, subtle and involve too many heterogenous factors, assessments which focus on the effect of credit on the self-sustainability of the credit scheme may portray a more accurate picture of the position of the scheme. However, others such as Yaron (1991) have argued that the effect of the credit program on both small enterprises and the self-sustainabilty of the credit scheme should be assessed. Further, Yaron has suggested that the size of loans granted to the borrowers is one of the factors that may be used to assess whether the small enterprises are being served by the program.

Hilhorst and Oppenoorth (1992) asserted that, although the rates of repayment are useful in indicating whether loans are being made at levels which borrowers can afford, as well as the creditworthiness of borrowers, studies should move beyond focusing only on loan repayment. They argued that such studies should, in addition, address the differences in the levels of participation between women and men, and the factors that influence their degrees of participation.

An attempt is made in this study to assess whether the UCB RFS credit scheme is according priority to women borrowers or otherwise. Both the size of loans allocated to borrowers and the loan repayment rates of the latter are investigated in the study.

Moser (1989) highlighted the limitations of focusing on women in isolation. She advised that, instead, research should concentrate on gender and development, since most of the problems that women face are more the result of the social relationships between men and women rather than biological differences. According to Hilhorst and Oppenoorth (1992) very few studies have looked at credit, based on gender differences.

The results of the study will be useful for assessing whether the factors that the bank considers important when deciding on the size of loans to give to the borrowers actually stimulate repayment by the borrowers. According to Tilahun (1994), such a scheme should not only aim at improving the status of its borrowers but should also pay attention to factors that enhance the sustainabilty of the scheme. Ideally, in order for the scheme to be sustainable, the bank's lending policies should foster the loan repayment performance of the borrowers. If the determinants of the size of loans allocated to borrowers differ from those for repayment performance, the bank should review its loan allocation procedures, in order to improve repayment and sustain the bank's portfolio.

1.7 Structure of the dissertation

The dissertation is divided into six chapters, namely: Introduction; Gender issues and credit in developing countries; Models, data and estimation methods; Empirical results and discussion; Summary, policy implications and conclusions.

In this first chapter, the background to the study, the research problem, objectives, hypotheses, and the relevance of the study have been presented.

In the second chapter, the relevant literature on gender issues and credit in developing countries is reviewed. The third chapter covers the methods to be used in the study, the nature of the data and the analytical procedures employed. Also, the models used in the investigation are specified.

The empirical results obtained and the discussion are presented in chapter 4. In chapter 5, the summary and policy implications relating to the results of the study are discussed, and the conclusions are provided. The appendix, followed by the references are presented after chapter 5.

2. Gender issues and credit in developing countries

2.1 Introduction

Rural women in the developing countries contribute to development through their reproductive, income-earning and community management roles (Moser 1989). Amidst the chronic development problems that plague some of these countries (Todaro 1989), the women, who constitute a high proportion of the world's poor (Antrobus 1993; Heyzer 1993), continue to struggle to obtain income for their livelihoods as well as those of their families and communities. Consequently, strategies have been devised to extend financial services to women, so that they can obtain the income they need, and by so doing, reduce their poverty. However, some gender inequalities impede the productivity of women's activities and the effectiveness of the plans designed to help them (Berger 1989; Hilhorst and Oppenoorth 1992; Evers 1993). Particularly in sub-Saharan Africa, the progress towards reducing gender inequality in social, political and economic contexts has been very limited (Momsen and Kinnaird 1993).

In this chapter, a brief overview of gender issues in developing countries is presented. Some literature is reviewed on the role of women in development, the constraints they face and their need for finance. The financial sources and the approaches for providing credit are also discussed. Some constraints that prohibit banks from providing credit to rural women and some barriers to women's access to formal credit are also presented. Finally, an overview is presented of the situation of women in Uganda, of the efforts of the Uganda government to assist rural women by improving their access to finance, and of the Uganda Commercial Bank Rural Farmers Scheme.

2.2 An overview of gender issues in the developing countries

Gender relations in developing countries in Africa, Asia and Latin America are similar in many respects. Evidence indicates a persistent gender gap in the physical well-being of the populations, with literacy rates, average age of marriage, participation in paid labour force and employment levels being lower for females than for males (Samarasinghe 1993).

UN (1991) reported some differences in regional trends in the position of women for the period 1970 to 1990. In Latin America, the access of rural women to education, health and economic and political participation had declined. Women in northern Africa and Asia were lagging behind other regions in social and economic activities and political decision-making. In sub-Saharan Africa, gender inequalities had hardly changed. In south Asia, women's health and education levels had improved but still remained greatly inferior to those of men. Further, the benefits of economic growth had rarely accrued to women. In south-eastern, eastern Asia and the Pacific, gender inequalities had declined but women were still excluded from most decision-making processes.

Generally, women have been accorded a subordinate position to men, in most developing countries. Whyte and Whyte (1982) noted that it would take time to eradicate the subordination of rural females. Elahi (1993) found that, in Bangladesh, sex discrimination in favour of males operates from an early age and continues through life. The discrimination affects women's status, the recognition of their activities and influences the perceptions about the degree of usefulness of males and females in society. Sage (1993) reported that, in Bolivia, children move into gender-differentiated roles from about the age of five.

Moser (1989) asserted that gender has not been satisfactorily incorporated into development planning in most developing countries. Further, most authorities responsible for development planning are reluctant to recognise gender as an important planning issue. Also, simple tools for gender analysis are lacking and planners find difficulties in 'grafting' gender onto existing planning procedures.

There is evidence that, on the whole, efforts to improve the living standards of the rural poor have failed to help women both in absolute terms and in relation to men (Berger 1989; Elson 1993; Wickramasinghe 1993). Generally, attempts to promote women's participation in the development process have been ineffective in eradicating gender differences, especially in the rural sector. Wickramasinghe (1993) asserted that the integration of women into development strategies should be an economic imperative as well as a social equity goal. Vyarma (1993) contended that improving the economic status of women is one of the necessary conditions for raising the general status of women and their communities.

2.3 The role of women in development

UNICEF (1994) asserted that development is associated with improving the quality of life, such as increased services, better education, more employment opportunities, more income per person or per family and greater self reliance.

The important role of women in social and economic development was first highlighted by Boserup (1970), and later emphasised during the United Nations Decade for Women (1976-1985) (Moser 1989). According to Momsen and Kinnaird (1993), women are agents of change. In the developing countries, rural women play critical roles in reproductive work, income-earning activities and the management of local resources (Hyma and Nyamwange 1993). The roles are closely intertwined and have important implications for the generation of income by the women (Antrobus 1993; Heyzer 1993).

2.3.1 The reproductive role

The reproductive role entails both biological and material reproduction (Sage 1993). Women are responsible for the creation and daily nurturing of other human beings, especially by providing health, food security and housekeeping (Evers 1993). Household tasks comprise, for example, grinding grain, cooking meals, fetching water and firewood (Gittinger, Chernick, Horenstein and Saito 1990). Waring (1988) asserted that without 'women's work', no economy can function.

Gender role differences in household tasks reveal a greater multiplicity of women's roles than men's (Wickrasimasinghe 1993). Women's domestic obligations confine them to those economic activities where flexibility in working conditions is possible. Nonetheless, many women are forced to engage simultaneously in more than one activity. For example, they may care for their children while also working in the fields or selling products in the market (Hilhorst and Oppenoorth 1992). Culturally, in most societies, men do not have a clearly defined reproductive role although this does not mean that they do not play with, and care for, their children or help with domestic work (Moser 1989).

2.3.2 The productive role

Productive roles are taken as those that create some form of income for individuals or households through the production of either use- or exchange-values (Evers 1993; Sage 1993). Brydon and Chant (1989) argued that referring to income-generating activities as 'productive activities' implies that reproductive activities are 'unproductive'. They asserted that the term 'productive activities' is misleading since reproductive activities also create value (use-value). The term 'productive activities' is used in this study to refer to those activities that create exchange-value as distinct from those that create use-value.

According to Moser (1989), in most developing countries, the stereotype of the 'male bread winner' predominates, even where it is not a reality. However, according to Momsen and Kinnaird (1993), the economic decline of the 1980s and intensified poverty levels, mostly in sub-Saharan Africa, have resulted in women striving to generate income for their survival and that of their households.

In most developing countries, women are predominantly engaged in agricultural production as primary food producers (Berger 1989). For instance, according to Gittinger et al., women produce nearly three-quarters of the food grown in Africa. Surplus food may be sold to provide cash income. Women are also involved in cash cropping and livestock production. The cash crops produced by women are usually of less commercial importance than those produced by men (Meertens 1993). In some regions, mostly in Africa, a process of 'feminisation' of agriculture is occurring, with women managing farms while their husbands migrate elsewhere in search of employment (Hilhorst and Oppenoorth 1992, p. 27). For example, in Kenya, 40 per cent of smallholdings are managed by women (Gittinger et al. 1990). Rural women may participate in agricultural activities during the peak seasons, and in off-farm wage labour at other times of the year (Epstein 1990, p. 254).

