

Can Microcredit Empower?

An explorative study on the impact of microcredit programs on women's psychological empowerment

In the last two decades microfinance has become one of the most successful tools in development. One reason for the success of microfinance is that it appeals to many different actors in development who usually disagree on numerous issues. The appeal of microfinance stems from its promise to realize two goals with the same tool: reduce poverty in the short run and stimulate empowerment which is needed to fight poverty in the long run (Allen & Thomas, 2005).

The idea of empowerment, which can be translated as 'to enable' or 'give power to' (England, 2000), is one of the most influential ideologies in development studies nowadays. Although there are several power dimensions to distinguish –economic, social, political and psychological– the basic idea is that people should be enabled to take direct action to meet their own needs. Empirical research thus far has been primarily focused on the economic dimension. The political, social and psychological dimension have received far less attention in development studies (Narayan, 2005). In practice, however, psychological empowerment seems to be an implicit goal in many developing programs, especially those that focus specifically on empowerment of marginalized groups such as women.

In this paper, we focus on the relation between microcredit –an aspect of microfinance– and psychological empowerment. First, we discuss the research on microcredit and empowerment. It is claimed that microcredit will help to empower women but contradicting outcomes have been reported. We also discuss the various dimensions of empowerment with a focus on psychological empowerment. Why is psychological empowerment important? What is known about its relation with microcredit? After this discussion of the literature we illustrate our ideas with findings from an explorative study in Mongolia. Here, we explored the relation between microcredit and women's psychological empowerment and whether features of microcredit programs play a role. Finally, we discuss the implications of our research. The promise of microcredit rests in important ways on its empowering effect on women. Our study indicates that this promise may only be fulfilled when specific conditions are met. More knowledge about these conditions is required, both for theoretical as well as practical reasons.

Microcredit & empowerment

It is widely claimed that microcredit –the provision of small loans– will enhance the empowerment of clients. One of the reasons why the funding of microcredit programs for women has become so popular and is embraced by many different 'lobbies' is the assumption of a 'virtuous spiral'. The idea is that access to microcredit will commence a 'virtuous upward spiral' where individual economic empowerment of women will lead to wider economic, social and political empowerment. The question if this spiral will work for all women regardless the context (Mayoux, 1999).

Mayoux shows that the targeting of women and the assumption of the virtuous spiral is actually the result of three distinct paradigms of microfinance which have become entangled. The financial self-sustainability paradigm, the poverty alleviation paradigm and the feminist empowerment paradigm all assume that when women become economically empowered this will also lead to social and political empowerment for themselves and others. In the paradigms women are targeted for different reasons: because they are believed to be reliable borrowers, spend most of their increased income on their family's wellbeing or because women's empowerment is viewed as an important goal in itself. Mayoux' criticism is that causal mechanisms are more often assumed than explained and also warns that just access to credit is not enough to set a 'virtuous spiral' in motion (Mayoux, 1999; Mahmud, 2003; Deshmukh-Ranadive & Murthy, 2005).

Other authors take the criticism further by stating that microcredit will not empower but disempower women. In the first place, it is argued that microcredit will reinforce patriarchal norms of women's subordination that

worsen gender relations and will lead to the disempowerment of women. This is because credit can impose a burden upon women as debt collectors for microfinance institutions (MFI's). In that case they have little or no control over loan use but are responsible for repayment. The pressure to pay on time will produce new forms of social and institutional dominance over women by their families and microcredit organizations. Another argument is that the pressure on women to repay might escalate into violence (Goetz & Gupta, 1996; Rahman, 1999). In these studies often narrow definitions of 'empowerment' and sometimes dubious indicators to measure the extent of empowerment are used. Empowerment is, for example, defined as the capacity that women have to invest loans in a profitable way. But the ways in which women use and control loans are highly influenced by the capacities that a woman already possesses and the situation of the household (Kabeer, 1998; Mahmud, 2003).

Kabeer (1998) evaluated several studies and argues that credit, in itself, can introduce important, positive changes in the lives of women and their families. Access to credit can improve their standard of living, lead to greater investment in health and education, enhance economic contribution of women to their family, increase their decision making power in the household, promote political awareness and participation and lessen male violence within the family. However, these effects are much more pronounced when women use at least some part of the credit to further their own economic activities instead of letting men use all the credit for their activities.

Still, there are strong indications that the design of microcredit programs is an important feature that can further or hamper empowerment processes. Programs and effects differ widely; while some programs prove to be very successful, others are not. Important differences are found between programs, not only in their economic impact but also when considering social or personal aspects. It is also likely that this does not only depend on the goals and practices of the organizations and borrowers but also on what is being studied (Morduch, 1999; Zaman, 1999; Lucarelli, 2005).

It is thus widely claimed but not generally acknowledged that microcredit empowers women. Much seems to depend on the particular situation, the program design, the definition of empowerment and the indicators that researchers use to measure empowerment. In addition, it remains largely unclear *how* microcredit is to empower women. Mayoux concludes that "the evidence indicates extremely complex interrelationships between women's own strategies for use of microfinance to further their perceived interests and contextual opportunities and constraints and program policies" (1999; pp. 977).

The role of psychological empowerment

As said, empowerment is a complex concept. Naila Kabeer observes that 'empowerment is seen to occur at a number of different levels, to cover a range of different dimensions and to materialize through a variety of different processes' (Kabeer (1999) in Mahmud, 2003: 585). There is no general agreement on what levels, dimensions or processes should be distinguished in the empowerment process. Often a distinction is made between the individual, group and collective level and several dimensions (Palacios & Pérez, 1999). A distinction between an economic, social, political and psychological dimension is quite usual, but often just a single dimension of empowerment is taken into account. The dimension most studied is economic empowerment, in part since this is relatively easy to measure with common indicators like income and expenditure, ownership of assets and decision making indicators. There has been less attention for the social and political dimensions of empowerment, and least studied is the psychological dimension. Few authors have focused on the psychological dimension in the development context, even fewer paid attention at its relation to microcredit. Nevertheless, there has been growing interest for this dimension in recent years, also in the wake of the question why individuals are influenced in different ways by the same personal, social and environmental factors (Narayan, 2005).

According to Rowlands (1997; 1998) the results of a personal empowerment process are feelings of personal change and development and the manifestation of changed behavior. This changed behavior can for example manifest itself in starting a business, increased decision-making in the household, starting to vote or meeting others outside the household. These kind of activities are often seen as indicators of economic, political and

social empowerment. But what stimulates women to start a business, go voting or deciding to resist their husband or family? Why do some people change radically while others remain the same under identical conditions? A key feature for these kinds of questions could be psychological aspects: increased confidence, power or the belief that actions will be successful. For example, not many people will start a business when they believe they'll fail. Some confidence in the outcomes of a certain action is indispensable for making a start.

