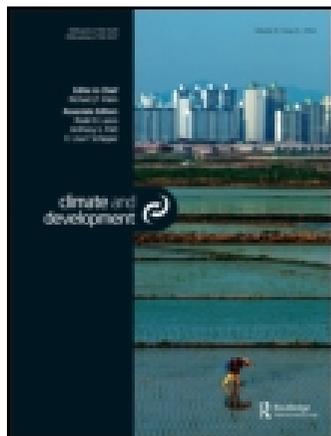


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## “Credit plus” microcredit schemes: a key to women’s adaptive capacity

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This paper presents the provision of “credit plus” training activities, conditionally and jointly with microloans by Equity Bank and by Swedish non-governmental organization Vi-Skogen in the area of Kisumu, Kenya to women’s groups as a key to improving women’s capacity to adapt to climate change. Groups received training in small business administration and agroforestry, which produced positive outcomes or a virtuous spiral in their families’ economy, well-being and in their intra-household bargaining power. In agroforestry and new farming practices, group training enhanced the women’s set of planned adaptation strategies. In a context where formal financial institutions are still reluctant to provide credit to subsistence farmers, this case study shows the beneficial effects that credit would generate for women’s adaptive capacity.

**Keywords:** “credit plus”; Equity Bank; Vi-Skogen; Kenya; adaptive capacity

### Introduction

Women still suffer from gender-specific drawbacks (Ransom & Bain, 2011) and their “experience with climate change adaptation [...] has been largely disregarded in the larger climate change literature” (Bee, Biermann & Tschakert, 2013, p. 97). Adaptive capacity is defined as the ability of a community to respond to climate change, variability and extremes for the long term rather than merely coping with temporary exposure to risk (Smit & Pilifosova, 2003). Such a capacity is dictated by gender-specific norms shaping gender division of labour which endows men and women with different means of responding to climate change (Lambrou & Nelson, 2013; Masika, 2002; Nelson & Stathers, 2009; Pelling & High, 2005; Petrie, 2010; Rossi & Lambrou, 2008). These norms determine women’s access to material and productive resources as land and credit (Hurni & Osman-Elasha, 2009; Masika, 2002; Rossi & Lambrou, 2008) and their participation in decision-making (Nelson & Stathers, 2009). These dynamics negatively affect small holder subsistence farming as a whole in Sub-Saharan Africa given that women are the majority of subsistence farmers (Agarwal, 2011). Gender division of labour in fact confers to women the responsibility of food security and household management (Petrie, 2010). Consequently, women are the main food producers for household consumption and sale (Tandon, 2007) as well as the repositories of natural and agricultural knowledge. These

livelihood dynamics are at the forefront of climate change adaptation (Aguilar, 2013; Lambrou & Piana, 2006; Petrie, 2010).

Within this context, this case study focuses on the enhancement of women’s adaptive capacity through the provision to women’s groups of “credit plus”: training activities carried out by microfinancial institutions conditionally and jointly with microloans. In fact, while the lack of access to credit has been singled out as a deterrent to women’s adaptive capacity (Hurni & Osman-Elasha, 2009), the potential linkages between microfinance, gender and adaptive capacity are still poorly understood (Agrawala & Carraro, 2010).

The findings were gathered through interviews, focus groups and observation in 2010 in the region of Kisumu, Kenya. A sample of 30 women was selected according to Mayoux’s virtuous spiral conceptual framework (1998) which identifies microloans to women’s groups as a trigger for the improvement of their families living conditions and subsequently of women’s economic, social and political empowerment. The study participants were between 20 and 40 years old, married, with children dependent on them and had been participating in the microcredit programme since 2007. A women-only approach was chosen because the literature has shown that microlending to women’s groups ensures a much higher repayment rate than men groups (D’Espallier, Guérin, & Mersland, 2011; Mayoux, 2009). Moreover, a gender focus does not

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exclude women-only initiatives as gender mainstreaming which drifted attention towards gender awareness. This paper aims to use a gender focus to investigate women's specific challenges in relation to climate change and whether the coupling of microlending with "credit plus" to women's groups enhances their adaptive capacity.

### "Credit plus" schemes: Fanikisha Shaba and village savings and loans

The first microfinance scheme examined is called *Fanikisha Shaba*<sup>1</sup> and was initiated in 2007 in Kisumu by Equity Bank: the first commercial bank promoting the Graamen's bank joint liability approach targeting women's groups in Africa (Coetzee, Kabbucho, & Mnjama, 2002). Directed towards groups of up to 30 women having a small business in cities, this scheme reached 16,000 people in 2010, including a minority of men enrolled in so-called "youth groups" (Kuyoh, 2010). At first, the bank officer introduces women to the administrative roles within the group and provides training on the basic principles of small business management, i.e. customer relationships, products stock and assortments, types of services to be offered to customers and competition. After a trial period, the bank officer provides insights and advices on occasion to the group, i.e. market seasonal fluctuations. The officer advises them on the right time to stock up to respond to high demand at the beginning of the school year or during weddings period and Christmas, on effective advertising strategies and on how to competitively set up their prices.

