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Microfinance and Women's Empowerment in Honduras

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Abstract

This thesis examines the possibilities for women's empowerment through microfinance. It utilizes the results of a survey conducted in 2009 with clients of the microfinance organization FINCA Honduras. The analysis of these survey results yields important conclusions on FINCA Honduras' ability to empower Honduran women economically, psychologically, and socio-culturally. The original hypothesis of this study stated that FINCA Honduras' financial services would help the female client to improve her standard of living, her psychological well-being, and her gender relationships in the home. FINCA Honduras has partially succeeded in empowering its female clients in these ways, but currently lacks the specific tools and/or motivations to fully empower women through its services. The findings presented by this thesis offer evidence against microfinance's ability to automatically empower the female client, and consequently challenge its growing reputation as a panacea for world poverty and gender inequality.

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INTRODUCTION

If you give a man a fish, you feed him for a day.
If you teach a man to fish, you feed him for the rest of his life.
Anonymous

In an age of globalization and increasing global disparity between rich and poor, the world has seen the rise of a new and celebrated poverty-fighting strategy in past decades: microfinance. Microfinance organizations, by definition, provide financial services to poor entrepreneurs, most commonly small loans to help poor individuals start or grow small businesses. Microfinance also includes the provision of other services such as savings opportunities and micro-insurance to the poor. Since its beginnings in the 1970s, microfinance has spread exponentially worldwide with the backing of countless governments and influential international organizations such as the United Nations and the International Monetary Fund (IMF). It has been endorsed and applied in developing countries from Bangladesh to Bolivia as a hopeful cure for economic inequality. This poverty-fighting strategy has also specifically been praised for its sustainability—instead of functioning as a charity, it aims to provide poor individuals with the tools to pull themselves out of poverty and sustain their financial success. The great faith that the world has placed in microfinance in recent years has made it seem the panacea for world poverty. Its impact on the alleviation of poverty on a grand scale has yet to be assessed, but important changes have occurred at the individual level for microfinance clients as they improve their financial stability and standard of living through small enterprise.

Microfinance has become popular not only for its alleged ability to combat poverty but for its potential to empower the microfinance client, especially those clients who are women. In many of the developing countries where microfinance has become prevalent, gender inequalities play a powerful role in societal structure and contribute greatly to the nation's poverty and underdevelopment. The possibility of empowering women and granting them greater economic, psychological, and social agency through a simple loan therefore makes microfinance a compelling initiative at the micro and the macro level. Empowering an individual woman in a third world nation not only grants her greater independence and control over her life, but may also contribute to the well-being of her family and in part to the alleviation of poverty in her country. It is on this platform of the simultaneous alleviation of poverty and empowerment of women that many microfinance organizations have promoted their work and gained financial support. But much research still remains to be done on microfinance's individual and collective impact among the poor. We must continue to investigate the exact ways in which microfinance works as a tool to reverse poverty and to empower the individual before we can make claims on its worldwide success.

This thesis will address the specific impact of the non-profit microfinance organization FINCA Honduras on its female clients, in terms of economic, psychological, and socio-cultural changes in their lives. When I began my research on this topic, I was interested in how exactly empowerment could be achieved for women through the simple provision of microloans and other financial services. I started with a high level of optimism on microfinance's ability to impact the poor female client, but also wanted to investigate firsthand the true feasibility of empowerment for female clients of microfinance institutions. I was interested in learning about the individual struggles and advances of women as recipients of microloans and their stories of success or failure. I was granted this opportunity through an internship from June to August of 2009 with

FINCA Honduras. As my primary task for this internship, I was given a standardized survey to administer with clients on their standard of living, confidence, and satisfaction with the organization, among other indicators. This survey was part of a series of surveys created by FINCA International to measure the organization's impact on its clients. I will use the data collected from this survey to present my own findings on one Honduran microfinance organization and its ability to empower the women it serves.

This thesis will be organized by the following chapters. In my first chapter, I will discuss the history and development of microfinance as a poverty-fighting strategy since its beginnings in the 1970s, touching on microfinance's global spread, the variety of lending strategies and financial models that have evolved among microfinance institutions over the years, and the specific Latin American model of microfinance. In Chapter Two, I will address the specific meaning of female "empowerment" in its three facets—economic, psychological, and socio-cultural—and its feasibility through microfinance as previously investigated worldwide, highlighting the current debates among microfinance scholars on empowerment possibilities for women. Chapter Three will provide an economic, political, and social background of the country of Honduras, discussing the specific struggles that have led Honduras to its underdeveloped status today. In my fourth chapter I will outline the essential characteristics of FINCA Honduras as a microfinance organization, and I will present the methodology that I used in my administration of the FINCA survey with clients in Honduras in June and July 2009, providing specifics on my internship with the organization and on the survey's format. Chapter Five will present a detailed and statistical analysis of my collected data on the female clients of FINCA Honduras and the organization's economic, psychological, and socio-cultural impact on their lives. Finally, in my seventh and last chapter I will discuss my conclusions on FINCA's success in empowering its female clients and its general success as a microfinance organization. I will offer suggestions for the betterment of FINCA's services and, based on the aggregation of my research in this thesis, I will present my current opinions on microfinance as a tool for poverty alleviation and empowerment.

CHAPTER ONE: HISTORY AND DEVELOPMENT OF MICROFINANCE

Microfinance's Beginnings: Muhammad Yunus and The Grameen Bank

The idea of granting small loans to the poor had its most famous beginnings in 1974 with a Bangladeshi economist by the name of Muhammad Yunus. Yunus was the head of the economics department at Bangladesh's Chittagong University, and when a devastating famine struck his country in 1974, he began to feel frustrated with the abstract economic theories that he taught to his students daily.[1] He wanted to find a practical solution to starvation and poverty, one that did not rely on academic notions of "trickle-down" effects but that came from the people themselves. Yunus began to study economics from what he called a "worm's eye view": in the city streets, with "the people as his professors".[2] It was through this research on poverty and its sources that he arrived at the notion that the fair provision of credit to poor entrepreneurs could make every difference in their survival. In 1976, Yunus granted the first microloan in Bangladesh—only twenty-seven dollars—to forty-two bamboo stool weavers in the village of Jobra.[3]

From the time of this first microloan to the Grameen Bank's official certification as a financial institution in 1983, Yunus and his coworkers created a widely replicated micro-lending model that focused on the provision of group loans to mostly female clients in the poorest sector of society. According to Yunus, client group membership ensured higher repayment of loans and provided necessary mutual support and opportunities to learn collectively. He asserted that "subtle and at times not-so-subtle peer pressure" and "a sense of intergroup and intragroup competition" were mechanisms that would motivate each client to handle her credit in a timely and responsible way.[4] The failure of one individual had the potential to affect the eligibility of the entire group for its next loan, while a group's collective success would allow all of its members to increase their subsequent loan sizes. He also emphasized that group members could help each other in the repayment of their loans if a certain individual met economic difficulties.[5] The group would learn together how to manage their businesses more effectively, sharing strategies and encouragement. Thus the solidarity group became the smart model for lending money to vulnerable clients who had no previous credit experience. Just as Yunus had a specific reason for the use of groups, he saw the extension of microloans to women as a strategic necessity.

In Bangladesh and in locations worldwide where microfinance has flourished since the start of the Grameen Bank, the focus on women has proved essential in making a strong impact on financial gender equality and on the alleviation of poverty at the individual and familial level. When Muhammad Yunus first advocated for women as the primary clients of his microfinance program, he pointed out that the formal banking system had clearly been "created for men"—women were not authorized to take out a loan from a bank without the presence of a man, and were therefore kept from financial independence or self-advancement by the local system.[6] By granting women the right to credit, Yunus saw that he could alleviate this gender inequality while also fighting poverty in the most widespread and effective way. He explains in Banker to the Poor, "Not only do women constitute the majority of the poor, the underemployed, and the economically and socially disadvantaged, but they more readily and successfully improve the welfare of both children and men. Studies comparing how male borrowers use their loans versus female borrowers consistently show this to be the case".[7] It was for these reasons that Yunus' microfinance, with its inherent goal of poverty alleviation, became clearly focused on women—as the poorest population and the most selfless providers for their families, women were the perfect clients for microloans. With their success, new generations and entire communities could potentially be guaranteed a higher standard of living and a greater chance for the future.

Yunus also had a tactical reason for reaching clients at the absolute lowest poverty level—not only because they deserved the right to credit most, but because they proved unprecedentedly faithful in their repayment of loans and responsibility with their credit. Before the Grameen Bank, all other formal banking institutions had viewed the poor as the riskiest clients and therefore unfit for financial services. But Muhammad Yunus declared that the poor would pay back their loans unlike any other clients, because they would value the money more and would monitor its use with great care. A small Grameen loan would be the "one and only chance" for a poor individual to escape destitution.[8] According to these early microfinance theories, clients from the poorest sectors of society appreciate highly the trust of a microfinance organization and will do whatever they can to hold on to such an opportunity for success. They are so faithful that even standard procedures such as collateral are unnecessary—as Yunus highlights, those clients who managed their loans without collateral in fact showed a higher repayment rate than those who were guaranteed by personal assets.[9] With its revolutionary policies, the Grameen Bank proved to the world that the poor not only deserved but could also manage credit as well as any other financial clients.

The original micro-lending model pioneered by the Grameen Bank was characterized by low-pressure loan conditions and a cooperative relationship between organization and client that allowed for flexibility of services. The formula for a Grameen loans is as follows: Loans last one year, a long loan term compared to most institutions. Repayment installments are paid weekly in very small amounts, at two percent of the loan amount per week. Finally, the interest rate is two currency units per week for every thousand currency units of the loan, which amounts to twenty percent interest over the entire year.[10] These loan conditions allow vulnerable clients to manage their loans easily and without the stress of large repayments at any time, and thus are ideal for microfinance that reaches the most poor. In the Grameen model, solidarity groups are also required to accumulate small incremental savings collectively. Each member deposits five percent of her loan in a group fund over time. If a certain member encounters a difficult financial situation, she can take out a loan interest-free from this group fund upon the agreement of her group.[11] Such measures allow clients to learn the value of saving together and to create a cushion for themselves in the event of a crisis. Finally, Grameen clients are given the flexibility to modify their specific loan conditions depending on their performance and on environmental circumstances. Long-term clients who prove themselves as dependable borrowers can be granted new, larger loans for purposes outside of business, such as home construction.[12] If a client lives through an economic crisis or a natural disaster, on the other hand, her old loan is given an extra long term that can be paid in smaller increments, but her loan will not be wiped out altogether.[13] With this combination of stress-free and flexible strategies, the Grameen Bank model of microfinance became the widely praised and replicated way to successfully provide credit to the poor.

Muhammad Yunus would soon see his revolutionary idea taking hold around the world. Since 1976, microfinance institutions and strategies have grown substantially and have adapted to the specific environments of the countries in which they work. Today, a variety of debates have emerged concerning the most effective microfinance models and the specific goals and purposes that microfinance organizations should focus on. We will now examine the spread and development of microfinance over time, and the essential differences that exist today among its leading institutions.

Microfinance's Global Spread

In the mid-1970s, as Muhammad Yunus was first forming the Grameen Bank in Bangladesh, similar ideas for micro-lending and assisting poor entrepreneurs were forming in Latin America. In Brazil in 1972, Projeto Uno began providing working capital loans to the owners of small businesses. Low interest rate and other easy loan conditions to help the poorest clients were not the focus of Projeto Uno, but this organization was the first to provide loans through a system of loan officers who worked closely and personally with clients, a model which prevails today in many microfinance institutions.[14] ACCION International, a poverty-fighting volunteer organization that started in Caracas, Venezuela in 1961, began issuing microloans to clients in 1973. In the next decade, ACCION would help to establish microfinance institutions in over fourteen countries throughout Latin America.[15] One of these organizations was the world-recognized BancoSol of Bolivia, the first non-governmental microfinance institution to become a formal regulated bank, which originated in response to an extreme economic crisis and urban unemployment. [16] Microfinance continued to spread through Latin

America, to Colombia where the minimalist micro-lending institution Fundación Carvajal began its programs in 1978 and to the Dominican Republic where Banco Ademi created a loan fund for small street salesmen around the same time.[17] The Latin American model of microfinance soon took on a specific form of its own which we will discuss below.

In the 1990s, microfinance organizations and networks that had begun in Latin America and Asia began to expand their programs into Africa, Eastern Europe, the Middle East, and even to more developed, first world countries. Between 1990 and 1995, FINCA International (Foundation for International Community Assistance), a microfinance network that was founded in Bolivia, began new programs in Uganda and Kyrgyzstan. Today, FINCA directs affiliates in five African countries, seven Eurasian countries, and two Middle Eastern countries in addition to its original Latin American branches.[18] The Bangladesh Rehabilitations Assistance Committee (BRAC), which gave its first loans in Bangladesh in 1974, developed programs in Africa in 1994 and now works in Bangladesh, Sri Lanka, Afghanistan, Pakistan, Tanzania, Uganda, Sudan, Liberia, and Sierra Leone.[19] Microfinance is now a global phenomenon that has been widely accepted as an important way to reach out to the world's poor. Today, the World Bank estimates that over seven thousand microfinance institutions serve approximately sixteen million people worldwide.[20] For those who work in microfinance, the question is no longer if small loans have the potential to help the poor, but how and to whom these microloans should be administered.

Lending Strategies: Development and Debate

Since the Grameen Bank presented its initial formula for micro-lending through group loans and a focus on women from the poorest communities, much of microfinance strategy has been reformed and rethought by new institutions. The majority of microfinance organizations have in fact now departed from a non-profit, charitable focus to more of a business outlook on the services that they provide. Today we can highlight four major debates over the intended mission and structure of micro-lending as an initiative. The first is whether group or individual loans are more effective in helping clients to improve their businesses and lives. The second is whether microfinance institutions should focus their services on the absolute poor or on the relative poor as clients. The third debate centers on the sole provision of credit versus the provision of credit as well as other financial services and training. Finally, the fourth debate asks whether microfinance organizations should continue their original non-profit mission or become commercialized and make profit from their clients. Upon review of these debates, it is clear that each perspective possesses distinct benefits and pitfalls, both for organizations and clients themselves.