Self-employment is another important source of income for women (Hilhorst and Oppenoorth). According to UN (1991), more than half of the economically active women in sub-Saharan Africa and southern Asia are self-employed and about one-third are self-employed in northern Africa, the rest of Asia and Latin America. The income from their activities may meet consumption needs or complement seasonal farm incomes, or both (Grown and Sebstad 1989; Downing 1991). Rural women may also operate non-farm enterprises such as small-scale manufacturing, craft production, brewing and petty trade (UNDP 1988). Trade may be combined with manufacturing, whereby the entrepreneurs produce the goods they sell, such as processed foods or handicrafts (Buvinic and Berger 1990).

Generally, rural women run their enterprises on a part-time basis so that their reproductive roles can be accomplished. Women usually depend on household rather than hired labour (Holt and Ribe 1990). For instance, in Ghana, household members contribute about 80 per cent of labour on women's farms. Women spend most of their earnings on household expenditures (Carr 1990). Ardayfio-Schandorf (1993) found that some Ghanian women contributed over 68 per cent of total household income.

Berger (1989) contended that women's microbusinesses are not homogenous. For example, the 'ultra poor' microbusinesses are operated at the margins of minimum subsistence levels, have very low profitability, no potential for expansion and the women tend to be risk-averse. On the other hand, the 'poor' microbusinesses are oriented toward stability and economic security. The operators are interested in expansion, although modestly. Never the less, Lyberaki and Smyth (1990) contended that most rural women entrepreneurs hesitate to expand their small businesses in order to avoid higher risks and costs, legal procedures and the complex management skills required. In fact, MacKee (1989) reported that, provided their basic consumption needs have been met, poor women tend to expand operations only to the limits of their own labour and management capabilities.

2.3.3 The community management role

Rural women are involved in community management, usually at the local level. In many societies, women undertake the responsibility for allocating limited resources such as water, to ensure that the consumption needs of their households are met. Men play a community leadership role (Moser 1989).

2.4 The constraints faced by women in developing countries

The United Nations Decade for Women contributed greatly to publicising the 'plight' of rural women in the developing countries (Moser 1989). Massaiah (1989) asserted that most of the problems in these countries affect women more, or rather than, men. The women face several constraints that impede their ability to fulfil the above-mentioned roles and to contribute to development. According to Buvininc (1989), poverty is one of the major challenges that the women face. A few of the constraints are discussed below.

2.4.1 Workload due to reproductive work

Women are confronted with heavy workloads as a consequence of their participation in reproductive work which, in turn, may impede their involvement in income-generating activities. Evidence reveals that women normally work longer days than men (Dixon-Mueller 1989; Barrientos 1993). Even then, reproductive work is seldom recognised by policy makers, planners and sometimes not even by the women themselves (Ahmed 1992). Since GNP is measured in terms of 'output sold' (exchange-value), women's reproductive work is often excluded. The work is often defined as 'non-economic' (Elson 1993), often undervalued, and the time invested in such activities is seldom costed (Taguiwalo 1993).

Rural women have limited access to labour-saving technologies, which results in the labour productivity of reproductive work being generally low. The shortage of basic services such as piped water and grinding mills increases the burden of housework. Hence, women find that one of the costs of engaging in small enterprises is an increase in their working day, since the reproductive responsibilities still have to be met (Mwaka 1993).

Reproductive activities restrict the mobility of women, and contribute to their isolation, lack of access to information, vocational training and community leadership opportunities, and limited experience of dealing with public institutions (Wickramasinghe 1993).

2.4.2 Control over income

In many countries, women do not have control over their earnings (Berik 1987). In some cases, men sell the agricultural and household products that women produce. Cash transactions are often considered out-of-bounds for women (Yasmin 1993). White (1991) reported that, in West Java, husbands take over the management of their wives' businesses once the businesses become profitable, whilst the latter revert to the status of 'unpaid family member'. Further, men may take over activities which are traditionally for women, especially when labour-saving technologies are introduced (Whitehead 1985; Pye 1988). For instance, Raghuram (1993) found that, in India, the setting up of dairy cooperatives led to the replacement of female labour with that of men, with consequent female unemployment.

Stolen (1991) reported that some men reduce their contribution to the household budget when it becomes clear that women's incomes have increased. Consequently, the capacity of the women to save and invest in their enterprises is restricted. Further, the women are left with more responsibility of maintaining their dependants.

An increase in the women's income may also make the men feel threatened by a loss of status. Alternatively, they may fear that their partners will desert them once they have secured independent sources of income. Husbands may therefore oppose their wives' enterprises especially if the earnings become greater than their own (Bruce 1989).

2.4.3 Employment in the formal sector

Rural women find difficulties in acquiring employment in the urban formal sector (feminisation of unemployment) (Evers 1993). For example, in Chile, only 27 per cent of women participated in the formal labour force in 1992 (Psacharopoulos and Tzannatos 1992). Women often lack the education, training and experience required to compete for formal employment, and the contacts needed to secure work. Even when women have the required expertise, they are often employed in the less prestigious and lower-paid occupations (Berger 1989). Wickramasinghe (1993) found that, in Sri Lanka, women often get paid 10 to 20 per cent less than men even for equal work. Some cultures restrict women from entering certain work sites, certain occupations, or participating in public social spheres (Lyberaki and Smith 1990). Generally, women's jobs are less secure and more irregular (Barrientos 1993). Moreover, the rigid work routines and physical mobility associated with formal employment are difficult to combine with domestic responsibilities (Hilhorst and Oppenoorth 1992).

2.4.4 Employment in the informal sector

Todaro (1989, p. 631) defined the informal sector as 'that part of the urban economy of LDCs characterised by small competitive individual or family firms, petty trade and services, labour intensive methods of doing things, free entry and market-determined factor and product prices'.

'Women operate at the lowest strata of the informal sector' (Gittinger et al. 1990). In the informal sector, where women predominate, competition can be fierce and earnings are low (Levitsky 1989). Compared with men, women generally have fewer resources, business contacts, bargaining power and access to business support services. Women's skills are common to many other women (Hilhorst and Oppenoorth 1992). Consequently, women's enterprises are often less profitable than those of men. The informal sector is not protected by laws concerning contracts, wages, social security or health and safety regulations (Levitsky 1989). Moreover, labour relations such as sub-contracting or piecework, can result in extreme dependency on, and control by, suppliers of credit, equipment, raw materials or marketing outlets (Baud 1989; White 1991). Due to these constraints, the women are trapped in a vicious cycle of low income and low productivity (Gittinger et al.).

2.4.5 Access to resources and information

Women find it difficult to secure access to resources (Okelo 1989). Their participation in decisions for allocating and controlling household resources is often limited (Berik 1987). For instance, the access of women to land is restricted, despite their contribution to agricultural production. Generally, men have access to the best land, which is used to grow cash crops, such as tea or coffee. The land allotted to women is used for subsistence production, and is often relatively smaller and of poorer quality than that of men. Moreover, the women's tenure is often insecure since few women hold titles (Hilhorst and Oppennoorth 1992). Consequently, the capacity of the women to get access to credit, invest in production or expand agricultural activities is reduced (Hilhorst and Oppenoorth 1992, p. 27). Also, women have less control over their own labour than men, because their productive work competes with their reproductive roles and obligations (Evers 1993).

Since about 80 per cent of all households in developing countries depend on wood-fuel, the depletion of forests has made the collection of fuelwood more difficult for rural women (Ardayfio-Schandorf 1993). Also, many women lack access to high-yielding technologies and tools for farm work. Most women lack facilities such as transport, communications, food processing and marketing facilities. By contrast, men have bicycles, or can afford to pay for other means of transport (Mwaka 1993).

Rural women, often have more limited access to formal education than men. For example, in South Asia, women's educational attainment averages only 47 per cent the level of men's (Berger 1989). Evidence indicates that education increases the capacity to reallocate resources efficiently when economic forces change. Therefore, educational bias against women inhibits their participation in development programs (Gittinger et al. 1990).

Most agricultural extension programs are designed for men, with male extension officers more willing to provide information to male farmers. Designs, timing and location of training programs are often inappropriate for women farmers due to the women's multiple roles (Gittinger et al.). In cases where agricultural extension services reach women, the technologies recommended are usually not appropriate. For instance, the technologies may be designed to improve cash and not food crop production (Gittinger et al.).

The subordination of rural women often prevents them from holding leadership positions and taking initiatives at village level activities (Whyte and Whyte 1982).

2.4.6 Female-headed households

The number of female-headed household in the developing countries is increasing. It is estimated that, on average, more than a quarter of households in the developing countries are headed by women (Moser 1989). Also, the households tend to be poorer, own less land and have less access to credit, labour and government services than those of men (Clark 1984; Whitehead 1985; Kennedy and Haddad 1994). Female-headed households have unique needs for credit and other services that can enable the women to combine their roles without jeopardising the welfare of their households (Lewis 1993).

2.4.7 Government policies

Levitsky (1989) contended that even the best-thought-out-project may be completely overwhelmed by a hostile policy environment. Gittinger et al. (1990) argued that the critical roles played by women in development had not been translated into policies and programs that could promote a more equitable distribution of resources and enhance women's productivity. Elson (1991) lamented that many government economic policies that are seemingly gender-neutral actually subordinate women, with significant repercussions on their productivity. Furthermore, where strategies and policies have enhanced economic growth, the benefits have not trickled down to the poor, including poor women (Heyzer 1993). In cases where the policies for women have become incorporated as family strategies, women have benefited very little (Mayoux 1993b). Hilhorst and Oppenoorth (1992) asserted that gender issues have often been ignored in the formulation and implementation of financial policies.

