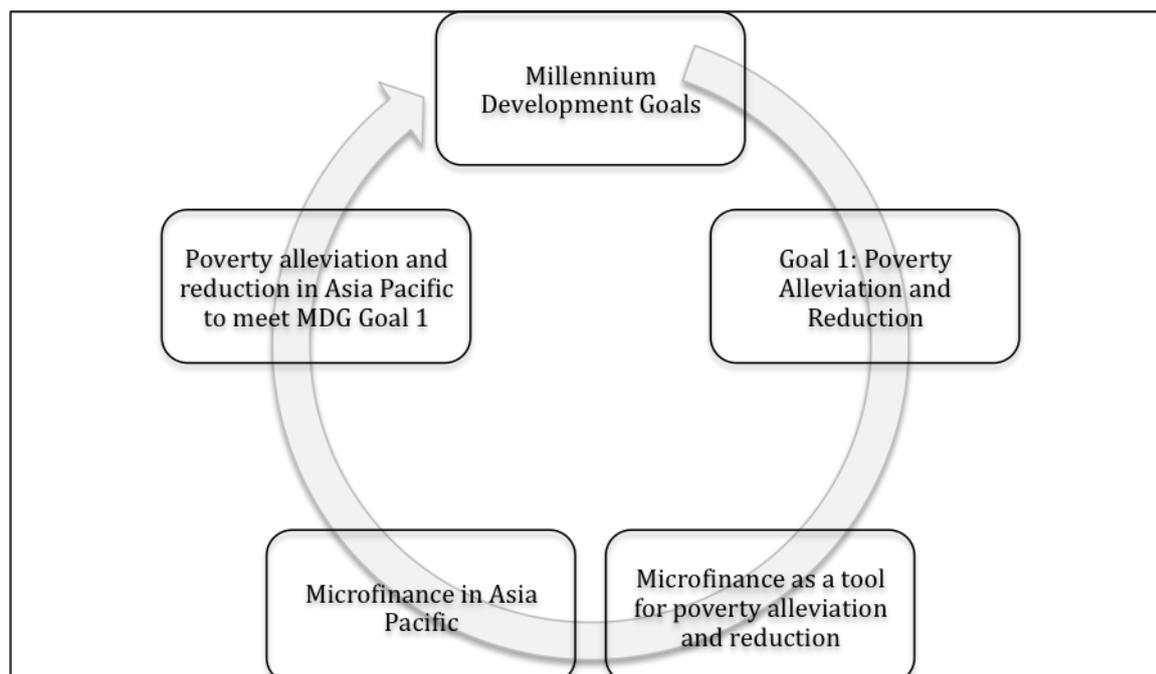


## Microfinance: Providing Two Waves of Education

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In September 2000, United Nations member states gathered for the United Nations Millennium Summit and agreed upon a set of eight development targets, which became known as the Millennium Development Goals. The Millennium Development Goals aim to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality, reduce child mortality, improve maternal health, combat HIV/AIDS, ensure environmental sustainability, and develop a global partnership for development by the year 2015. The year 2005 was declared the “International Year of Microcredit” by the United Nations and in 2006; Muhammad Yunus and Grameen Bank were awarded the Nobel Peace Prize “for their efforts to create economic and social development from below.” The Nobel Committee claimed, “Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means.” As microfinancing is becoming more utilized as a development tool, it has become necessary to research the impact this strategy has on achieving the Millennium Development Goals. This paper looks to examine what microcredits are, how microcredits work, the spillover benefits created by microcredit programs in the areas of women’s empowerment and improved health and welfare programs, along with what the results are of implementing this type of development strategy in rural

areas to achieve Millennium Development Goal 1- the eradication of extreme poverty specifically in the Asia Pacific region. Former Deputy Secretary-General of the United Nations, Mark Malloch Brown, was quoted saying, "Microfinance is much more than simply an income generation tool. By directly empowering poor people, particularly women, it has become one of the key driving mechanisms towards meeting the Millennium Development Goals, specifically the overarching target of halving extreme poverty and hunger by 2015."

The hand that rocks the cradle rules the world. And in many cases that hand is uneducated, unemployed, and impoverished. Where does that leave the future of the world? In 2008, according to World Bank estimates, 1.4 billion people, many of them women and children, live on \$1 a day. It is obvious aid is required. This paper looks at microfinance as aid with a future and shows that microfinance results in two waves of education with the ability to break the cycle of poverty.

