

**Access to Financial Services and Women
Empowerment, through Microfinance:
A Case of Palestine**

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ABSTRACT

Despite the growth of the microfinance sector in Palestine, the gap between demand and supply is still huge. The unique political situation assures the importance of microfinance sector and women contribution in the country and its effects over the development of the country, along with the high unemployment and poverty rates.

Women empowerment through microfinance is needed the most in rural areas where there is discrimination between men and women. Their contribution in the economy accelerates the development of the local market, affecting their children, child labor reduction, increasing self-confidence, and higher contribution in decision-making. Microfinance institutions are trying to achieve the highest outreach rate to ensure their effectiveness and accomplish its mission.

Starting from this point, I will prove the importance of microfinance in Palestine over the living standards and women empowerment under the complicated political and economic situation, covering West Bank and Gaza Strip (Palestinian Territories).

Keywords: Women empowerment, decision-making, outreach, living standards

ÖZ

Filistin’de mikrofinans sektörü gelişmesine rağmen arz ile talep arasında hala bir uçurum vardır. Filistin’de, sıradışı siyasi durum ve yüksek işsizlik ve yoksulluk oranları ile birlikte ülkenin gelişimi üzerinde mikrofinans sektörünün ve kadınların katkısı çok büyüktür.

Daha çok erkekler ve kadınlar arasında ayrımcılığın olduğu alanlarda mikrofinans yoluyla kadınların güçlendirilmesine ihtiyaç duyulmaktadır. Ekonomide kadınların katkıları yerel pazarın gelişimini artırır, çocuklar olumlu bir şekilde etkilenir, çocuk işçiliği azalır, kendilerine güvenlerini ve karar verme gücünü yükseltir. Mikrofinans kurumları en yüksek sosyal orana ulaşmak, etkileyici olmak ve misyonunu gerçekleştirmek için çalışmaktadır.

Bu noktadan hareket ederek, Batı Şeria ve Gazze’de (Filistin toprakları) karmaşık siyasi ve ekonomik durum altındaki yaşam standartlarında kadınların güçlendirilmesinin ve mikrofinansın önemini ispat edeceğim.

Anahtar Kelimeler: Kadınların güçlendirilmesi, karar verme, yaşam standartları, ulaşmak

"The poor themselves can create a poverty-free world all we have to do is to free them from the chains that we have put around them."

—Muhammad Yunus

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LIST OF ABBREVIATIONS

CBOs	Community Based Organizations
CMLF	Community Managed Loan Fund
CGAP	Consultative Group to Assist the Poor
FATEN	Palestine for Credit and Development
FSs	Financial Services
GGLS	Group Guaranteed Lending and Savings
GS	Gaza Strip
MC	Micro Credit
MDGS	Millennium Development Goals
MEs	Micro Entrepreneurs
MFIs	Micro Finance Institutions
MF	Micro Finance
NGOs	Non-Governmental Organizations
PCBS	Palestinian Central Bureau of Statistics
PMA	Palestinian Monetary Authority
PNSMF	The Palestinian Network for Small and Micro Finance
RLF	Revolving Loan Funds
SMEs	Small and Micro Enterprises
SLA	Saving and Loan Association
USAID	United States for International Development
UNRWA	United Nations Relief and Works Agency
WB	West Bank

Chapter 1

INTRODUCTION

1.1 Background of the study

We live in a world that contains three social classes; working class, middleclass and upper class. Half of the world's population which is approximately three billion people, are living on less than 2.50\$ income per day and 80% of the world's population lives on less than 10\$ a day (Chen & Ravallion, 2008). The united nation UN have presented the Millennium Development Goals (MDGs) in 2000 to enhance the international development, most of the world leaders gathered in New York in the headquarter of the United Nation for a new global partnership to reduce extreme poverty by the year 2015 (Barr, Michael S. 2005). Studies have shown that four in every five people are living on less than 1\$ per day in rural areas (HDR, 2007), all these people who live under the poverty line which is considered in their country, need help and need services to be given to them for helping them to stand up on their feet and get out of poverty. In Palestine at the mid of 2013, 25.8% poverty level between individuals have been accounted, a 25.8% of the population is living under the poverty line of 2\$ a day (PCBS, 2013).

The Palestinian economy is facing a lot of difficulties and that are affecting the individuals largely, and it is considered that the main reasons of these problems and the large amounts of unemployment rates- people who are looking for jobs of the percentage of the labor force- are the political issues and the lack of security that the

Palestinians are living which is imposed by the Israeli Occupation that have been represented by the blockade, closure of the roads between the parts of Palestine, the apartheid wall and checkpoints. Here, the concern of developing the Palestinian economies is raised to commensurate with these conditions. Therefore, the importance for supporting micro projects is important for the developing of the Palestinian society. Brandsma stated that there is no certain definition for small projects. So she said that the definition differs depending on the economy of the country that the project belongs to. She also defines micro-projects as the activities of micro-enterprises in the implementation of productive wonderful smiley investments that verify income for the poor and their households (Brandsma et al., 1999). Despite the onset of micro-credit lending institutions in Palestine in the year 1986 and their mission to decline the rate of poverty and the provision of job opportunities, the Palestinians were not that into borrowing money from informal institutions. Furthermore, along with the establishment of the first MFI in 1999 Palestine for Credit and Development FATEN -a non-profit organization- a lot of the Palestinians start giving their interest in it and by the year 2001, the number of active borrowers had become 4498 with a 100% of female borrowers, with a loan loss rate of 10.91% (Mix Market, 2012).

Micro-credit is a well-known term that needs no definition as the name implies, it is a lending method of the bigger idiom Microfinance, which is not new. It was introduced a long time ago by an Irish writer Jonathan Swift in the year 1720, he started to give loans to the impoverished of Dublin without asking for collateral to assure the repayment of these loans, since then the term of microcredits is being evolved in the globe (world bank, 2010). It also became a big concern when Muhammad Yunus -an assistant professor in economics- raised the issue of

microfinance in the year 1983 and gave the importance of MFIs for the poor people and women empowerment. A Bengali man who granted 27\$ of his own money to approximately 40 women that generated 0.02\$ each. Yunus was the foundation stone of the Grameen bank, which was based on giving loans without having collaterals. He believed that giving such loans will decrease the rural poverty rates in Bangladesh. He had done a lot of researches for the expansion of lending methods that can work for both the poor people in a way that they will not be drawn in debt and for the bank, in which the bank will have sufficient amounts of money and have ways to be able to retake the lent money back. Giving an access point to the poor people to have the ability to choose and decide what they want and to be able to choose between alternatives and strengthen their role in the society. According to Kabeer '*choice necessarily implies alternative*', that's when the real meaning of empowerment reveals, having all kinds of freedom- speech, livelihood, political, physical, religious and individual- (Kabeer, 1999). The main reason for the establishment of MFIs is to reach the poor people that the financial institutions cannot deal with, because of the low income or the lack of collaterals, this means that the much these MFIs can reach, the much effectual they will be. Also, for fulfilling the main reason there are some considerations that have to be taken as the quantitative and qualitative dimensions.

Moreover, some studies have shown that there are no significant effects on the poorest of the poor. For some reasons these people do not usually borrow money from MFIs, for example; the poorest of the poor don't have the tenderness to get involved in new systems that is not familiar to them and hate to take risks. Also, saving policies before lending the money is a reason of why these people keep a distance from MFIs (Evans & Adams, 1999). Women are considered the poorest

poor, economic, social and cultural discrimination against women have to be eliminated in which to eradicate poverty, as women have huge effects over their families and empowering them, they would have huge effects over the society as well. Sylvia Chant stated that women have an important role in supporting the family in rural areas, and that men contribute from 50 to 68 % out of their income but women spends all her income on the house (Chant, 1997). Which means that women empowerment is important. Moreover, a lot of studies have shown that women are more reliable in repaying loans and most of the investments that are done resulted in high productivity. This shows that there is a clear and direct link between access to credit and enhancing the status of women in family and society.

For the case of Palestine, many stories have been detected of the increase in the welfare of household and women empowerment from MFIs clients. Studies have shown that MFIs clients are more empowered and women have more self-esteem than non-clients (MkNelly & Watetip, 1993). MFIs effectiveness on the society and families will be discussed in more details in further chapters. Recently a lot of Palestinians are having awareness about the services that MFIs can give them and help them with their life styles in putting a step front and helping them to achieve what they have been dreaming of. Most of the women who live in rural areas have no control over the money that the man who is still considered the head of the family generates and they still cannot take their own decision without going back to their husbands for permission. MFIs are trying to reach such areas to empower the woman there, in which they will increase the welfare of the family in particular and the society as a whole. Studies have shown that services provided to women might have the contrary effects of the main purpose of giving them; unfortunately these studies

have shown that men often take control of loans that are being given to women (Goetz, 1996).

The study shows that women who have used MFSs have increased their participation in the local market, which increased their skills, experience and social communication.

1.2 Aim of the study

The aim of this research is to have the recognition of the urgent need for the growth of MF sector in Palestine and the effects of MFSs over poor people's welfare and women empowerment to include her in the economic development of the society.

It will discuss the lending methods that MFIs are implementing worldwide and in Palestine -West Bank & Gaza Strip-, providing proves and successful stories drawn from secondary data and MFI reports.

Women are being empowered through by microfinance and not only through micro credit. Living standards of the borrowers and their families' welfare are also being influenced by the borrower contribution in economy. Self-confidence, proudness and the sense of security are directly positively linked to microfinance services.

Chapter 2

LITERATURE REVIEW

Scholars worldwide have been doing researches to develop the methods of microfinance to keep matching with the rates of poverty and to improve the productivity of the MFIs and services that are given to the poor. According to Yunus (2007) a Nobel peace prize winner who is considered to be the first scholar that raised an importance to the issue of lending poor people said, “poverty will be eradicated in a generation and our children will have to go to a ‘poverty museum’ to see what all the fuss was about”. In this chapter we will include some scholar’s researches and the results of their study.

According to Otero (1999a), the purpose of MF is not only granting poor people capital, but it is to carry out financial services to those who are ignored by the regular banking system. A research study conducted by Islam (2009) showed that the main reasons for the establishment of micro-enterprises are the high rates of unemployment, family tradition and the shortage in high education. He also stated some of the obstacles that might face enterprises in future stages, such as lack of the money supply, training programs and skills. Moreover, Marulanda & Otero (2005) argued that, the success of MFIs and increasing the operations scale with the highest rates of outreach will relay on the easiness and the support of the government. On the other hand, Nasr Allah (2005) said that the unstable political and economic situation in Palestine have increased the inability to predict the future and limits capital flow.

In so, Massar Associates (2002) conducted a research for the demand and the supply of micro-credit in Palestine, showed that 30% of the asked loans are being rejected every month because of the political instability that carries a high risk for small and micro-enterprises. Furthermore, Fouzi Mourji (2000) proved that giving poor people an access to financial services helps them to improve their living standards and raised their household income, relative to non- clients. In so, Adams (2009) said that a good MF system will give poor people a gate to a better deposit services that would effectively improve the savings of the poor and stimulate economic growth. He also argued that savings are something that are not being used now and are set aside for future use and that can be held in many ways such assets, housing and financial assets. In so he said, poor people will be helped better by savings rather than being drowned in debt. Moreover, Wright (1999) argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. Meaning that poverty is more than just a lack of income, it also depends on what the poor do with this money. This also means that the focus needs to be on helping the poor people to sustain a specified level of well-being by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved. Thereafter, Christen (1992) proved that, having well-known information about the client, lending small amounts, charge reasonable rates and to be strict with defaulters are the key for a successful MFI. Thereafter, Brandsma & Chaouli (1998) assured that poor people are good clients for banks and institutions and that they have the willingness to pay a high fee for secure and convenient financial services. A study by Nabris (1997) to analyze the effects of group lending methodology in Palestine, viewed a noticeable change in the welfare of family clients and increased their income and savings, it also showed a better health insurance for those household

members. His study argued that women who contribute with MFI programs are not able to spend time with their children as they used to do before, which affected the children school grades. Moreover, Takriti & Marayyan (1997) proved that women, who improved their skills and used their time effectively, are able to improve family's income, welfare and contribute in house improvements as well as savings. They also showed that there was small fraction of negative changes regarding the household obligations. Acharya & Bennett (1982) stated that, women who contributes in the domestic and livelihood production have less control over the house decision relatively to women who contributes in the market economy. They also showed that women who contribute in the productivity and the development of projects have reduced fertility rates, which improves children education and the overall household welfare. Another study by Hulme & Mosley (1996) showed that microfinance projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information, discuss ideas and develop a bond that wasn't there previously. They also showed that clients of these programs suffered from significantly lower violence from their husbands than they did before they joined MFIs. However, a study of a BRAC project, founded that violence against women actually increased when women joined the program, as not all men were ready to accept the change in power relations and so resorted to violence to express their anger, but the project also shows that this violence did decrease over time (Chowdhury & Bhuiya, 2004).

