Microfinance and Gender Roles in Afghanistan

A Study Report

November 2006

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### Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AKDN</td>
<td>Aga Khan Development Network</td>
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<tr>
<td>AREU</td>
<td>Afghanistan Research and Evaluation Unit</td>
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<td>ARMP</td>
<td>Afghanistan Rural Microcredit Program</td>
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<td>ARTF</td>
<td>Afghan Reconstruction Trust Fund</td>
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<td>BDS</td>
<td>Business Development Services</td>
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<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
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<td>CGAP</td>
<td>Consultative Group for Assistance to the Poor</td>
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<td>ESC</td>
<td>Employment Services Center</td>
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<td>FAQ</td>
<td>Frequently Asked Questions</td>
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<td>FGD</td>
<td>Focus Group Discussion</td>
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<td>HH</td>
<td>Household</td>
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<td>IA</td>
<td>Impact Assessment</td>
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<td>IGVGD</td>
<td>Income Generation for Vulnerable Groups</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>KURP</td>
<td>Kabul Urban Rehabilitation Project</td>
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<td>MF</td>
<td>MicroFinance</td>
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<td>MFI</td>
<td>MicroFinance Institution</td>
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<td>MISFA</td>
<td>Microfinance Investment Support Facility for Afghanistan</td>
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<td>MoCI</td>
<td>Ministry of Commerce and Industry</td>
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<td>MoE</td>
<td>Ministry of Education</td>
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<td>MoHE</td>
<td>Ministry of Higher Education</td>
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<td>MoLSA</td>
<td>Ministry of Labor and Social Affairs</td>
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<td>MoWA</td>
<td>Ministry of Women’s Affairs</td>
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<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development</td>
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<td>MSE</td>
<td>Micro- and Small Enterprises</td>
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<td>NEEP</td>
<td>National Emergency Employment Program</td>
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<td>NFS</td>
<td>Non-Financial Services</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NSP</td>
<td>National Solidarity Program</td>
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<td>PPP</td>
<td>Purchasing power parity</td>
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<td>SCG</td>
<td>Savings and Credit Group</td>
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<td>SEL</td>
<td>Small Enterprise Loans</td>
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<td>SEP</td>
<td>Small Enterprise Program</td>
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<td>SWM</td>
<td>Solid Waste Management</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNHCR</td>
<td>United Nations High Commission for Refugees</td>
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<td>USD</td>
<td>United States Dollars</td>
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<td>UWSS</td>
<td>Urban Water Supply and Sanitation</td>
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<td>VO</td>
<td>Village Organization</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WFP</td>
<td>World Food Program</td>
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### Glossary:

- **burqa**: All-enveloping veil which covers a woman from head to foot.
- **“insh’allah”**: “God willing”.
- **jirib**: Land measure, 1 jirib = 0.2 hectare.
- **mahram**: Spouse or close relative of opposite sex.
- **purdah**: Literally “curtain”, the practice of preventing men from seeing women.
- **serai**: Traditionally caravan camp in the long-distance trade. Today fixed trading center organized in sections according to the types of goods on sale.
- **talib**: From Arabic, literally “student”. In Afghan context, a Taliban warrior.
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Executive Summary

Microfinance (MF) services are new to Afghanistan, but are rapidly spreading to different regions through the Micro-Finance Investment Support Facility (MISFA) as the apex organisation and 13 Micro-Finance Institutions (MFIs). The number of active clients in 20 provinces and 150 districts reached 223,000 in August 2006. Some 75 % of microfinance savings and credit services go to women.

Although most loans are given to women, the limitations faced by women with regard to gender roles in most regions ensures that the men continue to be actively involved when it comes to buying or selling goods in the market, even if the credit is received in the name of the woman. This has led to concerns as to whether the women merely serve as fronts or conduits of resources that effectively go to the men. However, it is also argued that the loans go into a family business and therefore benefit all the members. The status of the woman as the loan recipient, supplemented with membership and training in the women’s group, may by itself lead to her empowerment.

It was found that little was known about the actual changes taking place with regard to Afghan women’s effective control over the resources they come to possess through microloans. The overall objective of the present study is to support gender equality as a policy objective by providing the MRRD, MISFA, the MFIs and other development partners with information that will assist them in designing or realigning rural and urban development programs that enhance the economic and social empowerment of Afghan women. Qualitative research methods were used to pursue the objective.