In his 2010 State of the Union Address, President Barack Obama said, “In the 21st century, the best anti-poverty program around is a world-class education.” But how can this education be paid for? In developing countries there are schools, but families are required to provide uniforms for the children and money for supplies. With budgets already stretched to breaking, education often appears superfluous even while world charitable donations often heavily subsidize the family’s cost of living. What if the two are linked? What if the money needed to raise the family from poverty through business linked to not only children’s school attendance, but also adult education programs? The most successful microfinance models do exactly this, link funding to education.

Subsistence farming is a way of life for many of the developing poor. The most repetitious and menial of farm chores are usually allocated to the children of the family. These poverty areas are often plagued with a lack of natural resources, requiring diligent scouring of the land for necessary fuel and/or water. Planting or tending crops, animal care, gathering wood, and hauling water are likely to occupy the daylight hours of the children. These families would argue that the children cannot be spared for school. Yet a mother with an improving financial condition can afford to release at least some of the family’s children for school. Her increased income allows her to buy a few more goods at the market, replacing the work of the students. These students carry the hopes and dreams of the family into the future.

“Women are indeed the linchpin of the region’s development strategy. Economists who scrutinized East Asia’s success noted a common pattern. These countries took young women who previously had contributed negligibly to gross national product (GNP) and injected them into the formal economy, hugely increasing the labor force. The basic formula was to ease repression, educate girls as well as boys, give the girls the freedom to move to the cities and take factory jobs, and then benefit from the demographic dividend as they delayed marriage and reduced childbearing. The women meanwhile financed the education of younger relatives, and saved enough of their pay to boost national savings rates. This pattern has been called “the girl effect.” – *Half the Sky* p. xix  
“Evidence has mounted that helping women can be a successful poverty-fighting strategy anywhere in the world, not just in the booming economies of East Asia.” – *Half the Sky* p. xix

The “girl effect” is unique in that moving young women into the work force causes their formal or informal education and then increased the incident of formal education for their younger family members, thus resulting in two waves of educational benefit.

Launching women into the work force can be as simple as providing a small loan to start a

family business. This is microfinance. Grameen Bank offers a successful model for microfinance institutions. Though it is just one of many, it sports a 97 per cent loan recovery rate and has impacted almost 8 million families with 97 per cent of its loans going to women. (Grameen)

Considering that 97 per cent of recipients are women it is important to note the impact this capital has on a family. “Women’s empowerment helps raise economic productivity and reduce infant mortality. It contributes to improved health and nutrition. It increases the chances of education for the next generation.” (Empowering Women) The women that receive microfinance capital are able to start small family businesses, participate in the economic framework of their communities, as well as send their children to school. “The role of education in poverty eradication, in close co-operation with other social sectors, is crucial. No country has succeeded if it has not educated its people. Not only is education important in reducing poverty, it is also the key to wealth creation.” (Intl Workshop on Education) Linking capital to adult education gives the burgeoning entrepreneur opportunities to learn about business and community enterprise by participating in the system. “Wealth creation is a significant aspect in education programmes intended to contribute to poverty eradication. How can education assist learners to create wealth? Integration of school education within the economic activities of a community is one example.” (Intl Workshop on Education) Economist Milton Friedman once said, “The poor continue to be poor not because they don’t want to work but because they don’t have access to capital.” A microloan with organization educational support has been shown to break the poverty cycle.

Another notable microfinance institution, Pro Mujer, begins with starter loans of only \$50 USD. Reporting a 99 per cent repayment success for 2007 indicates that women in developing countries are responsible and capable of learning to participate in the economic world. “Consider the costs of allowing half a country’s human resources to go untapped. Women and girls cloistered in huts, uneducated, unemployed, and unable to contribute significantly to the world represent a vast seam of human gold that is never mined. The consequence of failing to educate girls is a capacity gap not only in billions of dollars of GNP but also in billions of IQ points.” – Half the Sky p. 239 “Nearly everyone who works in poor countries recognizes that women are the third world’s greatest underutilized resource.” – Half the Sky p. 238 “The question is not whether countries can afford this investment, but whether countries can afford not to educate more girls.” – Lawrence Summers (former Chief Economist of the World Bank)