Bhatt & Shui-Yan (2001) pointed that the much the Grameen Bank have been trying to be financially self-sufficient, they were not entirely able to do that, which raises the risk of not being able to continue their operations without depending on governments or donors. They also showed that the Bank has helped a lot of families

and has increased wages, household income and participated in increasing the labor force as well. They also pointed that in the areas that the Bank works in, the level of poverty have decreased by 75%, relatively to a non-covered areas. Moreover, a study for the financial viability of village banking by Woller (2000) have viewed that many studies had uncorrelated variables with the return on the portfolio, which increases the risks and threatens the FI. As a result, MFIs need to charge clients a fair interest rate and to increase the scale of operations for their long run protection. Zeller (1998) founded that in a group lending programs where the group members have some miscellaneous traditions and come from different atmospheres, the repayment rate of loans won't be high, as when the group members have a degree of similarity, which suggests that the group lending method is important in improving the repayment rate and for the group member to be functional they need to know each other well. Taking in consideration the risks within political conditions and inflation that affects the repayment rate especially in hyperinflation countries. A study by Weele & Markowich (2001) reviewed countries with a non-constant inflation rate, stated that clients were not able to repay their loans completely, regarding to the fluctuation of inflation rate.

Abood (2007) said that the shortage in money supply, labor skills and management were important obstacles for financing micro enterprises, which faced MFIs in the city of Halab. In so, Dawaba (2006) sees that Islamic financial methods will eliminate the shortage of money supply and will attract more lenders and borrowers, because of the ethnic religious operations, that are far away from usury. Moreover; Al-Nosur (2008) showed that some of the projects that are being funded by MFIs are characterized by labor-intensive and other projects by capital-intensive, and recommended to merge such projects.

Chapter 3

MICRO-FINANCE

3.1 What is Microfinance?

The importance of microfinance arises from the need for jobs and money to be active and productive in the society people live in. It also helps the government in decreasing unemployment rates and to decrease the pressure over the governmental institutions. The definition of MF differs from one scholar to another, but everybody agree that the services are given to the people who have no access to the formal banking services, and they all agree about the goal of increasing the welfare of the poor, but each in his own way.

- Is to introduce and to provide financial services, such as lending, depositing and savings that adapts to the needs of the poor who have the ability to entrepreneurship. (Brandsma & Hart, 1998)
- It is defined as credit lending, savings and other financial services such as; remittances, insurance, consumer loans, technical assistance and credit cards. (Awad, 2008)
- It is a credit methodology, which employs effective collateral substitutes for short term and working capital loans to micro-entrepreneurs. (Hubka & Zaidi, 2005)

It is believed that MC has existed in several faces for centuries, but modern MC has begun in 1970s in Bangladesh by professor Muhamad Yunus, who was visiting a local village with his students. He came across with 42 women in the village who had a 27\$ shortage to buy some important materials for their product, so he decided to lend them the money from his own pocket with no interest when repaying, which have ended the debt cycle that they lived in (Wikipedia). Since then, Yunus realized that poor people in rural areas are in need to be looked after and that there is no reason for them to stay in poverty without having chances to choose between various options.

Microfinance services don't only provide credits, but also life insurance, saving programs and other general banking services. Moreover, micro projects that the MFIs are funding, are attracting labor from rural areas that have no labor skills and that are not eligible yet to join big projects and the organized sector in general. It is believed that in developing countries the micro projects will be the lead for the improvement and development of the country in upcoming decades, in which they contribute in providing and creating job opportunities to meet the needs of the steady increase in population. The perspective of these projects have changed and much attention is given to them nowadays, specially, after the field research and the official reports worldwide, and analysis of the countries that the micro-projects are being financed from MFIs have showed the important role they play in stimulating the country's economy.

It is the possibility for the low-income people to catch up with the financial services that they have been excluded from and do not have the ability to obtain these services from the traditional FIs, with the opportunity to take advantage of the labor market.

“Poverty is imposed over poor people by the financial system that we built and not from poor people”, said professor Yunus (2013). Moreover; financial services is not recognized as only credit lending, but also other financial services that will allow individuals to start their own investment projects and start generating extra income. As the income increases, the need for more financial services increases too, affecting the increase of the consuming goods and reflecting the overall welfare of the family. It also addresses the problem of economic and social exclusion experienced by many individuals with low profitability and high risk from the stand point of formal FIs, in a sense it tries to reduce and improve the poverty and unemployment problem.

3.1.1 Microfinance principals

The role of MFIs comes up when poor people faces a lot of difficulties applying for a loan from a traditional bank, which restricts the use of their services. The most important obstacle is the collateral that banks ask for in order to secure their credit. Here, MFIs collateral is solidarity with the group members, to respect individuals and to believe in gender equity. Moreover, traditional banks don't have the tenderness to lend small cash amounts and most of micro-projects have no financial statements to be provided for the banks, along with the high transaction costs for the provided services.

Some key principals of MF as the Consultative Group to Assist the Poor have stated in 2004:

1. Poor people are in a need for a various financial services.
2. MF is powerful for the alleviation of poverty, and future designing.
3. Designing a financial system that serves the poor.
4. Financial sustainability is necessary to reach significant numbers of poor.
5. Non-financial services are important.

6. Interest rate ceilings can damage poor people's access to financial services.
7. A financial and environment support from the government is important as a helper and not as a provider.
8. Donors subsidies should complement, not compete with private sector capital.
9. Keep developing the used technology and individual trainings for more productivity.
10. Financial transparency.

3.1.2 Transforming poorness into prosperity

An access to high quality financial services by the poor and low-income individuals is considered to be the main goal of MF. Creating a gainful environment for them is a challenge of designing services and goods in an adequate way that meets the needs of the target market, which means that methodologies must be flexible and changeable as fast as the growing demand of the market to adapt to their preferences in a way that it will not become a burden for paying back loans. In so, Rutherford (1999) argued that an effective MFI should manage the money of its clients and that credit alone is not enough for poor people, instead it worsens them by drowning individuals in debts. Mixing credit lending and money management for clients and providing them with saving program such as saving up programs and saving clubs will be the most effective strategy in lifting poor people out of poverty. Knowing that microfinance have evolved from microcredit in 1990s (Bastelaer, 2000), to include two aspects, micro-credit and micro-savings under the name of MF. This evolvement assures the importance of savings over the level of income for poor people. Savings alone are not enough to contribute and improve one's wealth, though savings could help with future plans or in any potential difficult times and can be used to help maintaining the family welfare. Hence, credit alone is not enough, as credit can be

used in time without being able to use it in future. Here, the availability of credit and the ability to save are the perfect integrate that will drive individuals to development. Chen & Snodgrass (1999) stated that MFIs who concentrate on savings more than credit or vice versa, have less outreach rates and small impacts over income.

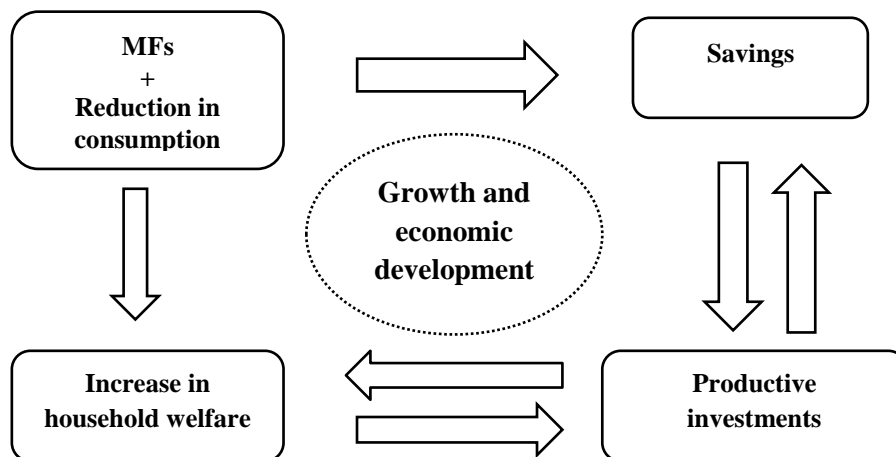


Figure 3.1: MF contribution in economic growth

Yunus (2007) says in an interview, “credit is a human right” just like any other rights. He argues that; if individuals could generate their own income they would be able to defend their other rights, such as; their right of food, insurance and education. If people have money in their hands they will be able to generate more money through by investing the already existed money in an effective way. The importance of MFIs raises here, he stated that if borrowers took money from their relatives or by charity, they will not use it as effective as they will if they borrowed it from MFIs. The role of the MFIs here is to make sure that the borrowed money will be used in an effective way by seeking market opportunities and by doing so the client will be able to repay the borrowed money and the interest, keeping profits in his pocket. Moreover, poor or rich people are in nature entrepreneurs, but not all of them knew that they have the capability and not all of them had the right to choose between

different choices, giving them such an opportunity will increase their self-esteem, income and get them out of poverty.

MF has effects on the various aspects of the community member lives. And with the growing trend in many countries, especially developing ones toward small and micro projects as an important sector for achieving economic and social development, MF has become an essential mechanism of the most innovative mechanisms to achieve development and for the alleviation of poverty, in the communities that have been suffering from high poverty and unemployment rates. By targeting the poor and expanding opportunities to those who are most in need for funds, especially the rural area poor who represents the majority of the world's poor and to work on transforming their misery and poorness into happiness and prosperity, MF has become an important access point for investing in market opportunities.

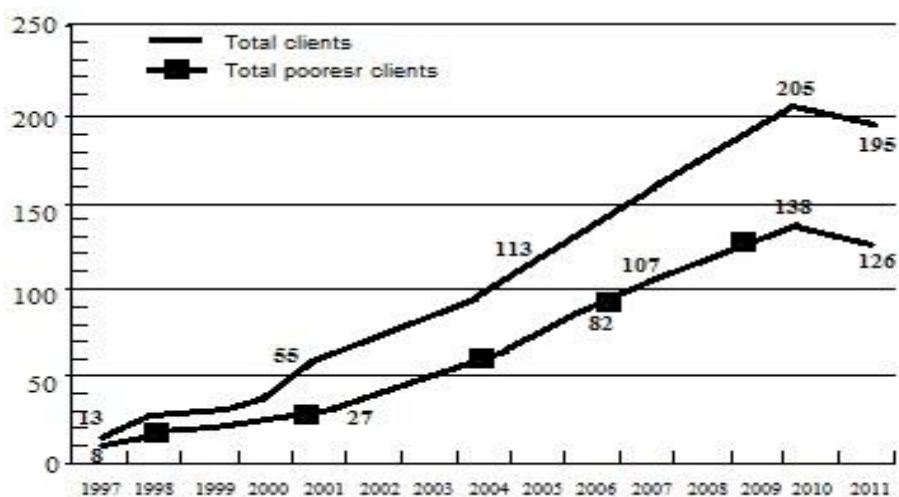


Figure 3.2: Number of MF clients in millions

With the encouragement of individuals to start their own investments and expanding their operations and with the women increasing role in the society, MF has become an important policy for development and started to attract more donors, lenders and

borrowers from rural areas due to the high expectations of its results. From Figure 3.2, we can see the rapid growth of MF clients between the years 1997 and 2010. The report states that the first time in history, the number of clients in the year 2011 has started declining to 159 and the poorest clients to 124 (MSC, 2013). This reviews the effectiveness of MF services over the poor people and its role in developing communities. These results assure that poor and entrepreneurs individuals are being helped by the provided programs and that is being brought out of poverty, which raises the importance of MF services.