Due to the security situation, the MFIs operate almost exclusively in the Central, Western, and Northern provinces. Study locations were therefore selected, and field studies were carried out in Herat, Balkh, Bamyan, and Kabul provinces, in sites that represent rural as well as urban settings, with five MFIs: BRAC, FINCA, CARE, CHF and ARMP.

135 interviews were carried out with MF clients on a household basis, and 41 focus group discussions were held, the latter mostly with female or male groups of MF recipients. This was supplemented with interviews with non-clients and key informants such as community leaders. Being qualitative in nature, the study does not claim to be statistically representative. However, the findings indicate tendencies that could warrant a follow-up.

MF clients

The study included assessments of clients’ levels of poverty and vulnerability. A little over half of the sampled households were assessed as being non-poor, and only nine (or 7 %) were very poor. The picture was slightly different for the focus groups where the majority (60 %) was considered poor, but where there were no cases of very poor groups.

Many microloans were used as different inputs to the complex livelihoods strategy of a household rather than solely as an investment in a micro-enterprise. Consumption smoothening, education costs, social obligations (e.g. related to weddings) go together with productive or commercial investment. Asking a family about the main purpose of a loan does not necessarily give the full picture – the purposes are several.

The use of microcredit is dominated by retail trade, sometimes combined with workshop production. This is an almost entirely male domain; when a woman joins a group and makes savings deposits it is almost inevitably in order to get access to money that will help her husband to expand the stocks in his shop. Her direct involvement in this activity is very limited. Microcredit increases the cash flow and reduces the need for buying on credit.
from wholesalers; it also expands the selection of goods, and there seems to be a sufficient increase in purchasing power among the customers to absorb the added commodities.

Tailoring and carpet weaving are also big – some 20% of clients took loans for this as their main purpose of the loan. This falls predominantly within the female domain although some men also have taken up these occupations. Tailoring and carpet weaving takes place in the home – the woman does not need to go out much, if a supplier brings her the materials and collects the finished products, or if husband or sons go to the bazaar to buy and sell for her. Some women are doing quite well as tailors, although few have received any real training.

Livestock (cattle or sheep for fattening for the Eid celebrations) are popular objects for MF in rural areas. These can be dangerous if not followed up with veterinary services, and the animals can be stolen in areas with weak institutions for securing law and order. In urban areas it is services such as running a restaurant, doing bicycle repair, transportation by pushcart, rickshaw or taxi that dominate among the preferred options.

A summary of findings about the MF clientele, their activities and their views, included the following observations:

1. Overall, microfinance is popular with the male and female clients who prefer the structured process of credit and repayment to other forms of locally available informal credit (from traders, relatives).

2. Only half of the studied households receiving microfinance were assessed as “poor” by the survey team. The ultra-poor (destitute) are unable to benefit from the available microfinance products. Special products need to be developed if they are to be reached.

3. While a part of microcredit goes into micro-enterprises, especially to expand the stocks of retail shops, it is also common that a portion goes into other parts of a household’s livelihood strategy – food, clothing, education, marriages – that are considered important.

4. The involvement of women was very limited in certain male-dominated fields such as retail trade.

5. Women’s involvement in MF-supported economic activities is limited to traditional crafts such as (especially) tailoring and carpet making that can be done in the house. There was little innovation in the choice of activity.

6. Women expressed strong need for vocational training facilities suitable for them, mentioning mostly the traditional crafts such as tailoring, but any kind of skills upgrading was welcomed.

7. Most men and women accepted the principle of paying the service charge without hesitation, although some found it to be on the high side; however, microfinance was generally found to be preferable to informal credit, since MF repayment is in instalments, unlike credit with traders or relatives who normally expect full payment in one go.

8. Some women were worried over their own ability to repay loans and made every effort to pay in time; when they failed, their group members would often advance the money for one or two weeks, or they would go out to borrow from elsewhere. Some would end up deeper in debt, but such cases encountered in the study were few.

9. Many men and women said the loans were too small to really make a difference, and additional money was frequently needed from other sources in order to start a project.
Interestingly, many of the same people who thought the loans were small also wanted to have a longer repayment period with the same amounts – monthly instead of weekly – without recognising that this would extend both the repayment period and the service charge considerably.