Contextual and structural aspects have considerable influence on empowerment processes, nevertheless, some authors emphasize psychological aspects. Rowlands (1997; 1998) views these aspects as the 'core' of the empowerment process without which no real empowerment will take place. This 'core' is the transformation of the individual¹ that leads to empowerment. Central to the psychological and psycho-social processes are the development of psychological elements like self-confidence, self-esteem, self-respect and self-worth; agency - being able to interact and influence things- and the expectation of receiving respect from others and the right to receive this respect. A final essential element of the personal 'core' is the ability of an individual to move out of her -culture or context specific- gendered roles.

It is not clear how these psychological elements influence empowerment processes. Desmukh-Ranadive and Murthy (2005) work with a framework of empowerment that emphasizes 'spaces': physical, economic, socio-cultural, political and mental. Like Rowlands, they stress that the crucial condition for empowerment is an expansion of a person's mental space:

'Mental space consists of the feeling of freedom that allows a person to think and act. An expansion of this space implies a change in perceptions, leading to a feeling of strength. Mentally there is a movement away from restriction and constraints, which facilitates action in a positive direction. Mental space facilitates "power within." (2005: 113)

Both Desmukh-Ranadive and Murthy and Rowlands emphasize that without feelings or processes of psychological empowerment no real empowerment in other dimensions can take place. Nevertheless, empowerment is a plural concept that has many dimensions that do not necessarily all move together in the same direction simultaneously. Increased individual self-confidence, for example, may contribute to an increase in economic independence or vice versa. But it is also possible that dimensions work against each other or in separate directions. For example when economic empowerment results in social isolation. Desmukh-Ranadive and Murthy point to the risk of isolation. When things change and a woman expands her space this can also isolate her from others in her family or community, especially when this space is gained individually. This is why collectives and collective action are often seen as more effective: it reduces the costs for expansion of individual women. In the following section we discuss what is known about the relation between microcredit and psychological empowerment.

Research on microcredit and psychological empowerment

From the viewpoint of psychological empowerment, a problem is that in most research on microcredit and empowerment definitions and indicators are used that measure empowerment in the economic, social or political dimension. Frequent indicators are income growth, consumption standards, decision making levels, health, literacy and political and public participation. Although some authors pay attention to psychological processes in their theories and assumptions, psychological indicators are rarely included as variables in the research (Narayan, 2005).

Only in a handful of studies serious attention is paid to aspects of psychological empowerment in relation to microcredit. Burra et al (2005) researched the relationship between microcredit, poverty and empowerment in six related case studies in India. Rowlands (1997) studied two women's organizations in Honduras². In both studies

¹ Or group, the focus here is on individuals.

² These were not MFT's but since Rowlands is one of few that studied psychological empowerment the results of her study are mentioned here.

all organizations worked with groups and often had poverty reduction as their main goal. Also in both studies the researchers found a (strong) increase in the self-confidence and self-esteem of participants. Other positive changes reported were the learning of new skills, an increase in happiness, becoming more self-reliant, more assertive, able to articulate opinions and a wider view of the world beyond their family or villages. Often the effects found were even more pronounced when women participated longer in the groups and –in Rowlands’ study- when women were members of the coordinating teams or had leadership positions. In addition, Desmukh-Ranadive et al found that the impact was often greater for women in female headed households than for women with a husband. This indicates that the domestic environment still acted as an obstacle to empowerment here. Also, the views of outsiders on the position of women changed. Women were, in general, more respected in their communities. A surprising outcome in both studies was that having empowerment as a specific goal of the program didn’t seem to make a large difference for empowerment of members on the individual level. Other studies have also reported an increase of self-confidence and self-worth of participants in credit programs (ADB, 2007; Hashemi et al, 1996).

Kabeer (1998) studied a microcredit program in Bangladesh that, unlike most programs there, provided loans to individuals instead of groups and focused more on the development of small enterprises than poverty alleviation. One of the most important effects reported by participating women was an enhanced sense of self-worth and the ability to influence their own future. Another effect was an increase in their workload. This is viewed by some as one of the negative effects of microcredit that actually disempower women. However, women in the study stated that despite their increased workload, they were content with their new status and ability to make a ‘proper’ economic contribution to the household:

‘Ideas of the mind is everything. If you have money in your hand, you feel joy. If you have no money, you feel pain. My labor has increased, but I don’t feel it because the money is also coming in. It doesn’t feel like hard work.’ (1998: 31)

An explanation for this paradox is that microcredit reduces the negative effects of certain trade-offs poor women have to make. Kabeer argues that the poor often have to make trade-offs between critical aspects of wellbeing. A woman in Bangladesh, for example, has to accept violence and abuse within her marriage. On her own she is very vulnerable in society and the husband still offers a form of social protection. Kabeer concludes that ‘access to credit has allowed women –as well as men– to meet survival goals and put their livelihoods on a more secure basis, without compromising their dignity and sense of self-worth’ (Kabeer, 1998: 64).

The scarce research available is quite consistent; participation in microcredit programs often leads to an increase of feelings like self-esteem, self-worth and agency. But what causes these effects? Are these psychological effects necessary for empowerment in other dimensions? And how is psychological empowerment stimulated? Kabeer’s findings indicate that microcredit in itself could further processes of psychological empowerment. In addition, Desmukh-Ranadive and Murthy and Rowlands suggest several ways to stimulate this kind of empowerment. In the first place they consider a group approach as critical to accelerate a process of psychological empowerment. Women are less isolated and vulnerable in a group and can share their problems and experiences. A second influential factor seems to be the strategy, that is, the portfolio of products and services of the organization that provides the credit. Further it is likely that the structure and implementation of microcredit programs will have some influence, for example whether a program that aims to support empowerment is designed according to these principles. Are women encouraged to set their own goals, but also to challenge their assumptions and those of others? How does the staff behave toward clients? A third aspect is whether training is provided and what kind of training. For example activities that increase knowledge, abilities, skills and behavior or inform members about gender, power relations or other social topics. Other aspects of organizations that may be of influence are the financial ‘conditions’, like repayment periods and interest rates. Finally, Deshmukh-Ranadive and Murthy point to the importance of a ‘credit-plus’ approach. In this approach, groups are not only established in order to gain access to microcredit but essentially to address common issues, for which microcredit can be a tool. In other words “... there has to be more than issues of money to bind members together” (2005: 52).

Research questions

Studies that take microcredit and psychological empowerment into account are rare, usually small scale and qualitative. It is not clear what the role of psychological empowerment is in empowerment processes but according to some this dimension could be a crucial feature. This is an interesting and important question but well beyond the scope of this paper. Nevertheless there are strong indications that microcredit contributes to feelings of psychological empowerment. There are also indications that organizational features have an influence on this dimension. But what these features are and how they affect empowerment is quite unclear. Also, very little is known about psychological empowerment of women that are not group members and lend individually. Often participants in the groups are compared with non-members, but these usually do not participate group programs. Nevertheless, Kabeer showed in her research that women who lend individually also have experienced an increase in their self-worth.

Another important gap in this field of study is the lack of quantitative studies. All studies mentioned thus far used qualitative methods like interviews. Qualitative research is very valuable for exploring the features of empowerment processes and how this is experienced by participants themselves. Nevertheless, it is also important to come to valid and (ideally) generalizable outcomes. Therefore more large scale, quantitative research is needed.

