Financing Success for Women

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The Rise of Microfinance

Microfinance was first launched in the 1980s as a “social banking innovation”, and was mainstreamed with non-government organizations and provincial governments to help the underserved. Set up in association with governmental institutions, banks provide small loans to people who otherwise would not have access to credit, allowing them to establish savings and checkings accounts, and apply for microinsurance. But what most clients do not know when going into a microfinance institution (MFI) is the high-interest rate attached. This does not seem to be a logical system; a category of finance that serves a low-income population should take into account the limited amount of money that their target population has. Yet, the interest rate is the only thing that makes MFIs self-sustainable; without them, such institutions around the world would be overrun with debt, and then the lower class is left in a worse state than before, with the responsibility of the resulting debt and no options for repayment.

When MFIs were first introduced, they were a general success, albeit controversial. Those in favor contend that microfinance has reduced poverty by encouraging higher employment and income, and therefore is responsible for the resulting benefits, such as improved nutrition and education. Microcredit has also been noted as an empowering tool for women, allowing many to graduate from welfare programs. Those opposed, however, say microcredit has not increased income and has driven many households to extreme debt. In most cases, the loans taken out by clients are not put towards investments but rather used to buy consumer goods or other sources of immediate gratification. Furthermore, because there are no regulations on how many loans an individual can take out, or a national server listing whether or not the client has already taken out loans, many borrowers acquire loans from multiple companies at once and cannot pay them back in time. In some countries (ie. India), this has resulted in a set interest rate, giving clients more security when paying back their loans and less risk of failure. Microcredit has led to the creation of many businesses and has improved self-employment rates, but it has not led to a substantial long-term change in income. When looking at what has been achieved because of MFIs, nothing overwhelmingly positive or drastically negative has been observed, but they do contribute to the success of small businesses, and in relation, the economy.

Sri Lanka, in particular, has a unique situation, as microfinance lending and lease-hiring purchasing have had a stronger impact on vulnerable rural communities. Women, in particular, have fallen victim to microfinance companies, as the war-torn northern and eastern parts of the country were hit with failed infrastructure attempts and credit expansion. The trauma caused by the conflict in part with pressure from debt collectors led to a surge in suicide rates, and soon the government instated a ban on MFIs, after massive protests and resistance by of Sri Lankan women. NGOs in Sri Lanka started in the 1990s to address a lack of credit and money for women through MFIs, establishing groups of women to be responsible for each other’s loans so there would be no collateral and therefore less risk. After the Sri Lankan Civil War, the financial sector expanded to include numerous banks, finance corporations, and hundreds of unregulated companies. Public institutions, religious centers, and the homes of women became the offices for debt collectors, locations that could rope in customers while also keeping tabs on borrowers. The loans created a debt trap that sprung in the hearts of the community. But as the crisis grew to an unmanageable scale, women's groups from the affected areas of Sri Lanka exposed the practices of debt collectors and the damage they were inflicting among children and families. In previous years, MFIs had been able to turn attention away from their actions by building a culture of victim-shaming, by claiming overconsumption and lack of responsibility. But the resistance had captured national attention, and more issues have come to light.

Microfinance institutions are designed to offer as much "free" money as possible to people not used to seeing it, allowing them to slowly amass national power. While the loans are meant to be supporting borrowers in establishing businesses and supporting the national economy, the primary goal of eliminating poverty barely seems doable. So why has it facilitated any change? What happened to the virtuous dream of equality?

In some ways, it is still there, written in the bylaws and codes of financial sectors. MFIs are still giving access to a traditionally non-represented group, providing a chance to take control of individual financial situations. But the issue doesn't fall under the MFIs specifically. It's due to a lack of regulation. So even if a borrower doesn't want to drop into a sinkhole of debt, there is almost no way to avoid it. Being adept at microcredit requires extensive knowledge of the loan carrier and the inner workings of government, which the vast majority of clients lack the time to learn about. Because the money being borrowed isn't going towards long-term investments, 60% of clients take loans from multiple banks. Microfinance institutions get money by borrowing from larger banks and claiming part of the interest rate borrowers are supposed to cover with their payment installations. Borrowers are less concerned about the interest rates they're paying and more about convenience, so if an MFI offers a high-interest rate but money that is easily accessible, they suddenly have more potential clients and are making more profit.

