

Women climbing out of poverty through credit; or what do cows have to do with it?

Helen Todd

*CASHPOR, 6 Lrg., Permata (Lobak),
70200 Seremban, N.S. ,Malaysia
gibbons@pc.jaring.my*

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Abstract

The Grameen Bank approach to micro-credit is by now well known. What may be less well understood is that a large share of the initial loans is invested in animals. Across projects and countries in Asia there is an ideal progression that even the poor aspire to. It starts with ducks and chickens; then a few goats are kept for milk or fattening and to slaughter for a day of sacrifice; next a milch cow; then a bullock for ploughing in cooperation with another one-buffalo family; then two bullocks, which can be used to plough the fields of others. An example is given of one Micro-finance institution in India, where more than two thirds of the loans in the first and second loan cycles were invested in animals. In another case from Bangladesh women had had access to loans for several years and were into their 8th to 11th loan cycles. It was found that their ultimate objective was to get access to land for which possession of a cow or bullock make them attractive sharecroppers for the landlord. However, they still kept small animals to provide them cash for minor, but important expenses like purchases of seeds, fertilizer or attendance to a relative's marriage. However, for the very poor women, who are into their first loans, small animals have a priority as they require less space, shelter, and feed and are easier to protect against theft. It is pointed out that there are problems in establishing linkages between the Micro-finance institutions and technical livestock organizations, but that weekly center meetings bring together 30-40 enterprising women, who would provide a very captive audience for an extension worker.

Key words:

Micro-credit, women, animals, investments

Introduction

"This program is for people who don't own buffaloes." This was the response of a villager in northern Vietnam when asked to describe Tau Yu Mai, a CASHPOR member Microfinance institution (MFI). The clients of CASHPOR members *at entry* are the poor, typically the bottom half of the poverty group. They are not even small farmers. They are people who have no land; sometimes not even a house-lot. They are people who don't own large animals. Their involvement in agriculture is as daily laborers working on the farms of others; as seasonal migrant workers or sometimes as sharecroppers. Or they provide rural

services -- as petty traders, rickshaw drivers, mustard oil makers, mat weavers and so on.

So what happens when the women of these families join a Grameen type center (<http://www.grameen.com>) and get access to credit (Goetz and Sen Gupta 1996)? I will focus my reply to this question on my experience with 40 Grameen Bank borrowers living in two villages in Tangail, Bangladesh, whom I followed for a year in 1992-93 (Todd 1996), and on the members of a new MFI in Mirzapur in Uttar Pradesh, India, with whom I am currently compiling baseline information for use in impact studies in the future. But I will also refer occasionally to the experiences of other CASHPOR member MFIs, whose work I have observed in the field (<http://www.cashpor.com>).

In terms of livestock, there is an ideal progression for farm families in the sub-continent, that even the poor aspire to. It starts small with ducks and chickens; then a few goats are kept for milk or fattening and to slaughter for the Muslim day of sacrifice; next a milch cow; then a bullock for ploughing in cooperation with another one-buffalo family; then two bullocks. These can be used to plough the fields of others - a very lucrative business in the planting season. In India, one would add a milch buffalo at the apex of desirable animals on the farm (Figure 1).