As Muhammad Yunus outlines in Banker to the Poor, the clear benefits of group loans lie in group solidarity and support and the placement of responsibility and power in the clients' hands. Group pressure motivates clients to pay back their loans in a timely fashion, therefore avoiding the need for client hassling by the institution. Group members can support each other in times of economic trouble and thus can build up a positive credit history together as a collective.[21] As Malcolm Harper emphasizes in "What's Wrong with Groups?" group membership provides individuals with an easier and more organized way to begin saving their money. It also gives many women the opportunity to leave the home and participate in a social collective for the first time, allowing them new confidence and agency, while taking responsibility and extra work out of the hands of the organization.[22] Group loaning systems still dominate the strategy of certain organizations, namely Grameen-affiliated programs and branches of the FINCA network, and remain most effective in rural and extremely poor areas.[23]

A newer argument for the provision of individual credit focuses on the freedom that an individual loan gives the client in terms of money, time, and responsibility. Harper points out that group loans are inflexible, often fixing loan sizes at values that are too low and loan terms on cycles that are too long in the eyes of clients. Group meetings pose a significant time burden for many women who work around the clock at their small businesses in order to sustain their families and pay back their credit. They must close their shops for an hour or more to attend weekly meetings, and thus lose essential business. Finally, membership in a group gives extra, unwanted responsibility to each client—the need to look out for weaker members or guarantee the larger loans of the strongest members.[24] On the contrary, individual clients can take out loans that are much higher because they are not pulled down by the vulnerability of others in their group. They can decide their loan terms personally without having to make limiting compromises. An individual client is responsible only for herself and has more time to grow her enterprise. This individual loan model has been adapted by a large number of microfinance institutions today, including BancoSol of Bolivia and other ACCION International affiliates, and has been considered ideal for the moderately poor client.[25]

This distinction between moderately and extremely poor clients brings us to the next debate among microfinance theorists.

The justification for designing microfinance programs to serve the poorest populations remains simple: Muhammad Yunus proved the poor to be reliable clients, and they are the most in need of access to credit and formal assistance. As previously discussed, the Grameen Bank model demonstrated in the 1970s that very poor individuals took their loans seriously and worked harder than any other client group to pay them back responsibly. Collateral was not even a necessity to guarantee the faithfulness of these highly vulnerable clients.[26] In addition, many microfinance institutions see service to the most poor as a moral imperative. The rhetoric of microfinance speaks of goals to eradicate poverty worldwide, and it could be considered "false advertising" for an organization to preach such rhetoric while simultaneously ignoring the lowest sector of the poor population.[27] As David Hulme clarifies in "Is microdebt good for poor people?" those clients whose standard of living truly lies below national poverty lines are the most in need of microfinance's services. They are the most vulnerable to crisis and the most plagued by a basic lack of human rights and survival tools.[28] Therefore, it has been argued that these extremely poor clients must be the first priority of every microfinance institution—as Muhammad Yunus declared when he first started the Grameen Bank, a small loan could truly make the difference in their survival.

In past decades, a newer argument for serving the relatively poor instead of the extreme poor has emerged among microfinance theorists and institutions, which declares that debt is too risky and damaging for the poorest members of society and that a microfinance organization can work much more efficiently if it serves the relatively poor.

Weiss and Montgomery argue that high repayment rate among the poorest clients does not necessarily reflect the capacity to pay, but instead could be a symptom of excessive social pressure and even fear. “Microdebt” poses an extreme risk and source of stress for the very vulnerable poor who have no resources or monetary cushion to fall back on. Weiss and Montgomery therefore suggest that microfinance is not the ideal mechanism to assist the most poor and that programs such as food subsidies or workfare would be more effective.[29] Serving the relatively poor instead of the extreme poor is also seen as more beneficial for microfinance organizations. Less training and support is needed for relatively poor clients because most of them already own small businesses and possess entrepreneurial skills. The relatively poor are viewed as less risky and can provide collateral, and therefore the institution can guarantee the repayment of its clients’ loans and can work towards financial sustainability.[30] For these reasons—client service and organizational efficiency—many microfinance institutions have departed from the historical focus on the extreme poor to a more practical client base of the relatively poor.

The third debate among microfinance theorists focuses on the range of services that a microfinance institution should provide. One side of the debate reflects a minimalist approach, stating that the sole responsibility of a microfinance organization should be to provide credit to its clients. This argument rests on the belief that credit alone, and the consequential increased income for an entrepreneur, can empower the client to become a more confident and proactive individual. (This issue of empowerment will be central to our later discussion.) Economic assistance is more than enough for clients, argue minimalist theorists, and any further financial or social services such as savings programs or health care should not be the responsibility of a microfinance organization as they lie outside of the organization's realm of work.[31] Other NGOs should focus on the specific services beyond microcredit, and microfinance institutions should keep their programs simple, focusing on their true mission: providing credit to the poor.

A variety of microfinance institutions worldwide have begun to provide additional services beyond basic credit to their clients, citing the emerging argument that microfinance cannot combat gender inequality if it is not accompanied by a comprehensive program of assistance for the poor women that it serves. Credit and increased income only bring women halfway to empowerment, these theorists assert. Hulme suggests the diversification of financial services which microfinance organizations provide: "flexible savings, contractual savings, loans for education and health, microinsurance and lines of credit."[32] He argues that just as poor women have been barred from credit by formal banks, they have been barred from the variety of services mentioned above and need and deserve those services equally. Only with such diversification will poor microfinance clients have full power over their financial lives. Matin, Sulaiman, and Saleque stress in "Imagining microfinance more boldly" that microfinance institutions should in fact provide health care to clients by selecting and training local health workers in their clients' communities.[33] Linda Mayoux advocates for the provision of education on gender equality, stating that microfinance organizations should provide "awareness training in gender issues for men and women to ensure that microfinance leads to positive changes in women's position rather than exacerbating domestic conflict."[34] Many microfinance organizations have begun to operate some or all of these additional services as part of their outreach package, in hopes of addressing issues of gender equality and female empowerment more comprehensively and effectively. These "credit-plus" models of microfinance have been said to take an organization's social impact to the next level and to make its empowerment rhetoric more valid.

Finally we come to the debate over non-profit versus commercialized microfinance institutions. The first microfinance providers, including the Grameen Bank, were non-profit organizations, and many continue a non-profit mission today, citing the importance of sustainability and of treating the poor fairly as clients. Modern affiliates of Grameen and FINCA, for example, call themselves "sustainable" because they cover all costs of operation without retaining significant capital. These organizations maintain themselves primarily by large donor contributions, and due to disinterest in profit they are able to offer low interest rates and flexible loan terms to their clients.[35] The ideological justification for sustainability rests on the assertion that making a profit from the poor is exploitative and morally wrong. Theorists who advocate for sustainability state that newer, commercialized institutions are guilty of a "mission drift"—abandonment of the original microfinance mission and of the people it should serve. Marguerite Berger writes that commercialized organizations over-expand their client bases in search of profit, but in doing so place the quantity of clients over the quality of service provided to those clients.[36] Weiss and Montgomery point out that for-profit microfinance institutions that are regulated by formal banking systems must adhere to "tighter commercial criteria" that will exclude poor clients from participation.[37] Therefore, those institutions that wish to remain loyal to the poor and to follow Muhammad Yunus' original micro-lending mission have maintained a non-profit structure.

Commercialized, for-profit microfinance has risen in popularity in the past two decades and has been supported by many microfinance theorists for two reasons: the ability to reach more clients and the ability to provide a wider range of financial services to clients. These organizations assert that the extra capital gained from commercialization gives them the financial power and reach to serve a much greater number of clients, thus providing credit and other services to many more people who would not have received them otherwise.[38] Theorists who support the for-profit method of microfinance counter the common argument that quality of service is undermined by commercialization by pointing out that commercialized institutions have a greater capacity to provide services beyond credit to their clients. The provision of savings accounts, microinsurance, and other financial services which clients so often demand of microfinance organizations often requires a banking license and thus the switch to formal, for-profit operation.[39] Many microfinance organizations have seen this as a necessary change: becoming a commercialized institution allows them to better adopt the popular "credit-plus" model of micro-lending discussed above. Today, for-profit microfinance organizations have become powerful actors on the world stage: according to 2005 statistics, 45 of the top specialized microfinance institutions worldwide outperform the top 10 global banking institutions.[40] Whether this grand success is a triumph for microfinance or a corruption of its original goals and rhetoric remains a constant source of dispute.

It has been over seventy-five years since microfinance first took root in Bangladesh, Brazil, and beyond, and it has evolved into a multifaceted industry whose strategies vary widely. The debates over group versus individual loans, service to the extreme poor versus to the relatively poor, the provision of simple credit versus varied financial services, and sustainability versus profitability all demonstrate through their costs and benefits that there is no one way to operate as a microfinance institution. From these variations in strategy and rhetoric we learn that microfinance has become a word with multiple meanings and that its original form cannot be preserved. We now turn to the Latin American model of microfinance, and the specific strategies that have developed and prevailed in this region.

Microfinance in Latin America

Historically, microfinance institutions throughout Latin America have followed the individual lending model and have served the relative poor over the extreme poor. These two characteristics can be traced back to the first successful microfinance organization in Latin America, BancoSol of Bolivia. This institution began as a response to vast urban unemployment during the collapse of the Bolivian federal government in the 1970s. BancoSol operated to provide credit to individual urban entrepreneurs, who already possessed business skills but needed assistance to regain their livelihoods.[41] BancoSol set the stage for other Latin American microfinance organizations, and today individual loans to relatively poor clients are the trend in Latin America. As of 2006 only ten percent of microloans in Latin America were given to groups, mostly from FINCA affiliates and the Mexican institution Compartamos. In addition, because three-quarters of the population of Latin America lives in urban areas, relatively poor urban clients have been the great focus of microfinance services in this region.[42] According to Berger in An Inside View of Latin American Microfinance, serving the most poor is usually not seen as the industry's goal in Latin America, as most microfinance organizations aim to strengthen those who are already participants in the informal economy. However, there exist prominent organizations in the region that specifically focus on the poorest female clients, such as Mi Banco, which operates in Peru. Thus the Latin American model of microfinance represents the full spectrum of lending models and client poverty levels, although primarily focusing on relatively poor clients and individual loans.[43]

Latin American microfinance organizations have seen a recent transition from non-profit, sustainable institutions that offer simple credit to a growing number of commercialized for-profit institutions offering "credit-plus" models with a wide range of services. As Berger elucidates, microfinance in Latin America started with institutions that were not profit-focused and that relied heavily on private donors to sustain their operations. But as these institutions grew, donor dependence became riskier and more difficult and profitability became a more practical way to serve the large client bases that these organizations had accumulated.[44] A number of Latin American microfinance providers, such as Compartamos of Mexico and Finamerica of Colombia, have since the 1990s undergone a process that Berger calls "upgrading": the conversion of a nongovernmental organization into a regulated financial institution that gains profit.[45] Consequently, these organizations have used their new financial capacity to offer additional services beyond credit at the request of their clients. More diverse financial packages, especially with savings programs, have been adopted by many of these newly commercialized organizations. They have also added a variety of services to contribute to equality and empowerment, such as "basic educational initiatives in health and literacy", "financial education and business training", and "management or skills training."[46] While the loaning model and client base of Latin American microfinance providers remain relatively static, it is these aspects of commercialization and additional services that have been constantly developing over the past decades in the region.

It is important to recognize the dangers of recent microfinance commercialization in Latin America—microfinance organizations can easily transform into machines for the exploitation of the poor as they sell themselves to powerful banks and raise interest rates to unethical levels. The legal regulation of a microfinance organization is in fact possible without its conversion into a for-profit institution: organizations that operate "credit-plus" models and receive savings deposits from their clients must become regulated by formal financial institutions for transparency purposes. Thus, many non-profit microfinance institutions follow legal financial regulations while maintaining their sustainability and low interest rates. However, when a microfinance organization chooses to sell its ownership to a commercial bank and earn profit from its clients, the original poverty-fighting mission of microfinance can be lost. Neil MacFarquhar, in his recent New York Times article, reports that sixty percent of today's microfinance clients worldwide are served by banks and finance firms, which generally charge their clients anywhere from 70 to 125 percent in interest rates. For example, Compartamos, one of Mexico's largest and most successful microfinance institutions, recently earned "$458 million through a public stock sale in 2007" and today charges an average of 82 percent interest to its clients. Poor clients, tricked by the clever advertising of organizations like Compartamos, often find themselves mired in debt. The commercialization of microfinance can lead institutions to worsen the poverty of their clients, and therefore we must be wary of its recent rise in popularity across Latin America.[47]

The country of Honduras poses an interesting case in the Latin American world of microfinance. Today there exist seventeen operating microfinance institutions in Honduras, including FINCA Honduras, ACCION's affiliate BanCovelo, and World Relief. The first microfinance organization to begin operations in Honduras was Hermandad de Honduras (HDH) in 1977, but the vast majority of Honduran organizations were founded in the 1990s.[48] Honduran microfinance is an interesting case in the region first because its institutions offer significantly more group loans than in most Latin American countries. Organizations like FINCA Honduras and Genesis Microfinance follow the solidarity group model that was first pioneered by Muhammad Yunus and the Grameen Bank.[49] Secondly, Honduras remains one of the last locations in Latin America where non-profit microfinance clearly prevails. Berger elucidates the factors that contribute to this continuing non-profit trend: "Only in Colombia and Honduras does the non-profit model continue to be the driving force… In Honduras, very low levels of required capitalization and the ability of non-profit institutions not regulated by the banking authorities to capture deposits has made it easier for NGO microfinance institutions to remain as such."[50] In general, the extreme poverty of Honduras in comparison with surrounding countries contributes to these differences within the microfinance industry in terms of lending models and profitability. Its depressed conditions as a nation make it an ideal location for microfinance to meet the needs of poor entrepreneurs, while Honduras simultaneously faces difficulties in making its microfinance industry grow to the level of influence of its neighbors. These specific characteristics of Honduran microfinance provide a context for our discussion and investigation of the empowerment of Honduran women through microfinance.

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CHAPTER TWO: THE QUESTION OF EMPOWERMENT

Defining Empowerment[a]

Microfinance institutions worldwide, when advertising the impact of their services, continually use the word "empowerment" to specifically describe the positive changes that access to credit can bring to women's lives. But "empowerment" remains an ambiguous term that many of these organizations neglect to define. Joy Deshmukh-Ranadive and Ranjani K. Murthy, in Microcredit, Poverty and Empowerment, define empowerment as the process of the achievement of personal agency through the removal of economic, psychological, and socio-cultural barriers that were once kept in place by formal institutions and social norms. The empowered individual is transformed from a "passive recipient" of existing social and economic conditions to an "active participant" in the world around her, making individual decisions that give her the power to affect her future.[1] Economic empowerment, psychological empowerment, and socio-cultural empowerment are all concepts that have been individually debated and quantified. Economic empowerment may refer to financial independence or the gain of necessary funds for health or education expenses, for example. Psychological empowerment suggests various possible increases in personal confidence. Socio-cultural empowerment can encompass a number of improvements in gender norms, such as the betterment of

[a] The empowerment of the client is one of three projected impacts of microfinance on women, as outlined by Martha Nussbaum and Amartya Sen in their influential "capability approach" on social justice and individual quality of life. Only empowerment and its specific meanings are relevant to our discussion, but the other two equally important impacts on the client are *capacity building* and *provisioning*. A microfinance organization builds the capacities of a client by bringing out her natural human capabilities, which may have been previously barred by her poverty and lack of access to resources such as education. An organization achieves capacity building through the provision or facilitation of necessary "material and social resources" to the client. When she is able to fully exercise her capabilities as an economic participant, the female microfinance client can empower herself as a woman. (quoted in Alexander 2)

marital equality and bargaining relationships in the household or female community organizing.[2] Our discussion of empowerment will be broken up by these three factors and we will discuss the details of their manifestations further below. Theorists disagree on which aspect is most essential, and if all of these aspects or only one of them is necessary to fully empower the woman as a microfinance client. I will argue that all three aspects must be achieved together in order for an organization to claim that it has fully empowered its clients.