Table 3.1: Countries with high microfinance

Country	MFIs	Branches	Total portfolio (US \$)	Borrowers	Outstanding loans	Percent of female borrowers	Total population (millions)
Bolivia	2	81	447,070,479	125,919	143,321	57.16%	10.5
Philippines	1	590	55,875,399	701,779	701,779	100.0%	105.72
Peru	53	17	42,490,860	53,733	24,715	74.72%	29.99
Bosnia	11	42	35,817,923	19,422	19,911	41.55%	3.834
Cambodia	19	25	19,724,520	41,480	41,489	79.13%	14.86
Bangladesh	28	100	18,849,702	105,815	110,101	90.49%	154.7
El Salvador	13	6	14,229,068	8,182	8,879	64.92%	6.297
Pakistan	12	42	13,642,999	95,716	95,716	97.90%	179.2
Mongolia	1	5	7,229,700	1,362	1,362	56.39%	2.796
Kenya	1	13	5,369,805	14,653	14,653	53.81%	43.18

Source: MIX market, 2012-2013

3.1.3 Characteristics of a good MFI

Each region that MFIs work in, have its own distinct characteristic. After all the readings and studies that have been done globally, a good MFI has to have most of these characteristics to achieve its goals:

1. Achieve high repayment rates
2. Flexibility of services
3. Alternatives to collateral
4. Taking services to the poor doors
5. The ability to give the client new loans depending on their past profile
6. Timing and fast transaction is valuable for the client
7. Self-sufficient and sustainability
8. Enhance savings
9. Flexibility of payments
10. Arranging interest in a way that will not be a burden for repayment and to be profitable for the institution
11. Simplicity of procedures
12. Designing loans in a way to balance the institution risk and client abilities.
13. Reach the poorest poor, not only the rich poor

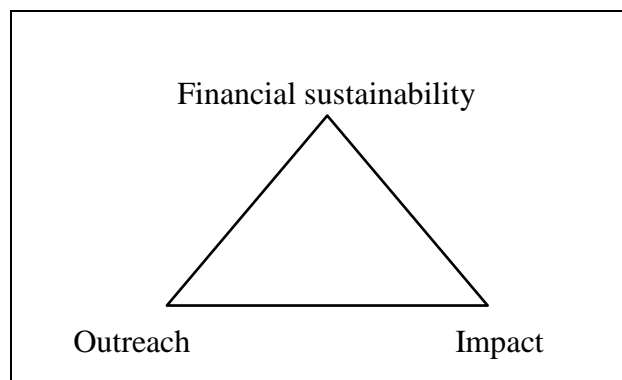


Figure 3.3: MF triangle

This MF triangle illustrates the importance of these three parts of MFIs, in which, the financial sustainability assures the importance of being a self-sufficient institution by the fees and the interest rates that are being generated from the loans and by the clients deposits. Being a self-sufficient institution will secure the continuation of the

institution in hard times. Impacts, on the other hand, are defining what the MFI has accomplished and what social effects has it done, along with the outreach that expand the financial operations reaching as many poor as can, assuring a gender equity, encouraging all social layers to participate in the development of the community.

3.1.4 Why is it important that poor people have access to financial services?

MFIs deliver much more than only saving programs and credit lending, they empower the poor people and specially entrepreneurs and increase the self-esteem and self-confidence, which positively reflects their assets and their investments which indeed will have positive impacts on the development of the community. Nevertheless, MF services help poor people with generating and diversifying their income. An increase in the household income will enable the family to send their children to school and provide them with proper education, better housing and health care and will reduce the rates of child labor. Funding micro-entrepreneurs will also open new opportunities not only for the owner but also for the unemployed individuals in that community, the expansion or the startup of a micro project will indeed need labor, resulting in a change in the unemployment rates in the area.

Studies have proved that these services matter because they give poor people the ability to decide and to choose between different options, the ability to improve and increase the welfare for the family by expanding their operations with higher productive qualities, and the ability to save for future plans. These services will provide them with a higher income which will enable them to consume freely and smoothly (Robinson, 2001).

3.1.5 Toward financial sustainability

Since the foundation of MFIs, they were depending on donors, borrowings and other foreign credits. This raised an important question to all MFIs, if they are able to fully operate without grants and aids from any part. For such a big shift to be implemented, the financial structure of the MFIs needs to be structured in a way that deposits will be the main source of funding. The figure below shows the changing in the financial structure during the years of development.

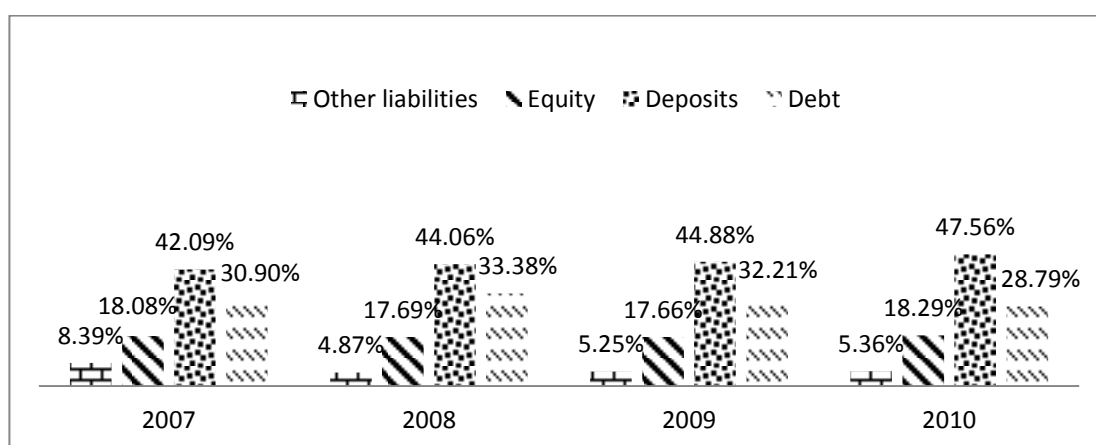


Figure 3.4: Funding structure

From the figure we can notice the changes that have been done during the years (Sapundzhieva, 2011). The positive change in deposits and equity beside the reduction in debts is quite noticeable. Such a financial structure will lead the MFIs to a self-sufficient institution, which answers the question and assures that such institutions will be able to operate fully depending on its own credits.

It's quite difficult for the Palestinian FIs to be financially sustainable, in which 78% of the funds that MFIs have, are from local and foreign donation and only 22% is from commercial banks (PNSMF, 2011). Therefore, if any unexpected political

complication is to acquire, the MF sector in Palestine will face a lot of problems that will threaten its continuousness.

3.2 Microfinance in Palestine

MF programs in Palestine have started from the year 1986 by Save The Children Organization, which is called now FATEN, the largest MFI and other commercial banks all sponsored by USAID. MF services have been growing rapidly through time and have been attracting borrowers from all over Palestine. As Ashour (2003) states, MF in Palestine have passed two periods, one under the Israeli military occupation and the second is under the Palestinian authority. The respondents over these two periods and the changes that MFIs had done to adapt to such fluctuation shows the ability of these institutions to rapidly adapt with the political changes in the country. Palestine is considered a young country, in which 40.1% of the population is counted to be less than 15 years old and 29.9% between 15 to 29 years old, with a growth in the human resource starting from the year 1995 a rate of 40%, until the year 2013 a rate of 45.0% and a total workforce of 656 thousand. Moreover, the population growth rate now is 2.96% and it is predicted to be 2.5% in the year 2020 compared to 0.91% China, 2.5% Syria, and 1.7% Lebanon (PCBS, 2013).

The Palestinian economy has been changing and facing a lot of ups and downs that leaves important effects on the financial sector. It all arises from the conflict between the Palestinian territory and Israeli occupation, the road closures and the restrictions that are being imposed over the Palestinian people and specially the economic active individuals restricting and limiting their productivity, imposing high taxes, evolving the Palestinian economies as a mediator to the Israeli economy, encouraging industries that meets the need of Israeli market and stifle the Palestinian industry,

have raised the awareness to search for new methods for developing the country specially between the years 1999 and 2004, where a decrease of 72.3% of the local production have been recorded to 89.5% in the year 2008(Mas, 2008), with an unemployment rate of 23.0% and a poverty rate of 25.8% (PCBS,2013), stating the poverty line to be 12.29 NIS which is 3.20\$ (UNRWA, 2011).

Table 3.2: Poverty rates in Palestine

Regime	2010	2011	2012
West Bank	19.4	18.3	17.8
Gaza Strip	38.3	38	38.8
Palestinian territory	26.2	25.7	25.8

Source: the annual statistical Palestinian book PCBS, 2013

Therefore, we cannot talk about MF in Palestine isolating the political, economic, and social situation that have been affecting the country during the previous stages. The future evolution for MF is directly linked to the policies and procedures that ensure the support and the independency of this sector, as well as, motivating community members to undertake economic initiatives, ensuring the role of entrepreneurship integration and cooperation in the efforts and resources between governmental institutions and the privet sector, in order to ensure the success of the competition between economic projects, increase productivity and create new jobs.

Therefore, the need for the Palestinian economy to possess the elements of the advancement and development, necessitates serious attention to the role of enterprises and SMEs breadth, so it can meet the operation of raising the pace of development in the economy to enable the relative dependence on the local material

and human resources, that leads to ease the situation of dependency on the Israeli economy to meet the needs of the domestic and local market operations.

The importance of MFIs arises firstly from the huge growth in the population rate, secondly because of the characteristic of MF services that is applicable to the Palestinian conflict affecting the situation for more than 60 years and thirdly because of the high unemployment and poverty rates. Therefore, the need for SMEs that do not need a big amounts of money to operate and offers new job opportunities, with its important role to meet the local population needs from goods and services in an acceptable prices, is important for the development of the Palestinian people, knowing that 75% of the total industry sector has less than 4 workers (PCBS, 2013).

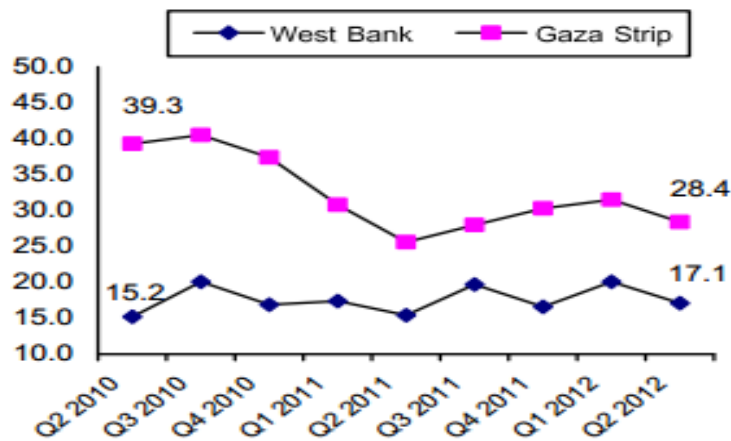


Figure3.5: Unemployment rates in WB and GS

SMEs are considered to be a very important aspect for the Palestinian economy development. Bank of Palestine stated that, 90% of the total business is formed from SMEs, such as carpentry, blacksmithing, turnings, sewing and handicrafts industries along with the automotive, heating and machinery maintenance, and employs 87% of the local workforce (BOP, 2013). These projects have mainly been owned by individuals and families, which refers to the interdependence of the Palestinian

society dramatically. SMEs will reduce the unemployment rates and encourage the competition in the MF market, said Dr Fayyad (PMA, 2013).

Table 3.3: MFIs in Palestine (in US\$)

MFI name	Assets	Equity	Number of active borrowers	Branches
FATEN	29,431,365	16,875,553	14,114	13
ASALA	5,862,694	3,858,062	4,856	10
Ryada	16,507,976	12,355,298	5,060	7
Reef	8,052,574	5,683,331	1,085	4
UNRWA	19,757,574	20,395,074	13,959	14
ACAD	5,417,672	2,887,399	3,410	7
TNB	247,399,123	29,259,567	4,822	5

Source: MIX market, 2012-2013

From the table above, we can see the evolution in MFIs by the growth of the total number of active borrowers -stating that only 12% of clients are under poverty line (USAID, 2011) - during the lifetime of the institutions and the increase in equity and assets also proves the increase in scale operations which means reaching more poor people and improving services, and decreasing the gap between demand and supply. Regarding to the growth of MF sector, the gap between demand and supply is still huge because of the unstable economy in the country and the slow growth that the sector is facing in which 27% annual growth for MF sector is declared (Kishek, 2012). Along with these MFIs, commercial banks have also joined the micro-lending sector, such as Bank of Palestine and Al-Rafah Bank. But their activities in ML are limited as their involvements are more active in small and medium enterprises. There are eleven MFIs in Palestine with 48,941 borrowers. 67% of the clients are females, along with 197,900,787\$ gross loan amount (Mix Market, 2012-2013).