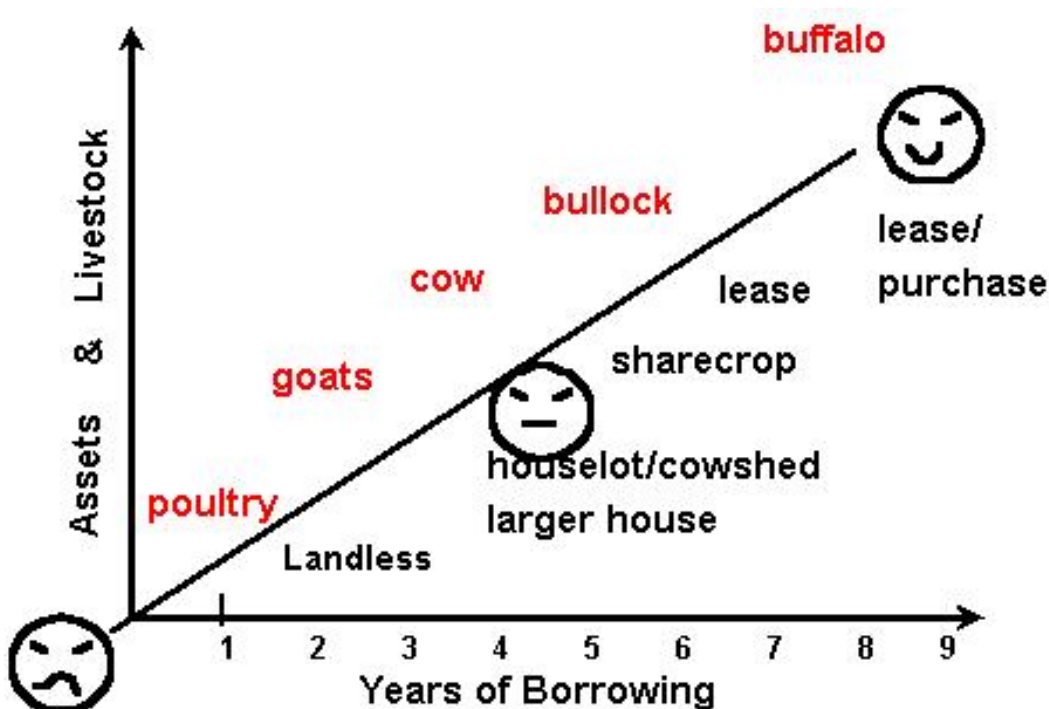


Figure 1. The progression of animal ownership

When I revisited our Tangail database to see if long-term borrowers realized this ideal progression in reality, I was quite surprised at the results. But first let's look at the Mirzapur program, because its clients are on their first loan cycle and we can see what they do with their capital at the very beginning.

Of the 73 women who had taken their first loan (as of end-February) 33 had taken loans for livestock, or 45% - 7 for poultry, 24 for goats, 2 for pigs, and one for a cow. Notice the overwhelming preponderance of small livestock. This is because the maximum first loan in this MFI is Rs2,000 (US\$53), which is not enough to buy even a one-litre cow. But it means a repayment of around Rs50 per week, which is manageable for a poor client on her first loan cycle.

When I ask the women why they invest in goats and chicken the answers indicate that it is a kind of

residual loan use. Women, who have a skill, like sari weaving or mat making put their capital into that because it rescues them from the grip of the suppliers of raw materials. Women who are traditionally traders - like a center of Muslim women bangle traders - put their loans into expanding a business, which gives them a daily cash return. Women who do not have these options are likely to choose to fatten small animals or raise poultry for eggs. Most rural women have the skills required.

But they understand that the initial result of this choice is to make them *poorer*. It may take months for the goat to have kids, which can be sold, or for the pig to get fat. In the meantime, they have to find the weekly repayment out of an already painfully tight budget. An investment in livestock, then, is a kind of forced saving. They pay for it in small weekly amounts, so that when they sell and get the return, they have a lump sum, free and clear, for reinvestment. But it is difficult, for them, and pretty chastening for the researcher. I will always remember a desperately poor woman in Negros (the Philippines), who had taken a loan for pig fattening, and who had to buy feed as well as make the loan repayment, telling me bitterly, "This pig eats better than we do!"

The preponderance of small livestock amongst first-time borrowers in Mirzapur is expected. But what about the borrowers in Tangail? These 40 women were on their eighth to eleventh loans and half of them had come right out of the poverty group altogether. Most of the remainder had moved from the bottom half of the poverty group to the upper half.