Many of the small-scale production activities such as making shoes, clothes, furniture, household items of various kinds, are into very competitive markets with imported goods and their businesses are not all doing well.

Crime and insecurity exists in many places, with MF clients risk having their assets stolen, in which case they can end up deeper in debt.

Complaints about the physical environment was found in all locations in the urban areas – lack of water and electricity, no garbage collection and lack of proper sanitation resulting in dirty streets, which negatively impacted not only on people’s health and well-being but also on their economic activities.

Empowerment

Assessment of women’s empowerment included questions on their part in decision-making; their status and well-being; social capital arising from membership of savings and credit groups (SCGs); and what work they considered suitable for women. The overall conclusions from the interviews and focus groups are that:

- The potential for women’s empowerment is higher when savings deposits and microcredit are combined in one product targeting women in savings-and-credit groups (SCGs) than when the service is credit only. The SCGs can provide important networks for women; those women who are not members of savings groups rarely get involved in group activities unless they have family ties to each other.

- So far, there is little economic cooperation within the women’s groups, but they provide a forum for the gradual building of empowerment and social capital.

- Many women feel their well-being has increased and they are empowered vis-à-vis the men; the men do not all share that feeling.

- In cases where women have their own economic activity, they also take the decisions related to that activity. In cases where the money is given to the husband for his shop or other venture, the woman is mostly not involved, but her status in the family can still increase because the loan money has to go through her.

- The poorer a household is, the more desperate are they for greater income, thereby realising the need for women to look for economic opportunities beyond their traditional occupations. Gender segregation often increases with economic progress, and the strict observation of purdah norms becomes a sign of social status. When microfinance causes greater wealth in a family, this can result in men becoming more restrictive with regard to the movements of their wives.

- Women themselves see few constraints on what they can do to earn an income – they can take up almost any job. Many men disagree with this.

Recommendations

In terms of women’s empowerment, the MFIs that operate SCGs appear to have best potential for impact through the build-up of networks and mobility. It is therefore
recommended that MFIs who currently do not run programs with savings components, based on regular meetings of clients, consider developing such products with a view to building the social capital of the female clients.

In order to be able to develop their human capital as well as business potential, women need better information about suitable training opportunities in their vicinity. MFIs should take contact on a systematic basis with local training providers in order to be able to provide such information to the women groups. MFI field staff should be trained to enable them to help clients with the required information.

**Participation:** In the urban context, the women’s SCGs can provide a forum for contact with the women for listening to their concerns about the urban environment, and to their ideas as to how they can enter into certain job functions in relation to the urban upgrading and management. It is recommended that major urban upgrading programs connect to the MFIs with a view to draw on them in the identification of MF women’s groups to be involved in discussions about how to proceed.

**Enterprise development:** Most activities supported by microfinance are small and additional to other work in the family. They also tend to be very traditional, and are not likely to be turned into flourishing micro-enterprises. The amounts are too small (larger loans almost entirely go to men), and only the entrepreneurial few have the drive and skills to expand a small business. Enterprises with real growth potential are not many – but those there are need access to skills development (both technical/vocational and business skills), as well as market assessments and other types of information. Growth of the micro-enterprise sector will depend on access to all these services, and the links between them and the NGOs/MFIs desperately need to be strengthened. It is recommended that a “Futures Workshop” is held to get together all relevant stakeholders to start developing a strategy for MSE development.

**The Ultra-Poor:** The MFIs in Afghanistan have not yet managed to reach out to the very poorest. It must be realised that this requires special measures. However, it is recommended that MISFA and the MFIs meet to discuss the potential for developing new products for the ultra-poor by linking up with reliable safety net programmes, e.g. through WFP, UNHCR, or bilateral donors.

**Monitoring:** It is recommended that MISFA reviews the categories used in its monitoring. To be really useful, correct information must be collected on the use of microcredit. It has been found here that loans often go into a livelihoods strategy consisting of different elements, and the money does not only serve one purpose. Currently only the main purpose is recorded, and consumption, or “improved living standard”, does not feature, although in this study it accounted for 10 % of the “main purposes”. Splitting categories such as agriculture into different categories of livestock (cattle, sheep, poultry), and arable farming or gardening, would give a better impression of what the loans are actually used for. Craft/handicraft should be divided between tailoring, carpet weaving, and other home-based work. Manufacturing/Production and Services are also not clear categories to the MFI staff that collects the data. It would be an advantage rather than using the sectoral categories simply to mention the most common purposes, which are well-known to the MFIs.
Introduction

1.1 Background

The plight of Afghan women during the Taliban regime received worldwide attention, and the subsequent gradual build-up of democratic institutions under the successive Karzai governments signalled an era of new opportunities and promise for a better future for the female half of the population. In 2005, the World Bank carried out a Country Gender Assessment for Afghanistan1, in which several issues pertaining to the role of women in development were identified for follow-up study. Among these were women’s control over resources and women’s access to wage- or self-employment, and looking for ways in which both of these could possibly be enhanced.