In the year 2002, nine MFIs believed that there is a need for a network between the MFIs in Palestine for a better organization and coordination between these Institutions and programs, and to provide services for them. In 2004, they established the network under the name Sharakeh, with a goal of assisting MFIs for poverty reduction and development, and a strategy of being financially sustainable and to be an information hub for MF industry. It managed to build a strong and a powerful link between members of MFIs and the community, achieving higher rates of active borrows and strengthen the MF sector which attracted the excluded individuals and entrepreneurs. In 2007, the need of making MF sector as an integration of the banking sector started to rise and so, Sharakeh started to change its formulation and regulation to meet the needed structures locally and worldwide and have built a strong relation with the Palestine Monetary Authority and has become the only presenter of MF sector, participating in local and international events for MF, and also raised the importance of having a stronger MF sector in Palestine regarding to the unique political situation the country is facing.

Thereafter, with Sharakeh working as a network for easing the services of MFIs, providing them with high quality programs, services and better repayment technics, more and more Palestinians were able to join MFIs and benefit. It all affected the repayment rates which are considered to be high regarding to the portfolio of the clients that have no collateral. The table below illustrates loan loss rates in the year 2011 and 2012 according to the available data. These numbers assures what have been stated before about the willingness of low income people to borrow money in a high interest rate situations and the ability for repaying the borrowed money regardless to the hard situations that they face.

Table 3.4: Repayment rates

MFI name	Gross loan portfolio	Loan loss rate
FATEN	27,057,330	0.03%
ASALA	4,562,537	-1.24%
Ryada	14,437,757	-1.06%
Reef	5,066,156	0.00%
UNRWA	14,057,517	-0.07%
ACAD	4,475,861	-0.62%
TNB	68,239,906	-0.16%

Source: Mix Market, 2012-2013

As have been stated before, poor people need a wide range of financial services beside credits. MFIs offer a wide range of products to their clients enabling them to fully contribute in the development of the society. Insurance, savings, money management and housing are examples of other MF services that the Palestinian entrepreneurs need. These services that contribute in the family living standards and family welfare, all come by generating income and an effective use of leisure by each individual (Filfel, 2002). 52% in WB and 19% in GS showed an interest in having Payment Protection Insurance in case they have a difficulty in repaying the loan, 95% in WB and 19% in GS of the clients asked for health insurance and 25% asked for property insurance (IFC, 2007). Moreover, money management and savings are very important for the poor (Rutherford, 1999), in so, 28% in WB declared their need for savings and 39% in GS, knowing that most poor people keep their savings at homes and not as deposit in bank accounts, 24% in WB said that they save in home and not banks and so as in GS 19% (IFC, 2007).

3.2.1 Clients and Benefitters of Micro-Finance

Economically active poor or individuals with low-income that are unable to enter the formal financial institutions are the main MF clients. The ones who have to have at least the willingness to work and to be active and to have some kind of business skills, so that the MFIs will assure the effective use of the credits and the services that will be provided to them with assuring the maximum profitability of credits to be used for productive purposes and not for the purpose of consumption. This might be one of the reasons in which not all MFIs target the poorest of the poor, as well as the poorest of the poor prefer borrowing from family members instead of MFIs. This goes to many reasons such as: denied and the poorest poor are risk averse, saving policies before granting loans and believing that debt will worsen them instead of being a help (Evans & Adams, 1999). Moreover, Wright (2000) stated that for the poorest poor to be reached a well-designed mechanism and products have to be used specially for them all by identifying them and tracing their poverty statues, otherwise, they would be missed. Nevertheless, most of the target market is concentrated on women, MFIs believes that giving women the chance to choose what they want and to have the ability to contribute in decision-making in the family will strengthen their role in the community in which will open new doors to development. The target group is identified by the goals and the methods that the institution forms, in which the target differs from one MF provider to another, such as Banks regarding to MF they target the rich poor and those who are above the poverty line while Credit Unions target the richest poor, and NGOs target a wide range of clients.

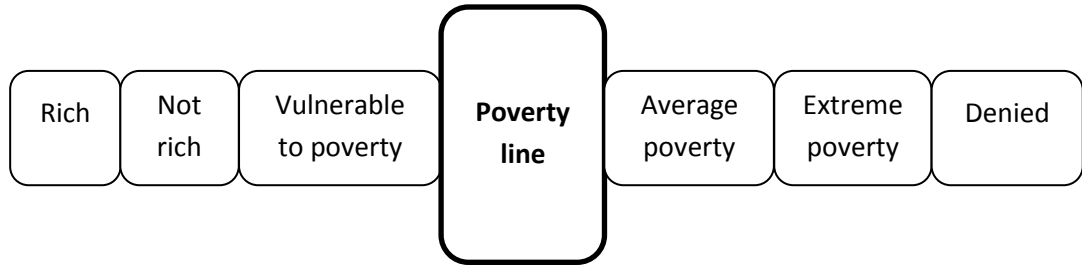


Figure 3.6: Poverty scale

Nowadays NGOs are the main providers of MF services as the target poor people who are below the poverty line considering the skills and potentials they have. This limits the target market of MFIs only to those who have distinct characteristics, excluding other poor people who are in need for these financial services for poverty breaking. Most of MFIs provide services to those who are above and below poverty line by only a fraction, noting that most denied and in extreme poverty poor have still no access to most MFI services (Cohen, 1999). Moreover, MFIs goal is to reach as much as poor people as they can providing them with services and other life needed materials, with the outreach maximization to poor, the quality gap increases between those poor people who have the easy entering to MF services with good qualities and simplicity and between the poorest of the poor whose life is also being touched by MFIs but not with the same quality as other poor people increasing the quality gap between the poor layers.

3.2.1.1 Direct and indirect benefiter

Direct clients are those who benefit directly from the provided services and whose income is directly affected by MF, these clients are the ones who ask for such services and use it in a productive way generating more income and improving their welfare. Women who now have the ability to talk and to decide in their houses and generate their own income that empowers them.

Opening a new business or expanding one's business is considered to be a direct impact to the owner of that business. At the beginning of the business, the owner will be the one who is controlling and working in it, but by the time that the business develops, it will need more employees and more raw materials. Here, the suppliers of raw materials and the new employers are the indirect beneficiaries, knowing that expanding and opening a new business will give more opportunities to the unemployed individuals to get employed.

Moreover, generating a growth in the household income will increase the family's welfare, affecting each one of the family members, giving children better education, health care and a better childhood.

3.3 Lending methodology

Most of MFIs have almost the same lending methods, but they differ from one to another by small differences regarding to the clients profile and the living standards in the area, such as money management and savings, housing loans, trainings and schooling.

Bellow, a description of the main lending products that are being used by MFIs, Group lending and Individual lending:

1. Group lending

Most MFIs prefer Group lending products to individual loans to those who are unbanked, because of the low transaction cost relative to the transaction cost of offering large scale of small amounts to individuals. The use of such a method guarantees a higher repayment rate for loans using Peer Pressure as collateral. Here, when one of the members defaults in paying, other members of the group will focus

a pressure over that member to repay the debt. Members are expected to have a weekly training and meeting sections to evaluate the group members and their projects.

➤ Solidarity group lending, is characterized to have the self-selection of the members accounted between five to seven MEs. The group is formed by individuals who have the desire of having an access to financial services and have the willingness to operate effectively and earn their own income will gather themselves in one group. In general, the majority of the members are women. Here, the selection of the group depends on the financially liable members to indemnify the loan payment share of the defaulted member in case of any member defaults, other members might experience a loss of their own savings and the ability to take another loan (Otero,1986) . This pressure that is being imposed by group members over each other, assure the repayment of the loan in its time knowing that in case of a default, the MFI will consider them to be unreliable for a larger loan amount during the loan cycle. In so, Peer Pressure will replace collateral as an incentive for group members for the repayment. It also works as a monitor system for the use of the loan by the members in which members assure that each one of the members will use the loan in an effective and productive way assuring income generating (Hauge, 1999).

➤ The Grameen Model is an example for the solidarity group lending; the concentration of the model goes to the poor people and especially for women who are considered to be the main axis of the family. Borrowers are usually formed from unrelated five MEs who are self-selected and from different households with almost the same economic conditions. To be eligible to join the groups, they have to be landless and asset less and to be a permanent resident of the village or the area that is

being targeted. Thereafter, groups in each community are formed and six to nine of the groups are selected to establish a center. In the first weeks, training sessions are held to understand the bank roles and regulations, in which members become as a part of the bank structure. Each group elects a leader that can be changed later. He/she works as an intermediate between the members and the program, encouraging members to repay the loan amount and monitoring the use of the loan. Before any credit is given which is less than a hundred dollar, group members are expected to start savings as an incentive for loan repayment. Two of the members take the first loan for a period of time and after the loan repayment another two members take the next loan after its being repaid the fifth member is given the loan, this is called the Loan Cycle, knowing that in case of a default all group members are liable for the repayment of the loan and will be denied from having the next loan. The success of this model as Seibel(1998) stated, refers to the high moral commitment among borrowers that have been cemented through trainings, meetings, self-selection that reduces the risk of default and the payment discipline which includes weekly payments, as well as re-issuance of loans in larger amounts depending on the achievement of the past loan repayment.

➤ Community Based Organizations are also a group lending approach that aims to graduate the groups from the program of the FI and try to work as independent from external funds and is centered more on savings. Village banking is an example; the FI managers visit the area that most in need for such a program, introducing rules and regulations to community members (usually women) and depending on self-selection for group members, training and meetings are held until the bank is structured. Bank members need to start savings among each other before the issuing of any loan and expected to continue savings during operations. Two accounts will

be held in the bank, external and internal account, and will be used to manage the money lending, though all group members have to agree on lending the money to a specific borrower. The use of the external account comes from the funds that come from the FI to be lent to borrowers, FI asks for no collateral over the lent money neither do the village bank when they distribute the money to borrowers. The FI is expecting to receive an interest over its money so does the Village bank, hence, the later could charge the borrowers a higher interest than the one they got charged with and save the revenue in the internal account with the bank's group savings that could be used later as loans to potential borrowers (Brandt et al., 2003).

Community-Managed Revolving Loan Fund is another example for CBOs; it is very similar to village banking and has small differences, such as savings which are not expected to continue after the formulation of the group, along with having the ability to ask for collaterals from potential borrowers, hence, the repayment of the borrowed money from the FI have a longer period of time goes to minimum two years (Brandt et al., 2003).

Saving and Loan Association goes directly under CBO, almost the same as RLF, but most important difference is that they do accept and external funds and all loans come from savings and equity grants from members.

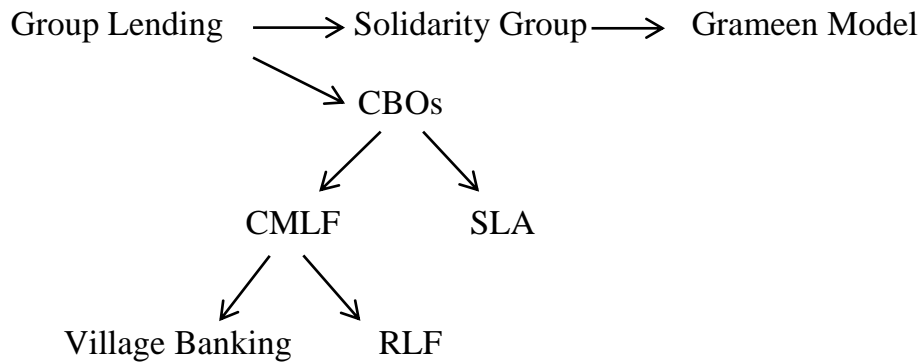


Figure 3.7: Group lending bifurcation

2. Individual lending

The offering of individual or business loans from MFIs doesn't differ from the formation of the traditional banks. It aims to stimulate MEs and improve their business and to generate more income which will increase the welfare on an individual basis. Such loans are also given for personal consumptions such as school payments, buying house materials and electrical equipment. The challenge here is the collateral; MFIs target poor people who usually have no assets to be given as an insurance of repaying, that means a substitute of the material collateral have to be given. Usually it is personal or business knowledge along with the business presentation explaining the ongoing plan and assuring its effectiveness and productivity, a sponsor might be asked for depending on the use of the loan.