In one village, only five of the 20 households in our sample owned cows or bullocks. They were the most successful families, in terms of income and asset holdings. But there were other well-off families who did not own large livestock, even though several of them farmed land. They were mainly traders who kept their capital rolling through a business - selling aluminium pots or trading vegetables to Dhaka. But in this village, 19 of the 20 *did* own small livestock. They all owned chickens, from one to 20. Fifteen women owned goats.

The second village conformed more closely to the ideal picture. Half of the sample owned cows, calves or bullocks and three more kept "share" animals. But *every* member of our sample owned small animals. They all had chickens or ducks or pigeons, some all three, and ten women had goats or sheep.

This is a small sample of borrowers from one MFI, so it is only indicative. But it is strongly indicative of this: - if livestock programs and livestock NGOs want to make a difference to the lives of poor women, they need to focus on goats and sheep, chickens and ducks, as well as on cows and buffaloes. And then find a way to transfer the better breeds and better methods to women in their villages.

Chickens and the Gender issue

Since women borrowers in Tangail have voted with their Taka for small livestock, let's look more closely at what might be the benefits to them of making those choices.

- Small animals traditionally are in the care of, and are owned by, the women in the household. Which means when they are sold, even if a male actually takes them to the market, the proceeds come back into her hand, and she decides on the use of that cash. Most of the long-term borrowers I studied had used the muscle that their membership of Grameen Bank and access to credit gave them, to extend ownership rights as well to larger animals - the cows, and even the bullocks, they bought with their loans - but this was by no means as automatic or conflict-free as with small livestock.

- Large animals need large spaces, shelter in the form of cowsheds, security from theft and large amounts of fodder. A poor woman, particularly a landless one, cannot provide these things. The demands of small livestock are more manageable for her. As a member uses her loans to increase her income, invest in a larger house-plot and a more secure house, she becomes more able to provide for larger animals. But not all clients of MFIs climb out of poverty at the same rate and some only improve their position in the poverty group and don't get out of it.
- Returns on small animals may be smaller, but they are more frequent, which fits in with the needs of the poor for small amounts of cash to handle an emergency, feed a visiting relative, travel to her father's house or make her repayment when no other income is available. They also have a nice habit of producing frequent offspring. Small livestock are also easier for the woman herself to sell within the village, and she does not have to answer to her husband when she does so. For these uses see the case study of Khatimon below.
- The risk of death and theft are probably equally high with small as with large animals - but the loss of a goat is less catastrophic than the loss of a cow, and the burden of repayment is smaller.

The Pattern of Investments

It is not possible in the case of the Grameen Bank to trace accurately what loans are used for in each cycle. The records held in the branch offices are unreliable, at least they were in Tangail, and the loan use written in the records was often fictitious. This is because borrowers were using their loans to acquire leasehold land, which at that time, was against the rules of the Bank. So the information I use here is from life histories, which are also not very reliable and from our records of what happened during the year that we were observing this sample, which are reasonably accurate.

Land

Probably our most important finding from the year of research in Tangail was that most Grameen Bank borrowers in our sample were investing their loans into getting access to land. Before our work, it had been assumed that most GB loans were going into the "non-farm sector", particularly petty trading. We discovered that what the women clients of the Bank wanted to do was to turn their husbands from daily laborers working for others into small farmers working for the family -- and many of them had succeeded in doing just that. Although the loan records of the Bank are littered with "Loan use: cow/paddy (unprocessed rice) husking; paddy husking/cow", interviews with these borrowers indicate that many of these cows were phantoms, and the buying of livestock was subsidiary to their main purpose of getting access to land.

Life histories of the GB members show that most of them usually started by buying paddy to boil and husk with their first one or two loans (although *none* of them were doing this tedious and unproductive business by the time we arrived in the village). Paddy husking gave a small, weekly return so that they could handle the repayment; it was a skill they all had and, worse come to worse, they could eat it when their husbands could get no work. But by their third or fourth loan most women were investing their loans with an eye to getting land to grow paddy.