In most developing countries, subsidised interest rates policies are employed, supposedly to increase income and capital accumulation amongst the poor, and to enhance production amongst priority sectors such as agriculture (Nichols 1974). However, the cheap funds create excess demand for credit. Consequently, the funds seem to benefit the wealthy elite who are powerful enough to obtain it, very few of whom are women (Holt and Ribe 1990; Buvinic and Berger 1990). Further, the distorted cost of capital encourages capital-intensive, at the expense of labour-intensive, production, with consequent unemployment especially amongst poor women (Harriss 1987). In fact, Levitsky (1989) contended that small borrowers do not require subsidised credit provided the credit is accessible. Evidence indicates that the poor can afford to repay credit at market rates of interest. For instance, a successful program in Indonesia (the *Badan Kredit Kecamatan*) lends to the poor at a rate of five to ten per cent per month (Levitsky). Subsidised interest rates have been widely criticised by many writers (Pischke, Adams and Donald 1983; Adams 1986; Holt and Ribe 1990). Unfortunately, there are still those disadvantaged groups, such as rural women, who may not be able to operate income-generating activities without credit subsidies (Hilhorst and Oppenoorth 1992).

Financial liberalisation, that is, allowing institutional interest rates to rise towards their competitive free-market equilibrium levels, has been advocated by some writers, such as MacKinnon (1973) and Shaw (1973), as a remedy for financial repression (distorted financial prices) in developing countries. Consequently, in the late 1970s and early 1980s, many developing countries adopted financial liberalisation policies with positive results in some Asian countries (Jung 1986; Modigliani 1986; Fry 1988). However, some evidence indicates that the policies have led to significant increases in poverty and inequality, leaving the vulnerable, such as women, worse off (Taylor 1983; Kohsaka 1984; Barrientos 1993). In Costa Rica, the policies raised the income of only the wealthiest 10 per cent of the population (Fry 1988). Veneroso (1986) reported that the interest rates are sometimes unaffordable by the rural poor.

Structural adjustment policies (SAPs) entail cuts in government expenditure, privatisation of state enterprises and banks, liberalisation of markets, export promotion and local currency devaluation. Levitsky (1989) asserted that the policies have had a regressive effect on micro and small enterprises in the developing countries, most of which are operated by women. SAPs have been associated with reduced demand for products, declining access to inputs, worsening living conditions and health, lower household income, rising costs and inefficiencies of public services (Evers 1993). Moreover, the burden of reproductive work for women has been exacerbated. Since most basic goods and services are no longer affordable, the women spend long hours scrounging for cheaper food (Taguiwalo 1993) and in hospital queues to obtain cheaper health services (Elson 1989). Also, the emphasis on cash-crop production has reduced the land available to women for cultivating food crops, with serious repercussions for food security (Diwa 1992). On the whole, women have suffered disproportionately more than men (Mbilinyi 1993).

In many developing countries, agricultural food prices are kept artificially low as a subsidy to urban populations, leading to unfavourable impacts on rural incomes, and hence lowering the demand for other production by the rural population (Todaro 1989). Women are affected the most, since they are the major producers of food crops (Gittinger et al. 1990).

Selective credit policies have been employed in directing credit to high priority activities, enterprises or sectors of the economy, such as dairy farming or agriculture.

Usually, credit may be tied to the purchase of inputs or the cultivation of the priority crops (Meyer and Nagarajan 1988). However, credit in the form of improved technologies may be a hazard to a farmer, since the returns are often uncertain and the risks greater. The increased level of specialisation associated with the adoption of new technologies makes production vulnerable to climatic variability, disease, or decline in terms of trade. Women face comparatively more risks from adopting new technologies than men since the new techniques and seed varieties are often poorly adapted to the crops women cultivate. Moreover, their land may be of poorer quality than men's, or less accessible (Hilhorst and Oppenoorth 1992, p.37). Further, the women often lack the necessary skills to apply the recommended technology packages optimally. The introduction of capital equipment, such as milk plants, may reduce the demand for labour, resulting in unemployment for some women (Pye 1988). Further, credit may promote the production of goods that depend on external inputs, markets and resources to which the poor women may have little or no access (Hilhorst and Oppenoorth 1992, p. 20).

In many instances, government policies and procedures support state-owned or large commercial enterprises, such as through investment codes, government loans to progressive farmers and industrial zoning. However, such organisations usually pre-empt the market opportunities for smaller rural concerns and make it hard for the latter to compete (Neck and Nelson 1987). Inflexible legislation procedures are a constraint for many small businesses. For example, in Peru, legal procedures for registering small enterprises are extremely time consuming, expensive and therefore not affordable by most rural women. Consequently, many businesses are not registered and operate illegally (Hilhorst and Oppenoorth 1992, p. 17).

Anti-poverty programs have been employed in many developing countries, for example in India, to improve the access of women (and men) to resources such as land, credit, technology and opportunities (Evers 1993). However, women's interests are assumed in the various target groups, such as 'households', 'small farmers' or 'the poor', yet, due to the gender divisions of income, labour and other gender divisions within households and societies, the benefits do not reach the women, while men become better off (Evers).

Income-generating programs that target only women have, on the whole, been unsuccessful. The activities for women often have high opportunity costs to the women, such as demanding too much of the women's time or increasing the women's labour burden. Further, the enterprises concentrated upon, such as handicraft, may be unprofitable and with poor market prospects (Hilhorst and Oppenoorth).

2.4.8 Access to finance

Evers (1993) laments that women in the developing countries face significant obstacles in obtaining finances. This issue is discussed in more detail in section 2.5.

2.5 Why women need financial services

Writers such as Berger (1989), Antrobus (1993) and Townsend (1993) argue that women's needs comprise strategic needs and practical needs. Strategic needs are those 'formulated from the analysis of women's subordination to men, and focussed on the transformation of power relationships between men, the state and the women' (Antrobus 1993, p. 18). The practical needs are those 'derived from the conditions of women's experience, in their engendered position within the sexual division of labour and deriving out of their practical gender interests for human survival' (Townsend 1993). The provision of credit is a practical need (Berger 1989).

In most developing countries, many women are trapped in a vicious cycle of low productivity, low income, low saving and consequent low productivity. Tilahun (1994) recommended that injection of credit capital for income generation could be one way of breaking the women's poverty cycle. Furthermore, given the roles of women, meeting their needs and interests is closely linked to alleviation of poverty in any society (Heyzer 1993).

According to Gittinger et al. (1990), credit may be used to expand the economic activities of women, hence increasing the production and productivity of women and the food security of their households. Cash income is required to meet basic household expenses, for example, food, shelter, clothing, school fees and medicine (Dijkman and Dijk 1993).

It has become increasingly accepted that micro-enterprises, most of which are operated by women, benefit developing country economies, for instance through their efficient use of capital and labour and production of goods and services (Liedholm and Mead 1986; Haggblade et al. 1989). However, the access to financial services by rural women in developing countries may be important in order for them to operate and or expand such enterprises (Hilhorst and Oppenoorth 1992, p. 7).

Poor women often face cash flow problems which in turn destabilise their enterprises. Credit may be used to provide working capital for liquidity. The capital may be used to cover costs of labour, raw materials and bulk purchases of inventory (Hilhorst and Oppenoorth 1992, p.36).

Credit may also be required for fixed capital to expand the business, and or to obtain new technologies so as to increase productivity and income. In a survey of loan recipients of an Integrated Rural Development Programme in India, Vyarma (1993) reported that most women obtained loans to expand their animal husbandry activities. Capital items may be needed to process agricultural produce, for example churns for ghee and butter processing (Gittinger et al. 1990). For instance, Tilahun (1994) reported that, for the case of the Agricultural and Industrial Development Bank in Ethiopia, credit was used to replace traditional stone grinders with modern grinding mills. Consequently, the time saved was 370 hours per household, per year.

Where women dominate the processing of agricultural goods produced by men, extending credit to the sector as a whole may benefit both women and men through improving the vertical integration of the industry (Hilhorst and Oppenoorth 1992).

Credit may also be needed to improve subsistence production by the women, for example for purchasing inputs. The funds may also be used for consumption (Berger 1989). In such cases, the lenders may need to ensure that borrowers have some means of repaying the loans, for example, by initiating income-generating activities (Hilhorst and Oppenoorth).

Women may require credit to purchase appropriate domestic labour-saving technologies that reduce the drudgery and time spent on reproductive activities (Whitehead 1985). Credit for facilities to improve reproductive work may enhance the income-earning spheres as well, directly or indirectly. For example, time saved from reproductive work may be directed to cash income generation, while a loan to improve the roof may keep the family warm and dry as well as protecting the stock of the household enterprise (Evers 1993).

Credit may be required to finance women's group activities for income generation such as joint purchase of inputs, raw materials, machinery, as well as joint storage, transport and marketing operations. Credit may be used to fund traditional communal activities that benefit rural women, for example constructing cattle dips, irrigation facilities or wells (Hilhorst and Oppenoorth 1992, p.39).

2.6 Some sources of finance for rural women

In most developing countries, the financial system comprises formal, informal and semi-formal financial institutions (Hilhorst and Oppenoorth 1992). Each is briefly discussed in turn below.