The Gender Assessment found that women play an extremely important role in all dimensions of agricultural production – in certain regions women’s time input equals men’s but in other regions traditions restrict their work to the household where they are involved in crop processing (threshing, cleaning, drying, preserving) and also are in charge of most of the household activities (water and fuel collection, cooking, cleaning, sewing, tailoring, weaving, and child rearing). Women also play an increasingly important role in poppy production, and in livestock production and processing of dairy products. Most of women’s labour is non-monetized, but they make major labour contributions to a number of marketed products such as dried fruits, poppies, fuel wood, dairy products, handicrafts. Women’s contribution to pastoral livestock production both for domestic consumption and for the national and international market is high, reflected in a range of key export products (carpets, hides, karakul skins, wool). Even when women’s domestic production such as carpet weaving forms the main income of the household, they rarely control the marketing of these products, which is most often managed by male relatives or middlemen.

In Afghanistan, gender relations are largely defined by the values on which the patrilineal and patriarchal family is based. This is also reflected in the structure of the labour market, and in the world of work in general. The extended family plays a central role in the social order, and in the establishment of social identities, with the patrilineal family as the main focal point for the individual man, woman, boy or girl, and a key factor in social relations and a building block of the social structure. The importance of the patrilineal family extends right from decisions about what marriage alliances to forge with other families or lineages to decisions regarding political loyalties at national level. This ‘social capital’ of the Afghans has withstood war, exile and drought as one of the key factors in the elaborate coping strategies of Afghans.

In this social order, which is mainly organized around male blood-relations, women and their offspring are seen as part of the property and patrimony of the husband’s extended family. Gender relations are based on complementarities of roles rather than equality. Men’s lives are also organized and centred around their duties and obligations to the household and the larger family, dominated by the absolute authority of the male head of family. But, even with these constrictions, the mobility, choice and opportunities of male family members by far exceed that of any female, who are collectively subject to male authority and protection, irrespective of age.

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1 World Bank: National Reconstruction and Poverty Reduction – the Role of Women in Afghanistan’s Future”, March 2005
However, the cultural framework should also not be understood as being cast in stone, but rather as an overall structure that is accepted by all, but also one within which different opinions and ideas compete, and gradual change occurs. Afghanistan’s history clearly depicts a continuous conflict between the “traditional”, “conservative” or religious social forces, against the “modern” or “progressive” ones, over time and in changing patterns of power, with the Taliban as the latest backlash to a most restrictive interpretation of the values and scriptures.

In this setting, family honour is often held higher by both men and women than “rational economic choice”, something that makes the labour market less flexible than what might be expected in a country with low economic and social indicators. While the strictly economic opportunity costs of an individual may be low, the social opportunity costs may be high and restrict the person’s availability to enter into paid labour or own business.

The traditional role of women in Afghanistan is a constraint to a more equitable participation in economic activities. This is especially hard on the large number of Female Headed Households (13% of adult women are widows), for whom eking out an existence without a male bread-winner is a daily struggle. Female wage labour is still viewed as a solution of last resort for households in desperate straits, and women’s wage rates are normally only half the level of men’s or less. Women have few marketable skills and generally poor education, with an estimated female literacy rate of only 21%. Other constraints should also not be underestimated: with a fertility rate of 6.8 and a maternal mortality rate of 1,600 per 100,000 live births, reproduction and related health issues occupy much of women’s time. The absence of many services and the need to produce agricultural products for subsistence also imposes an opportunity cost for women who want to join the labour market. Women often lack ownership, control, and access to productive assets such as land, equipment, and materials, and their legal right to inheritance is usually bypassed. The lack of working capital (and absence of credit) reduces opportunities to start activities that require an initial investment – and thus the newly emerging opportunities to access various forms of microfinance hold the potential to become a valuable step forward.