In any discussion of the empowerment of women by microfinance, there are two sources of discrepancy that must be taken into account. The first is whether the specific microfinance organization being discussed provides a credit-only model to its clients or a credit-plus model with extra financial and social services. Some argue that simple access to credit is the only necessary catalyst of empowerment, citing a "virtuous spiral" argument which states that the increase in income from a microloan will automatically kick-start a number of psychological, social, and cultural improvements in the client's life.[3] Other theorists are more skeptical of this virtuous spiral, asserting that credit may address practical needs in a client's life but cannot automatically have a significant effect on entrenched social conditions and gender norms. These theorists advocate for the credit-plus model as a more feasible catalyst for the empowerment of women, highlighting the importance of extra financial services to achieve economic empowerment and extra social and educational services to achieve psychological and socio-cultural empowerment.[4] A second source of discrepancy is the social and economic context in which a microfinance organization is operating. Conditions in South Asian countries versus Latin American countries, for example, differ significantly in terms of economic structure and gender inequality and oppression. In India, for example, a strong socioeconomic caste system exists which constrains individuals to certain poverty levels, and social conventions such as the dowry contribute to gender inequalities.[5] In Honduras, in contrast, an inflated informal sector of the economy makes for saturated markets that intensify competition between small businesses, and the cultural notion of *machismo* contributes to the view of women as weak and unintelligent.[6] When we examine the ability of a particular microfinance organization to empower its female clients, we must keep in mind these factors of provided services and national context as essential contributors to that institution's success.

Incidence and Feasibility of Economic Empowerment

Throughout previous studies conducted on the empowerment of women through microfinance, the primary positive indicators of economic empowerment found have been financial independence, the ability to contribute significantly to family income, and the increased capacity to pay essential living costs such as health care, food, and education. In 2007, Rebecca Vonderlack-Navarro and Margaret Sherraden conducted research on economic and social impacts for female clients of the organization Genesis Microfinance outside of Tegucigalpa, Honduras. According to their interviews, twenty-one of the thirty women who lived with a spouse or partner declared that because of their microloans they felt financially independent from their husbands for the first time. These women were able to make their own purchases in the local market and now worried less about money.[7] As Naila Kabeer reports in her 2001 account of research conducted in Bangladesh with female clients of SEDP, a significant portion of interviewees declared that with their microloans they were able to contribute equally to family income and thus had reached equality of economic status with their husbands and other family members.[8] This significant increase in income and economic equality allows many female clients to pay important living costs and thus improve the well-being of their families, to which Susan Johnson provides an example in "Gender Relations, Empowerment, and Microcredit: Moving on from a Lost Decade." Her study with FINCA in Malawi shows that food expenditure and quality of food consumption is significantly higher for the families of women who receive microloans than for those who do not.[9] From these three specific examples of financial independence and equality and improvement of living standards, we see women gaining agency as they break down economic barriers. Thus these microfinance organizations have effectively helped their female clients to achieve economic empowerment. The personal economic effects of microloans remain complicated, however, and thus we arrive at our discussion of indicators of economic stagnation or disempowerment for female clients of microfinance.

The primary indicators of a lack of economic empowerment—or even of disempowerment—caused by microfinance are its inability to fully pull the individual out of poverty and the excessive control that it exerts over clients through debt. Serena Cosgrove, in her study with clients of the Salvadoran Foundation for Integral Support (FUSAI), writes that microloans have helped these individuals improve their businesses, their incomes, and their standard of living, but do not have the capacity to help them rise significantly above the poverty line. Clients of this microfinance organization reflect the common trend of relative improvement but a chronic inability to truly advance due to the constant necessity of loan repayment. The director of FUSAI himself tells Cosgrove:

"Really all we are doing is helping people survive… We are not helping them get out of poverty. We are just helping them not to get poorer."[10] Hunt and Kasynathan, in "Pathways to Empowerment?", even cite evidence that the constant debt experienced by microfinance clients can set them back financially. Research conducted with BRAC clients shows a negative correlation between ownership of assets and length of membership with the organization. BRAC clients report that they have needed to sell personal assets in order to repay their debts.[11] Debt can be an especially risky situation for the poor individuals who are clients of microfinance. David Hulme explains that for a microfinance client who finds herself in the midst of an economic crisis or natural disaster, the repayment of loans becomes nearly impossible because she possesses little collateral or savings as a cushion. He asserts that "microdebt" can be more oppressive than beneficial for the poor.[12] [b] These arguments on the negative financial aspects of microfinance demonstrate to us that its economic effects are not always necessarily empowering for the female client. Although female microfinance clients may become economically empowered by increased income equality and well-being, the constancy of debt may prevent them from further financial advancement and even pull them downwards to a disempowered economic situation.

[b] When criticizing the financial risks of microfinance, we must keep in mind the significant economic variables that remain out of the control of a microfinance organization. Most organizations work in developing countries where economic crises are frequent and where individual risk in the operation of small business is heightened by the saturated nature of informal markets. The poor clients that these microfinance organizations serve are especially vulnerable in their management of debt not by the organization's fault, but as a function of their structurally reinforced poverty.

Incidence and Feasibility of Psychological Empowerment

Previous research on women's empowerment through microfinance has demonstrated indicators of psychological empowerment that the access to credit can catalyze: increased confidence, sense of agency, and self-respect. Vonderlack-Navarro and Sherraden, in their study on Genesis Microfinance in Honduras, report that the majority of their female respondents described an increase in confidence and self-esteem since they had become clients of Genesis. One woman expressed that she felt a new sense of pride because she finally had money of her own, stating that "I know what I have is mine." These clients also testified that they felt a greater sense of capability to run their businesses, and were "more organized and focused" on their daily work.[13] Hunt and Kasynathan, in their study on BRAC clients in Bangladesh, reported similar results. All but one women's group interviewed by Hunt and Kasynathan expressed that the strongest positive change that they had experienced as BRAC clients was an increase in self-respect and confidence. According to these microfinance clients, they now felt that they had "more value" as individuals within their families and surrounding communities. They felt more capable to give advice to others and more deserving of respect from their peers.[14] These increases in confidence are some of the most widely reported positive impacts of microfinance on the female client. In many cases reported by studies on microfinance clients, it appears clear that the economic empowerment factors of increased income and financial independence have a direct effect on psychological empowerment through increased self-confidence.

The counterargument to such evidence of psychological empowerment lies in the reported negative psychological effects on the individual from solidarity group power relations and debt anxiety. Linda Mayoux, through her research with a variety of microfinance NGOs in Cameroon, found that those institutions that used a group lending model experienced problems with power relations within groups. The poorer and more disadvantaged women felt manipulated or pressured at times by the stronger members of their solidarity group.[15] As well, a client's financial failure may have a painful psychological impact on her as a solidarity group member, as groups often label unsuccessful members as irresponsible or unintelligent in the community and thus damage their reputation and social standing. In these cases the group model of microfinance has proved much less effective than an individual model may have been, as it causes psychological stress for certain clients. The pressure of debt creates a second negative psychological effect cited by microfinance theorists, who declare that the state of being in constant debt can instill fear and anxiety in poor clients and can cause them to feel constantly guilty and vulnerable. Thomas Dichter, in "Can microcredit make an already slippery slope more slippery?", asserts that the existence of debt between the individual and the microfinance provider immediately creates a psychological relationship of power that can be exceedingly stressful or shameful for the client.[16] Hulme writes that this power relationship between institution and client may even be a source of perpetual fear for individuals, as they feel anxious about what may happen to them and their families if they cannot pay their debt.[17] Solidarity group tensions and debt anxiety thus represent two sources of psychological detriment that participation in microfinance programs can bring upon the client, in clear contradiction with the evidence for its psychological empowerment possibilities.

Incidence and Feasibility of Socio-cultural Empowerment

The idea of socio-cultural empowerment for women as an effect of microfinance—essentially, the alleviation of normative gender inequalities in the household and the community—is the most hotly contested concept in microfinance theory. Whether a micro-lending institution truly has the power to change such deep-set social conditions is a constant source of questioning and reexamination. The positive side of the debate cites specific evidence from studies on female clients that show improvement in marital relations and equality, increased community participation, and the empowerment of the next generation of women in families through education. Naila Kabeer, in her study on female SEDP clients in Bangladesh, presents detailed evidence of the improvement of harmony within marriages and the increase in joint, equal decision-making between husband and wife. The majority of Kabeer's interviewees stated that since the start of their loans with SEDP, the increased financial prosperity of their families had led to a release in tension within marriages and/or an increase in respect received from husbands due to the client's contribution to the family.[18] As well, 90% of interviewees reported that equality in decision-making between spouses had either improved or retained its already positive status.[19] Kabeer's study also demonstrates a mitigation of gender inequalities within the community for SEDP clients. Female clients were now more likely to purchase land in their name and to travel to the market place, both of which have traditionally been male activities.[20] Finally, Hunt and Kasynathan present evidence for the empowerment of clients' daughters, and thus the next generation of women in the community, through education. They found that girls were more likely to be sent to school if their mothers were receiving microloans.[21] These three indicators, among a variety of other factors in gender norm alleviation, are constantly looked for in studies on microfinance and empowerment. From the examples above it is clear that socio-cultural empowerment is indeed possible for women as an effect of microfinance. We will now turn to the counterargument, which discusses possible detriments to marital relations and the incapacity of microfinance to change social and cultural structure.

Critics of microfinance often declare that microfinance organizations project a rhetoric of women's empowerment through the transformation of gender norms that is unfounded, and even at times the direct opposite of truth. A common theory states that women's access to credit creates tension in marriages as husbands feel threatened by their wives' new success or begin to pressure their wives into relinquishing the loan money to them. These tensions may lead to an increase in domestic violence or the seizure of clients' loans by their husbands. Robin Isserles, in "Microcredit: The Rhetoric of Empowerment, the Reality of 'Development as Usual'", cites a study conducted with Grameen clients in Bangladesh which showed that 57 percent of female clients saw a rise in spousal verbal aggression since the start of their loans, and 13 percent a rise in both verbal and physical violence.[22] Ann Marie Goetz and Rina Sen Gupta, in their widely cited 1996 study with a variety of microfinance organizations in Bangladesh, report that 63% of female clients interviewed showed partial to no control over their own microloans, which in most cases had passed into the hands of their husbands.[23] In these examples, the provision of microloans to women in fact worsened the gender dynamics within their households. Other theorists simply state that a small loan does not have the capacity to reverse long-standing socio-cultural conditions, and that only credit-plus models of microfinance can hope to make even incremental changes towards gender equality for microfinance clients. Linda Mayoux, in her research in Cameroon, found that female clients had not significantly challenged the gender inequality that they experienced in the home or in the community, although the organization asserted that such changes would take place.[24] Mayoux, like many skeptical microfinance theorists, advocates strongly for a "credit-plus" model of microfinance that specifically provides social and educational services aimed at alleviating gender inequalities. She writes that measures such as "awareness training in gender issues for men and women" and "provision of services to decrease reproductive work to give women more time for income-earning and for wider social and political activities" are necessary steps that any microfinance organization must take if it hopes to fully empower its female clients.[25] The debate over socio-cultural empowerment remains at a gridlock between clear evidence on both sides. One fact remains true in this continual discussion: if microfinance organizations are to claim female empowerment and the alleviation of gender inequalities as impacts of their services on the individual, they must take specific measures to provide concrete and lasting results for their clients.

These economic, psychological, and socio-cultural factors in the empowerment of women must hold equal weight in our discussion of microfinance and in the mission of microfinance organizations that truly aim to change the lives of their female clients. A simple increase in income does not automatically make an empowered woman, and it is with this knowledge that we continue to research and investigate the feasibility and strategic possibilities of empowerment through microfinance. I add the results from my recent work in Honduras with the microfinance organization FINCA to this constantly developing pool of investigations and literature. From my research I have come to my own conclusions on this debate over women, microfinance, and empowerment within the Honduran context, which I will turn to as a case study and as the basis for my subsequent discussion.

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CHAPTER THREE: HONDURAN CONTEXT

Honduras Overview

The research that will be presented in this thesis was conducted in 2009 in the republic of Honduras. Honduras is located in Central America, bordering Guatemala to the northwest and El Salvador and Nicaragua to the southwest and southeast, respectively. Honduras is roughly the size of the state of Tennessee, measuring 43,277 square miles. The Honduran climate is temperate in the mountainous inland regions and tropical in the coastal lowlands. The population as last recorded in 2008 was 7,241,503, with approximately twenty percent of Hondurans living in the two major cities, the central capital of Tegucigalpa and San Pedro Sula in the north.

Honduras varies significantly from neighbors such as Guatemala in its high ethnic homogeneity—about ninety percent of Hondurans are mestizo (mixed indigenous and European) with seven percent of the population as indigenous, two percent black, and one percent white. This homogeneity contributes significantly to linguistic unity within the country—the national language is Spanish with almost no representation of other indigenous languages. Religious affiliation is also highly consistent nationwide, as eighty percent of Hondurans identify as Roman Catholic, with the remaining portion of the population belonging to various Protestant denominations.

Honduras' Human Development Index value is 0.714, which ranks it 117th out of the 194 nations in the world and clearly places it in the "third world" category of development and living standards. The infant mortality rate in Honduras is 27 per every 1,000 births. Life expectancy according to 2006 estimates is 67.1 years for men and 72.8

years for women. It is critical to understand the origins of Honduras' extremely low standard of living, which makes it an essential climate for microfinance. The continual underdeveloped status that Honduras suffers has been catalyzed and perpetuated by its difficult political, economic, and social history, which we will now cover.[1] [2] [3]

Political History and Current Status

Honduras achieved independence from Spain in 1821 as a member of the Central American Federation of states, and became its own sovereign nation in 1839.[4] Honduras has seen long periods of military rule since 1839 and its political history has been characterized by dictatorships and frequent military coups. Successive government overthrows have been catalyzed primarily by ongoing conflict between the two major political parties—the conservative Partido Nacional (PN) and the liberal Partido Liberal (PL). For example, in 1954 PL candidate José Villeda was elected president, but was soon overthrown in 1956 by his PR opponent Julio Lozano with the support of a military junta. The military then held elections in 1957 and Villeda was re-elected as Honduran president. General Oswaldo López, Minister of Defense, subsequently toppled Villeda in 1963 and was officially elected in 1965, running on the platform of a new constitution.[5] Clashes continued in this manner until 1981, when general elections were successfully held and Partido Liberal candidate Roberto Suazo gained an absolute majority. Although the government technically lay in civilian hands at this time, ties between military and state remained tightly knit. For many years, disappearances of social activists and human rights abuses were frequently carried out at the hands of the military. [6] Finally, in 1999 constitutional amendments were passed that significantly reduced the power of military juntas and separated military officers from executive positions.[7] But Honduras has not fully cured itself of political fluctuation and military influence, as we will discuss below. High political instability and harsh dictatorial rule over the Honduran population are elemental factors that have undermined its people's freedoms and stunted its growth.