2.6.1 Formal financial institutions

The formal financial sector consists mainly of the central, commercial and development banks (Hilhorst and Oppenoorth 1992). According to Todaro (1989), most formal financial systems in the developing countries are rudimentary and often controlled by the central government.

Central banks are mandated to perform monetary macroeconomic and regulatory functions within the financial system. However, according to Todaro, many central banks in the developing countries are plagued with inadequate organisational structures, lack of political autonomy and extensive usage of rediscount facilities to support government development policies. Consequently, such banks may not be capable of financing and promoting domestic economic development through the commercial and development banking system (Fry 1988).

Commercial banks dominate most financial systems in developing countries (Fry 1988). To maximise profit, many of them often allocate most of their loan funds to a small number of large borrowers (usually the wealthy elites) whose projects seem to be profitable and with the lowest levels of risk (Hilhorst and Oppenoorth). Evidence indicates that many of the indigenous commercial banks in developing countries suffer from poor performance, use of inefficient lending criteria, have high default and delinquency levels, lack autonomy, have too much red tape and corruption, weak management and poor supervision (Morris 1985; Fry 1988; Todaro 1989). The work force is often unskilled and inexperienced and branches are often overstaffed (Todaro 1989, p. 545).

Agricultural development banks are specialised institutions, mandated to meet the unfulfilled credit needs of agricultural producers and to provide entrepreneurial, managerial and promotional assistance to rural borrowers (Fry 1988). However, the banks have been increasingly criticised for concentrating on large-scale loans, private corporations and parastatal enterprises, while discriminating against small-scale farmers (Gordon 1983).

2.6.2 The informal sources of credit

Informal sources of credit play a major role in meeting the requirements of poor women in most third-world countries (Koning and Koch 1990). However, the informal financial sector is also plagued by gender-biases which, to an extent, limit the access of women to informal credit, especially in areas where there are already serious constraints of women becoming involved in business (Hilhorst and Oppenoorth 1992, p. 43).

Self-finance and loans from female neighbours, relatives and friends are an important source of finance for poor women (Maloney and Ahmed 1988; Kuiper 1989). In some regions, women may obtain loans from their husbands (Kuiper 1989). The sizes of loans obtained from friends and relatives generally vary with the socioeconomic status of the borrowers. Personal savings are the most important source of self-finance (Kilby and Leidholm 1986).

Rotating savings and credit associations (ROSCAs) are an important source of informal finance in Africa and Asia (Levitsky 1989). In most ROSCAs, each member provides a certain amount of money which is then allocated to one of the contributors. The organisation may be single or mixed sex (Hilhorst and Oppenoorth). The ROSCAs suit poor women since they are usually accessible, can function with small amounts of money, participation is either relatively cheap or free, and collateral may not be required. Literacy and numeracy are not a prerequisite and procedures are not complicated (NIO 1989). The institutions enhance women's skills in technical and business management areas (Yasmin 1993). However, the fund is usually not permanent since, after completing each cycle, the money is divided amongst members. Further, more than one member may require funds at the same time, for example, in peak seasons. Also, inflation may reduce the value of the fund (CCA 1990).

Money lenders and pawn brokers are a common source of finance for women, especially in Asian countries (Drake 1980). According to Bouman (1989), pawn brokers supply more than 50 per cent of credit required for rice production in Malaysia. The services of money lenders suit rural women due to the convenient opening hours, speedy disbursement, no paper work and willingness to provide adequate sizes of loans (Hilhorst and Oppenoorth). However, in some rural areas, especially where money lenders have monopoly, they have been known to charge extraordinarily high rates of interest (Wai 1972). For instance, Nowak (1989) reported interest rates as high as 500 per cent per annum in Burkina Faso. However, according to Donald (1976), the high rates could be due to the high transaction costs and risk associated with informal loans. In fact Kropp (1989) asserted that the useful role of money lenders in the rural economy, and their experience and knowledge, are being increasingly recognised by development planners.

Credit from wholesale traders and shopkeepers is usually linked to trade relationships. This type of credit is beneficial to women engaged in petty trade, since the purchased items act as collateral, initial investment is very low and business relationships are established between the women and the traders. Moreover, repayment may be in kind, whereby the borrowers resell their products to the lenders at below market rates so as to cover the interest charged by the lenders. However, in remote areas, where suppliers often monopolise trade, the latter may charge exploitative high rates of interest (Hilhorst and Oppenoorth 1992).

Sharecropping and joint livestock ventures are an important source of agricultural credit in developing countries. Some formal banks are involved in share cropping arrangements to improve the economic status of women. For example, in Peru, the Peruvian non-government organisation (NGO) CADEP (*Centro Andino de Educación y Promoción*) provides credit to women to engage in sharecropping in highland potato production. Some of the advantages of sharecropping are that, regardless of the yield or quality, the harvest is shared in the agreed proportions. The farmer does not remain indebted in case of crop failure. Further, collateral is not required. However, the transactions promote dependency on the landlords and the contracts are usually made with the male head of the household (Oppenoorth 1990).

2.6.3 Development programs and semi-formal financial institutions

A number of development programs have been introduced in attempts to address the deficiencies in the traditional means of delivering credit to poor women (Hilhorst and Oppenoorth 1992, p. 53).

Many non-bank NGOs operate agricultural and community development programs which, in turn, have credit components to finance the adoption of new ideas and technologies (Levitsky 1989). Most programs combine credit with training and technical assistance. According to Hilhorst and Oppenoorth, such programs suffer from poor repayment and recovery. Levitsky contended that the programs are usually limited to localities and do not reach a large number of borrowers. Insufficient planning is often given to the credit component and the staff may not possess the skills to run credit programs. Further, the definitions of the target group may implicitly exclude rural women, for example where the project is aimed at those with land, household heads, or cash crop producers (Adams 1988). Also, such programs may concentrate on welfare activities thus ignoring debt collection activities (Levitsky).

Some formal banking institutions, for example, the *Banco de Pacifico* in Ecuador, manage the lending programs of NGOs. In such an arrangement, the NGO is responsible for identifying, screening, appraising and supervising the borrowers. Also, the administrative costs and risk of non-repayment are borne by the program.

The bank is paid a fixed fee for disbursing, drawing up the loan and collecting the payments. The programs are advantageous to women (and men) in that the bank may later award loans directly to borrowers with good performance (Levitsky 1989).

Savings and credit unions and cooperatives have proliferated in the rural areas in developing countries. The savings of a borrower contribute to the amount of credit he or she receives. Additional support services such as insurance are usually made available to members (Bouman 1989). Hilhorst and Oppenoorth (1992) claimed that cooperative banks are generally more responsive to the needs of the poor than the commercial banks. However, women do not seem to have benefited from the cooperatives to the same degree as the men, since the procedures for obtaining loans usually require applicants to be literate, and the opening hours are seldom adapted to women's daily routines.

Peoples' banks refer to those specialised financial organisations with a poverty focus. Some such organisations have been developed specifically to provide financial assistance to women, for example the Self Employed Women's Association (SEWA), and the Working Women's Forum (WWF), both in India, and the Grameen Bank in Bangladesh. Many of these banks are relatively successful compared with the traditional financial institutions. For example, the organisations that are restricted to women boast of careful targeting, a client-led approach, growth, excellent loan repayment rates and high levels of female participation. Hossain (1990) maintained that the banks have succeeded in stabilising the employment and income of the poor people. The delivery system accommodates gender-specific constraints; for instance, small rural branches and convenient hours for women, the use of local languages, quick and straight-forward procedures, limited paper work and local staff all improve the confidence of the clients. However, the non-commercial objectives pursued by these institutions, such as the commitment to serve the poor, may threaten the financial sustainability of the banks. Since interest rates and profits on loans are very low, whilst delivery, training, monitoring and transaction costs on the small loans are very high, most of the institutions depend on donor funds or government discounts for survival (Berger 1989).

The Grameen Bank pioneered the use of joint liability groups to mobilise savings and reduce loan default. The bank was started in 1979. It aims at awarding loans without collateral to the rural poor. Borrowers form groups of five. If any one in the group defaults, the entire group loses eligibility for a new loan. Repayments are collected weekly. Wilful defaulters are rare (Chenery and Srinivasan 1988). Levitsky (1989) concluded that the greatest success of the Grameen Bank was that it showed that the poor could be commercially viable clients of a banking institution.

According to Arunachalam (1991), although the groups may be mixed, women-only groups breed courage and confidence, facilitate communication and decision making within the groups. However, the women-only groups may be 'merely perceived as a focus of social activity and of marginal importance' (Hilhorst and Oppenoorth). Also, such groups may exclude very poor members due to the fear that they may not be able to repay their debts (Maloney and Ahmed 1988).

2.7 Some approaches for providing credit

There are two main approaches which have been used to provide rural credit, namely the minimalist approach and the integrated approach. In the minimalist approach, credit only is provided (Tendler 1989). In the integrated approach, credit and other forms of assistance such as training, technical assistance and marketing are provided. Credit is often provided in kind rather than cash and loan service charges may be deducted from receipts of produce that must be sold through the agency providing the credit (Heyer, Roberts and William 1981). Supporters of the integrated approach contend that credit without training and technical assistance is of limited value as the funds may be misused, thus achieving poor results. However, the costs of such services are usually quite high for women borrowers to afford. Levitsky (1989) reported that the expenditure may rise to between 30 per cent and 50 per cent of the amount lent. Writers such as Belloncle (1974) and Heyer et al. (1981) reported that extending credit using the integrated approach resulted in improved credit services to farmers and improved loan repayment rates.