With \$119.8 billion worldwide applied to aid in developing countries, what percentage of this would be better employed as microfinance loans? The total amount spent on humanitarian assistance by the twenty-two major donors that comprise the OECD Development Assistance Committee was approximately \$119.8 billion in 2008. “First, outside employment for wages can provide women with an income to which they have easier access, and it can also serve as a means of making a living on which women can rely, making them less vulnerable. Second, the social respect that is associated with being a ‘bread winner’ can improve women’s status and standing in the family, and may influence the

prevailing cultural traditions regarding who gets what in the division of joint benefits. Third, when outside employment takes the form of jobs with some security and legal protection, the corresponding rights that women get can make their economic position much less vulnerable and precarious. Fourth, working outside the home also provides experience of the outside world, and this can be socially important in improving women's position within the family. In this respect outside work may be 'educational' as well" - (More than 100 Million Women Are Missing...) "Investment in girls' education may well be the highest-return investment available in the developing world." – Lawrence Summers (former Chief Economist of the World Bank) "Women's empowerment helps raise economic productivity and reduce infant mortality. It contributes to improved health and nutrition. It increases the chances of education for the next generation." (UNDP report) Again, the loan recipient benefit from loan related education and then in turn, causes the second wave of education that affects the next generation.

When a microfinance loan enables a mother to start a home business, she is able to buy uniforms and release the family's children to attend school. This is the second wave of education linked to microfinance. The primary wave being as the woman herself receives training and community support to launch her business. Now this second wave, allowing her children to go to school is seen as breaking the cycle of poverty. "The report made by the Secretary-General of the United Nations within the context of the Decade for the Eradication of Poverty confirms that universal primary education is central to the fight against poverty." (Intl Workshop on Education) "Primary and lower secondary education helps reduce poverty by increasing the productivity of the poor, by reducing fertility and improving health, and by equipping people with the skills they need to participate fully in the economy and in society" (Africa: Urged to invest in education)

The microfinance institution provides compulsory workshops or seminars. The loan recipient attends, finding a group of other recipients already engaged in various stages of their business enterprise. These contacts become an invaluable resource, various business strategies are modeled, and relative successes are examined. Through natural networking the women extrapolate the most value possible from their surroundings. Communities in these developing countries are often well formed and rich with opportunities for the new entrepreneurs to practice. Once women receive the initial capital to enter the game, they are eager to acquire skills that will guarantee success.

Advertisements in fashion magazines pull vast revenues with the descriptors "young" and "beautiful." Yet these descriptors spell tragedy in the world of human trafficking. The young and beautiful children of the poor are exploited through sex tourism, prostitution, and pornography.

"Microfinance can break the cycle of poverty and multiply the options available to the poor." (MF Anti-Human Trafficking) Lacking the momentum provided by education women and increasingly more, children are targets for human trafficking. "Microfinance can build the ability of the poor and unemployed people to create multiple employment and income opportunities. Those who earn income through the help of microfinance institutions are in turn enabled to support themselves, their

children and extended family members. As a result, the number of poor people, mainly women, young girls and children, who are potential targets of human trafficking, is reduced. Employment and income opportunities which traffickers can use as tools for luring vulnerable people cease to be attractive.” (MF Anti-Human Trafficking). In areas of the world where human trafficking is a constant and increasingly serious problem, microfinance linked with education can be used as a tool to reverse this negative impact. “Microfinance has an inherent ability not only to mitigate human trafficking but also treat its victims. It can offer job and income opportunities to potential targets and survivors of human trafficking as part of the prevention and rehabilitation processes respectively.” (MF Anti-Human Trafficking)

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In the face of daunting world poverty \$119.8 billion dollars in humanitarian aid is contributed annually to combat inequities in the world population of 6.7 billion. This \$119.8 billion, given by the twenty-two member countries of the OECD Development Assistance Committee is a justifiable investment in human potential. As with all investments there is hope for a return. Microfinance loans enjoy a favorable return on several levels; first the loan recipient, “An extra year of primary school boosts girls’ eventual wages by 10 to 20 percent. An extra year of secondary school: 15 to 25 percent.” (George P. Girl Effect FAQ) then the increased advantaged to younger members of the family, “When women and girls earn income, they reinvest 90 percent of it into their families, as compared to only 30 to 40 percent for a man.” (Phil Borges...Girl Effect FAQ), finally, even the loan investor is repaid. The microfinance model demonstrates how institutions are currently enjoying a 97-99 per cent repayment rate. This is a legitimate and expansive return on an investment. It is imperative that capital be linked to education to result in two waves of benefits: first, education for the loan recipient and second, for her children.