The mechanisms for getting cropland in Tangail are sharecropping, leasehold and purchase, usually in that order. The loan capital itself made these landless families more attractive to landlords looking for sharecroppers, because they could pay for the inputs that ensured a good harvest - of which the landlord

took half. Possession of a cow or bullock, and a plow, made them even more attractive. So for that reason, many borrowers did, in their second to fourth loan cycles, buy a cow or bullock.

Once a family was getting harvest from a sharecrop, they had the "food security" necessary for making more long-range plans (as well as straw for the cow), and they were ready to take a leasehold. This is by far the most important mechanism for getting land. The way it works in Tangail is that the GB member pays a lump sum to the landlord and gets the full use and all the harvest for a minimum of 2 seasons, but usually for longer. (The going rate in 1993 was 6,000 Taka/bigha (3 bighas make 1 acre) When the landlord wants his land back, he pays back the original sum. So the leaseholder not only gets double the harvest she would receive as a sharecropper, but her capital is intact as well. The only catch is managing the repayment of the loan before the land is harvested.

For this reason, most women did not invest their entire loan in the lease. They would keep back some portion to build up their holdings of small livestock - chickens and goats in particular, which they could turn into cash when there was no other way to meet the repayment.

Some borrowers put their loans into leasehold from their very first cycle. But this showed an uncommon determination and willingness to scrimp. Most like Zuhura invested in paddy, for husking, eating and resale, and also in livestock - first goats, and then later milch cows - and started looking for leasehold land in later loan cycles. They started small - like Rokiah whose first lease was only 10 decimals (100 decimals = 1 acre). Many, by 1993, had leased in more than one acre in different parcels. One borrower had no less than six different leases adding up to an acre, negotiated at different times. When GB introduced the seasonal loan in the early nineties, which effectively doubled the capital a woman could take in one year, the majority of our sample, even households who had previously used their loans for trading in mustard oil or pots, began to lease in fields for cultivation.

More than one third of our sample had done well enough from this process to buy land of their own. Their first priority was to buy or enlarge their house-lot. Then they would use their loans; the proceeds of the harvest from leased or sharecropped fields and often money raised by leasing *out* the newly purchased land, to buy fields for cultivation. For example, Basiron a second wife, who lived in her father's village, used part of her first 2 loans to buy a 7 decimal house-lot from her father. Her next two loans were spent on cows. Then she exchanged those cows with her father for a doubling of her house-lot. With her 4th to 8th loans she leased fields; her 9th and 10th loans helped her to buy two fields, from her father and her sister, adding up to one bigha.

We can summarize the three predominant patterns in this way:

Pattern One: The less vulnerable poor

Case of Shazeda - the progression is chickens and ducks, cows, bullocks, but the priority is land acquisition and livestock are acquired and sold to further the objective of getting access to more land.

Pattern two: the vulnerable poor

Case of Rokiah, the divorcee living in her father's compound. The progression is goats, milch cows, and goats. Livestock served her needs well and helped her out of the poverty group. But as her son grew older her focus also turned to acquiring leasehold land. In her tenth loan cycle, she sold her cow and took a leasehold.

Pattern Three: Borrowers who remain in the poverty group

Case of Hawa. Chickens and share goats. Very small returns, risky, but all she could do in her situation.

The Question of Control

If women are using their loans to get land for their husbands to farm, how does that benefit them, and how much control do they exercise over the proceeds from this land? The answer to that question is fully explored in my book, *Women at the Center* (Todd 1996), which focuses on the issue of empowerment. Let me just say here that from the perspective of the GB women themselves, land *is* a woman's issue. It puts paddy in her baskets and secures her food supply. A woman who cannot manage enough food is not only sure to go hungry herself, but she is considered incompetent, as unjust as that is. Only when she has a store of grain can a woman raise her head from the day to day scratching for subsistence and plan for the future.