Evidence indicates that programs that use the minimalist approach reach more people than those which use the integrated approach. According to Levitsky (1989), most donor agencies favour the integrated model while banks seem to prefer the minimalist approach.

2.8 Some constraints that prohibit banks from providing formal credit to rural women

Banks encounter some constraints that inhibit them from lending to small farmers, especially women. These include high transaction and management costs, conservatism, inflation, high risk and lack of support services (Hilhorst and Oppenoorth 1992).

Banks incur relatively high transaction costs in servicing small loans, which provide only a marginal revenue to the bank. Moreover, the interest rates charged on loans are usually too low to cover the costs (Hilhorst and Oppenoorth). For instance, Villanueva and Saito (1978) found that the administrative costs associated with lending to small farmers were three times those of lending to large-scale industries. The World Bank (1974, p. 40) reported that, in some of the developing countries, the administrative costs of a financial institution lending to small farmers may comprise 7 to 10 per cent of the total portfolio of the institution.

Bouman (1990) contended that the business volume generated by low-income rural households may be insufficient to sustain the survival of the bank. Since poor women's enterprises are often small-scale, banks would incur particularly high transaction costs to administer credit to poor rural women. Further, most poor women stay in rural areas where the population density may be insufficient to maintain local branches of commercial banks (Hilhorst and Oppenoorth).

Most banks are conservative, and so are hesitant to fund projects by poor women, especially in non-traditional sectors of the economy. The few banks that have been obliged to provide credit to the poor have discontinued their support once the incentives and or legal obligations have been withdrawn, even where the repayment performance was high (Hilhorst and Oppenoorth).

Some financial institutions in developing countries operate under condition of hyper-inflation, which make normal banking and credit provision almost impossible, since interest rates tend to lag behind inflation, reducing the value of loan repayments (Donald 1976). Under such situations, Hilhorst and Oppenoorth argued that credit provision to small enterprises, many of which are operated by women, is one of the first services to suffer. In periods of high inflation, most credit programs obtain subsidies. The credit funds may be obtained through grants or soft loans. Some institutions subsidise their customers, resulting in losses to the institution.

The weak legal framework in which financial intermediaries operate in most developing countries discourages lending to small borrowers. The banks have difficulties in securing loans and in seizing securities in case of default. For instance, legal procedures for seizing land are often lacking and pursuing defaulters may be too expensive (Fry 1988).

2.9 Some barriers to women's access to formal finance

Evidence indicates that, generally, the formal financial system has failed to provide appropriate services to small farmers, especially rural women, although, on the whole, the latter are creditworthy, have good repayment records and low default rates (Hilhorst and Oppenoorth 1992). It seems, therefore, that formal financial institutions have inherent gender-related barriers that result in financial disintermediation to poor rural women.

Chilangwa-N'gambi (1993) argued that the lack of collateral is the major contributing factor to women's limited access to finance. Traditionally, banks require collateral from the borrower, which can be repossessed in the event of default. Unfortunately, collateral cannot be provided by most women since the gender structures of most societies do not grant women ownership of resources. Usually, women hold usufruct rather than ownership rights over immovable assets, such as land. Further, joint assets are usually registered in the name of the husband (Hilhorst and Oppenoorth). Some legal frameworks still assume that men are invariably the heads of household, the prime property-owners and major decision makers. In many countries some financial institutions require the husband's or a male relative's signature for a woman to open a bank account or acquire credit (Chilangwa-N'gambi 1993). In some instances, credit issued in women's names has been taken by men in the household (Mayoux 1993a). According to Berger (1989), some institutions permit only one loan per household, which may often go to a man.

Most financial institutions insist that clients should have large savings before loan applications can be processed, so that a history of savings can be used to obtain credit in absence of collateral. However, rural women are often unable to maintain large amounts of savings due to their low incomes (Chilangwa-N'gambi 1993). Although some attempts have been made to provide formal saving facilities for rural women, most women have not benefited since the outreach of most formal banking institutions into the rural areas is extremely limited. Further, the schemes tend to channel funds from the rural to the more profitable urban enterprises.

According to Hilhorst and Oppenoorth (1992), branches of formal banks are usually located in towns and villages close to major communication networks. Since most women live in rural areas, and also due to their reproductive and income-earning obligations which restrict their physical mobility, it is difficult, time consuming and costly for them to travel to the banks.

Hilhorst and Oppenoorth contended that formal banks have often portrayed a hostile, negative image towards poor female clients which has in turn destroyed the women's confidence in the banks and discouraged them from attempting to deal with the institutions. Further, women often lack information on the facilities available in the financial institutions (Chilangwa-N'gambi 1993). Also, since many rural women have very limited numeracy and literacy skills, they find the bank administrative procedures and paper work intimidating and difficult to understand. Moreover, bank opening hours are inconvenient and the staff are often prejudiced. Consequently, women are forced to make many visits to the bank to negotiate for the loan, in addition to having to pay bank commissions, legal costs and sometimes bribes. These difficulties have pushed women to seek finance from informal sources or to delegate financial transactions to male partners (Angeles 1991).

According to UCE (1988) and Huq (1991), the repayment schedules of formal bank loans are often inflexible and often not set according to women's cash flows and repayment capacity. Therefore, women are reluctant to obtain formal loans in fear of the harsh penalties of default.

2.10 The situation of women in Uganda

Women constitute about 51 per cent of Uganda's estimated 17 million people. Over 91 per cent of the women live in the rural areas (MFEP 1992).

In order to comprehend the need for credit by the women in Uganda and the constraints they face in getting access to credit, it is necessary to understand the situation in which the women operate, particularly their customary legal status, level of education, health and participation in the work place.

2.10.1 Customary and legal status

Masika (1983) explained that the customary and legal status of Uganda women severely limits their access to property and income, thus adversely affecting their economic performance and accessibility to credit facilities.

CCA (1990) reported that the customary law in Uganda accords an inferior subordinate position to women, which is further reflected in their status within the family. According to Masika (1983), 'traditionally, woman had to submit to a man from birth to death, first to her father, then to her husband, and then to her son'. On marriage, all a woman's property belongs to the husband. While married, she, her children, agricultural produce raised by her, and all other property belong to the man. Mulindwa (1990) reported that, in most areas in Uganda, women are still regarded as men's property.

According to the law of Uganda, the husband exercises rights of ownership over property of the wife acquired during marriage and the common property of the spouses. A wife cannot legally make contracts in respect of her property if this will jeopardise the husband's interest in that property (CCA 1990).

Traditionally, when a husband dies, the wife is allocated only a proportion of the husband's property. Also, the law of succession holds that when a husband dies and leaves a wife or wives, she or they get 15 per cent of the property. The children, legitimate and illegitimate, get 75 per cent shared between them equally. Dependent relatives get nine per cent, and the customary heir gets one per cent.

UNICEF (1994) reported that women are not expected to make decisions about their welfare and that such decisions are made by the men. According to UNICEF, the expectation is rooted in the negative attitude that the community has about women's capabilities.

2.10.2 Work

Ugandan women contribute to agricultural production and reproduction work, yet own only a meagre share of the resources used in production (Nalwanga-Sebina and Natukunda 1988).

According to Nalwanga-Sebina and Natukunda, rural families in Uganda have clear divisions of labour. A father is the head with power, authority and control in economic matters while the mother is responsible for all household tasks. Women supply 90 per cent of the farm labour and are primarily responsible for subsistence agriculture. Although women produce 60-80 per cent of the food for household consumption, accounting for 70 per cent of national's GDP, they own only 7 per cent of the land on which they work. Apart from being responsible for subsistence agriculture, women also contribute labour for the husband's cash crop production. However, CCA (1990) found that the income from cash crops is controlled by men, yet the cash earnings which accrue to the women from food crops are very low. UNICEF (1994) reported that, even after setting up successful income-generating projects, women may have no access to, or say in, how the income will be used.

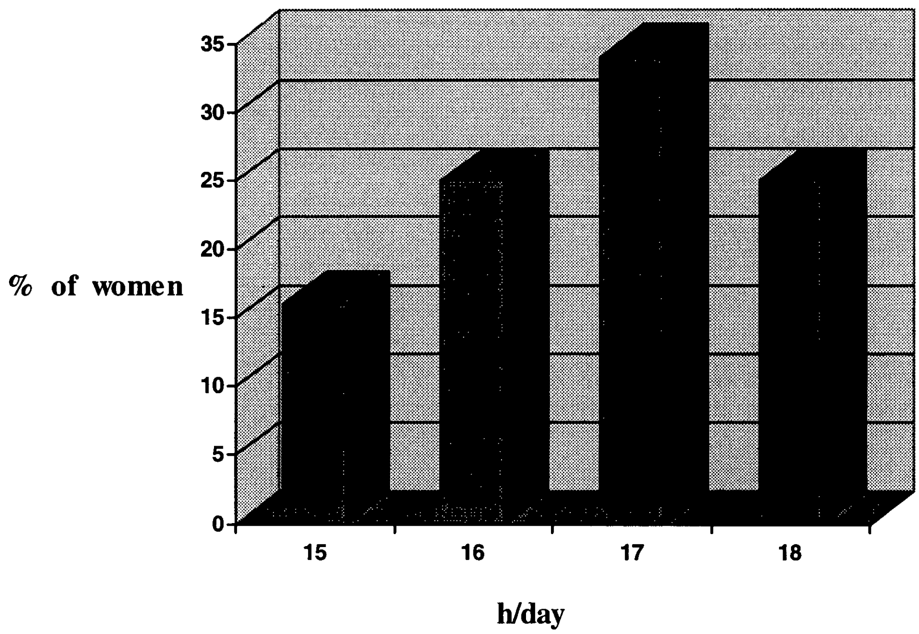
Women are also primarily responsible for food processing, storing and preparation, and caring for the children, men, in-laws and the elderly. Culturally, women are expected to look after the sick. With the escalating AIDs incidence, the demand on women's time in caring for the sick and supplying labour at funerals is quite high: according to UNICEF (1994), Uganda is among the countries with the highest rates of AIDS cases per unit population in the world (2314 per million people by June 1993). Nalwanga-Sebina and Natukunda (1988) found that the women lacked labour-saving devices, with most of the tasks performed manually. Oketch et al. (1992) reported that Ugandan women expressed their need for grinding mills, energy-saving cooking stoves and nearby sources of water, so as to reduce their workloads.