To start filling up some of these gaps, we attempted to measure psychological empowerment in a quantitative manner and explore how this might be related to organizational features. Our focus here is on the following questions: 1) Is microcredit related to psychological empowerment? 2) If so, do features of microcredit programs make a difference? To answer these questions we conducted a study in Mongolia.

Methodology

Research context: Mongolia

Since context is an important factor in empowerment processes and for our fieldwork, we discuss the Mongolian context before turning to the research design and analysis. First, we discuss the economic situation and its recent history, in particular the transition from communism. Second, the social situation and poverty in the country is described. In the third place the position of women in Mongolia is discussed followed by characteristics of the Mongolian microfinance sector.

Mongolia is situated between Russia and China and about three times the size of France. The population is only 2.6 million and very young; 70% is under 35 years old. For about seven decades it was a communist country with close ties to the Soviet Union. After communism collapsed in Eastern Europe a process of democratization and economic reform was also set in motion in Mongolia (Goyal, 1999). Despite a bad start, it became one of the most flourishing democracies of Asia and had a policy of almost free trade by the end of the 1990s. Overall economic performance hasn't been bad, but there hasn't been a recovery to the pre 1990 situation. The share of the industry has declined and mining and agriculture, in particular animal husbandry, now form the backbone of Mongolia's economy. In addition the informal private sector has grown, but not enough to make up for the shrinkage of the formal state sector (Pomfret, 2000; UNIFEM, 2001). Mongolia's extreme climate, location and small population limit economic activities and make it quite vulnerable. The country is still very dependent on external financial support and aid. In 2001, the national external debt reached 85% of the Gross Domestic Product (Janzen et al, 2005; UNDP Mongolia, 2005).

Despite some positive developments it is thus still a very poor country with an average income of only \$690 per head of the population.³ Life in Mongolia has become much more insecure since the transition. The depth of poverty and its severity have worsened and income inequality is still increasing. Over one third of the population

³ Gross National Income per capita (<http://devdata.worldbank.org/data-query/>).

is living beneath the poverty line around seventy percent just above it.⁴ In addition the saving rates are very low which means that households have few resources to fall back on (UNDP Mongolia, 2004; 2005). Large inequalities exist throughout the country. People in urban areas have better opportunities for education, income generation, (small) business development and access to information and health. But there are also inequalities within the urban areas, especially in the capital Ulaanbaatar, where nearly half of Mongolia's population of 1.2 million people now lives.⁵ The recent growth is mainly caused by large flows of migrants from the countryside. Traditionally most Mongolians led a semi-nomadic lifestyle which used to be in balance with the natural environment (UNDP Mongolia, 2005). Nowadays this has become much harder and many move from the countryside to the city and settle down in the ger-areas of the city. Roughly, the city consists of a central part with apartments surrounded by large ger-areas: a mixture of *ger's* (round, felt tents), wooden and stone houses. Currently nearly 60% of Ulaanbaatar's population lives in ger-areas (Janzen et al, 2005; UNDP Mongolia, 2003).

In terms of human development, Ulaanbaatar has high records for wellbeing, for example with regard to income and access to health care. Nevertheless, there are large disparities within the city which are most notable in the difference between apartment and ger-areas. In the ger-areas 45% can be classified as poor with an income under \$23 monthly. Residents of ger-areas have less access to education and health, worse water and electricity supply and are more often unemployed. Furthermore, the infrastructure in ger-areas is often insufficient as it hasn't kept up with the rapid increase of the population (Janzen et al, 2005; UNDP Mongolia, 2003). Other social problems, such as widespread alcoholism, crime and violence are also more concentrated in ger-areas than in the rest of the city. No exact data exist but there are many signals that alcoholism is a major cause of poverty, violence and domestic abuse. Alcoholism in turn is also a result of poverty and general pessimism, especially under the male population (UNIFEM, 2001).

Mongolia scores quite high on indexes of gender equality.⁶ This high rank is due to a high rate of literacy (98%), a fairly extensive health care system and a sharp increase in life expectancy attained during communism (Avery, 1996; UNDP Mongolia, 2003). But in terms of economic participation and, in particular, political empowerment women now lag behind. Women are equally represented in the labor force but the employment pattern reveals a substantial division of labor and discrimination, especially concerning managerial positions. In addition, women face a much higher and increased burden of domestic obligations. Gendered preconceptions still play a significant role (Tumursukh, 2001; Gillespie, 1998). However, in terms of political and civil rights much has been gained since the transition. Women's NGOs are very active and have played a major role in political reforms. Overall, women have a high social status and are independent, especially when compared to other countries in Asia. However, the incidence of poverty and unemployment has increased, especially under women (see table 1). The main reasons for poverty are unemployment, falling incomes and the sharp increase in female-headed households. They often face a multitude of difficulties which cause poverty like the loss of their husband's income, loss of state entitlements, weakening health and education combined with the responsibility for their children (UNDP Mongolia, 2003; UNIFEM, 2001).

Table 1: Incidence of poverty, by sex of household heads and location (in 2002)⁷

	Ulaanbaatar	Aimag (province)	Soum (district)	Rural
Male	21.4%	39.1%	28.5%	25.2%
Female	43.8%	53.2%	51.7%	23.6%

As a result of poverty and unemployment there has been a large shift towards activities in the informal sector where women form a majority. It is believed that the informal sector accounts for a large share of employment in

⁴ This poverty line is officially set at very low levels, in 2003 it ranged between \$16.75 and \$21.75 per capita per month. The very poor have only 60% of this income and the extreme poor households earn only 40% or less of this income. If the poverty line would be increased by 25% (towards \$21 – 27) over half of all Mongolians would be considered poor.

⁵ Unofficial number based on estimates that include unregistered residents. About 20% of all in-migrants and 5% of Ulaanbaatar's non-migrants are not registered (Janzen et al, 2005).

⁶ Like the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM).

⁷ UNDP Mongolia, 2003: 14

Ulaanbaatar (Yaron & Sandagjav, 2005). This 'sector' of the economy consists of all kinds of services such as petty urban traders, small shop or kiosk keepers, taxi drivers, informal currency dealers, pawn shops, pavement based mobile phone services and small manufacturing enterprises. A specific feature of the Mongolian informal sector is that, unlike most developing countries, it contains large numbers of people who are well educated and skilled. Women often work in the unorganized markets of wholesale and retail trade, catering, food services, personal services and tourism (UNDP Mongolia, 2003). Although these activities can increase household income the earnings are usually low due to intense competition. Besides that workers aren't protected against risks while vulnerability is high. Nevertheless, the informal sector remains important and there is a large need for credit under micro-entrepreneurs.