Microfinance (MF) services are currently being rolled out to different regions of Afghanistan through the Micro-Finance Investment Support Facility (MISFA) as the apex organisation and 13 Micro-Finance Institutions (MFIs). The number of active clients, spread out over 20 provinces and 150 districts, reached 223,913 in August 2006. 25 years experience from Asia and other regions have shown that women are reliable clients with few defaults in repayment of micro-loans, and their use of microcredit benefits the whole family; consequently most MF programmes are designed exclusively for the women. Such is also the case in Afghanistan where 75% of savings and credit services credit goes to women. Microfinance has the potential to become an important vehicle for the enhancement of women’s roles and responsibilities.

Although most loans are given to women, the limitations faced by women with regard to mobility in most regions of Afghanistan ensure that the men continue to be actively involved when it comes to buying or selling goods in the market. This has led to concerns as to whether the women merely serve as fronts or conduits of resources that effectively go to the men. However, it is also argued that the loans go into a family business and therefore benefit all the members. The status of the woman as the loan recipient, supplemented with membership and training in the women’s group, may by itself lead to her empowerment.

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2 The values from within the conservative Pashtunwali code were particularly promoted by the Taliban
3 Microfinance Times, MISFA, August 2006. At the time this study was conceived, MISFA only had 8 partner MFIs and about 120,000 clients
It was found that little was known about the actual changes taking place with regard to Afghan women’s effective control over the resources they come to possess through microloans. Considerable regional differences exist in this respect, reflecting local and ethnic/tribal custom but also influenced by the many years of war and chaos. More information could be useful, not only for MISFA and its MFI partners but possibly also for other major rural and urban development programs such as the NSP and various infrastructure projects. Bilateral donors and NGOs involved in rural and/or urban development projects aiming at gender equality and economic progress might benefit from such evidence as well.

1.2 Objective

The overall objective of the present study is to support gender equality as a policy objective by providing the MRRD, MISFA, the MFIs and other development partners with information that will assist them in designing or realigning rural and urban development programs that enhance the economic and social empowerment of Afghan women.

In order to achieve this objective, the study seeks to understand how microfinance opens up economic opportunities for women and their families, increases earnings and reduces their vulnerability, and brings about potential changes in women's social and economic roles that ultimately can lead to greater empowerment of women. The study also seeks to determine different pathways through which such social and economic transformations are more effectively (or less effectively) managed and point out negative consequences that may be faced.

To do so, the study employs qualitative techniques to identify the small changes that are occurring in the lives of women and use those to increase the understanding of how microfinance can address issues of social and economic changes in the lives of women. The study therefore attempts to:

1. understand the conventional status of women in terms of their social and economic roles and the power relations within the household and the community that women are embedded in (with a specific focus on female headed households)
2. describe the process through which women become clients of MF programs
3. analyze whether/how microfinance creates new livelihood opportunities (or expands existing enterprise activities), whether incomes increase, consumption improves and new assets acquired
4. analyze the level of indebtedness in the household – pre-program and post-program; - has the situation become better since joining the program in terms of credit conditionalities and ability to pay back
5. analyze how microcredit and -savings products assist households in reducing vulnerability through allowing for consumption in lean seasons (or how this can potentially happen)
6. evaluate whether/ how such financial products provide women with greater control over resources and greater visibility within the household
7. evaluate whether/how program participation (group meetings, information dissemination, etc) leads to women becoming more confident, aware, assertive
8. understand how program participation can/ does allow for better nutrition, health awareness and children's schooling
3. determine how differences in program or product design assists in (or can assist in) bringing about social and economic changes; suggest different pathways through which this can better happen.

2. point out some of the potentially negative consequences that clients may face in these different pathways.

1.3 Selection of study sites

The security situation has made the Southern and South-Eastern part of Afghanistan inaccessible for most development activities, and the MFIs consequently operate almost exclusively in the Central, Western, and Northern parts. The study locations were therefore selected so as to represent a variety of different cultural and environmental settings, but without touching the predominantly Pashtun areas on the border to Pakistan. Field studies were then carried out in Herat, Balkh, Bamyan, and Kabul provinces in sites that represent rural as well as urban settings, and five of the 8 MFIs: BRAC, FINCA, CARE, CHF and ARMP.