The second scheme investigated here has been championed by the Swedish non-governmental organization VI-Skogen that has been promoting agroforestry in Kenya since 1983. To facilitate women's participation in training and the affordability of seedlings, VI initiated in 2007 in the rural area surrounding Kisumu a programme of "village savings and loans" (VSLs) which counted 7000 members, mostly women, in 2010 (personal communication). VSLs are a one-year time bound accumulating and saving association. After one year of training by the VI-Skogen officer, the group engages autonomously with the saving routine and with eventual temporary defaulting by some members. Due to the remoteness of these groups, local women with a long experience in VSLs are trained to become sub-officers to visit groups and assist with problem solving. Through these officers, VI-Skogen promotes agroforestry and introduces farmers to improved seeds, new farming practices (e.g. mulching and intercropping) and cooking (e.g. solar cooker) techniques.

### Virtuous communities of practice

The results from focus groups and interview indicate that all women increased both their income and loans increased

over time. They intend to continue to expand and diversify their small business or their agricultural production. At the beginning of their involvement, most of the women did not disclose their involvement to their husbands. This behaviour can be interpreted as a successful attempt to nudge hindering gender norms. All the women interviewed shared common goals such as: becoming food secure, affording the payment of their children's school fees and gaining more independence from their husband by contributing to the well-being of the whole family. It was found that saving and agricultural training does not only enhance their knowledge, but also constitutes a shared repertoire of practices which contributes to a community of practice (Wenger, 1998).

This group dynamic and recursive process of working together reinforces trust, social cohesion and creates joint liability and ownership through peer pressure which is evident in the lack of defaulters. Group loans are reinvested in women's small businesses allowing them to free themselves from pawnbrokers, to feed and school their children and to meet household provisioning responsibilities (Quisumbing, 2003). These apparent improvements reflected in the household bargaining power as partners could count on "separate purses" (Aspaas, 1998; Whitehead & Kabeer, 2001). Husband and wife had indeed separate economic responsibilities which meant, women unanimously stress, that husbands would not decide upon or profit from their group loan and women (Goetz & Gupta, 1996). Nevertheless, when emergencies arise – i.e. funeral or hospital fee – they are shared among partners otherwise "how are we [women] supposed to repay the loan if we cannot reinvest it in agriculture and trading? If we default, the whole family defaults and the whole group defaults and our husbands must help us to avoid this".<sup>2</sup> This statement shows that even though women had not discussed microcredit with their husbands at first, they now have expectations on them to responsibly facilitate their enterprise (Worthen, 2011). Moreover, it brings light to the role of peer pressure in both motivating women and keeping them individually and as a group on track with the repayment of the loans.

Finally, in accordance with Mayoux's (1998) virtuous spiral conceptual framework (Figure 1), this case study shows how microfinance can initiate a process of livelihood improvement and subsequently of women's economic, social and political empowerment in their home, group and community. This progression can ultimately lead to challenging the local gender structure (Mayoux, 2009).

### A path to women's adaptive capacity

Climate models for Eastern Africa (IPCC, 2007) and for Lake Victoria basin (Gabrielsson, Brogaard, & Jerneck, 2012) present diverging scenarios but concur on the higher incidence of extreme weather events. All the



line with other studies (Tatlonghari & Paris, 2013) showing that women proactively tap into networks as an adaptation strategy.

The examples given by the women of Kisumu show how “adaptive capacity recognizes the agency and autonomy of the groups affected by climate change” (Bee et al., 2013, p. 96) in fact “as a result of their response efforts, women are developing new skills such as natural resource and agricultural management which, in the presence of appropriate enabling frameworks [i.e. group loans], could represent opportunities for income generation” (Lambrou & Piana, 2006, p. 19).

### Concluding remarks

At the time of the study, the Equity Bank “credit plus” scheme was investigated for its potential replicability in the rural areas and the consequent enhancement of women’s livelihood and adaptive capacity. Due to the remoteness of their locations, VSL’s members could only rely on their own capital. An interviewee stressed the need to “put up an internal mechanism whereby some members wait to get a bigger loan because first we satisfy the need of those who want to borrow a small sum”. Consequently, it is challenging for the group to reach a sum that would allow for the fulfilment of their new goals. For this reason, they are “longing to join Kenyan Women Trust Fund, which offers a similar scheme to Equity Bank” and would allow them to acquire an extra capital for the purchase of the water pump and the rent of the new plot. The additional crops they would produce and sell, they said, will repay the loan and from there on they could have increase their average revenue.