Microfinance in Mongolia

The potential for microfinance in Mongolia is high. Seventy percent of all households are qualified as poor or vulnerable non-poor and can be seen as potential microfinance clients. Micro-entrepreneurs and low-income consumers form a majority of the clients of financial institutions. Micro-enterprises have less than 10 employees and require small amounts of credit; less than \$5000. Low-income consumers are public sector employees, unemployed, students, pensioners and private sector employees who mostly use microfinance for consumption needs. Mongolian microfinance clients differ in some respects from microfinance clients in most other countries. Their rate of literacy is one of the highest in the world and they usually have some movable or fixed asset that can serve as collateral (UNDP Mongolia, 2004; Heijn, 2001; Yaron & Sandagjav, 2005). Access has greatly improved; from 1% of all households in 1998 to 25% in 2004. Still, the very poor are often excluded as they lack collateral and there are high costs involved in serving them compared to loan size. A key obstacle for approaching banks is the need for collateral. The possessions of worth of poorer people –gers (which are movable) and sometimes land– are often not accepted (National Statistics Office, 2006). Microcredit is usually provided to individuals directly and not via groups, partly because of the initial experiences with group based programs. Many suppliers have become reluctant to lend through groups and without collateral requirements (Yaron & Sandagjav, 2005). There is no universally agreed definition for a micro loan. The country's leading microfinance institution refers to micro-loans as all loans with a value of \$4,500 or less, which is around 6,5 times GDP per capita (MFI-A, 2005).

More women than men are benefiting from the services of MFI's, although they usually take smaller loans than men (UNDP, 2004). Among the poor it seems that women are in a better position to access credit, but women are also disproportionately represented among the poor. An explanation for the perceived greater access of women to credit might be that poverty alleviation programs often specifically target women. Also, men are considered to be a greater risk than women.

“When there is need for money for daily livelihood needs, women go out and take credit. Generally women are responsible for coordinating around the house, so we don't get involved much in things like borrowing money. Applying and getting a loan is a women's job so our wives do it. We worry about getting money doing our jobs outside the house” (Men's group).

“Credit is available to women. They do not give loans to men fearing they will drink it away.” (Women's group)”⁸

In Mongolia the microfinance industry is only about a decade old but already part of the financial mainstream. At first microfinance was mainly provided through credit programs by international donors and local NGOs. Because of poor financial discipline the outcomes were often disappointing. However, since 1998 the approach has dramatically changed –in part by shifting to individual lending- and the number of financial institutions quickly increased. Today nearly all commercial banks serve low income clients in some way. Within the 1600 MFI's a distinction is made between commercial banks, Saving & Credit Cooperatives (SCC), Non Banking

⁸ Participatory Poverty Assessment of the National Statistics Office (2006: 54). Participants in this study refer to formal credit as well as credit received from friends, relatives, co-workers, pawnshops and kiosks.

Financial Institutions (NBFI) and Semi Formal Financial Intermediaries (usually NGO's).⁹ Most of the activity is concentrated in Ulaanbaatar (Heijn, 2001; UNDP Mongolia, 2004).

Measurements

We attempt to measure psychological empowerment in a quantitative manner. Therefore our main concern is how to define psychological empowerment and in what way this can be measured. First, we discuss how psychological empowerment can be defined and secondly the measurement.

Results of a personal empowerment process are feelings of personal change and development and the manifestation of changed behavior. In what ways does psychological empowerment manifest itself? This will depend on the specific situation and also cultural aspects play a role. Nevertheless, central features seem to be gaining more self-confidence and self-esteem, the idea of having the ability to influence things (agency) and the related idea of self-efficacy (Rowlands, 1997; Burra et al, 2005; Kabeer, 1998; Diener & Biswas-Diener in Narayan, 2005).

Diener and Biswas-Diener (2005) view psychological empowerment as a facet of psychological wellbeing. Certain aspects of psychological wellbeing, such as positive emotions, are often accompanied by or lead to psychological empowerment. Psychological empowerment consists than of both the ability to control the environment and the feeling one can do so. Although they put most emphasis on self-efficacy, Diener and Biswas-Diener state that psychological empowerment also consists of aspects like self-confidence, mastery and communal efficacy (to be able to accomplish goals with others). A crucial feature of empowerment is however that it is a *process*. Therefore, psychological empowerment is not a certain level of self-esteem or self-efficacy but the *process* of gaining more self-esteem or –efficacy. The result of this process is a higher level of psychological wellbeing. In other words, since empowerment is a process, we define psychological empowerment as an improvement in psychological wellbeing.

Measuring psychological empowerment

Rowlands (1997; 1998) and Desmukh-Ranadive and Murthy (2005) both emphasize the importance of mental process for empowerment. However, these mental processes are hard to measure and therefore we focus on aspects of psychological wellbeing which are more suitable for quantitative measurement.

We distinguish five central elements of psychological wellbeing as crucial for individual psychological empowerment. Although psychological wellbeing consists of more than just these five elements we will refer to psychological wellbeing from now on as the combination of these elements. The first element is self-esteem, a feeling of self-worth. The second is self-efficacy, which consists of someone's belief that specific goals will be accomplished by themselves. Happiness is added because this gives an overall indication of psychological wellbeing. The fourth element is power; the idea that one has control over their own life. The final element is isolation, ore loneliness. This element is added since a process of empowerment can also isolate someone, especially when this happens individually (Desmukh-Ranadive & Murthy, 2005). In this sense, isolation can be seen as a price for empowerment, an indication of disempowerment or constraint for the individual.

The choice of these elements is made on the basis of theoretical as well as practical considerations. Rowlands identifies a core set of elements that forms the basis of transformation processes that lead to empowerment: self-confidence, self-esteem, sense of agency, sense of 'self' in a wider context and 'dignity'. Some of these elements are also identified by other researchers as important elements for, or aspects of, psychological empowerment. A more practical consideration was that the elements should be measurable; elements like 'sense of self in a wider

⁹ In Mongolia several types of MFI's are distinguished (UNDP, 2004): 1) Commercial banks: Offering savings and loan products, leasing, exchange and transfer/payment services. Private for profit. 2) Saving & Credit Cooperative (SCC): Providing loans and saving services to their members. Only members can be clients. Not for profit. 3) Non-banking Financial Institution (NBFI): Services identical to commercial banks but legally restricted from engagement in savings services. For profit/not for profit. 4) Semi Formal Financial Intermediaries (NGO's): Providing lending activities for poor and vulnerable non-poor. Not for profit.

context' and 'dignity' are hard to measure in a quantitative way. Also, because the research has been carried out in Mongolia where a concept like 'dignity' doesn't exist this element was left out. A final practical consideration has been to put the elements 'self-esteem' and 'self-confidence' together. Although these have slightly different meanings, they are very close related. Self-confidence is often treated as an aspect of self-esteem and also their measurement is very much alike.

We defined psychological empowerment as an increase in the level of psychological wellbeing. Our hypothesis is therefore that if microcredit influences psychological empowerment, the level of psychological wellbeing will improve when someone gets a loan. We explore this hypothesis by first measuring the level of psychological wellbeing and subsequently we ask respondents whether they are happier, less lonely and so on since they got their first loan. This change is measured in a subjective way. Whether these changes have actually occurred is not really important here, what matters is the perception of the respondent: does she believe to be better off now? Of course, ideally we would measure their score on self-esteem, happiness and so on just before they got the loan and about a year or so after that. However, since this is not a longitudinal but a cross-sectional study, we attempt to capture the process of empowerment with these questions.