Bangladeshi women play a major role in the cultivation cycle. She germinates the seeds; and all the harvest comes back into her hands for processing and storage. Her position as the busy wife of a small farmer, the guardian of the granaries, the manager of plenty, gives her much more scope to negotiate control than when she simply waited, beside an empty pot, for her husband to return with his daily wages.

It was the use of successive loans to get land to cultivate that had lifted more than half our sample out of poverty. In the farm setting, land is the ultimate value. It gives the security of "eating our own paddy"; it gives the husband the status of an independent farmer, rather than a wage earner. And it is the critical role that the woman's loans have played in attaining these values that underlies the other important finding of our research - that two thirds of the GB women had over the decade of membership in the Bank negotiated themselves a position of centrality and even dominance in their families.

Income

We have seen in Khatimon's case that a woman can manage a flock of small animals in such a way that they give her small bursts of income for emergencies, repayment, meeting her social obligations or smoothening out shortages during a lean season. But this is additional income; it is not the main source. It is like money on fixed deposit rather than a regular salary. Can a woman bring her family out of poverty through investment in livestock alone? I did not see this happening in Bangladesh. But in India, in some contexts, it does seem to be possible.

In the Dacheppally branch of SHARE, an MFI in Andhra Pradesh, more than two thirds of the loans in the first and second cycles were invested in livestock, mainly into milch buffaloes. A two-litre buffalo brings in Rs16 per day, about the same as the women get from daily labor, which they continue to do. So with the first loan they effectively double their income. With the second loan, they can buy a better buffalo. One woman I interviewed on her second loan cycle had two buffaloes, which had given her two calves. She was selling five liters of milk per day, earning Rs.40, and had given up daily labor to concentrate on her livestock. But what other conditions, besides credit, are necessary for this strategy to be successful? At least they require space and housing for the animals, sources of fodder, and an assured market for milk and milk products. She also needs a spread of income sources for the periods when the cow/buffalo is dry.

We can see with Rokiah, for example, that her cow was dry for six months. Even when it gave her milk, the income from one liter a day was not enough to fully cover her repayment. The head of SHARE tells

me that his borrowers try to get two milch buffaloes (through two successive general loans), and then manage them in such a way that only one is dry at a time, so there is a flow of milk and income all year round. This also secures SHARE's repayment, of course. But they do not regard this income as enough, or as secure enough. When they get their first seasonal loan, which they are eligible for in their second year, many invest it in renting land, to secure their food supply.

Risk

It seems clear that a substantial number of borrowers in most MFIs invest in livestock in their first few loan cycles, during a time when they are moving (ideally) from a position of hard-core poverty to at least basic food security and better housing. But these livestock investments are risky. Animals die, they are stolen; the larger the investment the more catastrophic the loss. In the Mirzapur program, with only 70 loans out, already two women who invested in chickens have lost their entire flock to Newcastle disease. It is therefore imperative that programs lending to the poor for livestock also offer insurance as one of their financial services.

Some MFIs are doing this, but there is not much information on how they work in practice. For example, Nirdhan Nepal introduced an animal insurance scheme, which paid out half the value of an animal, which died. It worked fine so long as the losses were in chickens and goats. But as soon as a couple of cows died the kitty was empty. Nirdhan has now started again with the Government owned Guarantee Corporation that charges 8 Rupees per 100, with the Government paying half of that as subsidy. What is needed is for veterinarians and actuaries to sit together and figure out what are the risks and how many borrowers paying what premium would be required to cover them.