Loan officer needs to keep a close eye on the borrowers maintaining a good relationship with them, this requires a longer period of time with each client and more analyses is needed relative to group lending. Loan amounts to individuals are considered to be bigger than group lending. Nevertheless, these loans cost more but it also recovers its operating expenses. Hence, as the loan amount is higher the revenue

is also higher, resulting in the willingness of poor people to pay high interest rates, (Ledgerwood, 1998).

3.4 Impacts over living standards

An increase in the income and the owned assets among with women empowerment are considered the main measurement of the impacts of MF on poverty. Hence, an increase in income will have an impact over poverty only in cases where the generated income is being used effectively and productively. Women empowerment and its impacts over living standards and the community will be discussed in the next chapter.

Measuring the impacts of MF over the society starts with measuring the changes in household. In this context, Chen & Dunn (1996) introduced a Model of the Household Economic Portfolio. The concept has been drawn from the activities of household and its resources and their interaction. Resources are defined as labor power, time, and other physical resources. Activities are the use of the resources that the household has, including investments, production and their consumption. Household activities and resources can be undertaken jointly or individually by household members. Brandsma & Shawli (1998) stated that MFIs increase the welfare of poor people and individuals that work for them, as well as contributing in the local productivity and economic development providing employment opportunities. In which giving poor people who have the willingness and the ability to organize projects, an access to financial credit would increase the household income, reduce unemployment rates and create demands for more products and services such as education, health and nutrition services. Thus, funding MFs play an important role in alleviating poverty.

Al-dimagh (2009) stated some important reasons encouraging funding's for SMEs in rural areas:

1. SMEs are considered the main provider of local products and services for the community.
2. They employ large number workers, turning them into productive employees with the availability of training opportunities and innovations, which contribute in the reduction of unemployment rates.
3. The contribution in income distribution by employing poor workers at different levels of skills.
4. They contribute to the resettlement projects in rural areas, achieving stabilization by improving services, knowledge and levels of awareness.
5. Achieve self-sufficiency in many of the goods and services, and the reduction of the trade deficit in the state's economy.
6. Is considered to be a good job opportunities to low and limited income individuals.
7. One of the good mechanisms for the integration of women in economic activities.

Creating access to services such as trainings, health, insurance, schooling and other services will bolster poor people dignity empowering their role in the community and encouraging them to be more productive and active within their society (Otero, 1999 b). Several studies have shown that poverty reduction and women empowerment are being achieved through MF and that lending models are effective along with a noticeable increase in the household income after the integration of MF. Most of these studies showed that there is a clear link between loans and income level. Moreover, household welfare is improved for those who are active in MFI programs,

affecting their children and their health, resulting in better schooling and higher attendance rates among poor people, along with smoothness in consumption, better nutrition and more self-confidence (Khandker, 2001) (wright, 2000) (Murdoch & Haley, 2002) (Simanowitz & Walter, 2002). MF is an important tool to reduce poverty and reduce unemployment rates by giving an access point to market opportunities and self-employment, said Manandhar & Pradhan (2005).

There are 98,000 individuals in WB and 90,000 individuals in GS, who work in SMEs and have been encouraged and empowered through MFIs, with an average of annual profit of 2800\$. This shows how SMEs contributes in the developing and reducing the unemployment rate in Palestine (Massar Associates, 2003). Changes in household level can be seen by different indicators such as; household income, housing improvement, gender equity and better education. Also as individual self-esteem increases, it encourages individuals to be more productive, affecting their role in the family and society as well.

3.4.1 Stories from Palestine

As have been stated before about the Palestinian Israeli conflict and its effect over entrepreneurs and the economy, the need of funds for Palestinian MEs is very important and can be needed in any time.

Othman Abu Ryala is a borrower from GS and he is one of FATEN's clients. He works as a fisherman and had own his fishing boat to the day that Israel army bombed it and left him, and his brothers with no work and income. Since then he and his two brothers start working in other people's boats to generate income for their families. They started to save for a new boat but the money was not enough. They heard about FATEN and agreed to borrow from the institution to help them with

buying the fishing boat and to start their own job. After some time, they borrowed again to obtain new fishing equipment and started to expand, and contract with restaurants and markets.

Mohammad Abu Al-Kas, also one of FATEN borrower's he have an undergraduate degree in information technology and accomplished it through online learning from the American University, because of the closure and restrictions over the country, internet was not available in all cities and he needed to travel to another city to connect to the internet and access the university portal. His idea of opening an internet café started from this point and after his graduation he applied for a loan through FATEN, helping him to start his own job and started with ten computers and a printer, with the second loan he bought another ten computers expanding his operation opening a branch only for computer maintenance.

3.5 Problems and obstacles facing Micro-Finance

With all the benefits that come with it, there are always obstacles that face institutions and their clients depending on the area they operate in, due to the unstable political and economic situation in the last years. Moreover, professor Bond (2011), criticizing Grameen bank and Yunus sees that MF is only a big lie as is useful for nothing, instead it worsen poor people's lives and put them more in debt, and in some cases, it might declare their bankruptcy. In so Bateman (2010), argues that if the Grameen Model does really work and reduces poverty then why Bangladesh is still deep in poverty? And why Jabra village -that the idea of the main model was inspired by- is still in poverty and is drowned in debt? He also argued that MEs only work in the first stages and then start shrinking and lose the ability to repay their loans. Moreover, he defines group lending as an instrument for destroying

solidarity creating social problems between group members affecting their relationship and their families. Thereafter, CGAP (2010), stated that Pakistan, Nicaragua, Morocco, Bosnia, Herzegovina and other countries, had a lot of problems regarding to loan payments and showed a downward scale of demand for MF services, which led politicians and religious people to work against these institutions and programs arguing that MF is not the way to alleviate poverty and saying that poor should not be demanded and forced to pay loans and that women should not be allowed to borrow. Therefore, with the decline in loan repayments and the increase in dropouts of MFI programs, it is harder to pick up more potential borrowers and to keep profitable levels for the institution, which results in a change in the target market in which MFIs will target more wealthier poor to keep their financial status high and shift their goals from reaching as much poor as can and only targets a particular segment of poor. Most of the new targeted markets do not need MFSs as much as other poor individuals, they rather prefer larger loan amounts and longer period for repayments.

Moreover, interest rates that are being charged to poor people by MFIs is relatively high to formal banking sector, due to the associated risk and the high operation costs along with transaction costs and exchange rate risk. MFIs release a large scale of loans in small amounts that require a high transaction and operation costs relatively to small scale of loans with higher amounts, due to the need of each individual and group to training sessions, personal visits and meetings. Hence, regulators need to consider building a loan size that is high enough to manage the costs of a loan portfolio but also low enough to protect the institution from defaulting risk of lending large amounts, as the higher the loan size gets the higher the revenue it generates. The growing trend in MF sector in one hand increases the competition between

institutions in a saturated market affecting their services and the fees they charge positively and on the other hand, reduces the quality of services to accumulate as much clients as they can, by reducing the fees charged (DB, 2012).

The low percentage in the workforce labor have reduced the activity of the productive sectors, which led to a greater reliance on external sources of income, making the overall climate unsuitable to work within the Palestinian territories, affecting investments in agriculture and industrial sectors. This have directed investments into house building and promoted the educated workforce to work outside Palestine entering high productive markets where more potentials and more economic stability are found.

MFIs still suffer from many problems despite the pivotal role it plays in facing economic problems and providing the main sources of goods and services through by SMEs to citizens. A number of MFIs in the Palestinian territories are trying to fulfill the funding gap that is left by commercial banks, which is caused by the lack of credit lending conditions among this segment of borrowers and the relatively high transaction costs of small size loans. FIs in the Palestinian territories are facing many restrictions, problems and challenges, and are trying to overcome them to serve the targeted group in particular and the Palestinian community in general. Below, is a list of some of the important challenges facing MFIs in Palestine:

1. Political conditions and the Israeli occupation over Palestinian territories resulting in road closures and restrictions on economics, made it more difficult for FIs to work.
2. Difficulty of transporting raw materials between cities and hard situations for the expansion of existing enterprises.

3. Restriction on movement makes it more difficult to reach most of the target people, as well as restricting the access of inflow funds for FIs.
4. Economic, social and political instability increases the risk of loan repayments.
5. Israeli government has been trying to build the Palestinian market according to their own market needs.
6. Lack of experience and best practice in MF methodologies, hence it have been newly introduced to the economy.
7. Religious, cultural and social barriers restrict MFIs operations, alienating potential borrowers.
8. Lack of legal structure of MFIs in Palestine until the year 2011.
9. Increase in the operational and administrative cost
10. Loan funds and deposits or lending resources have decreased because of the increase in risk, inflation and currency devaluation.

Chapter 4

WOMEN EMPOWERMENT

4.1 What is Women Empowerment?

The notion “Empowerment” has been used profusely, yet it still lacks a clear definition. It has been related to many other terms like self-direction, self-determination, liberation, agency and others in accordance to one’s rights, values, opinions, decision-making, control, freedom and self-confidence. A study by Hashemi et al. (1996) resulted in evidence of empowerment across several indicators: mobility, violence, purchasing, decision making, political awareness and activism. Empowerment is defined differently but all scholars agree that it’s having the ability to have the power of choosing among choices.

- Increasing groups and individuals capacity to make proposal choices which would help in implementing their choices into actions (Petesch et al., 2005).
- The process through which the powerless gain control over the conditions of their lives, resources and ideology (Rowlands, 1997).
- The process in which poor people influence, affect, discuss and negotiate with to improve their own lives (Narayan, 2002).
- The opportunity of individuals to choose after they have been gainsaid from it (Kabeer, 2001).
- Is not only having the ability to choose, but also filling up the needs of the individual (Sen, 1993).

Another important study conducted for measuring empowerment, noticed that the empowerment of each person is influenced by personal agency and opportunity structure. On one hand, personal agency is the capacity to make purposive choice, which is linked to psychological, informational, organizational, material, social and financial factors. On the other hand, opportunity structure is the institutional context in which choice is made and measured by the presence and operation of formal and informal institutions, including the laws, regulatory frameworks and norms governing behavior. Moreover, the degree of empowerment is measured by the existence of choice, the use of choice, and the achievement of choice (Alsop & Heinsohn, 2005).

Empowerment must exist in all patterns for individuals; economically, social and politically. It must exist within the family to have the ability to talk freely and to have the power to make one's own decision and choices. Empowerment starts from the family, as family is considered to be the first spark into empowerment (Malhotra et al., 2002).

As this world is full of discrimination and inequality between women and men, Women Empowerment became one of the most important goals in the globe. Most of them have no access to education, financial services and participation in the economy of the house in particular or the country in general. The position of women has been lower than the position of men, as men are the main controller of economy and decision making at home or government. This has decreased the women's role in the society which also has effects on the allocation of domestic resources. Therefore, poverty and the development of the country are strongly linked with women empowerment and women participation (Skarlatos, 2004).

The United Nations Population Information Network (POPIN) defines women empowerment by studying these five components (Rahman et al., 2009):

1. Women's sense of self-worth
2. Their right to have access to opportunities and resources
3. Their right to have the power to control their own lives
4. Their right to have and to determine their own choices
5. Their ability to influence the direction of social changes to create a better social and economic order, nationally and internationally

Many scholars have done studies to come up with the definition of women's empowerment. They argued that women are deprived from making choices due to the oppressive social, cultural, economic and political structures which make women disempowered specially in developing countries where religion is used as a controlling tool. According to the World Bank report (2001), the societies that make discrimination between genders have a greater poverty, slower economic development and a lower living standard for people. Women empowerment means gender equality, women's full rights and strength, and it is not something to be granted or given by a higher power. It is their right to have the power to change and to have enough resources along with the position of making decisions (NSB, 2013). The contribution of women in the local economy has showed its effectiveness over the family welfare, as well as the increase in household income. Moreover, their involvement within the household empowers them and improves their status in the house and in the overall society. Women face more challenges than men do. They work extra hours more than men and take fewer wages too. This means, that they need to manage their time effectively in a way that their contribution to the economy

and income generating will not be on the expense of their children or house. Such things usually disempower women within the family (WB, 1983).