The Honduran government is today characterized as a democratic Republic and its structure consists of three major branches: executive, legislative, and judicial. The executive branch includes the president and cabinets. The National Congress is the sole actor in the legislative branch, to which deputies are elected from each of the 18 regional departments. The judiciary branch is comprised of the nine-member Supreme Court and the Courts of Appeal. Honduras' constitution was last revised in 1995, and upholds a number of basic citizen rights such as freedom of speech and religion, the right to habeas corpus, and the right to equal pay for equal work. The death penalty and abortion are both outlawed in Honduras. The Honduran government grants universal suffrage to all citizens over the age of 18, and a new president is elected every four years by popular vote. [8] Due to various reforms, the election process and other government operations and programs have increasingly included Honduran women in recent years.

Honduras was the final country in Latin America to grant suffrage to women and has only recently begun to outline specific government programs that support women. Honduran women secured the right to vote in 1955. Honduras still has not had a female president, but women have held important offices such as vice president and mayor and in 2001 they obtained 9.4 percent of the seats in the National Congress. In 1997, PN candidate Nora Gunera was the first female to run for president in Honduras. Honduras has also recently responded to United Nations pressure to reduce gender inequalities and created a National Policy for Women in 1989, after the first UN Decade for Women. This policy aimed to provide economic support for women and equality in specific employment sectors and environmental policy, for example. The concrete effects of such legislative assistance for women remain to be proved in Honduras.[9]

In June 2009, a political crisis occurred in Honduras that has triggered profound losses in governmental legitimacy and national welfare. President Manuel Zelaya, elected in 2005 as a member of the Partido Liberal, was removed by military coup from office and exiled to Costa Rica on the 28th of June. Zelaya had proposed a constitutional amendment that would remove the one-term limit to presidential service and make indefinite presidency a looming possibility, and had ignored significant resistance to the referendum from his National Congress and advisors. The Congress subsequently directed the military to overthrow Zelaya by force, and replaced him with the president of Congress, Roberto Micheletti.[10] Relative stability was finally reached again in Honduras in January 2010, when newly elected president Porfirio Lobo took office,[11] but the nation had already felt extreme detriments to its international relations and economic well-being. While Micheletti held the presidency, he significantly undermined civil liberties and many Hondurans were not permitted to leave their homes for days or to practice freedom of speech.[12] The international community responded overwhelmingly negatively to the undemocratic transition of power from Zelaya to Micheletti. The Organization of American States (OAS) suspended Honduras from membership for a period of time, and the United States discontinued thirty million dollars in military and economic aid to the small nation. Many countries cut off all trade with Honduras during Micheletti's time in office, and some have still refused to recognize the legitimacy of Lobo's election.[13]

Honduras' economy, which was already on a downward spiral as a result of the global economic crisis, has seen an unprecedented failure in the nine months since the coup—tourism revenues, for example, have dropped over 70 percent.[14] The economic downturn felt in Honduras has been especially difficult for the poor, thus making microfinance a difficult industry to sustain. These effects will be evident in my survey results, which come from the direct aftermath of Honduras' political crisis.

Economic History and Current Status

Honduras is a nation that has continually endured extreme poverty. Its GDP per capita ranks the third lowest in all of Latin America, at $4,200 as estimated in 2009.[15] Equally revealing is the fact that approximately 64 percent of the Honduran population lives below the poverty line, and even more Hondurans live in relative poverty.[16] A very small portion of the Honduran population truly possesses the finances and resources to live in comfort. The Honduran national income gap is exceptionally wide: the richest twenty percent of Hondurans control 61.8 percent of the country's wealth, while the poorest twenty percent owns only 1.6 percent of national wealth.[17] In the world economy, Honduras remains highly vulnerable, ranking 113th worldwide in external debt with $3.315 billion dollars owed internationally.[18] Honduras' poverty and wealth gap has been linked to political instability and corrupt leadership throughout its history—embezzlement and lack of government support have been common phenomena, especially during the decades of military rule discussed above.[19] Its underdevelopment has also been clearly induced by dependent trade relationships and exploitative ties to international economic institutions.

Honduras' narrow and foreign-controlled banana and coffee industries historically made it the classic "banana republic" throughout the twentieth century, until recent decades when it moved towards market diversification and complete trade liberalization, which have brought new forms of foreign exploitation to the country. Throughout the twentieth century large corporations such as Chiquita and Dole managed the production and export of bananas in Honduras, and the small nation was unable to develop its own elite experts in the economic sector. Much of national revenues from banana and coffee production were lost to foreign hands.[20] In the 1990s, Honduras finally began to diversify its economy by developing its shrimp and melon industries, for example, and reduced its complete dependence on large corporations. In the new millennium it adopted free trade policies under pressure from the United States and international organizations such as the IMF and the World Bank. In 2000 Honduras was granted NAFTA parity—the same access to American markets and trade liberalization as NAFTA members.[21] In 2006 it formed the Central American Free Trade Agreement (CAFTA) with surrounding nations.[22] The effects of free trade in Honduras have been mixed, as in many impoverished and vulnerable countries. Free trade has brought unprecedented Foreign Direct Investment (FDI) to Honduras, which has allowed for the same foreign control of its economy as once existed through domination by Chiquita and Dole. Maquiladoras—large factories run by foreign corporations that remain exempt from government taxes—have become significant sources of employment but have extracted the vast majority of their revenue from Honduras and have neglected the basic rights of their workers.[23] Honduras remains a nation frequently exploited by more powerful economic actors and has historically failed to retain supervision of its own industries and workers.

The labor force in Honduras is primarily concentrated in low-paying agriculture and industrial jobs and in services such as small businesses.[24] Employment in agriculture has fallen significantly since the 1980s, as Honduras has seen a strong trend of rural-urban migration. Coffee farming, for example, has become more competitive and commercialized and less lucrative for the common farmer. Growing numbers of Hondurans have attempted to make a living through micro-businesses such as tortilla stands or small convenient stores in urban areas, thus making the presence of microfinance institutions increasingly essential in the country.[25] For women, formal employment is most available in the "feminized" sectors of the economy—maquiladora manufacturing or domestic service. Honduran women, when involved in agriculture, take part in the harvesting and packing of bananas and coffee. Nationwide, the average formal woman's salary is only thirty-five percent of the average man's salary. But the vast majority of Honduran women work in the informal sector as micro-entrepreneurs or in subsistence agriculture.[26] They are often too poor to register their businesses with the government, and therefore are not included in official economic statistics—but Honduras' enormous informal sector plays a key supportive role in its economy and Honduran women are therefore important economic actors. These women who manage small enterprises in the informal sector are those who the Honduran microfinance industry seeks to serve.

In October 1998, Honduras' economy and infrastructure was completely devastated by the catastrophic Hurricane Mitch, and the nation's economic structure and policies have been dominated by debt ever since. The hurricane destroyed Honduras' agricultural industry, ruining seventy percent of banana crops and twenty percent of coffee crops among other losses. An estimate seven thousand Hondurans were killed by Hurricane Mitch, and 1.5 million were left homeless. Mudslides and flooding leveled five thousand telephone lines and over half of the country's roads, making communication essentially impossible throughout Honduras. The economic damage caused by Hurricane Mitch came to a startling five billion dollars—95 percent of the country's GDP in 1998. The nation was plunged into extreme debt and in 1999 came to a relief agreement with the International Monetary Fund (IMF). In exchange for one billion dollars of debt relief, Honduras was required to restructure its economy according to IMF structural adjustment program standards, which included widespread privatization, social security reforms, and improved health care programs. Structural adjustment has thus brought certain benefits to Honduras but has placed it in a position of constant dependence on foreign aid. Honduras' economy remains weak and underdeveloped today, and the nation's poverty is only one of many crippling effects on the progress and prosperity of Honduran women.

Social Norms: The Continual Subordination of Women

Honduran gender norms have historically granted men and women drastically different social standing, defining their value as individuals according to opposite social spheres and granting men the ultimate social, physical, and psychological power. *Machismo*, the common Latin American system of cultural norms surrounding male superiority, places Honduran men in the breadwinning role while requiring them essentially no responsibility in the home. Male infidelity and desertion are common phenomena that are normalized in Honduran culture. Domestic violence is also widespread in Honduran homes. Meanwhile, female social norms are informed by *marianismo*, the counterpart to machismo in Honduran culture. Marianismo is based on the ideal of the Virgin Mary as the perfect mother and woman, and therefore places women on a pedestal solely in the sphere of the home.[27] Julie Cupples explains this dichotomy between marianismo and machismo: "Marianismo is based on notions of self-sacrificing motherhood, and consequently motherhood is elevated to a high status. The coexistence of marianismo and machismo means that paradoxically, while women are respected as mothers, they are degraded as women."[28] For Honduran women, these limiting gender norms make the achievement of influence in the community or success in business, for example, especially difficult. Microfinance's specific focus on women is therefore a necessary policy in Honduras, as it attempts to ease the normative exclusion of women.

Early pregnancy and single motherhood are common occurrences for Honduran women that make the support of a family in impoverished conditions especially complicated. In Honduras, machismo and male sexual authority contributes to an "extreme cultural resistance to the use of condoms." Consequently, teen pregnancy rates are high in Honduras, and such pregnancies rarely result in marriage of mother and father. Informal cohabitation, called *union libre*, or free union, is popular in Honduras among poor families because of the money and legal paperwork required for official marriage. Free unions, however, are much more likely to result in male desertion and single motherhood, and an estimated fifty percent of Honduran households today are headed by single mothers. Single Honduran mothers are especially economically vulnerable because of the lack of a second income in their households. Therefore we will find that single mothers make up a significant portion of microfinance clients in

Honduras, as they seek extra assistance in supporting their families with one small enterprise.[29]

Domestic violence is a widespread and often normalized form of oppression against women in Honduras. A study by the UN Population Fund stated that approximately eighty percent of Honduran women will experience domestic violence in their lifetimes. In 1996, the Honduran city of Comayagua reported that sixty percent of all police cases in that year had been due to domestic violence. Cupples writes, "the main causes of domestic violence are seen to lie in cultural understandings of male dominance, alcoholism, and the tendency to see domestic violence as a private problem rather than a social or human rights issue." Thus Honduran women have historically felt obligated to quietly endure domestic violence instead of speaking out for their rights. Thankfully, since 1998 specific legislature has been passed in the Honduran National Congress that has made it easier for women to report domestic violence cases and has funded support programs for battered women. No actual reduction in domestic violence incidence has been proved, however. Honduran women continue to face significant obstacles in the community and the home that bar them from gaining equal social standing and respect.[30] In response to these obstacles of sexist social norms, frequent single motherhood, and domestic violence, microfinance has been employed in nations such as Honduras as a tool to attempt to empower women and combat the gender inequalities that they face.

The perpetually difficult political, economic, and social conditions in Honduras have brought instability, poverty, and inequality to its women since the nation's birth. Hondurans have seen years of corrupt and dictatorial politics, economic exploitation and crisis, and stark gender inequalities that have made survival as a poor Honduran woman even more of a struggle. Microfinance has therefore been viewed as a necessary development tool and alleviator of inequality in Honduras. The female microfinance clients whose stories and statistics we will consider—all served by the non-profit microfinance organization FINCA Honduras —present strong examples of the daily hardships that Honduran women face and of the possibilities to improve their lives and empower them economically, psychologically, and socio-culturally through microcredit.

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CHAPTER FOUR: FINCA HONDURAS AND SURVEY METHODOLOGY

FINCA Honduras

The research that will be presented in this thesis was carried out solely with clients of FINCA Honduras. FINCA Honduras is a branch of FINCA International, a non-profit microfinance organization that works "to provide financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets, and improve their standard of living."[1] FINCA was founded in 1984 by John Hatch and gave its first small loan in El Salvador. Since then, it has grown to provide its services to the poor in 22 countries worldwide in Latin America, Africa, Eastern Europe, and the Middle East. FINCA Honduras began in 1989 and works to serve clients from 12 offices across the country. In each office work about fifteen employees, with a branch director, credit supervisors, and client officers. Branch directors and credit supervisors maintain the organization of budgets, client officers' schedules, services to clients, and all other daily activity of the office. The client officers act as liaisons between the organization and its clients. They spend each day in the field attending group meetings and visiting clients individually to complete loan distribution and repayments and to monitor and provide support for the progress of each client's project. These are the FINCA employees who truly make the individual transformative work of the organization possible.

FINCA Honduras is a non-profit microfinance organization that provides group loans primarily to women. FINCA clients take out small loans primarily in groups called "village banks" in which they support each other in growing their businesses. Village banks are made up of about ten members on average. Each village bank elects a directive board that holds the responsibility of managing the collective loans of the group and group savings, among other tasks. 70 percent of FINCA's clients worldwide are women, and in Honduras they make up 80 percent. FINCA demonstrates a clear mission to focus on women, in accordance with theories on the extended benefits of lending to women and on possibilities for their empowerment.[2] As women are especially disadvantaged and poor in Honduras, this focus is an essential part of FINCA's mission as a Honduran microfinance organization.