Linkage

It also seems desirable to bring credit and savings organizations into closer touch with livestock NGOs. This is so obvious it is like supporting motherhood. But it is not easy - in fact, it is so difficult, even with two NGOs who share the same objectives, that it seldom happens in practice, I think. Let me give you just one example. Last month I accompanied the senior managers of the CASHPOR India program in Mirzapur to visit the Mirzapur BAIF office. BAIF is justly well known in India for its work with livestock and sustainable farming systems. What we wanted was to find out if any of our clients could tap into any of BAIF's programs. BAIF's only program in Mirzapur is x-bred milch cows, which works like this:

Local cow \Rightarrow artificial insemination (AI) \Rightarrow calf \Rightarrow AI/technical advice \Rightarrow milk producing x-bred

This process, from AI to a milk producing x-bred, takes around two and a half years. Even if our clients buy a local cow with their CASHPOR loan, they cannot participate in this program - because they must repay their loan within one year and they are too poor to afford a 2 1/2-year perspective. All the inputs, in terms of supplying the cowshed, fodder, veterinary care, have to be paid up front before the x-bred cow starts producing income. When it does, of course, the returns are excellent.

So what can be done? CASHPOR could design a special loan product to fit the BAIF system. But this would have to be a loan only for members who had already demonstrated their credit worthiness over 2 or 3 years. And it would have to be in addition to a general loan producing income for repayment. So this MFI would have to be three years old before it could work with BAIF. In its early years, we could link our clients into BAIF only if they had a program in Mirzapur for goats and sheep, or bee keeping or

sericulture, as they do have in other parts of India.

MFIs following the Grameen Bank methodology, like the members of the CASHPOR network, are well known (notorious?) for being "minimalist" credit programs. The clients decide on loan use, and there is no systematic client training or technology transfer. MFIs in the CASHPOR network focus exclusively on financial services in order to reach the "maximalist" goals of rapid outreach to large numbers and financial viability. For example, CASHPOR India has opened six branches in Mirzapur and aims to reach 18,000 clients, and turn a small profit, within five years - and, in addition, franchise itself into any number of MFIs all doing the same.

So far this single-mindedness does not look very hopeful in terms of linking with NGOs interested in livestock or crop development. But the Grameen Bank methodology does open a unique window of opportunity for such linkage, and that is the weekly centre meeting. This brings 30 to 40 enterprising (and increasingly articulate) village women together in one place every week for around one hour, with only the boring business of counting Rupees into passbooks to occupy them. This is a rare captive audience for any extension worker who can interest them in what she/he has to say.

Khatimon earned around 4,000 Taka in total from her busy *Bari* (homestead) during the year - more than her husband earned doing daily labor. And notice she did not buy any livestock. They were happily reproducing themselves. But still, her largest source of income was proceeds of the harvest from land that she owned, leased and sharecropped. It was this harvest income that put her over the poverty line and gave her the confidence to take a housing loan and build herself a new house that year.

During the period the cow was dry she ate at her workplace and handled the repayment by selling paddy, goats milk, 2 goats, eggs, hens and ducks. She also got remittances from her 14-year-old son on a labor contract. She took share goats and built up her own flock from the offspring. This was the year she emerged from the poverty group - because of the income from the leaseholds. She still lived like a poor woman, minimal expenditure, tiny house, working as a servant. But the 17 decimal field she leased was Mia's; he needed the money to pay a debt. And now she owned her house-lot, she planned to build a new house with a Grameen Bank loan.

Livestock served Rokiah well. As a single woman it was the most productive loan use for her and she lived in a secure compound where the cows were safe from theft. But it was the land that moved her out of the poverty group. She earned 3,000 Taka from her livestock and 3,500 from one harvest from the 27 decimals.

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CASE ONE: Khatimon: Returns to Livestock

Khatimon was in the middle of our sample in terms of income and assets, and her income over the year of our study put her family just above the poverty line. She did not own any large animals, but she had a constant turnover of chickens, ducks and goats. For 36 of the 52 weeks she got some cash return from the animals in her compound. Apart from eggs and milk, I have recorded the sales during the year and what she

CASE TWO: Rokiah, The Vulnerable Poor Rokiah is a young divorcee with one son who has come back to live in her father's compound. At entry she was extremely poor and worked as a maidservant, paid in meals, for Mia the landlord. First loan

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