Empowerment is a term that has been mostly linked to women as they had and have no access to resources such as credit, savings and other financial services. Some has defined women's empowerment through the means which women challenge the racist norms and traditions to improve their own live-hoods. According to Chaudhry & Nosheen (2009), women empowerment is one of the most important issues in the modern societies and developing countries as empowerment is being affected by the social, economic and political factors. They also state that women are more discriminated in rural areas than in urban areas.

Women have an important position in every aspect of life. Their power has been diminishing due to the masculinity and patriarchy, which enables the man to take control over the house in particular and other aspects of life. Therefore, women empowerment is directed by their contribution in the country market economy, in which such contribution will need an access to credits and savings and other FSs to gain the ability to play a bigger role in economic, political sectors and social aspects. A combination of women's higher income and their control over economy improve their skills, self-esteem and self-confidence affecting families and children in short terms and generations in the long term (Cornwall & Edwards 2010).

4.2 Women empowerment through microfinance

Many programs have been developed to assist women and empower them. One of the most successful and important mechanisms is empowering women through MFSs which gives them access to credit and empower their role in economy. All by giving women their right of productivity and being a productive producers on their own, far

away from being considered as a subordinated to men who in some countries are considered to be the head of the family. Having a bigger role in income generating, increases their independent in the daily livelihood, decision-making and increase their self-confidence, which leads to a better welfare and higher household income affecting the overall development of the country.

The clause refers to all women that are being deprived from the formal banking system and to women that are being oppressed and have no participation in world development. Such women raise a big concern and needed to be reached; rules and regulations must be designed especially for such cases, as well as designing an effective and an acceptable financial system to cover their needs and engorge them to contribute in the economy of the country. MF programs are providers of FSs and facilities such as deposit, credit and savings, they target the poor and specially women who are considered the poorest of the poor (MSC, 2007). Providing women with sources and facilities raises the ability of families and the country to escape from poverty, as MFs increases women's capability to work independently and have their own enterprises (Wrigley-Asante, 2011). Moreover, empowerment through FSs opens a gate to social, political and economic development. Most of MF programs consider women as the key role to provide a sustainable development and growth (WB, 2001). Using MF in empowering women doesn't mean that MF is a social institution. However, it tries to put an end to gender discrimination though providing financial services. Heyzer stated that, the success of MFIs is not because of MC lending for low income women, but it is because they give women the ability to choose and to make their own decisions, and the ability to lead her-self out of poverty reaching economic, political and social empowerment within her family and the community they live in (MSC, 2000).

Gender inequality raises the issue of women and their empowerment in the countries, and stands as an obstacle in the way of development and achieving economic growth. Providing FSs to women eliminate this inequality and increases their self-confidence (CIDA, 1999). Moreover, FSs increases the women financial capability by her contribution in the market, it also strengthen their social identity and power, making their own choices, increasing self-confidence and self-esteem (Sultana et al., 2010).

Despite the access to financial services that is given to women by FSs and other social programs, their contribution and productivity in developing countries are still limited by the traditions and the culture of the country, as women work extra hours with lower income than men, along with limiting their contribution in the market for specific enterprises (Ndeti, 2005). Nevertheless, the relationship between women and MF varies from one country to another, specially, the developing countries where women are denied and deprived from education rights, free speech rights and market enrolment due to gender discrimination. This results in a shortage of social skills and economic knowledge that are needed for managing MEs. Moreover, the World Bank stated that reaching women through MFIs is important for the growth of developing countries but their outreach is still low. Mayoux (2005), states that there are three models for the empowerment of women. She said that, feminist groups worldwide are helping the women to make their voice be heard. Access to financial services, being financially self-sufficient and poverty alleviation are the models that will drive women to empowerment. Women are in need for knowledge, training, experience, skills and information to be fully empowered along with the access to credit and other financial services. Ngo & Wahhaj (2011), ensured the need for an access to the markets by women. They stated that women who are being granted credits and don't have the ability to participate in the economy because of the

absence of experience, skills and information will be disempowered rather than empowering them as a result of the increase in the men power of taking control over these credits.

Women empowerment and their role in the society should be understood culturally, in which women who are involved in MFIs and decision making in the house, are those who were directly linked to the husband and had no ability to participate either in economic development or in the house but now they have enough skills and chances that enable them to be productive publicly and take power economically in their houses. Moreover, Rahman (1999), address the progress of the GB and linked it to the awareness of the cultural impacts over women, designing a well mechanism for empowering them. Deubeul (2003), a study in Mali also indicates that understanding women in the cultural means results in an effective and success of the MF sector.

Access to MF is a way for achieving MDGs in which MFSs plays an important role in developing countries into reaching these goals and empowering women in particular, according to the UN report (2014) about MDGs, enrolments to education services and schools in the year 2011 have recorded an increase of 89%, stating that 90% of MFI clients are women. However, women decision-making is still underrepresented and gender inequality still exists because of the limited power that women have. Moreover, the report states that women who gain power within the house, sharing opinions and decisions have positive effects on the overall household welfare along with an improvement of children's nutrition and literacy.

Women's abilities and skills should be invested and used positively as investing them would make rapid development, and the more the women have resources, the better family's well-being becomes. Moreover, Albee (1994) stated that the economic empowerment is all about the activities which help in increasing income, in so, women become fully independent and empowered through by boosting their contribution in local markets.

Kabeer (2001) and Wrigley-Asante (2011) assured that MF is a way for women to make decisions regarding to their lives. They also stated that having access to financial services will enable them to launch effective enterprises, improve their conditions within the household and give them the capacity and ability to share their experiences, emotions, knowledge and information with co-workers.

4.3 Empowering women in Palestine

As have been stated before the need for MFSs is growing as well as the gap between the demand and the supply for these services, MFIs have been developing and trying to adapt to the unique situation in the Palestinian territories. Until today there are 13 foundations offering MF programs, which cover 60% of the Palestinian economy. The impacts of such programs are noticeable on labor force rates, poverty rates, employment rates and child labor rates, along with the welfare and other aspects of life. Labor force participation as stated before is 45.0%, in which 17.1% are females to the year 2013. Due to bad political and economic conditions in Palestine, unemployment rates have increased by 2.1%, in which the women unemployment rate in WB is 25.3% and 50.1% in GS (PCBS, 2013). The female unemployment rate in Palestine is higher than men's, due to the social pressure and religious factors that

are imposed on women. Moreover, child labor force has decreased from 4.9% in the year 2011, to 2.9% in the year 2013 (PCBS, 2013).

When we take into consideration the bad situation in Palestine, the need for economic development in all sectors is important for the welfare growth and poverty alleviation, with a special concentration on women to include them with these operations, in which 50% of the total population is women (PCBS, 2013). Moreover, after the second Intifada women empowerment became more important and their effects over the society were huge. They start participating in movements that are against Israeli occupation and campaigns that support women's right to work, and became an important aspect in the Palestinian society and especially in rural areas where women became an important source for the household income and even the main source of income for some households.

Nevertheless, an evaluation for women participation and empowerment was conducted by Riyada (2010), stated that only 11.1% of women own houses and 28.7% own land as a result from the traditions that make the man the owner for most assets. Moreover, the study also showed that women in refugee camps and cities have an easy access to banks and financial services than women who live in rural areas and villages. It also showed that women with low income didn't benefit from loans and MFSs as much as those women that have an average wages.

Thereafter, with the increasing role of women and the higher rates of women enrollment to education, along with the wide range of new opportunities, especially after the second Intifada and as a response for the imposed pressure from the occupation and road closures, the unemployment rates among educated females are

the highest in the territories. This indicates the high competition between men and women for high quality jobs and the failure of the labor market in producing enough job opportunities for those who have university degree. And here, the need for MF is important for meeting the demanded labor market.

MFIs in Palestine helped women to have easy access to credit and other financial services. This resulted in an increase in the power of women's decision making regarding to household matters, increased their participation in income generating activities and a wide range of other life aspect. This also increased the welfare of those families who believed in women's right of work and education. These opportunities empowered women socially in the community as a whole and within the household in particular, in which most of the women who had taken credits can now control their own income and gained a control over some of the household assets.

Chapter 5

MICROFINANCE INSTITUTIONS

5.1 Grameen Bank

The history of the bank is traced back to the year 1974, when Dr. Yunus lent 27\$ to 42 women of Jobra village in Bangladesh without charging them any fees to buy raw materials for their products. Later on, women repaid the money which showed Dr. Yunus that poor people have the willingness to repay loans if they are being granted under specific conditions and if the system is being specially designed for the favor of the poor, two years later the bank was established along with an action research project of designing financial system that provides financial services to the rural poor and declared its independent in 1983 (Wikipedia). Dr. Yunus in 1985 developed the Sixteen Decisions that illustrate a solution for the main issues in developing countries, in which potential borrowers have to agree on before being accepted as members (check appendix). The bank was the first to introduce group lending methodology, which is one of the most important MC methodologies that are being implemented worldwide. In this context, Elahi & Rahman (2003) stated that FIs that follows the Grameen methodologies uses the bellow features:

- I. The average loan size is 100\$.
- II. Rural poor are the target group in general and women in particular.
- III. The main objective of the credit is to be used in self-employment activities.
- IV. Do not use any kinds of collateral.
- V. Savings are a condition for credit granting.

The bank have been awarded a Nobel Peace Prize in 2006 as well as Dr. Yunus, for the achievements they accomplished in social, economic and cultural scale, and for implementing the idea of giving poor people a free-collateral credits.

To the year 2011 the bank have opened 2,565 branches worldwide, with 8,370,998 member in which 96% are females, and an outstanding loan amounts of 945.47 million \$(GB, 2011). The Grameen Model that Dr. Yunus introduced has showed its perfectness and effectiveness over poor people worldwide, there are almost 7000 MFIs that are serving more than 54\$ million. It is noticeable that the bank 92% of the bank is owned by borrowers who are the active clients (Roy, 2003).

5.1.1 Objectives

The major object of the bank is designing FSs to help the poor in getting out of poverty. This system is specially designed for those who have no access to formal FIs and that are being denied of having credit because of their lack on providing collaterals. Dr. Yunus sees that if credits were available to the poor under certain terms and conditions that are applicable and reasonable for them, they will have the ability to pull themselves out of poverty and have a decent life.

Below are some of the objectives of the bank based on its vision:

- Maximizing the outreach of the bank
- Encourages self-employment in rural areas.
- Wipe out the profiteering of poor
- Reach the poorest of the poor and specially women.
- Generating more income, mobilizing savings and enhancing investment, all by the cycle of injecting money to low or non-income people, increasing their

income which will increase their savings, opening new opportunities for investments that will increase their overall income.

5.2 The Palestinian Business Women's Association (ASALA)

The roots of ASALA go back to the year 1997 under the name of women's business center; it was registered at the ministry of interior in accordance with the Palestinian non-governmental organization in the year 2001 under the name ASALA. Despite all the political and economic problems that Palestinian people and organizations face, ASALA was able to maximize the scale of its operations, their services have touched various numbers of rural poor who were excluded from FSs by formal commercial banks reaching 23,411 clients since its establishment and 26,938,000 \$ gross loan. It targets impoverished Palestinian, extending its products to reach as much women as it can with high and unique qualities, keeping its pilot role and high competition level in the market by offering a distinguish set of products.

5.2.1 Vision

Empower effective and successful participation of Palestinian women in the economic and social activities.

5.2.2 Mission

Their mission is to contribute to the empowerment of Palestinian women with lower income, to enable them to change their economic and social conditions, all through the provision of financial and non-financial services.

5.2.3 Objectives

- Ensuring the effective participation for women in the Palestinian community.
- Provide sustainable and efficient financial services.
- To strengthen and sustain the institutional and organizational capacity.

- To strengthen and promote non-financial services through training and consultation provision.

5.2.4 Products

- Micro business group loan
- Micro business individual lending
- Small lending program individual loans

Beside these products ASALA provides other non-financial services and keeps developing its products according to the need of its members and potential borrowers. In so, ASALA launched a “Women Economic Development Program” in the year 2008 providing non-financial services at the location of women entrepreneurs as a response of the urgent need of developing business and micro business of the Palestinian women entrepreneurs regardless of the levels of women education. Loans distributed to enterprises are diverted as, 35% is given to commercial sector, 11% to services sector, 12% to production sector, 37% to agriculture and 5% to personal loans (ASALA, 2012).

Chapter 6

DATA ANALYSIS

Analysis of the data will be discussed in this section of the study proving the validity of micro finance over women empowerment and living standards.