Finally, before turning to the research design, it is important to stress that these elements of psychological wellbeing in themselves do not demonstrate the empowerment process or imply that empowerment will definitely take place. They can be considered as crucial elements but what their exact role is remains unclear for now. In the second place, empowerment processes do not suddenly start or finish at a certain moment, but are just one aspect in the overall development process of an individual or group. Every measurement is always a snap-shot of the current situation but not per se the final outcome. A third important point here is the need to distinguish between this transformation process and circumstances that appear to support or hamper this process. Examples of circumstances are material resources or the strategy of supporting organizations, for example when all decisions are taken by the organization and not by participants themselves (Rowlands, 1997; 1998).

Research design

The main concern of this study is to explore whether there is a relation between microcredit and psychological empowerment. We defined psychological empowerment as an increase in psychological wellbeing. Therefore microcredit participants will be compared with respect to their psychological wellbeing to women that do not participate in microcredit programs (non-participants). Higher levels of psychological wellbeing for participants could indicate that microcredit programs have empowering effects. The second question is whether features of microcredit programs make a difference for psychological empowerment. One distinction that can be made between microcredit programs is between those that have adopted a 'credit-plus' approach and those that haven't. A 'credit-plus' approach refers to programs that concern themselves with more than just microcredit, for example by providing training or discussions. The programs that are defined here as 'credit', are those that concentrate their activities on microcredit and other financial services. The other programs are defined as 'credit-plus'. We compare whether there is a difference in psychological wellbeing and changes since participants started lending.

Our fieldwork consisted of two phases. In the first phase we studied several MFI's in Ulaanbaatar. The second phase a survey under female participants of programs was carried out.

Phase I: MFI's

Fieldwork was carried out in Ulaanbaatar in the spring of 2006. First five MFI's were selected of which four were known as one of the best in their category.¹⁰ Two NGOs were included since the first selected NGO only provided loans through groups while all other MFI's provide loans individually. For that reason a second NGO was selected that worked with individuals. The descriptions of the MFI's have been based on information from several documents. In addition, interviews were held with directors, managers or other employees. These

¹⁰ This refers to the several types of MFI's that are distinguished in Mongolia (UNDP, 2004): commercial banks, SCC's, NBFI's and NGO's. See also page 8.

interviews had several goals: to gain more insight in the MFI's –in particular in terms of strategy and structure- and to get access to recipients of microcredit.

The interviews had an explorative character but a topic list was used to ensure all important topics were covered. The interviews, besides generating input for the MFI descriptions, also put the attention on typical Mongolian problems in providing microcredit. For example, the fact that most poor people live in gers that are easy to move and therefore often not useful as collateral. A limitation of the interviews was that language and cultural differences were sometimes a problem. Interviews were carried out in English or with the help of a translator, usually students. This made certain concepts or nuances hard to understand or grasp. In addition, it was sometimes difficult to get sufficient insight in the situation and working of the MFI's and to distinguish whether the information received was about the situation as an ideal or as the actual reality. Especially the 'credit' MFI's focused primarily on the organizational, economic and juridical aspects of microcredit. The information collected is summarized here in the descriptions of the (anonymous) MFI's

MFI-A

MFI A is the only commercial bank in Mongolia which explicitly markets itself as a MFI. The bank was one of the first that started lending to the poorer and has developed itself very fast. At first, the bank mainly focused on the poor and on women. This focus on women was mainly given in by the participation of two of the largest women's NGOs. Later the emphasis shifted to include all poor, men as well as women. The initial success encouraged other commercial banks to start lending to these groups as well. When the competition got fiercer MFI-A started to diversify it's products and put more emphasis on innovation. Nearly half of the clients are people with a regular income in the formal sector and almost 40% are micro-entrepreneurs. Around 90% of the bank's borrowers receive loans of less than \$1.350 and only 1% of the clients has a loan over \$4.500. The bank does not only provide microcredit but also small and medium business loans and other financial services such as saving and financial leasing. In Ulaanbaatar, more than 70% of the borrowers are residents of ger areas. The bank collaborates with NGOs, donor agencies and government funded projects to expand the service outreach in ger areas. The bank had more than 600 employees in 2005, with 267 working in Ulaanbaatar in 20 branches. Female employees form the majority of the staff (60%) but are not equally represented throughout the organization¹¹.

MFI-B

MFI-B originally started as an NGO in 1999 and focused on small and medium businesses. The organization was registered as an NBFi one year later and now offers all kinds of financial products, such as entrepreneurial loans, microcredit, and financial leasing. Savings are not accepted, because NBFi's are legally restricted from saving activities (UNDP Mongolia, 2004). The main goal of the organization is to make profit, to be independent and sustainable. However, there are also social goals and for that reason MFI-B cooperates with other organizations, such as the UNDP, in several more socially oriented projects. Loans to micro-entrepreneurs cover around 50% of the portfolio, the remainder are loans to clients with small or medium businesses. Women are not specifically targeted but are considered to be low-risk clients who usually take small loans, are careful and hardworking to be able to pay back in time. Striking is that nearly all micro-loans are granted to women and most of the SME-loans to men. In Ulaanbaatar lending is individual and collateral required. Around 120 people are working for MFI-B.

MFI-C

MFI-C was established in 1996 by several members of a large women's NGO as one of the first Savings and Credit Cooperatives at a time when many state owned banks collapsed (UNDP Mongolia, 2004). Their main goal is providing saving and loan products to their members¹² so they can improve their living standard. MFI-C has successfully developed itself into one of the strongest and largest cooperatives in Mongolia. When they started there was little competition but today the competition has increased drastically and operation has become harder. Until 2000 MFI-C only accepted women as clients but nowadays they also accept men. One internal reason for this shift is that men often have larger businesses than women and thus bring in more savings out of

¹¹ MFI-A, 2005

¹² SCCs only borrow to their members

which new loans can be provided. Still, women have proven to be more reliable borrowers. Most of the clients are middle class, with the exception of a few who are either (very) rich or poor. At the moment of study MFI-C had approximately 1400 members which all had savings -every member has to put in at least \$20- and about 600 had a loan. Requirements for a loan are a business plan and collateral like a house, land or car is required but sometimes exceptions are made for long-term members. Business training is provided for (new) members but participation is voluntary. MFI-C offers 11 types of loan products which are used for business purposes in 70% of the cases. The remainder of the loans is given for purposes as consumption, education and housing needs.

MFI-D

MFI-D is owned by a large international NGO that targets poor children and their families with the goal to improve their wellbeing. While the NGO's goals are more socially oriented and aimed towards mothers and children, MFI-D's primary goal is to establish a professional MFI. This MFI should provide poor and marginal households and micro-entrepreneurs with financial and non-financial services (such as business information and training). The underlying idea is that a diverse package of services – social and financial - is necessary to lift people out of poverty in the long term. Their main emphasis is on the provision of business capacity and financial credit to poor entrepreneurs (just below poverty line or moderate poor). MFI-D was registered as an NBF in 2005 and has thus only recently started operating. They argue that these clients are usually not accepted by MFI's that target the middleclass as they do not fit their criteria.