Bangladesh's narrative is similar to that of Sri Lanka. In 2006, the Grameen Bank of Bangladesh won the Nobel Peace Prize for its microfinance operations; yet, when the actual procedures of NGOs were analyzed, it was revealed that "codes of honor and shame" were used to gain female clientele, often resulting in domestic abuse, and the introduction of capitalistic values into different communities. Despite there still being the same structural issues with MFIs in Sri Lanka, Bangladesh has seen more success in reducing poverty. The primary purpose of Bangladesh's financial sector was to reduce rural poverty, and after implementing MFIs in the 1970s it has seen progress. However, it is important to note that the success only came after MFIs were given access to institutional funds, so they wouldn't have to rely on the savings of clients. Microfinance in Bangladesh has moved from self-employment to microenterprises and productive employment, aiding farmers and other rural workers. But none of this would have been possible without the implementation of mandates and common law. While some sections within microfinance have not improved (such as debt collection and loan management), newly created departments that provide features besides loans have had a more profound impact on Bangladesh. Even though there are issues with some aspects of microfinance institutions, the country has experienced more general success when in comparison with its South Asian neighbors, showing how MFIs might be used in the future.

The varied impacts of microfinance on the nations of Sri Lanka and Bangladesh lead to an inconclusive conjecture on how beneficiary MFIs and related subsidiaries are. But by looking at the impacts on both of these regions, it can be determined that regardless of the damage they have caused in the past, microfinance is advancing in terms of power, and without proper regulation and the introduction of loan management among low-income populations, more and more countries will fall into debt. It's a recurring theme across many countries, and until the necessary changes are made and the government becomes actively involved in the financial sector (as the women in Sri Lanka fought for), MFIs will continue to move down an unregulated, unchecked path, destroying the very communities they were designed to help.

Femtech: Power to Women or Profit for Business?

In the modern age of technology, a new approach to improving the quality of life of the human race seems to appear monthly. Humans have started to invest heavily in technology, in hopes that there are endless gold mines to discover through its use. Over the past few years, technology has evolved to help women in particular. Femtech, the branch of technology involving digital health tools made to improve women's health, has seen a sudden surge in popularity. The reason is clear: half of the world would have a higher quality of life conditional on the successful development of this technology. In a field in which women have historically been ignored, change must be made in order to make the fullest use of the technology available.

Femtech may provide the solutions to problems women have faced for centuries. For example, Ryan Ayers writes: "70% of women diagnosed with postpartum depression conceal or minimize their symptoms." Since childbirth is regarded as one of the most important times of a woman's life, and women may not feel comfortable discussing post-birth depression, femtech offers a possible solution.

The business side of femtech companies mainly comes from data collection. Organizations gather data from women so they can understand how to best address current issues. Data collection is not necessarily invasive, companies are making it clear that participation in the data collection process is voluntary. For example, one of the most prominent startups, Ovia, has entered the workplace of several large companies. Blizzard, a video game company, started using Ovia this year to "monitor employee health," collecting data on fertility, menstrual cycles, pregnancy, and mood. While there was some backlash within Blizzard at first, most of the women employees have realized that the apps were offered to benefit them. In an interview with Drew Harwell of the Washington Post, Diana Diller, an event planner for Blizzard, said: "Maybe I'm naive, but I thought of it as positive reinforcement: They're trying to help me take care of myself." Harwell then elaborates on the financial incentives, writing: "The decision to track her pregnancy had been made easier by the $1 a day in gift cards the company paid [Diller] to use the app: That's 'diaper and formula money,' she said." Understanding the privacy concerns that come with potentially overzealous femtech startups is crucial before women should make the decision to allow companies access to their data. While Blizzard's $1 a day system, coupled with data that is supposed to make life easier for employees, is enough of an incentive for many, some women value their data higher than the $20 per month they are offered. The decision to share personal data ultimately comes down to trust. Women weigh their understanding that femtech startups are in business primarily out of self-interest, with the fact that the companies working to improve their quality of life.

Another concern is that health-care providers will use the data from femtech to bump up prices if they find a higher demand for health services than expected. Femtech will inevitably uncover some of the common concerns hidden among women, and this information could be weaponized. The Frost & Sullivan consulting firm projects the femtech industry to have a “market potential of $50 billion by 2025.” Startups are aggressively competing against each other for room in the market, and each is determined to get a larger slice of the pie than the other. Since the industry is new, women will have to wait and see how promising femtech really is. For now, they should use caution when deciding to share or sell their information, with the understanding of who they are giving it to, and how those companies are planning on using it.