6.1 Data collection

The data have been retrieved from a secondary source that included a survey distributed to women clients in West Bank and Gaza Strip, a total of 1,273 females conducted from the annual report of ASALA (ASALA, 2013). Data from both regimes has been merged in tables and figures.

The survey was designed by AL-Markaz, a private Palestinian consulting company, who distributed a questioner that have been reviewed by ASALA to a random sample of active and past clients who received loans since 2007. It was conducted to study the effects of loans over the recipients.

Interpretation was done depending on the survey's findings and results and has been copied to excel database to calculate the average results of WB and GS for each contents.

- Active clients
- Past clients, those who have taken and repaid their loans

Table 6.1: Total surveyed clients

Regime	Active clients	Clients (already repayed loans)
West Bank	482.00	346.00
Gaza Strip	293.00	152.00
Total	1,273.00	

6.2 Clients status

The survey showed that, 82.8% and 86% of the females in WB and GS respectively are married. On average 69.30% of the borrowers in GS and WB are 40 years old or younger. This shows that the target market for FIs is mostly directed to young females that have their full body strength.

Table 6.2: Material statues

Regime			
	Single	Married	Other
West Bank	10.20%	82.80%	7.10%
Gaza Strip	8.90%	86.00%	5.10%

Table 6.3: Members age

Regime					
	18-30	31-40	41-50	51-59	60+
West Bank	31.70%	29.50%	25.10%	11.00%	2.70%
Gaza Strip	51.50%	25.90%	16.70%	5.10%	0.70%

For the education level, it appears that 14.30% of the borrowers in both WB and GS have at least finished College or University degree and that 76.10% on average have at least finished Primary school.

Table 6.4: Education level

Regime						
	University	College	Secondary	Preparatory	Primary	Unlettered
West Bank	10.20%	4.10%	20.30%	34.20%	19.30%	11.80%
Gaza Strip	8.20%	6.10%	30%	36.50%	11.90%	7.20%

It is noticeable that MFIs concentrate and target women who have enough strength and the power to efficiently operate and that who have a kind of skills or educational background.

6.3 Clients household members living standards

The numbers bellow illustrates the family size of borrowers, in which most of the borrower's lives in a middle or big size family.

Table 6.5: family members

Regime				
	More than 6	5-6 members	3-4 members	Less than 3
West Bank	39.83%	33.40%	20.54%	6.22%
Gaza Strip	45.40%	30.40%	20.10%	4.10%

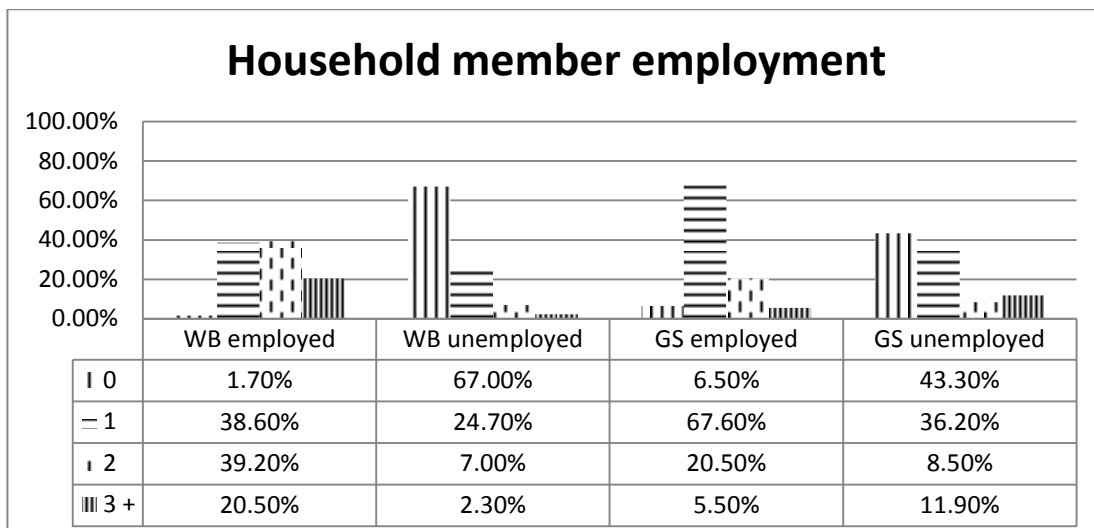


Figure 6.1: Household employment

The above figure shows the employment rates per household in both GS and WB. In which, 95.95% on average in both WB and GS have at least one employed family member. And that 45.30% on average families have at least one unemployed member.

Table 6.6: Household total wage in \$

Regime					
	Up to 434.8	434.8-725	725-1014.5	1014.5-1159.5	1159.5+
West Bank	14.10%	28.80%	26.20%	9.90%	21.10%
Gaza Strip	56.30%	29.70%	7.80%	3.10%	3.10%

The wages have been converted from NIS to \$ at an exchange rate of 3.45NIS.

On an average of 64.45% of the families earn less than 730 \$ monthly. Stating that, an average of 74.52% of the families has at least 5 members in the household.

As shown in the tables and figures next page, an average of 76.85% of household member wage come from salaries as a main source and only 7.40% of the families consider the income from loans they get from FIs as their main source of income. Moreover, 30.40% on average of the member families consider income from loans as a secondary source, and 3.55% consider salaries a secondary source of income.

Table 6.7: Sources of income

Source of income in West Bank													
	Salaries	Self-Employed	Owned business	Selling assets	Interest and dividend	Social security	Regular assistance	Emergency assistance	Family or friends	Internal transfer	External transfer	Income from loans	Other
Main source	73.20%	3.10%	4.80%	0.20%	0.20%	0.80%	1.00%	0.40%	0.20%	2.30%	0.20%	12.40%	1.00%
Secondary source	5.40%	1.00%	2.30%	0.40%	-	-	0.60%	0.20%	0.80%	0.80%	-	44.80%	1.90%
Source of income in Gaza Strip													
Main source	80.50%	3.40%	0.30%	-	-	1.70%	3.10%	-	0.70%	0.30%	0.30%	2.40%	7.20%
Secondary source	1.70%	6.80%	0.70%	-	-	0.70%	3.80%	4.40%	5.50%	0.70%	-	16.00%	38.20%

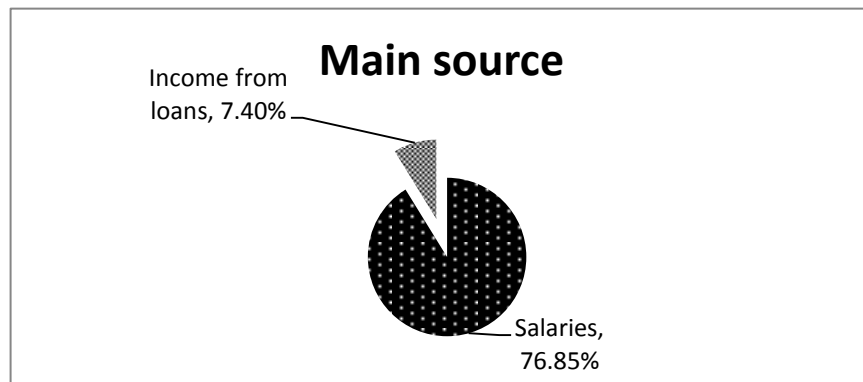


Figure 6.2: Main source of income

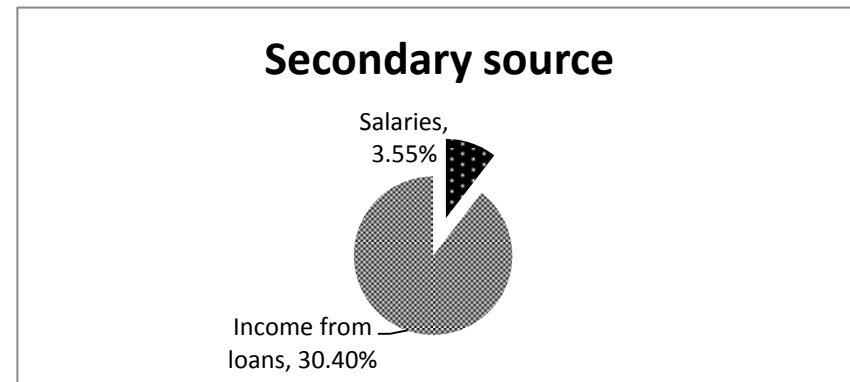


Figure 6.3: Secondary source of income

In the below table, the connectedness between the percentage of food expenditure to total expenses illustrates the quality of living standards.

Table 6.8: Food expenditure

Regime	Food expenditure of total expenses		
	Good living standards: less than 30%	Average living standards: 30-44%	Low living standards: more than 45%
West Bank	6.00%	28.40%	65.60%
Gaza Strip	3.80%	27.30%	68.90%

Families that use 45% of their expenses for food are considered to have low living standards, in which, these families will not have the ability to invest or to expand their business or even to buy the daily needed items. An average of 67.25% of the borrower families spend 45% from their expenses over food, and 27.85% spend between 30 to 44% of their expenses to buy food. This assures that the target market of FIs in Palestine is in some way reached.

6.4 Loans

Loan amounts, its purposes and how it is distributed over sectors, will be displayed below.

Table 6.9: Loan amounts in \$

Regime	Loan amounts in \$						
	500	500-1000	1000-2000	2000-3000	3000-5000	5000-10000	10000+
West Bank	0.60%	3.70%	25.30%	37.80%	22%	9.80%	0.80%
Gaza Strip	39.2%	31.70%	25.90%	More than 2000: 3.0%			

The need for large loans is small relatively to the need for medium and small loans. In which, on an average of 63.20% of borrowers prefer small size loans between 500 to 2000, and 31.40% of borrowers prefer medium loans between 2000 to 5000.

Table 6.10: Loan purposes

Regime		Start/develop own enterprise	Start/develop husband enterprise	Improve household situation (part of the loan)	Household debt repayment
West Bank	Partly or total	76.60%	16%	15.60%	9.10%
	None of it	23.40%	84%	84.40%	90.90%
Gaza Strip	Partly or total	43.30%	35.20%	12.30%	24.20%
	None of it	56.70%	64.80%	87.70%	75.80%

Moreover, an average of 59.95% of borrowers said that a part or a total of the loan is used to start or develop their own enterprise. An average of 26% said that loans are used to start or develop the enterprise which the husband owns and an average of 13.95% said that a part of the loan is being used to improve the household situation.

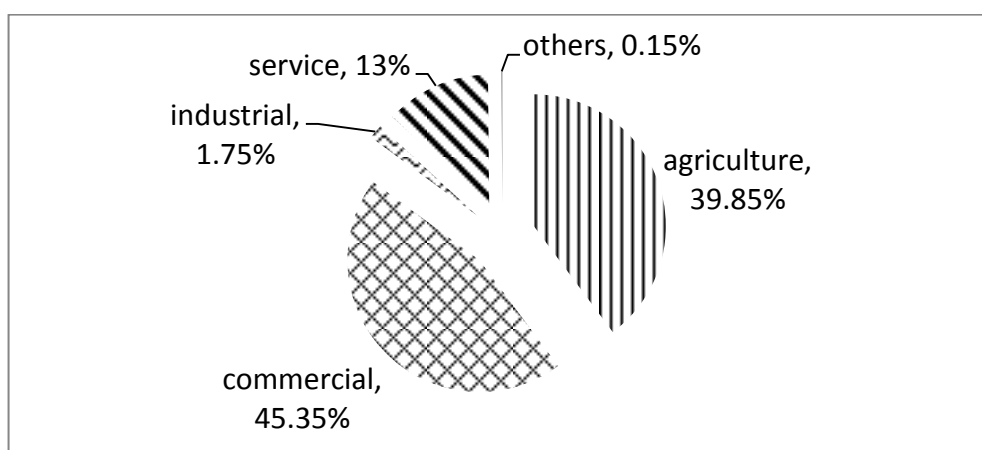


Figure 6.4: Enterprises

Figure 6.4 above illustrates the sectors in which loans are being used in. An average of 45.35% of borrowers used it in commercial sector, 39.85% in agriculture, 13% in service, 1.75% in industrial and 0.15% other sectors.

6.5 Empowerment

Impacts and empowerment effects over the clients will be shown in this section, illustrating the importance of microfinance services given to women and enhancing their contribution in the society as well as its impacts within the household itself.