MFI-D only provides credit through solidarity groups. People that are interested in the program have to form their own group with people from their community. The group as a whole has to attend a four month business training during which they learn about savings, marketing, production and credit use. A business is not required for participation but participants should establish a business during the training period and present a business plan. Only after four months of training and three months of business experience per person, the group is able to access credit without collateral. One of the reasons for this long period of training is that relationships have to develop within the group and between the group and MFI-D. Because of the lack of collateral, a relationship build on trust is considered a crucial precondition. Another side-effect is that people who have little or no experience in entrepreneurial activities are able to develop their skills during this period and become more self-confident. When the training is completed groups get into a six-cycle program where each cycle is a loan that has to be paid back within 6 months. Each following cycle the value of the available loan is higher, up to \$550. The groups are self-managed and each has a leader and secretary. The group decides each cycle who gets the loan. If the loan isn't repaid, the whole group is responsible for repayment. Collateral is thus, more or less, substituted for by group pressure. Clients that finish all cycles can either stay in the sixth cycle and receive \$550 loans or go to other MFI's such as MFI-A.

MFI-E

MFI-E is an independent humanitarian agency, which has specialized itself in community development and disaster relief. This international organization focuses on the most vulnerable in society such as women, children and senior citizens. Since 2002, the organization has developed small scale micro finance programs that aim at developing the credit potential of the (very) poor who usually have no access to credit. The Ulaanbaatar Micro-Economic Development Project (MED UB) is a business development service which was first provided in association with MFI-A (UNDP Mongolia, 2004). The project is now also implemented in cooperation with another commercial bank, all MFI-E-respondents in this study are clients of the latter. The main goal of the project is to encourage commercial banks to develop loan products and services for poorer clients. They try to lower their criteria, since many residents of Ulaanbaatar, especially migrants that have just moved in from the countryside, cannot meet the requirements of banks. These people often do not have ownership of land or an apartment and therefore lack (standard) collateral. Other projects often provide loans directly to clients while MFI-E acts as an intermediary and tries to connect poor clients to the existing commercial banking sector.

Clients with business skills and potential, but no access to credit are identified and provided with a four day business training. Only clients with some experience in their field are accepted, they need to have worked for at least three months in the same business. During this training participants learn about business planning, marketing and loan management. When the training is completed clients can apply for a loan. MFI-E assists

clients who apply for loans and help to negotiate on their behalf with credit officers. Clients can only apply for loans that are used for business or income generation. Some collateral is necessary for acceptance by banks. This collateral can be movable, such as furniture or electric equipment. The loan size ranges from \$45 to \$450 but in exceptional cases higher loans are accepted. Although the program does not focus exclusively on women, still 80% of the clients are female (a.o. UNDP Mongolia, 2004). Only individual lending is provided in Ulaanbaatar.

Deshmukh-Ranadive and Murthy suggest that a credit-plus approach, where microcredit is combined with other activities, stimulates empowerment more than just providing microloans. For that reason, the organizations were divided into two categories: credit (a concentration on financial activities) and credit-plus (microcredit combined with training). MFI-A, MFI-B and MFI-C are defined as ‘credit-min’ and MFI-D and MFI-E as ‘credit plus’ organizations since they structurally combine microcredit with training and are more socially oriented. These and other features of the participating MFI’s are summarized in table 2.

Table 2: Summary of features of participating MFI’s (2006)

	MFI-A	MFI-B	MFI-C	MFI-D	MFI-E
MFI category	Bank	NBFI	SCC	NBFI (NGO)	NGO
Targeted clients	SME & micro-entrepreneurs	SME & micro-entrepreneurs	-	Poor & vulnerable non-poor	Poor & vulnerable non-poor
For profit?	Yes	Yes	No	No	No
Individual/Group	Individual	Individual	Individual	Group	Individual
# clients ¹³	6.287 ¹⁴	750 - 1000	600	2.563	± 100 ¹⁵
% female clients	53%	50%	60 – 70%	85%	80%
Loan size	flexible	\$90 – \$270.000	\$5 – \$50.000	\$20 – \$550	\$45 - \$450
Average loan size	\$684	-	\$ 1.800	\$183	-
Collateral?	Yes	Yes	Yes	No	Yes
Repayment rate	99%	-	92%	99%	98%
Interest rate	2.0 – 3.8%	1.5 – 4.0%	2.6 – 3.9%	3.5%	3.2%
Credit or credit-plus	Credit	Credit	Credit	Credit-plus	Credit-plus

Phase II: Female respondents

The second phase of the fieldwork consisted of a survey on psychological wellbeing, features of microcredit and business under clients of the MFI’s and women that were no clients. A questionnaire was developed and translated in Mongolian. To increase the reliability the Mongolian questionnaire was re-checked back-translated by a second translator. A small pilot was carried out at a community event in Ulaanbaatar after which a few questions were adjusted or modified.

The set-up was to collect information from thirty respondents in each of the six groups. Considering some non-response, this had to lead to approximately 25 useable questionnaires for analysis per group. The respondents were selected by the MFI’s themselves. Two MFI’s gave permission to visit the respondents personally, two distributed the questionnaires through their branches. For the fifth MFI it was, due to time and privacy constrictions, only possible to conduct the survey during focus-group discussions with clients. Although time-consuming, meeting respondents personally also provided us with more insight in their work and living conditions. For the respondents that were approached through the organizations it is not clear how the response was, but the questionnaires were all completed in a relatively short time. Another kind of non-response, are the missing answers in the completed questionnaires. In total, 204 respondents are included in the analyses: 133 MFI clients –of which 27 group lenders- and 71 non-clients. The selection of non-participants was at random. People were asked on the street and in shops to fill in the questionnaire. The characteristics of participants from ‘credit’ and ‘credit-plus’ programs and non-participants are summarized in table 3.

¹³ In Ulaanbaatar

¹⁴ on total of 50,101 active borrowers in Mongolia (MFI-A Annual Report 2005)

¹⁵ Source: <http://www.postbank.mn/eng/index.php?ac=news&newsid=41>

Table 3: Features participants credit and credit-plus programs and non-participants (2006)

All figures are average except for the percentages	Microcredit participants			Non participants
	All	MFI's 'credit'	MFI's 'credit plus'	
N	133	98	35	71
First loan ¹⁶	\$636	\$814	\$139	-
Last loan	\$944	\$1180	\$296	-
Number of loans	3,8	4,3	2,4	-
Age	42,3	42,1	43,9	37,2
Education*	5,5	5,5	5,6	5,7
Married/living together %	70%	68 %	77 %	67 %
Household income	\$207	\$225	\$155	\$172
Income pp in household	\$50	\$56	\$32	\$46
Number of people in household	4,2	4,0	4,9	3,7
Number of Children	2,8	2,5	3,6	2,6
% with a business	87%	82 %	100 %	44 %
% Living in ger-area	74%	68 %	91 %	55 %

* On scale 1 to 7: no education to university.