FINCA Honduras tends to serve the relative poor as its client base and provides additional "credit plus" services to its clients. The average loan taken out by a FINCA Honduras client is $611 in United States dollars.[3] This is an impressive average considering Honduras' income statistics: the estimated per capita income in Honduras is $1,190, and almost half of Hondurans live on less than two US dollars a day.[4] Such a comparison between Honduran poverty standards and the loan capacity of FINCA Honduras' average client proves that this microfinance organization serves the relative poor instead of the most poor in Honduras. Those Hondurans who are able to access FINCA's services benefit from its "credit plus" model, which provides savings practice and an emerging health insurance program. A monthly savings deposit into the village bank's communal fund is required of all clients, and this money is used in case of emergency or taken out for specific needs as voiced by group members and approved by their associates. Starting in 2009, FINCA Honduras also began to provide health insurance to its clients—all clients are required to make a small monthly deposit towards health insurance in addition to their savings, and in exchange they are guaranteed full coverage of any hospital expenses or large medical bills when health emergencies arise in their families. The obligatory nature of these two services is controversial, as it may simply add an extra economic burden to certain clients already struggling to pay back their FINCA loans on time. FINCA Honduras has seen these additional client services as a sign of progress for the organization, however, and continues to promote the "credit plus" model of microfinance as the best way to reach its moderately poor clients. [c]

Interning with FINCA

From June 1st to August 1st, 2009, I worked as an intern with FINCA Honduras. Seeking to study women and social change through microfinance, I secured an internship with FINCA Honduras and was given a specific assignment by the research branch of FINCA International. FINCA International sends representatives to its various affiliates worldwide to conduct a standardized survey with clients called the FINCA Client Assessment Tool (FCAT). The FCAT aims to "capture a detailed picture of the standard of living of clients" and to "provide useful information for the development of products and services."[5] I was given an abridged version of the FCAT to conduct with FINCA clients in Honduras, which solely focused on specific standard of living indicators. My job as an intern consisted of traveling between four different cities to carry out this survey in person with clients.

FINCA Honduras directs local branches in eight small cities throughout the country aside from the main FINCA headquarters in the capitol, Tegucigalpa. I spent my

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[c] Microfinance organizations, in their implementation of the "credit-plus" model, often encounter a conflict between providing extra financial services to the client and increasing the possible financial burden on the client. The logical way to fund additional services such as health insurance is through the increase of interest rates on client loans, and "credit-plus" microfinance organizations can often only remain financially stable by placing this greater burden on the client. Therefore it is difficult to draw the line between the limitations of providing simple credit to the client and the pitfalls of raising interest rates in order to fund additional services.

internship conducting the FINCA survey in the cities of Copán, Progreso, Choluteca, and Danlí, and I spent approximately two weeks in each location. These cities were chosen specifically because they are well distributed geographically throughout Honduras, and thus the results of my survey with FINCA clients from these different locations would be most generalizable and reliable. From 8 AM to 5 PM each weekday and from 8 AM to 12 PM on Saturdays, I traveled out to different neighborhoods and villages with one client officer per day. I followed him or her visiting clients and participating in village bank meetings, and conducted the FINCA survey with those that we visited.

My aim to collect survey results from ten clients per day was often not accomplished, due to misunderstanding and/or disorganization at the local branch level of FINCA Honduras and more importantly, due to complications of the military coup that occurred in the first month of my internship. I was in Progreso on the day of the coup, June 28, 2009, and from that day onwards my results in Progreso were scarce due to curfews that barred travel outside city borders and general insecurity in the streets. My results in Danlí were also essentially nonexistent—only six interviews—because I was staying there when the ousted president Zelaya attempted to enter the country twenty minutes away at the border with Nicaragua. The city of Danlí was put on twenty-four hour curfew for five days, and thus FINCA was unable to open its office and visits to clients were cancelled. Nevertheless, I completed 170 interviews with FINCA clients between the four Honduran cities of Copán, Progreso, Choluteca, and Danlí by the close of my internship. The size and consistency of my aggregate sample of interviewees was compromised by the named setbacks, as I conducted the majority of my interviews in Copán and Choluteca and thus skewed the geographical generalizability of the survey.

However, I followed specific FINCA guidelines to conduct this survey in the most reliable and organized way possible, which I will outline below.

The FINCA Survey

The condensed version of the FCAT that I used during my internship consisted of twenty-seven official FINCA survey questions, measuring a variety of indicators of clients' "Wealth, Health, Education, Empowerment, and Living standards."[6] From this title the survey was referred to as the WHEEL. The WHEEL originally only contained sixteen questions, but I was given the opportunity to choose other questions from the full FCAT survey that interested me, and to expand the WHEEL by adding them to the end of the survey. Although I could not form questions of my own, I was able to elaborate on a number of the more closed or quantitative questions so as to gain more detail and qualitative input from the client being interviewed. With these extra questions I was able to increase the validity of my survey, as I could measure more closely what I originally intended to study—the specific impact of FINCA's services on the economic, psychological, and socio-cultural empowerment of women. For example, following the question "How would you rate your health at this time?" which gave interviewees five response options on a scale from "excellent" to "very poor", I asked clients if their response to this question would have been different before they started their loans with FINCA. I probed for details on changes in clients' health over time since they had become FINCA clients and on FINCA's role in their wellbeing. Although I did not need to report this extra information to FINCA, I recorded it for my own investigation and thus was able to garner a variety of quantitative and qualitative data from my interviews.

Each official FINCA survey question, whether quantitative or qualitative, was made quantifiable by either a numerical answer or a defined set of possible responses. Quantitative questions focused mainly on family size and education, family expenses in a variety of areas, and specific characteristics of the client's loan. For example, I asked "How many school-aged children live in your home?", "How much does your household usually spend per week on transportation costs?", and "What is the current length of your loan cycle in months?" All of these questions required simple numerical answers. Qualitative questions focused primarily on sanitation, health, confidence and happiness, food security, and satisfaction with FINCA. All of these qualitative questions offered defined possible responses for clients to choose from, but some of the questions offered continuous responses while others were categorical. For example, the question "In general, how satisfied are you with your life?" can be characterized as continuous, because it asks for an answer on a scale from 1-10, with 1 as very unsatisfied and 10 as very satisfied. Thus an average could be taken of the responses and the numerical value of the chosen option specifically reflected the client's response. The question on change in client health, however, was categorical. It asked, "Has your health or the health of your family changed since the start of your loans with FINCA?" and gave three options for the interviewee to choose from: 1) "yes, positive change", 2) "yes, negative change", or 3) "no change". These options did not have any clear relation to their numerical value, and an average of the responses would not have any meaning. These important distinctions between question types will come into play in my analysis of the aggregate survey data.

To maintain the reliability of this survey, clients were chosen by random sample for generalizability and interviews were conducted using palm pilot technology for reproducibility. Before going out into the field with a coworker, I would obtain the list of the clients to be visited and randomly choose the order of interviews with a randomization program in *Excel* on my computer. This randomization process was at times compromised by disorganization or misunderstanding with clients, and in these situations I would randomly choose clients for interviews by opening to a random page in the client officer's booklet, as each client was represented by his or her own client information page. To conduct the survey, I was given a palm pilot by FINCA International in which I entered all client responses, using a special *Pendragon* software program that contained all of the survey questions and possible answers. Each client's full interview was saved in its own file within the palm pilot, and then transferred to an aggregate *Excel* file on my laptop that organized all interviews into one data set. When I completed my internship, I had all of my survey data in one *Excel* file on my computer that could later be analyzed using specific SPSS software. I also carried a notebook and pen with me at all times, and recorded clients' explanations of their answers and their responses to my elaborative questions on factors such as health and confidence. The palm pilot data set and my written recordings of client quotes together make the whole of my collected data from the FINCA survey.

With these twenty-seven questions and elaborations on client responses, I was able to measure many of the indicators that interested me in my research on women, microfinance, and empowerment. The vast majority of my interviewees were women—151 out of 170 total clients interviewed. I was able to gain information on economic empowerment through the questions on family expenses, health, and satisfaction with one's loan, for example. I was able to gain feedback on psychological empowerment through questions on confidence and happiness. Finally, I gained some information on the clients' socio-cultural empowerment with the question "Are you the head of your household?" and clients' subsequent explanations of their family dynamics. However, I would have liked to ask more questions on gender relations in the home and/or female participation the community through politics and other mediums. I was not given this option because of my requirement to adhere to official FINCA survey content. The FINCA survey was inadequate in a variety of ways to measure the indicators of empowerment that I sought to investigate with female clients. Thus my study does not cover all of the material that I originally hoped to explore, but it does provide a substantial base of data that I have utilized to analyze FINCA's ability to empower its female clients economically, psychologically, and socio-culturally.

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CHAPTER FIVE: FINDINGS

The following data analysis is based on an aggregation of survey data from 151 of the 170 interviews that I conducted with FINCA Honduras clients in June and July 2009—the interviews of those 151 clients who were women. The twenty-seven questions of the FCAT survey and their respective elaborations have yielded specific indicators on the economic, psychological, and socio-cultural empowerment (or lack thereof) of the clients interviewed. Survey questions on general client information such as education level and civil status have allowed me to analyze other possible sources aside from credit with FINCA of positive or negative factors in clients' lives. I will present the results of the survey data for these 151 interviews by category of empowerment: economic, psychological and socio-cultural. This data has been analyzed for correlations, means, and for equality of means by ANOVA test. I will also present a number of qualitative and descriptive comments from interviewees to provide extra detail to the statistical survey results. As I review the results of the survey and their implications, I will highlight my original hypotheses on specific indicators and the importance of their success or failure.

FINCA and Economic Empowerment

The indicators of economic empowerment that emerge from this FCAT survey data are divided into five categories: family expenses, food security, health, education of children, and financial satisfaction with FINCA. I have formed these categories based on specific questions or groups of questions within the survey that address the economic empowerment of clients. Each question has been analyzed for a correlation with the client's time with FINCA Honduras, for comparisons of response percentages between “new”, “middle”, and “old” clients, and/or for equality of response means between “new”, “middle”, and “old” clients. (“New” clients have spent less than one year with the organization, “middle” clients have spent one to four years with FINCA, and “old” clients have spent four or more years with FINCA.) A correlation between two variables shows a relationship or lack thereof between the two variables. In this case, if the variable of client time with FINCA shows a positive correlation with a certain variable such as client health, I claim that FINCA has demonstrated a positive impact on clients in that area over time. In order for a correlation to be significant, its significance value must be less than or equal to 0.05. Basic comparisons of response percentages between new, middle, and old clients are used for categorical variables—those variables whose responses cannot be analyzed through numerical means. ANOVA tests for equality of means are used for continual variables—the ANOVA demonstrates whether the response means between new, middle, and old clients show a significant difference and thus if they show improvement or deterioration over time. All of these analyses are intended to indicate if receiving microloans from FINCA has improved clients’ lives economically over time. These time analyses have been my primary measurement of FINCA’s success in empowering its clients. Before administering the survey, I originally hypothesized that clients who had been with FINCA for more time would show increased spending on family expenses, improved food security and health, increased frequency of children in school, and higher satisfaction with the organization.

Our first indicator of economic empowerment is the category of family expenses. Family expenses as measured by this survey are not a perfect measure of client economic well-being or empowerment over time: first, the survey only covers seven categories that clients spend money on, and thus may leave out important areas of spending in clients' lives. Second, because this survey does not have a control group, we cannot claim with certainty that any differences in economic well-being between new and old clients are due to FINCA's impact. Finally, our analysis of these family expenses variables simply compares new, middle, and old clients instead of measuring the expenses of the same clients over time. Thus we cannot claim with certainty that differences between these client categories show "improvement over time", because the same clients are not being measured. These second and third limitations will also apply to all of our subsequent variables for economic, psychological, and socio-cultural empowerment.

Economic empowerment as indicated by family expenses has been measured by seven FCAT survey questions on specific expenses of the client's family: weekly food expenses, weekly transportation expenses, monthly utility expenses, monthly phone expenses, yearly home maintenance expenses, yearly clothing expenses, and yearly education expenses. Most relevant is an eighth indicator that I calculated on client family expenses, by combining these seven indicators to arrive at the value of a family's daily expenses per capita. (We could also state that this indicator measures "how much money the client lives on per day".) This one value, correlated with a client's number of loan cycles with FINCA (a basic indicator of her time with the organization), can demonstrate if clients have been able to spend more money on family standard of living as a result of the support of their FINCA loans. Increased standard of living in the client's family, if found among these female FINCA Honduras clients, could demonstrate one facet of economic empowerment as discussed by microfinance theorists. Figure 1 presents this correlation along with each specific family expense indicator as correlated with the client's time with FINCA.

FIGURE 1- Correlations: Time with FINCA and Family expenses

		Number of loan cycles with FINCA
Number of loan cycles with FINCA	Pearson Correlation	1.000
	Sig. (2-tailed)	
	N	151.000
Weekly food expenses	Pearson Correlation	.025
	Sig. (2-tailed)	.763
	N	149
Weekly transportation expenses	Pearson Correlation	.032
	Sig. (2-tailed)	.692
	N	151
Monthly utility expenses	Pearson Correlation	.260**
	Sig. (2-tailed)	.001
	N	149
Monthly phone/ communication expenses	Pearson Correlation	.050
	Sig. (2-tailed)	.546
	N	150
Yearly home maintenance expenses	Pearson Correlation	-.036
	Sig. (2-tailed)	.659
	N	150
Yearly clothing expenses	Pearson Correlation	-.111
	Sig. (2-tailed)	.190
	N	142
Yearly education expenses	Pearson Correlation	-.066
	Sig. (2-tailed)	.433
	N	142
Daily family per capita expenses in dollars	Pearson Correlation	.009
	Sig. (2-tailed)	.923
	N	125

Figure 1 presents our relevant findings on FINCA's effects on client family expenses. Contrary to my hypothesis, daily family per capita expenses and the client's number of loan cycles with FINCA show no correlation—in fact, the correlation is so insignificant that its significance value is .923. None of the other individual expenses show significant correlations with client time with FINCA aside from monthly utility expenses, whose significance on its own means very little to our study. Clearly, credit with FINCA did not help these female clients of FINCA Honduras to improve their ability to invest in their family's standard of living.

Interestingly, a second analysis for correlations between the client's education level and her family's daily per capita expenses showed notable results: those clients who had achieved higher education reported higher daily expenses per capita in their families. The value for daily family per capita expenses has been converted into American dollars for better common understanding of a family's living standards. Figure 2 shows a three-way analysis between the variables of educational level, time with FINCA, and daily per capita expenses. Daily per capita expenses is analyzed as a dependent variable of the other two variables. As we examine the total means (in bold) for each level of education reached by these female clients, we can observe a general trend of improvement in daily family per capita expenses as level of education rises. (The outlier values for "no schooling" and "secondary school incomplete" can be considered relatively negligible because the number of interviewees reporting in these two categories was very small (9 women and 2 women, respectively).) Thus we can claim that the amount of money that a client's family lives on per day depends on her education level.

When we examine the smaller differences between new, middle, and old clients in Figure 2, we find that FINCA does not empower its clients to improve their daily family per capita expenses over time in the context of client education level. I originally hypothesized that those clients within the higher education levels would show more marked increases in per capita expenses—that FINCA's ability to economically empower its female clients through this indicator of daily family per capita expenses would be stronger for those clients who already possessed a high education level. However, only the categories of "primary school incomplete" and "secondary school complete" demonstrate steady increases in per capita expenses from new to middle to old clients. All other categories show no clear positive or negative progression of response means to this question on daily family per capita expenses, and thus no significance exists for a relationship between time with FINCA and improved family expenses over time within the context of client education level.

