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Abstract

Many people suffer from poverty globally, and economic tools used to combat it have varied from one country to another with some enacting noticeable change. The topic of micro-credit attracted attention after the Grameen Bank's microfinance method was recognized for decreasing poverty in rural Bangladesh by granting loans to women almost exclusively. This paper explores the application of the Grameen method of microfinance in Egypt by reviewing the specific conditions surrounding women's poverty in Egypt and the economic and social outcomes of past Grameen microfinance efforts in Egypt. While the Grameen method of microfinance successfully improved well-being indicators and economic performativity of Egyptian women, it reinforces patriarchal norms of the society instead of challenging them and does not cater to context-specific challenges that vary according to the background of Egyptian women. Further research is needed to specialize the tool for different backgrounds and to maintain the economic improvement guaranteed by the method while also challenging social norms hindering women's empowerment goals.

Keywords: Women's Empowerment; Poverty; Banking; Microfinance.

Poverty is an issue of concern worldwide as even the leading developed countries failed to put an end to it. An increasing phenomenon is the "Feminization of Poverty" where women suffer from poverty at alarming levels worldwide (Hadidi, 2018, p.2). UNDP reported that 70% of people living under the poverty line are women (UNDP, 2010; Hadidi, 2018). Not to mention that statistics show that women suffer from higher unemployment in all countries (World Bank, 2005; Hadidi, 2018). Additionally, Informal work is mostly occupied by women universally (Deshpanda, 2002; Hadidi, 2018). Not only is the existing economic standing of women unfavorable on an international level, but it is also expected to deteriorate further with the effects of the pandemic. UN Women's latest report indicates that the poverty gender gap will widen due to the pandemic with a ratio of "121 women for every 100 poor men by 2030" (UN Women, 2020, p. 1). Hence, women poverty is a policy focus in accordance with Goal 5 of the UN's Sustainable Development Goal titled aimed at gender equality and women empowerment (United Nations, n.d.). Eliminating women's poverty is not only a milestone in achieving women's empowerment, but it also has cascading effects on development goals. Research shows that women spend more on the household than men and that children benefit from better education and healthcare as a result of this spending (Hadidi, 2018; USAID, 2013). This paper explores the application of the Grameen method of microfinance in Egypt as a poverty-alleviation tool. While the Grameen method of microfinance successfully improved well-being indicators and economic performativity of Egyptian women, it reinforces patriarchal norms of the society instead of challenging them

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and does not cater to context-specific challenges that vary according to the background of Egyptian women.

Defining Empowerment Conceptually

This paper examines the effectiveness of microcredit as a poverty-alleviating tool in achieving women's empowerment in Egypt. According to Buvinic's (1998, pp. 4) definition, there is a distinction between "income-based" and "capability-based" poverty, where the former compares incomes in calculations using data like GDP per capita, while the latter focuses instead on "health and nutrition, education, and other components of well- being, including leisure time". This definition defines empowerment not just in respect of the economic status of women but how this economic status translates to their overall wellbeing. While this definition can track the improvement of standards of living, it can limit the Empowerment of Egyptian women to reach higher ideals beyond satisfying primary needs. Saith defines Empowerment as "enabling each person to reach his or her God-given potential" and reaching "self-reliance and self-respect" (Saith, et al 1999; Hadidi, 2018, p. 2). Saith's definition is less limiting than Buvinic's, as it offers possibilities beyond these economic and well-being metrics like civil rights, political participation, self-actualization, equality, and more. Accordingly, this paper adopts a holistic approach in assessing the effectiveness of the Grameen model of microcredit in achieving empowerment by assessing its effect on both the economic status and "capability" of Egyptian women while questioning its ability to transcend these primary metrics to higher empowerment ideals of fulfilling one's potential.