Table 6.11: Decision making

Regime	Who decided to take the loan			
	By myself	Me after the husband acceptance	The husband	Other
West Bank	49%	27.40%	21.20%	2.50%
Gaza Strip	17.40%	58%	21.80%	2.70%

An average of 42.70% of the borrowers thought about taking the loan but needed the permission of the husband and 33% decided and applied for the loan without having the need to ask for permission from anyone, on the other hand, 21.50% had no opinion regarding to the decision of taking the loan and that the one who needed and decided to take the loan is the husband.

Making such a decision that will affect the welfare of the total household, gives the women an important role in the household decision-making and empower herself to have more essential role in the household.

Table 6.12: Impacts on personal and family level

West Bank										
	Freedom in going out of the home without the permission from the husband	Participation in the household assets	Control over the income of the enterprise	Purchase own needs freely	Contribute in the household needs without any impediments	Ability to get health care once needed without any impediments	Participation in decisions related to kids' education	Secure health services for household members	Became a core member in the family	Ability to participate equally in family planning
Positive effect	48.90%	52.70%	46.60%	65.10%	62.80%	59.60%	42.20%	58.70%	58.90%	11.00%
No effect	46.90%	37.30%	44.80%	31.70%	34.40%	38.00%	27.20%	36.70%	26.30%	52.50%
Don't know	0.20%	0.20%	0.60%	1.00%	0.40%	0.60%	1.50%	0.80%	1.50%	1.70%
Not applicable	3.90%	9.80%	7.90%	2.10%	2.30%	1.90%	29.30%	3.70%	13.30%	24.90%

Gaza Strip										
	Freedom in going out of the home without the permission from the husband	Participation in the household assets	Control over the income of the enterprise	Purchase own needs freely	Contribute in the household needs without any impediments	Ability to get health care once needed without any impediments	Participation in decisions related to kids' education	Secure health services for household members	Became a core member in the family	Ability to participate equally in family planning
Positive effect	50.60%	56%	44%	76.80%	65.80%	62.40%	44.40%	76.80%	85.00%	27.30%
No effect	49.10%	44%	39.60%	22.50%	33.40%	37.20%	26.30%	22.50%	14.70%	52.60%
Don't know	-	-	-	-	-	-	-	-	-	0.30%
Not applicable	0.30%	-	16%	0.70%	0.70%	0.30%	26.40%	0.70%	0.30%	-

As shown in the above Table 6.12, an average of 45.30% of borrowers has control over the generated income from the established enterprise and 71.95% of them felt that they became a core member in the family, and 19.15% of them stated that their participation in the family planning became equally with the husband. Moreover, 43.30% increased their participation in decisions related to children’s education and 49.75% need no permission from the husband when they leave the house.

Table 6.13: Social and cultural empowerment

Regime		Participation in women clubs, workshops and public meetings	Participation in joint clubs, workshops and public meetings	Membership in different organizations	Better social appreciation
West Bank	Positive effect	36.10%	23.20%	20.70%	53.70%
	No effect	61.40%	72.605	72.20%	37.30%
	Don't know	1%	2.10%	1.70%	5.60%
	Not applicable	1.50%	2.10%	6.40%	2.70%
Gaza Strip	Positive effect	44.7%	28.30%	11.20%	53.50%
	No effect	54.60%	70.30%	81.60%	45.40%
	Don't know	-	-	-	1%
	Not applicable	0.70	1%	7.20%	-

Thereafter, 25.75% average of participants showed a positive change in joining clubs and being more active on areas that includes men and women together while 71.45% did not feel any changes in such areas. On the other hand, 53.60% of women felt a better social appreciation in the community they live in.

6.5.1 Psychological impacts

Impacts over women psychology in their daily lives and the perspective in which they see their lives and rights are being affected by their contribution in the economy.

Table 6.14: Psychological impacts

Regime		Self-confidence	Feel safe	Deal with males other than in household	Courage to make decision	Proudness	Inspire other women to participate	Participation in development activities	Education enrollment	Women's right to work
West Bank	Positive effect	80%	79.40%	49.60%	66.50%	65.20%	73.20%	32.50%	8.70%	69.10%
	No effect	19.40%	20%	48.80%	31%	23.80%	18%	49.80%	38.60%	26%
	Don't know	0.20%	0.20%	0.80%	0.80%	1%	7.30%	1.50%	0.20%	1.20%
	Not applicable	0.40%	0.40%	1.20%	1.70%	10%	1.50%	16.20%	52.50%	3.70%
Gaza Strip	Positive effect	85.30%	85%	48.50%	80.20%	56.70%	72.40%	47.40%	11.30%	76.80%
	No effect	14.70%	15%	50.50%	19.80%	16%	26.60%	51.20%	75.80%	23.20%
	Don't know	-	-	-	-	-	0.70%	-	0.70%	-
	Not applicable	-	-	1%	-	27.30%	0.30%	1.40%	12.30%	-

Table 6.15: Impacts over violence

Regime		Verbal violence	Psychological violence	Physical violence	Sexual violence
West Bank	Positive effect	3.30%	2.50%	1.60%	0.80%
	No effect	18.90%	17.60%	17.40%	14.70%
	Don't know	0.20%	-	0.20%	-
	Not applicable	77.60%	79.90%	80.70%	84.40%
Gaza Strip	Positive effect	28.30%	28.30%	17.70%	7.50%
	No effect	69.60%	70%	78.20%	70.30%
	Don't know	-	-	-	-
	Not applicable	2%	2%	4.10%	22.20%

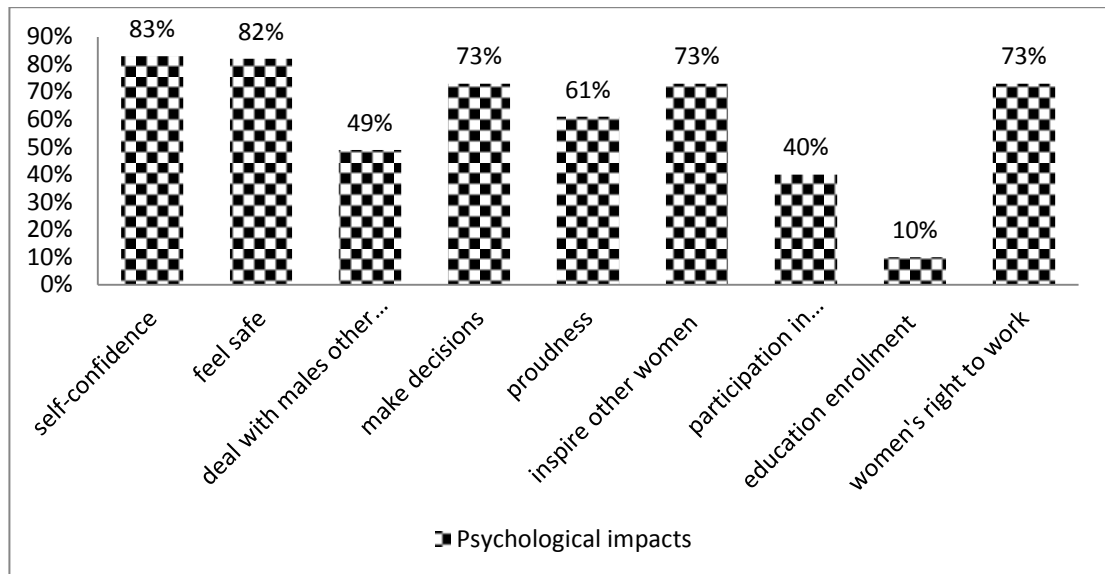


Figure 6.5: Psychological impacts

The above figure illustrates the changes in the psychology of MFI borrowers in both WB and GS. It is clearly noticeable how female clients are being benefited and empowered. In which, 83% of them feels more confidence, 82% feels safer, 73% can participate in decision-making, inspire other women to participate in the development of the economy and believes women's right to work, and 61% feels more proud of themselves for what they have accomplished.

Moreover, Table 6.15 tries to show that women who became more empowered in the society and within the household as well, through by their participation in MFIs, faces positive changes regarding to violence against them. However, an average of 80.65% of WB borrowers and 8% of GS borrowers said that, their husband is not using any violence against them. While 17.15% of WB and 71.93% of GS borrowers, did not notice any changes in violence against them. On the other hand, 2.05% in WB and 50.55% in GS stated that after their participation and empowerment, the violence imposed against them have decreased.

Chapter 7

CONCLUSION

7.1 Conclusion

Women empowerment is a major boost for the development of the Palestinian society. In chapter six, it was proven how having an access to financial services empower women in the society and within the family in particular. In which, any positive development inside the household will affect the overall society. Moreover, 71% of the female borrowers stated that their enterprise capital values have increased, which means, that the total national economy values have also increased.

The demand for microfinance services in Palestine is increasing and the gap between supply and demand is increasing as well. All because of the Israeli occupation of the Palestinian territories which increases the unemployment and poverty rates by controlling and limiting the financial credits and imposing policies that restrict goods and services from entering the country.

If access to credit is a human right such as any other human rights to each and every individual regardless to their situation, then the outreach rates for all microfinance institutions should increase and have to be as one of the most important goals for all financial institutions and should reach all individuals without any discrimination between either the poorest of the poor or the rich poor.

Moreover, access to credit is not the only methodology for women empowerment, in which credits without experience, training and skills will not be beneficial, instead it will put borrowers in more debt than they were already in. Nevertheless, 90% of the surveyed females stated that they participated in training programs and other skills related programs as they have been requested from the institution. These trainings they attended, increased their job opportunities, helped them with using new technics in operations for higher effectiveness and planning for the expansion, and development of their established enterprises. Moreover, 64.5% of the established enterprises are still effectively working and generating income until the day, in which 7.4% of the borrowers consider the income from their enterprises as the main source of income.

On one hand, access to credits and other financial services boosts the economy into further development, increases women self-confidence and other psychological related aspects. On the other hand, access to financial services needs some kind of collateral, which poor people don't have to ensure their repayment of the borrowed money. Nevertheless, 94.05% of the borrowers assured that their interest in microfinance institutions have increased because of the easy required collateral.

7.2 Recommendation

Include microfinance and women empowerment within the curriculum of universities to give the students a complete knowledge about its leading role in the development process in the national economy. Moreover, the PMA should develop the legal and regulatory environment, to include small and micro enterprises in general and women in particular, to meet the requirements and needs of these projects.

MFI should work on reducing the charged interest rate to fit the MEs situations, in which an average of 71.3% of the borrowers declared their dissatisfaction of the imposed interest rate.

An average of 50.65% stated that the payments amount is not suitable for them and need to be changed in which they do not have enough time to generate enough money to repay their loan and keep money in operations. Moreover, 27.55% from borrowers showed their willingness for a higher loan value, in which the one they have is not enough to meet their needs. As shown in the previous chapter an average of 30.4% of the families consider the income generated from the ME is a secondary income and they do not totally depend on it. Here, an enhancement and a larger amount of loan given to these entrepreneurs will enlarge the scale of their operations which will lead to a higher generated income.

Reduce the number of guarantors to one, in which it is hard to find more than one guarantor and to use the enterprise as a guaranty without asking for a guarantor.

MFI should reach all poor people who have no collateral in general and the poorest of the poor in particular regardless to their situation. In which, the highest outreach rates are achieved the fastest the national economy develop.

Support the process of product innovation to enable the development of market-responsive products and services by promoting the development of the MF sector and the operating environment through coordination between donors and government to ensure the results they seek.

As only 25.75% of the clients showed a positive change in the participation of joint clubs, it is recommended to merge the targeted entrepreneurs when training sessions are being held to include both sexes in which to start the process of the feeling of equality between them and liberalizing their minds in the very early ages of the process.

As the aim is empowering women, MFIs should have a separate department for women consulting, in order to have a safe free of chains environment and maintain strict confidentiality for those women who are facing any kind of violence to smartly guide them from avoiding and eliminating such actions against them.

Increase the outreach rate for the poorest poor by supporting or developing new methodologies that can be beneficial for the poor and have the lowest operational cost for the MFI itself. Moreover, introducing new techniques and developing the technology that the FI is using will increase the outreach to reach each and every poor individual that is being excluded from MFISs.

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APPENDIX

16 DECISIONS

1. We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tube wells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings; neither shall we give any dowry at our daughter's wedding. We shall keep our center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.

14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.

15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.

16. We shall take part in all social activities collectively.