FIGURE 2- Comparison: Per Capita in Dollars, Education, Time with FINCA

Per capita in dollars

Level of education reached	New/old with FINCA	Mean	N	Std. Deviation
No schooling	New	2.7024	2	1.43676
	Middle	3.9177	5	5.52293
	Old	2.3656	2	1.65464
	Total	**3.3027**	9	4.04940
Primary school incomplete	New	1.2608	15	.55289
	Middle	2.1670	19	2.16618
	Old	2.5430	12	1.62692
	Total	**1.9696**	46	1.70019
Primary school complete	New	2.6931	13	2.77574
	Middle	2.4188	21	1.32346
	Old	2.3563	10	.87097
	Total	**2.4857**	44	1.77276
Secondary school incomplete	New	4.8091	1	.
	Middle	3.0063	1	.
	Total	**3.9077**	2	1.27482
Secondary school complete	New	2.1579	8	1.15577
	Middle	2.1818	5	.86087
	Old	4.7511	3	2.30818
	Total	**2.6516**	16	1.61755
Vocational school	New	3.2586	2	1.63979
	Middle	6.8019	3	1.69563
	Old	3.3385	3	1.89708
	Total	**4.6173**	8	2.34682
Total	New	2.1443	41	1.84847
	Middle	2.7014	54	2.44411
	Old	2.7693	30	1.57496
	Total	2.5350	125	2.07639

The above improvements in spending on family standard of living, dependent on the client's education level rather than on client time with FINCA, further demonstrate the insignificance of FINCA's empowerment impact on its female clients in this area. Taking out microloans with FINCA has made little significant difference in these women's ability to meet important expenses for their family's well being. Instead, it is their education level that has seemingly predetermined the amount of money on which their families live per day. Thus the power of basic societal realities—such as the fact that better educated people possess higher capacity to earn and spend money—are not so easily changeable in Honduras by this new and popular poverty-fighting strategy of microfinance. Despite the rhetoric of social change and empowerment for women behind microfinance, it is clear that empowering women to rise above the constraints of their education levels is more difficult than it may seem.

The next indicator of economic empowerment that we turn to is food security. The results for this indicator are based on responses to the question, "Which of the following options best describes the food bought and consumed in your home in the past year?" and to an elaborative question that I administered, which asked whether the client's food security had changed since the start of her loans with FINCA. The following figures present general response percentages for these questions:

FIGURE 3- Food security frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	We always eat what we want	62	41.1	41.3	41.3
	We have food but not always the kinds of food that we would like	67	44.4	44.7	86.0
	Sometimes we don't have enough food	16	10.6	10.7	96.7
	We often don't have enough food	5	3.3	3.3	100.0
	Total	150	99.3	100.0	
Missing	System	1	.7		
Total		151	100.0		

FIGURE 4- Frequencies: Change in food security

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, positive change	67	44.4	44.7	44.7
	Yes, negative change	4	2.6	2.7	47.3
	No change	79	52.3	52.7	100.0
	Total	150	99.3	100.0	
Missing	System	1	.7		
Total		151	100.0		

Although the plurality of clients gave the response “we have food but not always the kinds that we would like”, the margin between the first and second response for this question is insignificant. The vast majority of female FINCA Honduras clients thus have good or excellent food security within their families. Even more relevant is the finding that the majority of clients (52.7%) did not see any change in their family’s food security as a result of their loans with FINCA, while a large percentage (44.7%) reported a positive change in food security and a negligible percentage of clients saw a negative change. These findings are generally positive for this indicator. Those clients who saw a positive change in their food security, although not the technical majority, constitute a significant percentage of respondents. Specific client responses attest to FINCA's impact on client food security—many report not only a greater quantity of food eaten by their families but better quality and variation of food. For example, Carla Suyapa Perez states that "We eat better now in my family: before, it was rare for us to eat meat. Now we have it often, and we also don't have to eat the same exact things every day."[1d] However, positive changes were not clearly seen in a comparison between new and old clients for our original food security question.

In Figure 5 we can observe a negligible difference between the response percentages of old, middle, and new clients to the food security question. From this comparison of response percentages we may conclude that the food security of a client's family does not significantly improve with her time as a FINCA client. However, the comparison shown in Figure 6 between new, middle, and old clients for our question on changes in food security presents positive results:

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[d] All client names have been changed for confidentiality purposes.

FIGURE 5- Food security and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	We always eat what we want	19	40.4	40.4	40.4
		We have food but not always the kinds of food that we would like	23	48.9	48.9	89.4
		Sometimes we don't have enough food	5	10.6	10.6	100.0
		Total	47	100.0	100.0	
Middle	Valid	We always eat what we want	24	35.3	35.3	35.3
		We have food but not always the kinds of food that we would like	31	45.6	45.6	80.9
		Sometimes we don't have enough food	8	11.8	11.8	92.6
		We often don't have enough food	5	7.4	7.4	100.0
		Total	68	100.0	100.0	
Old	Valid	We always eat what we want	19	54.3	54.3	54.3
		We have food but not always the kinds of food that we would like	13	37.1	37.1	91.4
		Sometimes we don't have enough food	3	8.6	8.6	100.0
		Total	35	100.0	100.0	

FIGURE 6- Food security change and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Yes, positive change	13	27.7	27.7	27.7
		Yes, negative change	2	4.3	4.3	31.9
		No change	32	68.1	68.1	100.0
		Total	47	100.0	100.0	
Middle	Valid	Yes, positive change	35	51.5	51.5	51.5
		Yes, negative change	2	2.9	2.9	54.4
		No change	31	45.6	45.6	100.0
		Total	68	100.0	100.0	
Old	Valid	Yes, positive change	19	54.3	54.3	54.3
		No change	16	45.7	45.7	100.0
		Total	35	100.0	100.0	

As seen in Figure 6, only a small percentage of clients who have been with FINCA for less than a year report a positive change in their food security (27.7%). However, middle and old clients show a clear improvement—the majority of clients in these categories have seen a positive change in their food security. Thus, the longer a client has been with FINCA, the more likely she is to have seen an improvement in her food security. We can even claim that the above analysis is the most significant measurement of client empowerment for this indicator of food security, because this question explicitly asks the client if she has seen a positive change in her life due to FINCA's help. From this comparison of percentages and the generally positive responses for our two questions on food security, we can claim that these female FINCA clients have been economically empowered by the organization through the improvement of their food security.

The third indicator of economic empowerment tested by this survey is client health. This indicator is based on two questions: "How would you rate your health at this time?", and my elaborative question, "Has your health or the health of your family changed since the start of your loans with FINCA?" For the first question, clients were asked to rate their health from 1 to 5, with the number 1 as "excellent" health and the number 5 as "very poor" health. The mean of responses to this question was 2.59, demonstrating that the health of most interviewees lies between "good" and "fair". Before administering the survey, I originally hypothesized that a clear difference would emerge over time in the health of FINCA clients and their families. However, the following time analyses demonstrate a lack of significance in the relationship between client health and time with the organization and may suggest no empowerment for female FINCA clients in this area. As seen in Figure 7, the two-tailed measurement of significance for the correlation between client health and time with FINCA shows no significance: its value is .374, while only a .05 value or less would demonstrate a significant relationship between the two variables and the dependence of client health on time with the organization.

FIGURE 7- Correlations: Health and Time with FINCA

		Number of loan cycles with FINCA	How would you rate your health at this time?
Number of loan cycles with FINCA	Pearson Correlation	1.000	.073
	Sig. (2-tailed)		.374
	N	151.000	151
How would you rate your health at this time?	Pearson Correlation	.073	1.000
	Sig. (2-tailed)	.374	
	N	151	151.000

The following ANOVA analysis for equality of means, as seen in Figures 8 and 9, also suggests that there exists no relationship between time as a FINCA client and client health. The mean responses for this question show almost no variance between new, middle, and old clients (from 2.51 to 2.66), and the ANOVA test for significance between these means shows a value very far from the .05 significance benchmark: .687. This test therefore proves the relative equality of client responses between new, middle, and old clients and suggests a lack of improvement in health over time for female FINCA clients.

FIGURE 8- Health and Equality of Means for time with FINCA

How would you rate your health at this time?

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
New	47	2.51	.930	.136	2.24	2.78	1	4
Middle	68	2.66	1.045	.127	2.41	2.91	1	5
Old	35	2.66	.906	.153	2.35	2.97	1	5
Total	150	2.61	.975	.080	2.46	2.77	1	5

FIGURE 9- Health and ANOVA significance for time with FINCA

How would you rate your health at this time?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.722	2	.361	.377	.687
Within Groups	140.851	147	.958		
Total	141.573	149			

Our second question on health, which asked clients if the health of their families had changed since the start of their loans with FINCA, demonstrates more positive results as an indicator of economic empowerment:

FIGURE 10- Frequencies: Change in Family Health

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, positive change	72	47.7	47.7	47.7
	Yes, negative change	3	2.0	2.0	49.7
	No change	76	50.3	50.3	100.0
	Total	151	100.0	100.0	

As the response percentages in Figure 10 demonstrate, many female clients of FINCA have shown signs of empowerment by the organization through improvement of their health. Although the statistical majority of interviewees reported no change at all in their health since they had become FINCA clients, a substantial percentage (47.7%) of clients reported a positive change in their health or the health of their families. The details provided by interviewees in response to this question on changes in their health were also overwhelmingly positive. Blanca Emilia Cruz Jiménez reports that "I use part of my loans to take my mother to the doctor when she needs it, and to buy her medicines. We almost never get sick, with FINCA's help."[2] Olga Maribel Carrasco explains that "Since I started with FINCA, my foot problems have gotten better. Before, to make my living I had to walk all day selling my products. Now I can hold my business in my home—I have better health, and I can take care of my children."[3] Again we can claim that responses to this question are most relevant in measuring FINCA's empowerment impact on the client, because the question asks the interviewee directly about changes in her health due to FINCA's help. The fact that close to half of all interviewees report a positive impact on their health speaks well for FINCA's general ability to empower its female clients, despite the lack of significant improvement in client responses to this question from new to old clients:

FIGURE 11- Change in family health and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Yes, positive change	19	40.4	40.4	40.4
		No change	28	59.6	59.6	100.0
		Total	47	100.0	100.0	
Middle	Valid	Yes, positive change	37	54.4	54.4	54.4
		Yes, negative change	2	2.9	2.9	57.4
		No change	29	42.6	42.6	100.0
		Total	68	100.0	100.0	
Old	Valid	Yes, positive change	15	42.9	42.9	42.9
		Yes, negative change	1	2.9	2.9	45.7
		No change	19	54.3	54.3	100.0
		Total	35	100.0	100.0	

The general equality of responses between new, middle, and old clients shown in Figure 11 may simply demonstrate that approximately half of female clients have been economically empowered by FINCA through the improvement of their health, although this empowerment has no relationship with client time with the organization. These results, in combination with the lack of significant relationships found earlier between client time with FINCA and client health, present us with a mixed perspective on client health as an indicator of economic empowerment. We can claim that although many female FINCA clients have seen marked improvements in their health, FINCA still has significant progress to make in order to consistently empower its female clients in this area of health.

Our fourth indicator of economic empowerment is education of the client's children. Two questions on education were administered in the FCAT survey, one that asked how many school-aged children lived in the client's household, and a subsequent question that asked how many of those children attended school. What the FCAT survey lacks in this area of child education is a question that asks for the level of education reached by children of clients or for the amount of schooling that the client plans for her children to reach. Questions such as these would measure more clearly the impact of a client's membership with FINCA on her children's level of education and thus on the economic empowerment of the client's family through this indicator of schooling. However, using the given survey, I hypothesized that over time FINCA clients would send more of their children to school. However, the following comparison of new, middle, and old client responses through ANOVA test for equality of means disproves my hypothesis:

FIGURE 12- Child education and Equality of Means for time with FINCA

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
How many school-aged children live in your home?	New	47	2.06	1.451	.212	1.64	2.49	0	6
	Middle	68	2.16	1.681	.204	1.75	2.57	0	8
	Old	35	1.63	1.457	.246	1.13	2.13	0	6
	Total	150	2.01	1.565	.128	1.75	2.26	0	8
How many of these children attend school?	New	47	1.96	1.382	.202	1.55	2.36	0	6
	Middle	68	1.93	1.765	.214	1.50	2.35	0	8
	Old	35	1.43	1.335	.226	.97	1.89	0	6
	Total	150	1.82	1.563	.128	1.57	2.07	0	8

FIGURE 13- Child education and ANOVA significance for time with FINCA

		Sum of Squares	df	Mean Square	F	Sig.
How many school-aged children live in your home?	Between Groups	6.793	2	3.396	1.394	.251
	Within Groups	358.201	147	2.437		
	Total	364.993	149			
How many of these children attend school?	Between Groups	7.021	2	3.511	1.445	.239
	Within Groups	357.119	147	2.429		
	Total	364.140	149			

As seen above under "means" in Figure 12, new, middle, and old clients all have approximately two children and send both of those two children to school. There is thus no significance in the difference between these nearly identical responses, as demonstrated by our ANOVA test for significant equality of means—the values .251 and .239 do not reach the significance value of .05. We cannot gain any information or analysis from this data. We cannot say that the education level of clients' children has improved, nor that it has not improved—it seems to have always been essentially ideal, as all children in clients' households are attending school. Of course, this ideal frequency of education is not a reality in Honduras. These two questions seem simply to fail to capture an accurate and detailed picture of the education of the children of FINCA clients—its frequency, its quality, and the level of education reached by the child. For this fourth indicator of economic empowerment through the education of children, we can therefore make no statement on the empowerment or lack thereof of FINCA's female clients.

The final indicator of economic empowerment as measured by this survey is satisfaction with FINCA's policies with regards to loan amount, loan cycle, and interest rate. It is based on questions on the client's current loan amount, loan cycle length, and interest rate, and their subsequent opinion on those numbers. Client satisfaction with FINCA is also not an ideal indicator of the economic empowerment of these female clients because it simply alludes to the interviewee's ability to manage her business and her finances. There exist no specific questions in this FCAT survey that address the success of the client's business or her financial comfort and progress. I recognize these limitations, and through my analysis of this indicator I find mixed results for economic empowerment, as client opinion is generally very positive on loan amount, loan cycle, and interest rate, but seems to worsen over time. These opinions are based on an average loan amount of 8825.33 lempiras ($490.30), an average loan cycle of 6.08 months, and an average interest rate of 2.9 percent. Figures 14-16 demonstrate a high satisfaction with FINCA's policies, as over 60 percent of clients report loan amount, loan cycle, and interest rate as "just right."