Analysis

In the analysis we explored whether microcredit influences psychological empowerment and if features of programs play a role. Before we turn to the analysis first the variables are shortly described.

Psychological wellbeing variables

The first three aspects of psychological wellbeing -happiness, loneliness and power- were measured on a scale of one to ten on which respondents had to mark their relative position. Ten stands for “very happy with my life” and zero “very unhappy”. Respondents in the sample scored quite high on these aspects: for happiness the average score is 7.7, for (lack of) loneliness this is 7.6 and for power 8.1. The fourth aspect -self-esteem- was measured with an already consisting scale: the Rosenberg Self-Esteem (RSE) scale which consists of the sum of ten items. A higher score on this scale indicates a higher level of self-esteem. The scale had a theoretical minimum of zero and a maximum of three. In the sample, the scores range from 1.22 to 3.00. The average score is 2.13. After some adjustment the reliability of the scale was .70 which is quite reasonable.¹⁷ The final aspect, self-efficacy, is also measured with a ten-item scale. On the General Perceived Self-Efficacy scale (GSE) a higher score indicates a higher level of self-efficacy. The reliability of the scale is .82, which is high. The scale has a theoretical minimum of one and a maximum of four. In the sample, the scores range from 2.30 to 4.00. The average score is 3.31.

To explore whether the psychological wellbeing of respondents changed we used five variables that measure the change in the psychological wellbeing variables. These variables are meant to indicate the change in happiness, loneliness, power, self-esteem and self-efficacy and in this way capture some of the process of psychological empowerment. From now on we will refer to these variables as aspects of psychological empowerment. The respondents were asked if their situation with respect to happiness, loneliness and so on has improved, remained similar or got worse compared to their situation before they got the loan. For happiness, loneliness and power, respondents were asked if their position now is better or worse than the situation before they got microcredit. For self-esteem and self-efficacy it is more difficult to determine what the difference is, since these scores are based

¹⁶ The means for the value of the first and last loan are based on class medians and exclude the highest and lowest category. The average loan value might therefore in reality differ somewhat.

¹⁷ Since the reliability of the scale was not very high (Alpha .62) one item that didn't fit well was removed. The reliability increased to .70 which is quite reasonable. Finally, cases with two or more missing items were excluded as the reliability dropped to less than .60 in those cases.

on a scale of 10 items. In addition, self-esteem and –to a lesser extent- self-efficacy are not common concepts in Mongolia. For that reason, respondents were asked how they felt about themselves compared with the situation before they took the loan to indicate if their self-esteem had increased. For self-efficacy, they were asked how well they were able to reach their goals compared to the situation when they had no microcredit. Since it is hard to determine to what situation non-participants should compare themselves, only microcredit participants have been questioned (N=133).

Unfortunately, not all questions have been answered by all respondents. Especially for the variables ‘change loneliness’ and ‘change feeling self’, the non-response is quite high. Also, there is not much variation in the answers, except for the ‘change loneliness’ variable (see table 4).

Table 4: Aspects of psychological empowerment (scores)

	N	Improved	Neutral	Worse
Change happiness	127	74 %	24 %	2 %
Change loneliness	112	23 %	57 %	20 %
Change power	125	71 %	26 %	2 %
Change feeling self (indication self-esteem)	110	78 %	22 %	0 %
Change goals (indication self-efficacy)	128	81 %	20 %	0 %

Since our data doesn’t allow a scale construction we consider the psychological wellbeing and empowerment variables separately.

Analysis 1: Is there a relation between microcredit and psychological empowerment?

Our first question is whether microcredit influences psychological empowerment. Psychological wellbeing refers to the current psychological state while psychological empowerment refers to the change of that state. Therefore we define psychological empowerment as an increase in psychological wellbeing. If microcredit empowers women, microcredit participants should have higher levels of psychological wellbeing than comparable women that do not accessed microcredit. We compared whether microcredit participants differ from non-participants in terms of happiness, loneliness, power, self-esteem and self-efficacy. In table 5 the values for microcredit participants and non-participants are presented.

Table 5: Aspects of psychological wellbeing for microcredit and non-participants

	Microcredit participants (N=133)	Non-participants (N=71)
Happiness	8,1	6,8
(Lack of) Loneliness	8,4	6,3
Power	8,5	7,4
Self-esteem (scale 0 – 3)	2,2	2,0
Self-efficacy (scale 0 – 4)	3,3	3,3

Table 6 confirms that microcredit participants score significantly higher on all these aspects of psychological wellbeing, except for self-efficacy.

Table 6: Aspects of psychological wellbeing: microcredit and non-participants

	Levene’s test for equality of variances		T-test for equality of means		
	F	Sig.	Sig. (2-tailed)	Mean difference	Std. error difference
Happiness	4,73	,03	,00	1,37	,30
Power	13,89	,00	,00	2,07	,37
Loneliness	7,67	,01	,00	1,04	,31
Self-esteem	1,33	,25	,02	0,16	,07
Self-efficacy	0,03	,86	,12	0,09	,06

Microcredit clients do report higher levels of psychological wellbeing than women that do not have microcredit. They score higher with respect to all aspects of psychological wellbeing except for self-efficacy. Thus, microcredit clients seem to experience a higher level of psychological wellbeing than non-participants.

These results can be explained in various ways. In the first place, the difference can be due to a selection effect: women with higher levels of psychological wellbeing are more likely to apply for a microcredit. Secondly, some methodological issues can play a role. In single-item measures, like happiness, the differences are quite large. This could be due to low reliability of these items which results in large differences. Also, the concepts of self-esteem and self-efficacy are not common in the Mongolian language. And finally it is possible that some aspects of psychological wellbeing are influenced, while others are not. Nevertheless, the results can also be interpreted as an indication that microcredit furthers psychological empowerment. Although it is not exactly clear what causes this difference, it is still an important indication that microcredit, regardless the approach of the supplying organization, can further psychological empowerment. The approach of the program may matter. In the following paragraph, it is discussed whether participants from different organizations also differ in psychological wellbeing and empowerment.

Analysis 2: Do features of microcredit programs make a difference?

Now that there are indications that microcredit influences psychological wellbeing the question is whether features of programs matter. Although it is claimed that microcredit will stimulate empowerment of women it is not clear how this mechanism operates. Especially for psychological empowerment little research has been conducted thus far. Authors paying attention to psychological empowerment suggest that certain features of organizations can stimulate or impede empowerment in individuals. It is therefore interesting to compare the clients of several organizations in order to explore if they differ in psychological wellbeing and empowerment. First we analyze if participants from ‘credit’ and ‘credit-plus’ programs differ in their psychological wellbeing. Second, we analyze how participants value their wellbeing compared to their situation before they got microcredit.

In table 7 both groups are compared. Although participants of different programs seem to vary somewhat in their level of psychological wellbeing, not many differences were found.