The Grameen Microcredit Model

Microcredit as a solution to poverty gained plenty of attention after the success story of the Grameen Bank in Bangladesh, whose founder, Muhammad Yunus, received the 2006 Nobel Prize for economic and social development (The Nobel Peace Prize, 2006). The concept of microcredit depends on small loans to poor people in developing countries for the purpose of launching/expanding very small businesses, like financing purchase of chickens for poultry farming (FINCA, 2021). Unlike the usual hundred-thousands worth of loans taken out for houses and cars, microloans are modest in value, usually capped at a few hundred dollars (FINCA, 2021). The Grameen bank developed its own methodology in administering microcredit, which recognized lack of collateral as the main problem perpetuating a poverty trap (Grameen Research Inc., n.d.). Banks refused to lend the poor as they considered them a risky investment due to their lack of collateral (Grameen Research Inc., n.d.). Therefore, the Grameen method depended on social collateral in lieu of a physical collateral to minimize the risk of investment to the poor (Grameen Research Inc., n.d.). The method starts by gathering non-family groups for training, where the prospective borrowers learn about the Grameen method and are asked to form a group of five (Grameen Research Inc., n.d.). To establish social capital, the method employs pressure among peers by initially loaning only two of the five, and the ability of the rest to borrow depends on the first two successfully paying back their loans while following regulations (Grameen Research Inc., n.d.). Even later, when the initial borrowers complete their loans successfully and the rest of the group is able to borrow, the entire group can be disqualified from loans if any of the members default (Grameen Research Inc., n.d.). This method creates solidarity at the group level, where members are compelled to help each other by sharing any entrepreneurial knowledge they individually come across, therefore increasing the chance of the entire group to successfully pay back the loan (Grameen Research Inc., n.d.). The bank organizes weekly meetings for each group to promote this solidarity (Grameen Research Inc., n.d.).

The Grameen method not only solved the problem of credit to the poor by making social capital as a collateral, but it also ensured the sustainability of this solution with an incredibly low default rate of 2-8% (Ghatak & Armendariz, 2000). In addition to its focus on increasing the incomes of the poor by helping expand their businesses, the method focused on the capability side of poverty as well by setting a list of regulations which the borrowers should all abide by (Grameen Bank, n.d.). These decisions include sanitation, health, education, and family planning goals and prohibit practices like marriage dowries and child marriage which contribute to the exasperation of poverty. Up to date, the Grameen bank served 9.44 million people in Bangladesh, with 97% being women (Grameen Bank, 2021). While the Grameen bank had a positive impact on women's poverty in Bangladesh, the applicability of its model in other developing countries is a topic of interest to economists.

A Closer Look at Egyptian Women's Poverty

It is crucial to first understand the poverty of Egyptian women before attempting to assess microcredit as a means of relieving it. 27.9% of Egyptian women suffer from poverty, and young women are more likely to be poor at 34.3% (World Bank, 2019). Egypt does not witness the international trend of "feminization of poverty" referred to earlier in this paper that is characterized by an increase in female-headed households and attributing the increase of women's poverty to it. Conversely, the percentage of female-headed households in Egypt is relatively low at 3.7% (Kaushik, 2022; World Bank, 2019). Poverty rates for the female-headed households are lower than households headed by one or more males despite the lower incomes females earn compared to their male counterparts, whether from salaries or agricultural/business activities (World Bank, 2019). These female-headed households have higher income and consumption levels due to the money transfers they receive, which is four times more than the transfers males receive (World Bank, 2019). This shows that lower percentages of poverty of Egyptian women are only due to their reliance on the government for transfer payments, which would leave them at risk if government support retreated at any point for any reason. We can expect the effect to be larger if the percentage of female-headed households increases. The high reliability of transfers for women in poverty is noticeable, not to mention that their access to credit is limited, with only 7% of women in Egypt having an official bank account (UN Women, 2018). This information denotes that microfinance can be a tool that female-headed households rely on instead of being vulnerable to poverty if government support retracts. It is also a way to cut the government's cash transfer bill, and instead have these funds create a sustainable development tool. To elaborate further, cash transfers go directly towards consumption for a limited number of women given the limitation of any fund, however, microfinance is a recycled tool where a fund given as a loan to a group of women is repaid then re-granted to another group of women and so on. This way, the fund circulates indefinitely between new groups of women, with self-reliant impact since Grameen default rate is very low. Sustainability is a crucial factor in development practices as reliance on government exasperates the living standards of vulnerable groups in receding political/economic times.