Certainly, women in rural areas could profit from the guidance that members of Equity Bank *Fanikisha Shaba* can count on. The direct linkage with the bank in the form of training and discussions gives women the opportunity to learn how to respond to market competition and seasonal fluctuations. *Fanikisha Shaba* schemes have been widely successful as women’s demonstrated high repayment rate. Thus, it is fair to envision a positive outcome of future Equity Bank rural microcredit plus schemes, especially considering that agricultural productivity in Sub-Saharan Africa could increase up to 20% if women would have access to the same resources as men, such as credit, land and seeds (Petrie, 2010). Nonetheless, in 2010, Equity Bank was still reluctant to take on board women’s group outside cities due to changing and unreliable weather patterns and to the rural practice of renting parcels of land which means that farmers cannot offer any security increasing the risks and the costs for commercial banks (personal communication). Conversely, this case study’s findings indicated that microloans to women’s groups can improve and diversify their farming and trading livelihood. The key to women’s achievements was contingent on a mix of factors as learning new farming

and retailing practices, sharing objectives experiences with other group members and the fact that their husband had a job and was not dependent on them.

The communities of practice developed through the training were a useful network, in addition to the loan. This study shows that going beyond a mere credit approach improves women’s intra-household bargaining power and their adaptive capacity (Goetz & Gupta, 1996; Lambrou & Nelson, 2013; Quisumbing, 2003). These two outcomes reveal the importance of investing in women’s existing networks as entry points for training and credit programmes (Wydick, Karp Hayes, & Hilliker Kempf, 2011). These networks can continue bridging the gap with even remoter rural areas, as VI-Skogen does by training locals who had earlier been borrowers. Investing in a decentralized micro-financial approach does not only imply lower costs (Johnson, Malkamaki, & Wanjau, 2006), but it also gives women an actual voice in the governance and the funding structures of these schemes (D’Espallier et al., 2011).

“Credit plus” training in fact “simultaneously address [ed] both climate change and poverty and development concerns” (Brown, 2011, p. 21) and offered women “specific sustainable way[s] to build adaptive capacity” (Moser, 2010, p. 470) as

- agroforestry
- improved seeds
- planting different varieties
- intercropping
- mulching
- diversification beyond farming: small enterprises.

These are adaptive measures that combined with women’s autonomous initiatives – irrigation and changing planting times (Vincent et al., 2013) and averted food insecurity (Agrawala & Carraro, 2010). These are critical findings considering the lack of studies on the connection between microcredit, women’s empowerment and adaptive capacity (Agrawala & Carraro, 2010), the need to further investigate the positive outcomes of microfinance (Hermes & Lensink 2011), the minimal amount of credit that women farmers receive in Africa and the ongoing relevance of a women-only approach within gender mainstreaming (Ransom & Bain, 2011). Women in fact do face gender-specific challenges – i.e. lack of credit, agency and property deeds – that need to be tackled with women-only initiatives. Accordingly, this adds evidence to “provide a reliable basis for gender-sensitive approaches to agricultural adaptation to climate change” (Nelson & Stather, 2009, p. 81). Women, as food producers and the majority of subsistence farmers in Sub Saharan Africa, are the first agents of adaptation (Agarwal, 2011).

This dynamic could be impeded by the adversity of official financial institutions to invest in rural areas on women’s farmers because they cannot offer any security.

In fact, in 2013, the website of Equity Bank advertises several types of agricultural loans, but they are all given to individuals who can offer securities, thus women farmers would be excluded. This is where international policy frameworks such as the United Nations Framework Convention on Climate Change (UNFCCC) could play a pivotal role. The Adaptation Fund and the global carbon market credits could be channelled directly through micro-financial institutions (Agrawala & Carraro, 2010). In this way, the UNFCCC financial architecture could serve three purposes: targeting directly vulnerable groups, stimulating small-scale agroforestry projects and indemnifying local banks still reluctant to invest in agricultural loans. The implementation of this policy will be decisive to strengthen microfinance potential in facilitating climate change adaptation through women's groups.

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### Notes

1. "Achieve bronze" in Swahili. There are other two upper schemes: "silver" and "gold" lending individually to businesswomen.
2. Quotes are the transcription of interviews carried out with women members of the four groups between January and February 2010. Neither date of interview nor name is given in order to maintain their anonymity.

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