Table 7: Aspects of psychological wellbeing for participants of credit-plus and credit programs

	Credit plus (N=35)	Credit (N=94)
Happiness	8,4	8,0
(Lack of) Loneliness	8,8	8,2
Power	8,7	8,4
Self-esteem (scale 0 – 3)	2,3	2,1
Self-efficacy (scale 0 – 4)	3,5	3,3

Table 8 shows that only for self-efficacy the difference is significant. The level of psychological wellbeing can be considered quite equal although the differences are in the expected direction. Credit-plus respondents score somewhat higher but the differences aren’t large enough –especially considering these small numbers– to be significant.

Table 8: Aspects of psychological wellbeing: Credit-plus versus credit participants

	Levene’s test for equality of variances		T-test for equality of means		
	F	Sig.	Sig. (2-tailed)	Mean difference	Std. error difference
Happiness	,04	,84	,26	-,39	,34
Loneliness	,11	,75	,20	-,52	,40
Power	,00	,98	,32	-,33	,33
Self-esteem	,15	,70	,11	-,14	,09
Self-efficacy	,00	,97	,00	-,23	,08

For psychological wellbeing the differences between participants –except for self-efficacy- are small. These variables are about the current psychological state of participants. To get some insight in processes of psychological empowerment we asked respondents whether their situation had changed with respect to their wellbeing. We asked them if their feelings with respect to happiness, loneliness, power, themselves (self-esteem) and ability to achieve their goals (self-efficacy) had improved, remained the same or worsened. The answers were recoded into -1 (worse), 0 (neutral) and 1 (improved). In table 9 the average score is given.

Table 9: Aspects of psychological empowerment: Credit-plus versus credit participants

	Credit plus (N=35)	Credit (N=94)
Change happiness	0,8	0,7
Change loneliness	0,2	-0,0
Change power	0,8	0,6
Change feeling about self (indication self-esteem)	0,8	0,8
Change ability to accomplish goals (indication self-efficacy)	0,9	0,8

The credit-plus participants again score somewhat higher than the other participants, although the differences are small. The difference in change in power and ability to accomplish goals was significant. Credit-plus participants feel more often they have more power over their life and feel better able to accomplish their goals compared to before they took a loan. For overall happiness, loneliness and how respondents feel about themselves no differences have been found (see table 10).

Table 10: Aspects of psychological empowerment: Credit-plus versus credit participants

	Levene's test for equality of variances		T-test for equality of means		
	F	Sig.	Sig. (2-tailed)	Mean difference	Std. error difference
Change happiness	11,20	,00	,07	-,15	,10
Change loneliness	1,32	,25	,14	-,20	,14
Change power	13,45	,00	,04	-,20	,09
Change feeling about self	0,00	,99	,99	,00	,09
Change ability to accomplish goals	20,46	,00	,02	-,15	,07

There are indications that participants of credit and credit-plus programs differ with regard to some aspects of psychological empowerment. An explanation for their higher levels of psychological empowerment may lie in the short period of lending of the credit-plus clients. Both credit-plus MFI's have only recently started microcredit programs. Perhaps these clients are better able to compare their situation now to that before the microcredit, since this hasn't been long ago.

Conclusion

Microfinance is appealing to many because of its promise to realize two goals with the same tool: reduce poverty in the short run and stimulate empowerment which is needed to fight poverty in the long run. Despite a growing body of research it remains unclear whether microfinance has an impact on empowerment, and if so, how, for whom and under which conditions. Research findings primarily focus on the empowerment of women and seem to mainly depend on the particular context, definition of empowerment, and the indicators researchers use to measure empowerment. Only a few authors have paid serious attention to psychological empowerment in the development context. Although their definitions differ, their ideas are quite similar. That is, feelings of self-confidence and self-efficacy are central to processes of empowerment in other dimensions. Some studies reveal that microfinance clients report a higher sense of self-worth or self-esteem. However, evidence of psychological empowerment of women and how this relates to microfinance and the actions of organizations providing microfinance is scarce and primarily qualitative. Although little is known about the influence of organizations on

processes of psychological empowerment, there are some indications that the strategy of organizations can make a difference.

The empirical part of the research was carried out in Mongolia. Although microcredit has nearly become a mainstream tool here, little is known about the effects of microcredit programs, especially in relation to empowerment. For this study five MFI's were selected, all operating in the capital, Ulaanbaatar. We collected data on both the management and client level. On the management level the emphasis was on features of the organization, especially in terms of strategy and structure. At the client level information with regard to loans, aspects of entrepreneurial activities and psychological wellbeing and empowerment was collected through a survey under 133 female clients of these five organizations and a control group of 71 non-clients.

Psychological empowerment has been defined here as an increase in psychological wellbeing. Psychological wellbeing has been measured based on aspects like happiness, power over one's life, lack of loneliness, self-esteem and self-efficacy. To get some insight in processes of psychological empowerment participants were asked to indicate whether they had experienced changes in psychological wellbeing.

The analyses reveal a nuanced picture. Microcredit participants do score significantly higher than non-participants on all aspects of psychological wellbeing, except for self-efficacy. Subsequently we analyzed whether the program in which participants participate makes a difference for the level of psychological wellbeing. Here, only a difference in self-efficacy was found: participants in credit-plus programs score higher than participants in credit programs. The most important question is however how both groups score with respect to the variables that measure aspects of psychological empowerment, that is to say a process of empowerment. We measured aspects of psychological empowerment by asking participants if their psychological wellbeing had improved or declined since they took loans. Here, again, a mixed picture emerges. Credit-plus participants score higher than credit participants with respect to the increase in happiness, power and the ability to accomplish goals. For changes in loneliness and feeling about self no differences were found.

The results of the research should be interpreted with some caution, among other things because of the small numbers of respondents. Nevertheless, these analyses have led to some interesting new insights with respect to the influence of microcredit organizations on individual psychological empowerment. In the first place, women with microcredit experience higher levels of psychological wellbeing than women without. Despite the influence of eventual selection-effects this is also an indication that microcredit, in itself, furthers psychological empowerment. Second, and most important, participants of different microcredit organizations differ in psychological empowerment and this does not seem to be the result of variation in psychological wellbeing. Especially when credit-plus and credit approaches are compared, the differences become quite pronounced. Despite the explorative character of this study this is a strong indication that approach matters. It seems that microcredit, in itself, can stimulate psychological empowerment but especially when lending is embedded in programs that are broader than just financial activities.

In our study we explored whether microcredit is related to psychological empowerment and if program features play a role. We searched for ways to translate psychological empowerment in quantitative variables that measure aspects of this empowerment process. Although much work needs to be done, this approach seems promising in terms of practical, measurable and analyzable outcomes. In addition, with respect to content, there seem to be relations between participation in microcredit programs and psychological wellbeing but possibly not on all aspects. This points to the need to elaborate our view with regard to psychological empowerment and ways microcredit may or may not enhance that process. Further exploration of this research field is needed in order to understand these complex interrelationships. The ultimate question in development contexts is how psychological empowerment is related to other dimensions of empowerment and what role microcredit can play in empowerment processes. When trying to answer this question, psychological and management literature provide valuable sources to build upon. The most valuable source in all this remains however the perspective of participants; only they can value their own empowerment process.

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