Nalwanga-Sebina and Natukunda (1988) reported that, for most rural households in Uganda, large families were one of the strategies for creating low-cost labour to expand the economic base of families. UNICEF (1994) found that hired labour was usually unaffordable for most rural women, since an average labourer is paid U Shs 1000 per labourer per day, a cost too high for most rural families to afford.

The reproductive burdens that rural women face impede the operation of income-generating activities. For instance, the time allocated to reproductive activities is considerably reduced by the hours spent collecting firewood and water. According to UNICEF (1994), the forest cover is being persistently depleted, making it harder for rural women to obtain fuelwood. Nalwanga-Sebina and Natukunda (1988) reported that the rural Ugandan woman walks an average of 2 km a day for water and firewood. Furthermore, their working day ranges from 12 to 18 hours. In a survey of Ugandan rural women conducted by UNICEF (1994), the average number of hours worked by the women per day were as shown in Figure 2.1.

In a survey conducted by UNICEF (1994), women entrepreneurs emphasised the inadequacy of infrastructure (electricity, roads), lack of transport, lack of appropriate technology and low selling prices as some of the limitations to marketing agricultural products. Nalwanga-Sebina and Natukunda (1988) found that women walked over 10 km to sell agricultural produce. Further, 49 per cent of the women had trouble transporting their products to selling points. According to UNICEF (1994), many women lack pricing and negotiating skills and therefore may sell produce at prices lower than production cost.

Figure 2.1 The average number of hours worked by Ugandan rural women a day



Source: UNICEF 1994, p. 59.

Most rural women have very little access to information and agricultural support services, compared with men. In a survey conducted by Nalwanga-Sebina and Natukunda (1988), only 5 per cent of rural women farmers had received a visit from an agricultural extension officer within six months. Jena (1992) reported that agricultural extension staff barely made any contact with women farmers in Uganda.

UNICEF (1994) found that there is job discrimination on the basis of gender in the Ugandan labour market. The forms of employment available to women are low paying, do not require or literacy, and upward mobility is very limited. In some cases, wages are paid in kind or even unpaid. According to Maitum (1985), the participation of women in the formal sector is very low, with only about 0.05 per cent in decision making positions, although some 30 per cent of the government employees are women (CCA). Most women work in the informal sector, or are self employed. As such, they have limited access to income and little time or energy to engage in income-generating activities.

2.10.3 Expenditure patterns

Generally, women spend a higher proportion of their money on food than men, since food security is the women's responsibility (CCA 1990). According to the National Household Budget Survey conducted by UNICEF (1994), about 64 per cent of women's earnings is spent on food for their households. However, the husband is expected to contribute income for household expenses. According to UNICEF (1994), women who earn some income sometimes face a greater burden of responsibilities as a result of men decreasing their cash contributions to the household.

2.10.4 Health

Many Ugandan women suffer from poor health, which limits their ability to take any added workload, including income-generating activities (Nalwanga-Sebina and Natukunda 1988). According to CCA (1990), the poor health levels may be due to poor water, sanitation and nutrition. Maitum (1985) contended that the expectations that women must have many children and the fifteen-hour work day negatively affect women's health. Ugandan women have suffered more from AIDS than men. According to MOH (1993), out of the total cases reported in 1994, about 52 per cent were women.

2.10.5 Education

Women constitute the bulk of illiterates. Some 66 per cent are illiterate compared with only 36 per cent of men (Akello 1987).

The education laws and policies in Uganda do not discriminate against women and girls. However, UNICEF (1994), reported that 45 per cent of pupils at primary level are girls, 30 per cent at lower secondary and 20 per cent at upper secondary. According to Nalwanga-Sebina and Natukunda (1988), some of the reasons for girls dropping out from school are lack of fees, early marriage and pregnancy. Maitum (1985) found that, at University level, female participation was only about 17 per cent.

The poor levels of education impede the participation of women in paid formal employment. The consequent low income levels deter women's participation in formal savings and credit schemes. Further, the lack of literacy and numeracy skills impede the performance of their enterprises (CCA 1990).

2.10.6 Female-headed households

Uganda has a very high percentage of female-headed households, as high as 60 per cent in some areas. The regional distribution of female-headed households in Uganda is presented in Figure 2.2. The high levels are, in part, due to the history of civil war which left many widows and orphans. Also, there are many widows from AIDS (Topouzis 1994). A woman becomes a head of a household due to separation, divorce, being widowed or being a polygamous wife living in a separate house (UNICEF 1994). According to UNICEF, members of female-headed households comprise a high percentage of Uganda's poor. As already discussed, female-headed households are likely to suffer from poverty due to the combination of productive and reproductive roles which the women have to meet. Generally, such households have high dependency ratios and so the reproductive burdens of the female heads are exacerbated (White, Otero and Buvinic 1986). In comparison, in cases where men are left with children, female relatives or household helpers often deal with the burden of reproductive work. Men are single due to being separated, widowed or not yet married. According to UNICEF (1994), men who are separated or widowed remarry soon. Therefore the reproductive burden that single men may encounter is relatively small.

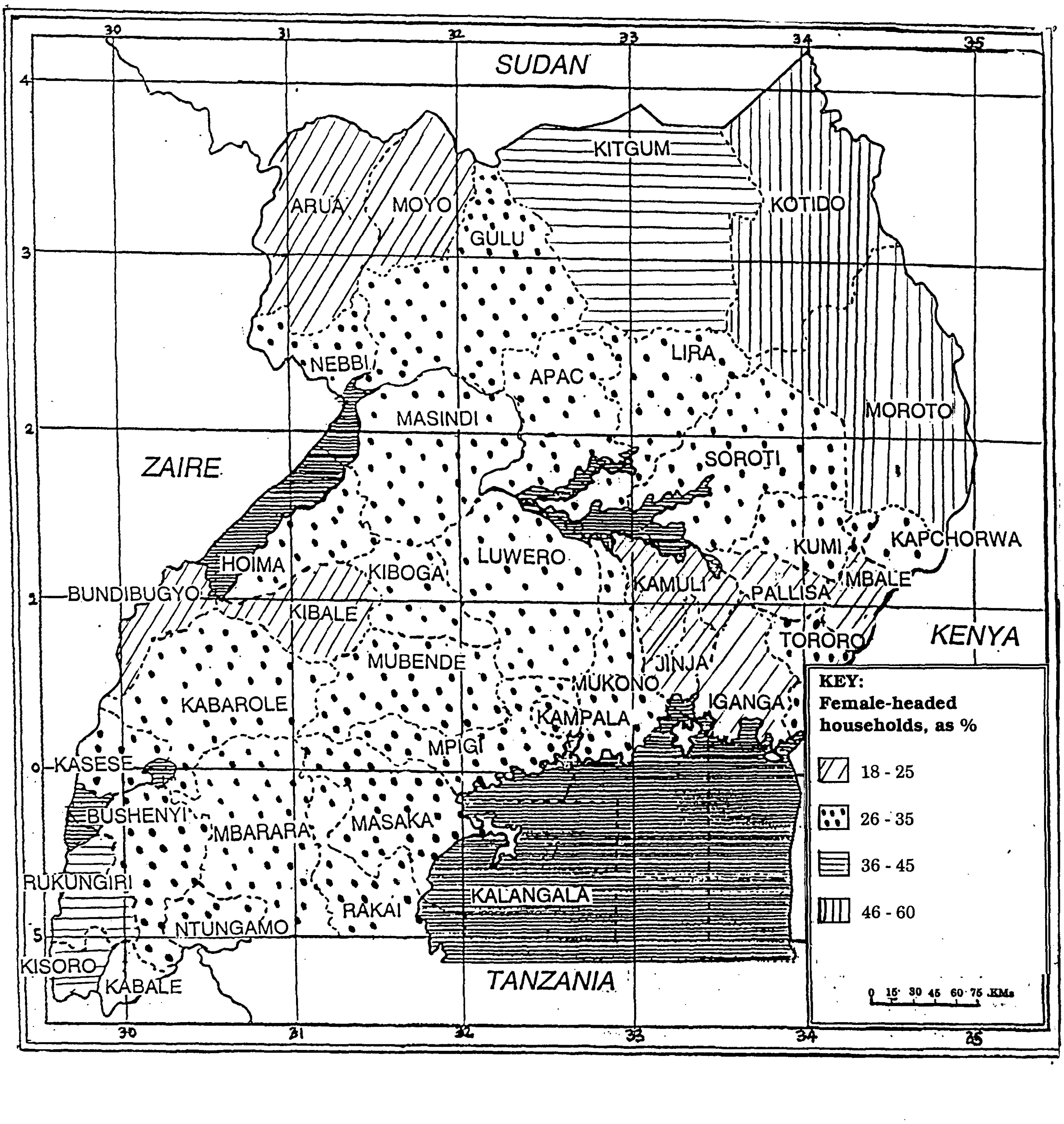
2.10.7 Some leading problems of Ugandan rural women

In a survey conducted by UNICEF (1994), rural women emphasised illiteracy, poverty, lack of voice, workload, widowhood, lack of control of income and circumcision as the key problems they faced (see Figure 2.3). (Although access to credit was not explicitly mentioned as one of the women's leading problems, the mentioned problems are among those that may affect women's access to credit in general [as discussed in section 2.8 and 2.9]).