Women's poverty in Upper Egypt has special circumstances. It was found that Egyptian women in Upper Egypt suffer from limited inheritance rights with only 2% of rural Egyptian women owning land, consequently leaving many women to attribute their poverty to landlessness (UN Women, 2018). Additionally, Egyptian women in upper Egypt were employed in agricultural work and make up 45% of the agricultural labor force, where they mostly work informally for lower wages and suffer the instability of seasonal work compared to their male counterparts who enjoy better-paid, stable employment (UN Women, 2018). Together, landlessness and informal employment constitute the main economic obstacles for rural Egyptian women as it prevents them from accessing bank loans causing them to depend instead on informal lending (UN Women, 2018). This shows that microfinance is a good fit for the poverty of Egyptian women as it targets their specific causes of poverty: lack of collateral and bad labor market conditions. Grameen microloans rely on social collateral rather than the lacking physical capital of Egyptian women and prompt these women to start revenue-generating activities instead of the insecurity of seasonal informal work. This is a significant point of assessment as a development tool may succeed in one context but not in another as beneficiary needs vary. So while it had a favorable impact on women in Bangladesh, it is important to assess if it complements the needs of poor Egyptian women. The above analysis generally indicated a good fit to needs, but an analysis of how the tool is adapted to specific challenges in the Egyptian context will be conducted further in this research.

The Application of Grameen Microfinance in Egypt

Microcredit can be a practical solution for getting Egyptian women out of poverty as their lack of collateral, whether due to landlessness or lack of a stable job, would not get in their way of accessing loans. A small business can offer more regular income, and upon repaying the initial loans, they can advance to larger ones and expand their operations, offering a higher income than seasonal, informal work. This follows decision number 13 in the 16 decisions of the Grameen Bank that requests borrowers to expand their investments to increase their income (Grameen Bank, n.d.). Not to mention that funding microcredit would be a more sustainable solution than funding these governmental transfers, as microcredit creates a source of income for these women and promotes their economic self-reliability while transfers entertain a cycle where women depend entirely on governmental support.

Microfinance is not a newly introduced poverty-alleviation tool in Egypt as there are nearly 400 institutions offering microcredit nationally with more than 90% of providers being NGOs (Aga Khan Foundation, 2012). Demand for microfinance in Egypt is not adequately met with a market penetration rate of barely 10% because of focus on metropolitan areas especially Cairo and Alexandria (Aga Khan Foundation, 2012). A recent study examined the effect of microloans on household incomes on a group of 780 poor and low income women from Cairo and selected rural areas (El Hadidi, 2020). For poor women (earning EGP 750 or less a month), the study showed that the probability of household income increase is 1.5 compared to the control group (El Hadidi, 2020). It is 2.5, 2.3, and 3.27 for urban low-income (earning EGP 2000 or less a month), poor rural, and low-income rural women, respectively (El Hadidi, 2020). This indicates that microloans increase household income across all categories (poor urban, low-income urban, poor rural, low-income rural) with a more significant effect on rural women compared to urban women and a more significant effect on low-income women compared to poor women (El Hadidi, 2020). This raises questions about why the effect is more significant for rural women while concentration of microfinance remains in metropolitan areas? It is also worth considering why the effect is more significant for low-income than poor women: do lower-income women have better educational background or access to ICT, for example, that allows them to make better use of their loans? Results also indicated that women with savings accounts are more likely to save any extra income than contribute it to household income (El Hadidi, 2020). This points back to the point of context-specific challenges; no intel is offered on why women from different backgrounds experience different income impacts. Are women from certain backgrounds disadvantaged over others?

There is an evident gap here in understanding the different experiences of different stratifications and how policy can be adapted to each one.

While these results are of different microfinance providers, many of which might not necessarily follow the Grameen method, A USAID-funded special assessment of women in group-lending (which adopts the Grameen method) showed women were more able to meet necessities like food, clothing, private lessons fees for their children, and house renovations (EQI 2005; Sanabel 2008). Women also reported their husband having more favorable attitudes towards them and being more involved in decision-making pertaining to household and children (EQI 2005; Sanabel 2010). Also**,** women taking out microloans following the Grameen method were able to build networks that supported them on the community level. A study of 69 women taking part in a local group-lending program in Egypt in Abdeen and Imbeba neighborhoods showed that women helped market teacher other's products and even traded in between themselves (Drolet, 2011). These networks were not only a matter of solidarity but provided a space to spread information about their businesses and helped their exposure and therefore profitability (Drolet, 2011). The Grameen method effectively achieved social capital as the study showed that women stepped in to support whenever any of them is unable to pay back one of the loan's installments (Drolet, 2011).