FIGURE 14- Loan amount ratings frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Too big	3	2.0	2.0	2.0
	Just right	97	64.2	64.7	66.7
	Too small	50	33.1	33.3	100.0
	Total	150	99.3	100.0	
Missing	System	1	.7		
Total		151	100.0		

FIGURE 15- Loan cycle length ratings frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Too long	6	4.0	4.0	4.0
	Just right	103	68.2	68.7	72.7
	Too short	41	27.2	27.3	100.0
	Total	150	99.3	100.0	
Missing	System	1	.7		
Total		151	100.0		

FIGURE 16- Interest rate ratings frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Too high	51	33.8	34.0	34.0
	Just right	98	64.9	65.3	99.3
	Too low	1	.7	.7	100.0
	Total	150	99.3	100.0	
Missing	System	1	.7		
Total		151	100.0		

These high satisfaction rates suggest that FINCA empowers its female clients by providing them with supportive and effective financial services that enable them to grow their small businesses and improve their savings efficiently. However, the following comparisons in opinion between client categories present other conclusions.

When we compare the responses of new, middle and old clients for these opinion questions, a difference emerges between the views of the three groups—middle and old clients express a worse opinion of loan cycle and interest rate than new clients. Initial comparisons in values for loan amount, loan cycle, and interest rate between new, middle, and old clients is relevant to this analysis:

FIGURE 17- Loan opinions and Equality of Means for time with FINCA

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean Lower Bound	95% Confidence Interval for Mean Upper Bound	Minimum	Maximum
What is the amount of your current loan? (in lempiras)?	New	47	5329.79	3409.126	497.272	4328.83	6330.74	500	15000
	Middle	68	8560.29	5378.763	652.271	7258.36	9862.23	2000	25000
	Old	35	14034.29	15540.742	2626.865	8695.85	19372.72	1000	80000
	Total	150	8825.33	9053.615	739.225	7364.62	10286.05	500	80000
What is the current length of your loan cycle in months?	New	47	5.17	1.090	.159	4.85	5.49	1	8
	Middle	68	6.28	1.709	.207	5.87	6.69	4	10
	Old	35	6.91	2.536	.429	6.04	7.79	4	14
	Total	150	6.08	1.895	.155	5.77	6.39	1	14
What is the interest rate of your current loan? (percentage)	New	26	.0296	.00147	.00029	.0290	.0302	.02	.03
	Middle	49	.0294	.00199	.00028	.0289	.0300	.02	.03
	Old	30	.0309	.00581	.00106	.0288	.0331	.02	.06
	Total	105	.0299	.00349	.00034	.0292	.0306	.02	.06

As Figure 17 demonstrates, client loan amount logically doubles over time from new to old clients, as the client improves her business and revenue and is able to take out larger loans. Meanwhile, loan cycle and interest rate stay generally constant. The following comparison of responses for opinions demonstrates that both new and old clients are satisfied with the amount of their loans despite the large discrepancy in value. However, for relatively equal loan cycle length and interest rate, new and old clients show a difference in opinion.

FIGURE 18- Loan amount ratings and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Too big	1	2.1	2.1	2.1
		Just right	30	63.8	63.8	66.0
		Too small	16	34.0	34.0	100.0
		Total	47	100.0	100.0	
Middle	Valid	Too big	2	2.9	2.9	2.9
		Just right	44	64.7	64.7	67.6
		Too small	22	32.4	32.4	100.0
		Total	68	100.0	100.0	
Old	Valid	Just right	23	65.7	65.7	65.7
		Too small	12	34.3	34.3	100.0
		Total	35	100.0	100.0	

FIGURE 19- Loan cycle length ratings and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Too long	3	6.4	6.4	6.4
		Just right	36	76.6	76.6	83.0
		Too short	8	17.0	17.0	100.0
		Total	47	100.0	100.0	
Middle	Valid	Too long	1	1.5	1.5	1.5
		Just right	43	63.2	63.2	64.7
		Too short	24	35.3	35.3	100.0
		Total	68	100.0	100.0	
Old	Valid	Too long	2	5.7	5.7	5.7
		Just right	24	68.6	68.6	74.3
		Too short	9	25.7	25.7	100.0
		Total	35	100.0	100.0	

FIGURE 20- Interest rate ratings and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Too high	9	19.1	19.1	19.1
		Just right	37	78.7	78.7	97.9
		Too low	1	2.1	2.1	100.0
		Total	47	100.0	100.0	
Middle	Valid	Too high	30	44.1	44.1	44.1
		Just right	38	55.9	55.9	100.0
		Total	68	100.0	100.0	
Old	Valid	Too high	12	34.3	34.3	34.3
		Just right	23	65.7	65.7	100.0
		Total	35	100.0	100.0	

Why are those respondents who have been FINCA clients for over a year less likely to state that loan cycle and interest rate are "just right"? It seems that these clients may have become more financially frustrated as a result of their loans with FINCA and have found it more difficult to manage and return their loans as time goes on. Thus female clients of FINCA Honduras have not been economically empowered as suggested by these comparisons between new, middle, and old client opinions. But equally important is the simple fact that within each client category, the majority of interviewees still reports that loan amount, loan cycle length, and interest rate are "just right". Our original analyses show that over sixty percent of these interviewees are satisfied with FINCA's financial services. Therefore we cannot reach a concrete conclusion on FINCA's ability to economically empower its female clients through the providence of effective and manageable microloans.

A review of these five indicators of economic empowerment reveals a general lack of consensus on the empowerment of female FINCA Honduras clients in terms of improvements in family expenses, food security, health, education of children, or satisfaction with FINCA. My original hypotheses, which predicted significant differences in responses to these questions between new and old clients and significant correlations between responses and client time with FINCA, were mostly incorrect. Only food security as an indicator saw clear improvements in clients' lives, and health also showed relatively positive, although at times mixed, results. The sporadic nature of these results may largely be due to the shortcomings of this FCAT survey. Indicators such as family expenses and education of children showed significant flaws and limitations as valid measures of economic empowerment. Other important indicators were not measured at all by the survey, such as the female client's financial independence or ability to contribute to family income. We may claim, in fact, that the FCAT survey questions on food security and on health were the only effective ones within this category of economic empowerment, and thus that food security and health are our most valid indicators of the economic empowerment of FINCA's female clients. This perspective in turn gives our results a more positive light. Now, we turn to the next form of possible empowerment for women through microfinance: psychological empowerment.

FINCA and Psychological Empowerment

The indicators of psychological empowerment measured by this FCAT survey data fall into two categories: confidence and happiness. These categories are based on specific questions or groups of questions within the survey that address clients' confidence, changes in confidence over time, and general happiness with their lives. Each question within this category of psychological empowerment has been analyzed either for a correlation with the client's time with FINCA Honduras or for equality of means between new and old clients. I originally hypothesized that older clients would show greater confidence and happiness in their responses to these questions. Results of my data analysis have been mixed in this respect: certain percentages, comparisons and correlations show evidence of psychological empowerment, while others do not.

Our first indicator of psychological empowerment as measured by the FCAT survey is client confidence, based on two survey questions: "Do you feel capable and confident to make important decisions that could change the course of your life?" and my elaborative question, "Have you felt a change in this confidence since the start of your loans with FINCA?" For the first question, clients could choose responses on a scale from 1 to 4, with the number 1 as "totally capable", 2 as "mostly capable", 3 as "neither capable or incapable", and 4 as "mostly incapable". The mean of responses was 1.38, and 70.9% of clients reported that they were "totally capable" and confident to make important decisions that could change their lives. Another 19.9% percent responded that they felt "mostly capable." Client descriptions reflect this high level of confidence among female FINCA clients. Rita Xiomara Portillo articulates that "I feel very capable to do my work on my own. I am married but I am working with this FINCA loan all by myself and I don't need anyone else to help me pay for it."[4] María Isabel Cruz López declares, "I like to be prosperous, so I work very hard and I never feel useless. I'm a woman who fights for what she wants and FINCA gives me the opportunity to always continue that fight."[5] From these statements it is clear that whether FINCA has specifically impacted their confidence or not, these women possess a positive sense of agency and self-worth.

Most importantly, my elaborative question also yielded positive results—the majority of clients (51.7%) stated that they had seen a positive change in their confidence since the start of their loans with FINCA, while 7.3% saw a negative change and 41.1% reported no change in confidence. These analyses suggest the psychological empowerment of FINCA's female clients, as the vast majority demonstrates high levels of confidence and the majority state that their confidence has improved since they began working with FINCA. The following comparisons between new and old clients and correlations between confidence and time with FINCA suggest otherwise:

FIGURE 21- Confidence and Equality of Means for time with FINCA

Do you feel capable and confident to make important decisions that could change the course of your life?

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
New	47	1.57	.878	.128	1.32	1.83	1	4
Middle	68	1.46	.871	.106	1.24	1.67	1	4
Old	35	1.23	.490	.083	1.06	1.40	1	3
Total	150	1.44	.807	.066	1.31	1.57	1	4

FIGURE 22- Confidence and ANOVA significance for time with FINCA

Do you feel capable and confident to make important decisions that could change the course of your life?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.432	2	1.216	1.891	.155
Within Groups	94.528	147	.643		
Total	96.960	149			

FIGURE 23- Correlations: Psychological factors and Time with FINCA

		Number of loan cycles with FINCA	Do you feel capable and confident to make important decisions that could change the course of your life?
Number of loan cycles with FINCA	Pearson Correlation	1.000	-.107
	Sig. (2-tailed)		.189
	N	151.000	151

As seen in Figure 22, no significance (a value of .155) was found in the difference between new, middle and old clients' mean responses to this question on confidence. It is interesting to note that confidence in fact declines from new to old clients, although this decline is not statistically significant. As well, Figure 23 shows that no significant correlation (.189) was found between time as a FINCA client and client confidence. Thus it seems from this data analysis that client confidence does not improve over time. A comparison between new, middle, and old clients for our second elaborative question, which asks explicitly if clients have felt a change in confidence, also shows no improvement from new to old clients in positive responses. As seen in Figure 24, between the three client categories the percentage of respondents who reported a positive change in their confidence stays around 50%.

FIGURE 24- Change in confidence and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Yes, positive change	25	53.2	53.2	53.2
		No change	22	46.8	46.8	100.0
		Total	47	100.0	100.0	
Middle	Valid	Yes, positive change	36	52.9	52.9	52.9
		Yes, negative change	7	10.3	10.3	63.2
		No change	25	36.8	36.8	100.0
		Total	68	100.0	100.0	
Old	Valid	Yes, positive change	17	48.6	48.6	48.6
		Yes, negative change	4	11.4	11.4	60.0
		No change	14	40.0	40.0	100.0
		Total	35	100.0	100.0	

More interesting here is the increase from new to old clients in reported deterioration of confidence since the start of their loans with FINCA. Not a single interviewee who has spent less than a year with the organization reports feeling damage to her confidence due to working with FINCA. However, 11% of those who have been FINCA clients for over four years report a negative change in their confidence since the start of their loans with FINCA. These statistical differences suggest that FINCA's initial impact on the female client, if any, is always positive. It may even suggest that the new FINCA client feels more optimistic in general about her capabilities to shape the future of her business and her family. The long-term impact of FINCA's services on women is slightly more mixed, however, as about 10% of clients seem to lose confidence in themselves, possibly due to stress from the organization's high financial demands or discouragement at the failure of a specific business venture. This percentage of unsatisfied clients is small, however. The simple fact remains that 51.7% of women interviewed—the majority of respondents—

have felt a positive change in their confidence due to FINCA's services. This statistic alone, because it is self-reported by the clients, outweighs any of our analyses and comparisons between new, middle, and old clients in search for signs of improvement in client confidence over time. Therefore we can state that confidence, as an indicator of FINCA's empowerment of its female clients, has yielded positive results.

The second indicator of psychological empowerment as measured by this survey, client happiness, is based on the question "In general, how satisfied are you with your life?" Clients were asked to place their response on a scale from 1 to 10, with the number 1 as "extremely unsatisfied" and the number 10 as "extremely satisfied". The mean of responses was 8.31, indicating high client happiness. However, because the FCAT survey lacks a control group, we cannot deduce from this result that client happiness was dependent on FINCA's services, or that happiness was caused or improved by the client working with FINCA. Just as we could not attribute the highly positive client confidence ratings to FINCA's support without also reporting the results to an elaborative question on change in confidence, we now must turn to a data analysis of improved happiness over time in order to analyze FINCA's true effect on the client's happiness. The following comparisons between new, middle and old clients and correlations between happiness and time with FINCA suggest a negligible empowerment impact on female clients for the psychological indicator of happiness:

FIGURE 25- Happiness and Equality of Means for time with FINCA

In general, how satisfied are you with your life?

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
New	47	8.15	1.888	.275	7.59	8.70	4	10
Middle	68	8.21	1.959	.238	7.73	8.68	1	10
Old	35	8.69	2.111	.357	7.96	9.41	1	10
Total	150	8.30	1.972	.161	7.98	8.62	1	10

FIGURE 26- Happiness and ANOVA significance for time with FINCA

In general, how satisfied are you with your life?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.882	2	3.441	.883	.416
Within Groups	572.618	147	3.895		
Total	579.500	149			

FIGURE 27- Correlations: Psychological factors and Time with FINCA

		Number of loan cycles with FINCA	In general, how satisfied are you with your life?
Number of loan cycles with FINCA	Pearson Correlation	1.000	.147
	Sig. (2-tailed)		.072
	N	151.000	151

We see above in Figure 25 that there is only the smallest difference between new, middle, and old client satisfaction with life. On a scale from 1 to 10, all three groups of clients reported approximately "8" as the number to measure their general happiness. The ANOVA test for significant equality of means, shown in Figure 26, yields no significance whatsoever (.416). As well, the relationship shown in Figure 27 between time with

FINCA and happiness approaches significance at .072 but does not reach the benchmark of .05 to demonstrate a significant correlation. These data analyses demonstrate no clear impact of FINCA's support on client happiness. Interviewees report very high happiness in general (an average of 8.31), but as discussed, we cannot attribute this happiness to FINCA's help without the use of a control group. This inability to connect client responses with FINCA's help may have been balanced by a specific question on any changes in the client's happiness since she had begun her loans with FINCA. I made the research error of overlooking the importance of such a question in my administration of the FCAT survey. Therefore, as measured by this second indicator of client happiness, female FINCA clients have not experienced any statistically proven psychological empowerment.

Our analysis of these two indicators of psychological empowerment, client confidence and client happiness, have yielded mixed results. Most significantly, findings showed that the majority of female clients interviewed for this survey reported feeling an increase in their confidence since they began as clients with FINCA. With this data we could make the argument that female FINCA clients have indeed been psychologically empowered. A glimpse of optimism thus reveals itself in this investigation of psychological indicators of empowerment. Our second indicator of psychological empowerment, happiness, demonstrates that female FINCA clients have a generally high level of satisfaction with their lives. Our statistics show no significance, however, in measuring FINCA's role in creating or improving this client happiness. The results of this data analysis for psychological empowerment have proved more positive than those for economic empowerment, but it still remains open for debate whether these female FINCA Honduras clients are being psychologically empowered by the organization.