2.11 The role of the government and non-government organisations in Uganda in promoting the status of women

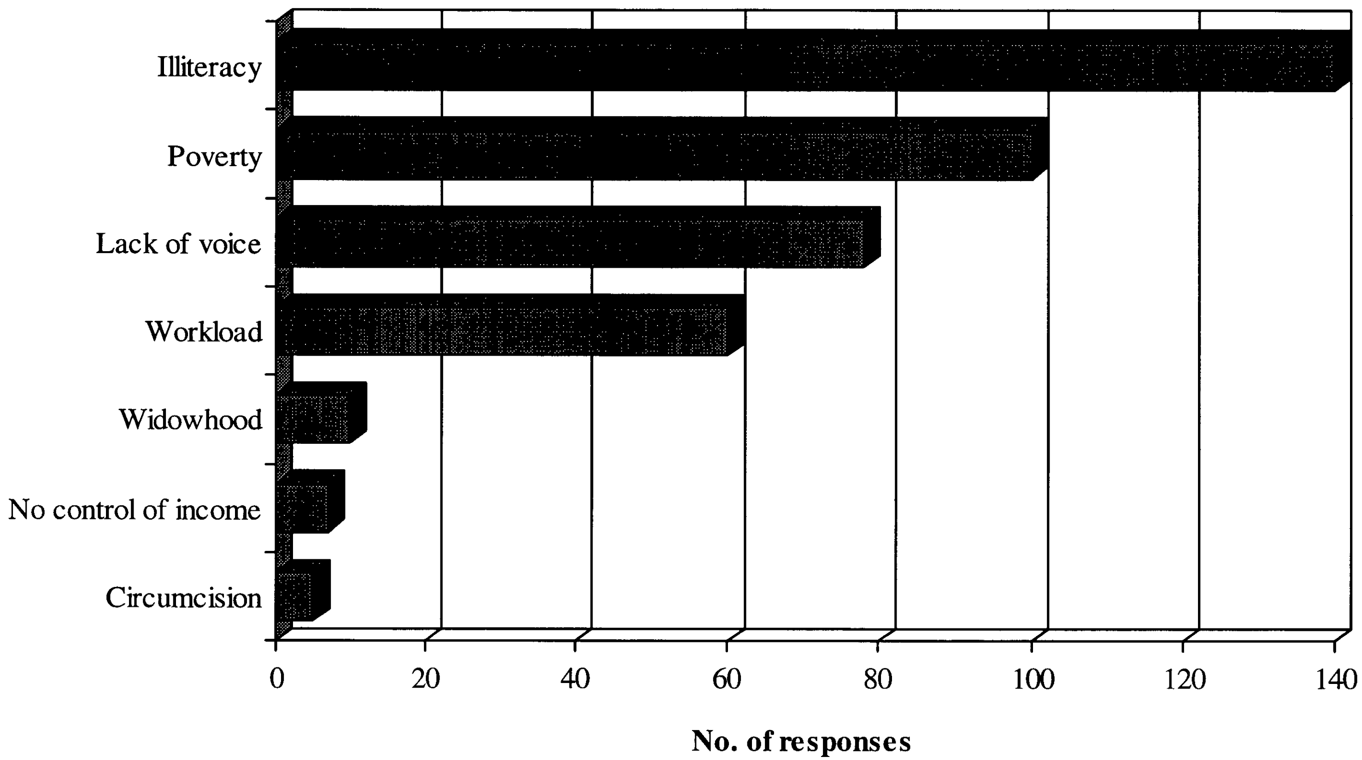
Despite the constraints faced by Uganda women, the government of Uganda and a number of non-government organisations have taken some initiatives to improve the status of women in Uganda (CCA 1990).

Figure 2.2: Regional distribution of female-headed households in Uganda



Source: Adapted from UNICEF 1994, p.26.

Figure 2.3 The leading problems of rural women in Uganda



Source: Adapted from UNICEF 1994, p. 134.

2.11.1 The government

The government of Uganda has been described as 'pro-women' (Boyd 1989). Steps have been taken by the current National Resistance Movement (NRM) government to promote women. These include a mandatory place for a woman on every Resistance Committee (RC) throughout the country, the establishment of a Directorate of Women's Affairs within the NRM Secretariat, the setting up of a Ministry for Women in Development and the appointment of female Ministers.

The position of the women in the RCs has been instrumental in mobilising women from all levels to make their needs known in the political arena (Boyd 1989). The Directorate of Women's Affairs in the NRM Secretariat conducts seminars and promotes the participation of women in leadership programs in the rural areas. The Ministry of Women in Development (currently the Ministry of Women in Development, Youth and Culture) was established in February 1988. It has six divisions, namely, legal affairs, research, education and training, non-governmental organisations, project implementations and communication and information. The Ministry is oriented towards designing, monitoring and coordinating the implementation of women's programs for the integration of women in development (Boyd 1989).

2.11.2 Non-government organisations

A number of NGOs are interested in improving the situation of women in Uganda. These include, the National Council of Women, Action for Development (ACFODE), the Uganda Federation of Women Lawyers (FIDA) and some financial institutions to be discussed later.

The National Council of Women is the umbrella organisation for all women's formal and informal NGOs. It has a membership of over 40 groups. The organisation aims to promote unity and national consciousness among women and to provide a single mechanism for women to coordinate and communicate their ideas and activities, and to advise the government on women's affairs (Boyd, Grmela and Selim 1990).

ACFODE was established in 1985 as a result of the 1975 Nairobi Conference which marked the International Decade for Women. The organisation carries out a broad range of activities in attempting to improve and enrich the lives of women, helping them to realise their full potential and to enhance their contribution to national development (CCA 1990).

The Uganda Association of Women Lawyers (FIDA) is an affiliate of the International Organisation of Women Lawyers. Founded in 1974, it endeavours, amongst other things, to assist women and children attain effective protection under the law. Its main activities include (i) the legal aid clinic, which provides legal counselling and advocacy to women free of charge and (ii) legal education, which enlightens women about their legal rights (CCA 1990).

2.12 Access of rural women in Uganda to financial services

UCB (1988) claimed that, on the whole, Ugandan women have been neglected by the formal banking system. In a survey of rural women, conducted by Musoke and Amajo (1989), although 31 per cent of women were aware of credit services, only 1 per cent had been successful in obtaining loans. According to CCA (1990), the women find it particularly difficult to get access to formal credit. This is due, in part, to the secondary status and vulnerable economic position that women occupy. Also, as noted, the policies and conditions of most financial institutions discriminate against women.

2.12.1 Factors that constrain the access of Ugandan rural women to credit

Most of the factors that constrain rural women in developing countries from obtaining credit also apply for the case of Ugandan women. However, a few unique factors for Ugandan women are discussed in this section.

AFRACA (1983) reported that customary laws and practices impede the ability of Ugandan women to obtain credit. Culturally, financial management is a man's responsibility. Consequently, few women acquire the necessary experience to harness finance. Also, bank accounts and membership in financial institutions are often in the name of the 'head' of the household, who, according to tradition, is the man, making it difficult for women to gain access to credit without the permission of the husband.

As already discussed, the legal status of a Ugandan woman, especially if she is married, limits her access to property and income. This economic vulnerability makes it difficult for women to obtain credit. Moreover, since most women are involved in low-paying activities, their income is not sufficient to accumulate savings to offer as security for loans.

2.12.2 Some institutions that provide credit to women in Uganda

CCA (1990) reported that, in the face of the inaccessibility of credit to Ugandan women, and the concern to improve their status, several credit programs have sprung up in an attempt to improve the access to credit by women. A few of these programs, namely Centenary Rural Development Trust Ltd, Uganda Women's Finance and Credit Trust, Bank of Uganda, Cooperative Bank, Traditional Savings and Credit Schemes and Uganda Commercial Bank, are discussed in this section.

The Centenary Rural Development Trust Ltd (CERUDET) is owned by the Catholic Dioceses of Uganda. Licensed in 1983, the trust was established to provide credit for both urban and rural small- and medium-scale development projects. It operates in fourteen dioceses. The scheme does not explicitly target women. However, from 1985 to 1990, it had offered loans to 117 women's groups compared with 525 men's groups. The types of projects financed include crop farming, animal farming, fishing, produce-buying, brick making, handicrafts and restaurants (Musoke Amajo 1989). Lending is usually based on character assessment. Consequently, land titles are not usually required. However, applicants must hold accounts for at least six months before being considered for a loan.