The Pitfalls of the Grameen Method

While microloans have improved multiple economic and social aspects for women, scholars highlighted many of the method's shortcomings. Since the Grameen loan is entirely dependent on the participant's ability to network in order to put a trustworthy group together, women in remote areas are unable to take out microloans (Drolet, 2011). Women in metropolitan areas are able to socialize within their neighborhoods, where they seek women with good reputations in regards to credit (Drolet, 2011). They usually do not seek family members for a group loan because husbands are less inclined to share income when their wives invest in microcredit or because "they did not want their families to realise the extent of their financial resources" (Drolet, 2011, pp. 26). While the study showed that in the busy area of Abdeen women were able to form groups and fund microbusinesses, women from remote Imbeba however spent most of their time at home and accordingly did not have much chance to meet other women (Drolet, 2011). With Imbeba being an agricultural area, most women grew crops on a subsistence-basis and therefore did not qualify for microloans that require women to trade (Drolet, 2011). If women in remote areas in Cairo, the largest city in Egypt, struggle to make use of microfinance opportunities due to their remoteness, then women from upper egypt, who usually suffer from more severe remoteness geographically would face severe challenges in accessing microloans. That means that women in Upper Egypt, especially those who primarily engage in informal agriculture without owning land, will not be able to make use of microfinance opportunities to their favor. This suggests that the method may fail to adapt to specific challenges according to context, as women in metropolitan versus remote areas are affected differently.

There are also criticisms stating that while microfinance can improve the economic status of women, it keeps patriarchal structures in place which undermines women empowerment goals. Women participate in microfinance as a chance to create income while still maintaining their duties domestically as mothers and homemakers and therefore are limited to activities like sewing clothes, growing groceries etc… (El Hadidi, 2018). This maintains the gender-based labor division where women are limited to domestic management and its extensions while men engage more publicly in community politics (Moser, 1998; Drolet, 2011). It also leaves them to the informal sector with minimized visibility "as it is not recognised as work in the formal economy" (Drolet, 2011, pp. 27). There are also multiple cases where women's access to credit through microfinance was abused by their husbands who exercise control over their lending process (Dunford, 2000; Hadidi, 2018).

Conclusion

Microfinance can help Egyptian women under the poverty line to generate income and make women heading households less reliant on government cash transfers that keep them above the poverty line. The efficacy of microfinance as a poverty-alleviation tool is documented by studies in the increase in incomes of Egyptian women who took out microloans. Grameen microloans specifically have been reported to ameliorate wellbeing outcomes (education, healthcare..etc). These findings indicate the success of the method, however, the method may fail in challenging patriarchal norms that confine Egyptian women to their homes as microfinance activities are usually home-bound. This addresses how limited the evaluation of the method to economic and wellbeing indicators which are primary metrics to seek but do not extend to further levels of empowerment like fulfilling one's potential. The method also does not target context-specific challenges faced by women in Egypt like how women from remote areas struggle to form groups to qualify for Grameen microloans. While some of these context-specific challenges are known, research is not abundant in analyzing further stratifications (women of different age groups, women in slums versus formal housing, and others) that can affect the efficacy of the tool according to a woman's background. Accordingly, women who take out Grameen loans benefit from improved wellbeing and economic indicators; however, they are not empowered to their full potential given how Grameen microfinance does not challenge patriarchal norms and does not target specific challenges for women from different backgrounds.

In discussing Grameen finance, policy takeaways are not limited to the topic of microfinance, but the notion of what it means to be empowered is widespread in numerous development projects. This is evident in the case of Grameen microfinance, as when empowerment was only connected to primary metrics of wellbeing indicators and economic performativity, projects failed to go further in empowering these women to overcome patriarchal societies. Accordingly, the way scholars think of empowerment affects the way they design programs to achieve this end, and it is therefore recommended to include but not to limit outcomes to these primary metrics and to transcend to the bigger question of "how can the beneficiary achieve their full potential? And what characterizes this full potential?" instead of just "how can beneficiary claim x?"

Grameen microfinance was a success in Bangladesh, but in applying the method in Egypt, no attention was given to the new context and how it varies. This is reflected in how effects in the income of women who took out microloans varies depending on their geography (urban, rural) and original income level. This means that inequality in outcomes of the microloans according to women's background will arise if background-specific conditions were not catered for in implementation. This also stretches the definition of empowerment to include specialization/localization of implemented tools to target special conditions and therefore claim full efficacy of the tool instead of disadvantaged outcomes according to background. Another key takeaway is that applying tools as neat prescriptions that fit any and all contexts is problematic; development practices are not meant to be homogenous but instead context-specific. In the broader picture, this topic allows us to critically think of poverty-alleviation in a way that contributes to our understanding of development practices, something that affects not only Egypt but all stakeholders attempting to improve the quality of living worldwide including but not limited to governments, NGOs, International organizations, and philanthropy organizations.

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