FINCA and Socio-cultural Empowerment

The final form of female empowerment arguably made possible by microfinance organizations is socio-cultural empowerment. FINCA's standardized FCAT survey administered one question on household roles that can be used to measure socio-cultural empowerment: "Are you the head of the household?" Answers to this question can be used to analyze gender roles within marital relationships and families in general. In the Spanish version of this question, the connotation of the phrase "head of the household" specifically refers to holding the directive role in the family. A substantial shortcoming of this FCAT survey is the lack of additional questions that could be used as indicators of the socio-cultural empowerment of female clients. More effective questions in this category may have asked the female client about her relationship with her husband or other male members of the family and her specific responsibilities in the household, or about her role as a woman in the community. Although I could not specifically administer such questions, I was able to capture details on these indicators from certain clients by recording their elaborative comments, which I will also review in this section.

Before administering this FCAT survey, I hypothesized that those women who had been with FINCA for more time would be more likely to be the heads of their households. General percentages of responses do show positive results for this question, but responses show no clear improvement from new to old clients and are significantly affected by the outside variable of civil status. As seen in Figure 28, the majority of female clients reported that they were the heads of their households. In Figure 29's comparison between new and old clients, no clear trend of improvement or deterioration is seen in the percentage of clients who are the heads of their households:

FIGURE 28- Head of household frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	79	52.3	53.0	53.0
	No	70	46.4	47.0	100.0
	Total	149	98.7	100.0	
Missing	System	2	1.3		
Total		151	100.0		

FIGURE 29- Head of household and time with FINCA

New/old with FINCA			Frequency	Percent	Valid Percent	Cumulative Percent
New	Valid	Yes	22	46.8	47.8	47.8
		No	24	51.1	52.2	100.0
		Total	46	97.9	100.0	
	Missing	System	1	2.1		
	Total		47	100.0		
Middle	Valid	Yes	39	57.4	58.2	58.2
		No	28	41.2	41.8	100.0
		Total	67	98.5	100.0	
	Missing	System	1	1.5		
	Total		68	100.0		
Old	Valid	Yes	17	48.6	48.6	48.6
		No	18	51.4	51.4	100.0
		Total	35	100.0	100.0	

It seems from the above analyses that female clients who have spent many years with FINCA Honduras are no more likely to be the heads of their households than those who have just began as FINCA clients. But it is much more crucial to examine the salient variable of civil status in relationship with responses to this question—any single mother is the head of her household by default, and not by empowerment through the improvement of gender roles within her marriage. The strong effect of civil status on whether a female client runs her household is displayed in Figure 30:

FIGURE 30- Crosstabulation: Head of household, time with FINCA, and civil status

Civil status				New/old with FINCA			
				New	Middle	Old	Total
Single	Are you the head of the household?	Yes	Count	11	16	7	34
			% within New/old with FINCA	73.3%	88.9%	63.6%	**77.3%**
		No	Count	4	2	4	10
			% within New/old	26.7%	11.1%	36.4%	**22.7%**
		Total	Count	15	18	11	44
			% within New/old	100.0%	100.0%	100.0%	100.0%
Married	Are you the head of the household?	Yes	Count	4	7	7	18
			% within New/old	33.3%	29.2%	46.7%	**35.3%**
		No	Count	8	17	8	33
			% within New/old	66.7%	70.8%	53.3%	**64.7%**
		Total	Count	12	24	15	51
			% within New/old	100.0%	100.0%	100.0%	100.0%
Open union (union libre)	Are you the head of the household?	Yes	Count	7	16	3	26
			% within New/old	36.8%	64.0%	33.3%	**49.1%**
		No	Count	12	9	6	27
			% within New/old	63.2%	36.0%	66.7%	**50.9%**
		Total	Count	19	25	9	53
			% within New/old	100.0%	100.0%	100.0%	100.0%

The total response percentages shown in bold above for the categories of single, married, and open union clients reveal that the vast majority (77.3%) of single female clients are also the heads of their households. (The 22.7% of these single women who are not the heads of their households generally live with fathers, mothers, or grown sons who assume the household head role.) When we examine responses given by married clients, we find very different percentages—only 35.3% of married female clients reported that they were the heads of their households. This clear difference suggests that a married Honduran woman, even if she is a microfinance client, remains likely to hold a secondary role to her husband in the home. Interestingly, those clients in open unions with a lifelong partner instead of in a formal marriage showed an almost equal split between "yes" and "no" responses to this question. This discrepancy between married clients and those in open unions suggests that the flexibility of an open union could encourage Honduran men to provide more voice and influence to their wives than the rigidity of a marriage, which may give men the comfort to treat their wives with more forceful authority. Notwithstanding, the most significant difference that we see in this analysis of civil status and head of household responses lies between single and married clients. Married clients are unlikely to be the heads of their households—but are they more likely over time with FINCA to assume this role? To analyze FINCA's possible empowerment impact on a client's family role within the context of her civil status, we observe the response percentages for new, middle, and old clients within these civil status categories.

Not surprisingly, single female clients show no significant increase or decrease in their likelihood to be the heads of their households over time. The clear majority of these women are already in charge of their families by default, and thus FINCA has little effect on their roles within the home. For married clients we see a small increase in the likelihood that the client will be the head of her household—from 33.3% for new clients to 46.7% for old clients. However, this positive trend is too small to be considered truly significant in terms of measuring FINCA's empowerment impact on these female clients and the gender roles in their homes. Clients in open unions also demonstrate no clear trend in their likelihood to be the heads of their households between new, middle, and old clients. Upon examination of new, middle, and old female client responses to this question within the context of civil status, we find no significant relationship between FINCA's services and the woman's role in the home. Whether a female FINCA client is the head of her household depends much more on her civil status than on her time with the organization. Thus we have found no evidence of socio-cultural empowerment for the female clients of FINCA Honduras in this survey.

The elaborative comments made by female interviewees on this question about household roles also yielded important insights on the continuation of powerful gender norms in Honduran society, despite any efforts of microfinance organizations or other NGOs to socio-culturally empower women. Among those interviewees who were married or in open unions, multiple women expressed an internalization of gender norms and skewed power relations within their marital relationships, and readily accepted the superiority of their husbands in the home. For example, Natalia García states, "My husband is the head of the household because he is the man in the relationship! A woman always has to ask permission of her husband—I can't say 'I'm going to do this or that' without talking to my husband first."[6] Financial differences between husband and wife also frequently impacted the same gender imbalance of familial roles. Paola Maylen

Ordóñez Rivera reports, "My husband is the head of the household and I'm a help to him. He has steady work in construction and makes more money than I do, and for that reason he has the responsibility."[7]

Whether for socially normative or financial power differences, the vast majority of women in long-term matrimonial or open union relationships expressed a clear power difference within their homes between husband and wife. These women had generally come to accept the gender discrepancy in family roles, and as traditional "amas de casa" (housewives), to take on all housework regardless of increased or changing responsibilities in their businesses as a result of their loans with FINCA. Valentina Espinosa Díaz explains that, although she has seen an increase in her business' success and thus in her daily workload since she began her loans, her household chores have not decreased. She declares, "I run my convenient store all day, but I also continue doing all the housework—clothes, food, childcare… everything."[8] These client testimonies support our survey results above, which demonstrate a complete lack of impact of FINCA's services on the female client's role in her home. Through our survey data and interviewee descriptions, the permanence of cultural gender norms in Honduras becomes clear. Deep-set cultural beliefs are difficult to change and their transformation often takes a process of many years—a process that no one non-profit organization can catalyze on its own. Therefore it is not surprising that FINCA Honduras has not succeeded in socio-culturally empowering its female clients as measured by our FCAT survey.

From this FCAT survey administered in June and July 2009 with female clients of FINCA Honduras, we have found mixed results in terms of the empowerment of women through microfinance. Our five indicators of economic empowerment as measured by this survey—family expenses, food security, health, child education, and financial satisfaction with FINCA—demonstrated certain positive changes in the lives of female clients as well as a lack of impact in other areas. The food security and health of interviewees showed the clearest positive change due to the help of FINCA's services. Our indicators of psychological empowerment presented the best results in terms of empowerment—a clear improvement in confidence was seen among the female clients interviewed, and client happiness was high (despite our inability to specifically attribute that happiness to FINCA's help). Finally, our indicator of socio-cultural empowerment, household roles, and related elaborations by interviewees on gender relations in the home clearly demonstrated FINCA's lack of impact on female clients in this area. No clear change was seen in women's marital relations or roles in the household due to the client's membership with FINCA. In my final chapter, I will now address the possible explanations for these results in terms of the economic, psychological, and socio-cultural empowerment of FINCA's female clients, and offer my current perspectives on the microfinance industry within this context.

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CHAPTER SIX: CONCLUSIONS

Microfinance has been promoted worldwide as a tool for the alleviation of poverty and the empowerment of women. In light of my study with the female clients of FINCA Honduras, I question the ability of microfinance to achieve these aims for impoverished women. Microfinance organizations do not always succeed in the economic, psychological, and socio-cultural empowerment of their female clients. The 151 female FINCA Honduras clients interviewed in our survey have experienced partial improvements in their standard of living and clear improvements in their level of self-confidence, but have seen no change in gender norms and power imbalances within their homes since they began the FINCA program. The empowerment impact of FINCA's services on their lives has thus been limited. It is encouraging, however, that the female clients of FINCA Honduras have generally not demonstrated any of the negative impacts on their lives that have been found in some studies on women and microfinance, such as debilitating debt or increased domestic violence among partners. FINCA Honduras has proved itself a supportive and efficient institution in serving its clients, but does not currently have the capacity to fully empower its female clients through economic, psychological, and socio-cultural changes in their lives.

My investigation of the economic empowerment of female FINCA Honduras clients suggests that FINCA actively improves the standard of living of Honduran women within the bounds of their economic class. However, it is unable to substantially pull the female client out of poverty due to Honduras' entrenched socioeconomic hierarchy. With FINCA's help, important improvements were seen in the food security and health of clients' families, but indicators measuring the money that a client lives on per day revealed a harsher reality—that women as clients of FINCA Honduras cannot substantially change their financial situations through microloans. Microfinance has allowed these women to subsist comfortably and even to improve the well-being of their families, but a Honduran woman's socioeconomic status is not likely to change with the efforts of one non-profit organization. The significant reduction of poverty in Honduras would require widespread structural reforms that the non-profit sector does not possess the influence or the tools to accomplish.

Although FINCA Honduras does not have the capacity to significantly improve the economic well-being of its female clients, it could enhance its economic empowerment impact through the implementation of a more effective "credit-plus" model of microfinance and through the provision of individual loans. FINCA Honduras currently provides its clients with obligatory savings accounts and micro health insurance, which require the client to pay monthly deposits and payments. FINCA clients expressed repeated frustration with the fact that these extra services depleted their savings but were not tailored to their specific needs. For example, FINCA's health insurance only covers hospital visits, which is problematic because many rural clients have no nearby access to a hospital. It would be more beneficial for clients, perhaps, if these aspects of FINCA's credit-plus microfinance model were made voluntary in order to grant the client more financial independence. As well, individual loans should be made more easily available to clients—a frustration expressed by interviewees was the inability to manage one's finances without the burden of group responsibilities. The improved flexibility of FINCA Honduras' credit-plus services and the increased availability of individual loans could improve this organization's economic empowerment of its female clients—it could provide them with greater financial independence from the organization and thus the ability to better manage their own profits and savings.

My investigation of the psychological empowerment of female FINCA Honduras clients suggests that the organization has been successful in this regard, and supports a correlation between increased economic independence and agency and increased self-confidence for Honduran women. The FCAT survey findings suggest that FINCA Honduras need not be concerned with measures to empower its female clients psychologically, because increased self-confidence is a natural byproduct or outcome of an individual's increased ability to manage her finances and improve her success in business. By measure of this survey with female FINCA clients, FINCA Honduras has played an instrumental role in the psychological empowerment of Honduran women.

Finally, my examination of the socio-cultural empowerment of FINCA's female clients yields no significant results and suggests that socio-cultural changes in the lives of Honduran women are far too difficult for this microfinance organization to generate on its own. The impact of *machismo* and strong normative gender divisions in the home within Honduran culture have become clear through the testimonies of these female clients. The socio-cultural empowerment of women in any society is an extremely complex process, as it requires the undermining of tightly knit social structures that have been in place for centuries and, most importantly, that have been internalized by men and women alike. Cultural norms such as these Honduran familial gender roles are deep-set social phenomena that one microfinance organization cannot hope to overturn.

FINCA Honduras may be able to moderately increase familial gender equality for women through specific socio-cultural empowerment programs, as part of its credit-plus model. Some microfinance organizations worldwide have aimed to tackle gender inequalities with client education programs, as outlined in Chapter 2. Through the implementation of programs such as educational workshops on reproductive rights or gender equality, FINCA could possibly trigger positive socio-cultural changes for its female clients, by granting them the knowledge and the tools to seek equality in the home and the community. Some microfinance institutions have proven successful in their attempts to socio-culturally empower their clients by these educational means. If FINCA Honduras chose to address the socio-cultural empowerment of Honduran women, it could enhance its credit-plus services with educational programs to promote gender equality.

This thesis has added one modest investigation to the large pool of worldwide research on women's empowerment through microfinance. My survey with 151 female clients of FINCA Honduras falls in line with previous studies that present doubtful, ambiguous, or negative results on microfinance's ability to empower women. As I have discussed, FINCA Honduras' inability to economically and socio-culturally empower its female clients can be attributed to the deep-set socioeconomic hierarchies and cultural gender norms that prevail in Honduras. In contrast, the psychological empowerment that these women have successfully achieved is most likely a natural byproduct of their increased financial independence and agency with FINCA. FINCA Honduras fails to fully empower the female client through its small financial services, and stands as a testament to the weakness of non-profit organizations against national structural inequalities. The true alleviation of poverty in developing nations requires vast structural readjustments that could only be accomplished by government programs or powerful international organizations such as the IMF or the World Bank—not by the modest non-profit sector.

Unfortunately, third world governments and international organizations have made inadequate efforts to address structural socioeconomic inequalities, and have instead endorsed microfinance as a panacea for global poverty. The world has responded to this endorsement and celebrated the idea of microfinance because it provides a solution that is too simple to be true: through one small loan, a poor individual can allegedly transform her impoverished life into one of financial success and agency, and step by step world poverty will be reversed. But we must not be so easily fooled, lest we allow poverty and structural inequality to fester and spread underneath the band-aid of microfinance's rhetoric. Microfinance has generated important financial opportunities for poor entrepreneurs worldwide, but its promises may not be enough to combat the global wealth gap that continues to expand in this era of globalization. We must question the popular narrative of microfinance and empowerment, and continue to seek more complex programs and policies that will effectively address poverty across the globe.

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