The Uganda Women's Finance and Credit Trust (UWFCT) was formed in 1984 as an affiliate of the Women's World Banking (WWB). The trust endeavours to interpret the objective of the WWB by providing low-income women, both rural and urban, with credit, training and technical assistance so as to improve their economic status. The scheme has mobilised savings from over 1000 women to set up a revolving fund. Lending is usually based on guarantors. A three-month period is used to assess loan applicants thoroughly before a loan can be granted. Also, a 10 per cent deposit of the amount applied for is required (Musoke and Amajo 1989)

The Cooperative Bank of Uganda operates several schemes for rural farmers. The Cooperative Agricultural and Agro-industrial Support focuses on the importation of agro-business inputs. The Input Trust Fund provides support specifically for cooperative societies, while the Credit Scheme finances the purchase of inputs by smallholders. The Luwero Triangle Project provides credit to small farmers for purchasing inputs and constructing storage facilities. The Cooperative Bank assists a significant number of women farmers (CCA 1990).

In Uganda, the traditional savings and credit schemes usually take the form of rotating savings and credit associations (ROSCAs). According to CCA (1990), Ugandan women actively participate in these schemes.

The Bank of Uganda (BOU) operates two schemes that provide credit to small borrowers. Firstly, the credit guarantee scheme provides additional security to lending institutions for small-scale and medium-sized industries and agriculture. The bank indemnifies 75 per cent of any default on or up to the specified limit under the particular sector under the scheme. Secondly, the Refinance Scheme supports the cash-flow requirements of those financial institutions that lend to agricultural and agro-industrial producers. The scheme refinances the institutions as high as 80 per cent of their incremental lending to the agricultural sector (CCA 1990). The BOU promotes development of women and men farmers through its Agricultural Secretariat and the Women's Desk.

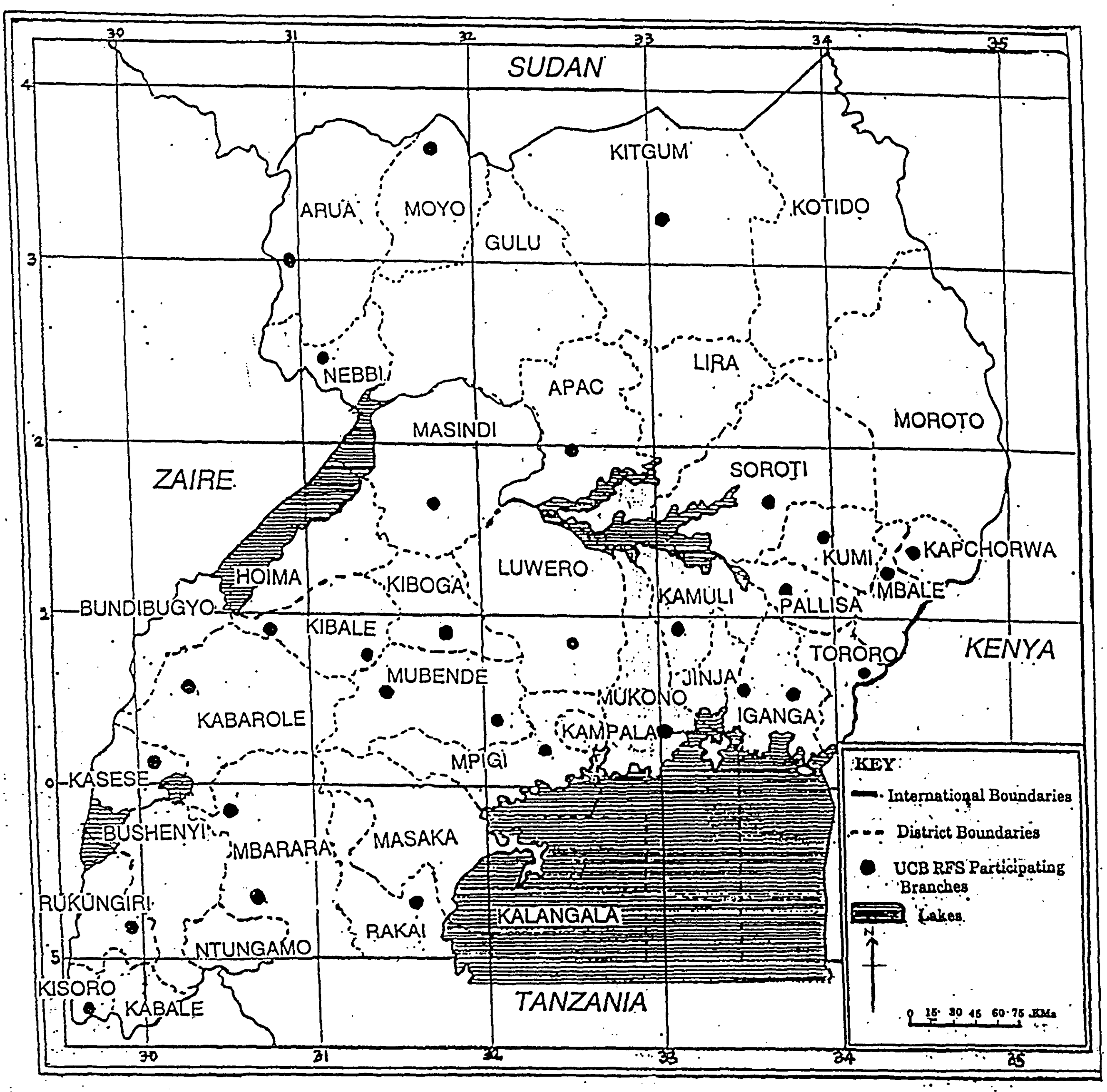
The Uganda Commercial Bank (UCB) was established in 1950. By 1975, it was rated the largest banking institution in the country (UCB 1975). The UCB has branches throughout the country. It offers a range of services to its customers, namely accounts, international banking, corporate banking, trustee services, bureau de change, computerised services and bank loans. Loans may be provided for on-going or new businesses as well as for assisting customers to meet their personal needs such as housing. The loans are awarded through special schemes such as Crop Finance, Development Finance, Mortgage Finance and the Rural Farmers Schemes (UCB 1993b). The latter is discussed in detail below.

2.13 The Uganda Commercial Bank Rural Farmers Scheme (UCB RFS)

The UCB RFS was launched in 1987. By the end of 1993, the scheme was operating in 52 branches (UCB RFS 1993b) (see Figure 2.4). The UCB RFS encourages farmers to develop crop, livestock and fishery enterprises from subsistence to commercial levels. It is designed to increase the quality and volume of farm output, increase the incomes and standard of living of rural farmers and encourage the adoption of modern farming methods (UCB 1993b).

To qualify for RFS assistance, the borrower should be a small farmer. For example, for crop farmers, the enterprise should not exceed 15 ha in a cropping season. Dairy farmers should have 5 to 20 head of cattle. Also, the farmer should be a recognised resident of the area where the enterprise is situated, a regular tax payer or having evidence of tax exemption, a holder of land under a locally recognised tenure system or show evidence of renting or borrowing such land. The farmer must possess or have access to basic infrastructure, such as livestock housing and water, especially for poultry or dairy enterprises.

Figure 2.4: UCB branches participating in the Rural Farmers Scheme



Source: UCB RFS, Kampala.

The scheme claims to give special priority to women farmers. By 1990, the bank had a participation rate of 32 per cent women (UCB 1990). Guarantors may be used in awarding loans instead of the traditional provision of collateral. Also, new account holders qualify for credit (UCB 1993b).

The UCB RFS is financed by the African Development Bank (ADB), the Danish Government (DANIDA), European Economic Community (EEC), World Food Programme through the Dairy Development Committee (WFP/DDC), United States Government (USAID), the Government of Uganda and the Uganda Commercial Bank. The funding from the WFP/DDC is oriented towards providing loans to small dairy farmers on a revolving fund basis (UCB 1992). Most donor funds are channelled through the Bank of Uganda.

The scheme awards loans for crop production, such as cereals, vegetables, oil seeds and pulses, food crops, traditional crops, bananas and fruits. Loans are also granted for poultry, piggery, goat, sheep, beef and dairy farming. The largest proportion of loans is awarded for beef and dairy farming.

The scheme reported encountering some problems, such as the inadequate procurement of inputs. Some input contracts with suppliers had to be cancelled due to high prices, resulting in slow disbursement and late deliveries of inputs to farmers (UCB RFS 1993a). Musoke and Amajo (1989) reported that the prices at which the UCB RFS provides inputs for borrowers are higher than the market prices. Monitoring activities have been inefficient since most of the motorcycles and vehicles used by the scheme were either off-road or too expensive to maintain (UCB RFS 1993a). The scheme suffers from poor recovery rates and high operational costs, which threaten its sustainability.

2.14 Concluding remarks

Despite the attention by researchers, planners and policy makers towards resolving gender inequalities in developing countries, women's unequal access to resources is still an issue. In the case of Uganda, the access of women to credit still remains very limited, which validates the need to devise strategies for improving the delivery of credit to the women.