1.4 Organization of the study

The study was organised as a partnership between the World Bank, MISFA, and the Danish Embassy in Kabul. It was carried out under the guidance of MRRD and MISFA and in close cooperation with the affected MFIs. In addition, in the provinces, the study worked closely with the provincial departments of MRRD, MoWA and MoLSA. A review group composed of Asta Olesen (World Bank), Syed Mesbahuddin Hashemi (CGAP/MISFA), and Marianne Olesen (the Danish Embassy) monitored the progress on behalf of their organizations.

The Study Team consisted of a small core team based in Kabul, supplemented by provincial staff of the three ministries mentioned above, in Herat, Bamiyan, Kabul and Balkh provinces. In this way, the study could benefit from the local knowledge of the provincial staff on the one hand, while on the other hand the provincial staff benefited from getting direct knowledge of the microfinance sector through the insights gained in the interaction with the interviewed women and men, as well as experience in carrying qualitative survey work.

The core team consisted of a Principal Investigator (senior anthropologist): Erik Lyby, a Senior Research Assistant: Tooba Mayel, and four Research Assistants: Maha Ahmed, Rukshana Hamdard, Gulalai Achekzai, and Ahmed Shinwari.

In Herat, Bamiyan, Balkh and Kabul, 2-3 staff members of each of the Provincial Offices of MRRD, MoWA and MoLSA were assigned as Provincial Research Assistants. Each provincial team then consisted of 6-8 people, of whom at least half were women. In order to ensure that all members of the study team had a degree of common understanding of the objectives of the study, and the capacity to administer the survey instruments (interview guides, questionnaires etc.), the full Team met in Kabul for a week of team building and training. The training included field testing of the survey instruments in urban and rural areas of Kabul Province to check their usefulness and make necessary amendments.

1.5 Conduct of the study

Agreement on how to proceed was reached between the three partner organisations in March 2005. It was seen as important that all fieldwork would be completed well before the Parliamentary Elections of September 2005. However, a number of factors caused serious delays to occur. In mid-May, while the planning was on track, the administrative work done,
and the hiring of research assistants in progress, the security situation deteriorated and all missions were banned as per UN security instructions of 24th May. The research training workshop and the first round of fieldwork, which were just about to start, had to be postponed until further notice.

It was possible to be allowed to carry out the workshop and the fieldwork in Bamyan in August, but then again a long recess had to be accepted, until after the Parliamentary elections and the month of Ramadan which was not suitable for fieldwork.

The team reassembled immediately after the Eid-ul-Fitr and went to Herat to do fieldwork. However, on the 14th November the team met with a serious road accident; no lives were lost but six research assistants were badly injured. This again disturbed the work for a long period, as it was necessary to wait for the team members to recover from their injuries, as well as find ways to cover the extra expenses related to the accident. The team was completely reorganised and met in March 2006, when fieldwork was done in Herat and Kabul. Finally, fieldwork in Balkh took place in April, and the material was translated and consolidated for the analysis in the following months.

1.6 The report

The study approach was qualitative, and does not claim to be able to present any statistically representative impact of microfinance. The methodology and analytical framework that was used is outlined in the following section of this report. This is followed by a section on the economic changes in the families that could be identified as related to microfinance, and a section on social change (potential for empowerment of women). Finally comes a section in which some conclusions are drawn and recommendations are formulated.

The study team wishes to thank all those who contributed to its implementation under sometimes difficult conditions. Special thanks go to the World Bank, MISFA and the Royal Danish Embassy. The first-class cooperation extended by the MFI s – BRAC, FINCA, CHF, ARMP, CARE, and Women for Women International, is highly appreciated. It helped facilitate the work immensely. Last but not least, our thanks are due to the many women and men in Bamyan, Herat, Kabul and Balkh who gave their time, opinions and ideas during the many interviews that were held in their houses. We were very impressed by their stamina and great sense of Afghan hospitality.

The views and recommendations presented here are those of the study team alone, and they do not necessarily represent any official views of the involved organisations, or of the Afghan and Danish Governments. While care has been taken to be as precise and objective as possible, any factual errors or misinterpretations that may nonetheless appear in the report are the responsibility of the authors.
Working outside
Methodology

1.7 Analytical Framework

Empowerment is a central concept in this study. As used here, empowerment refers to increasing the spiritual, political, social or economic strength of individuals and communities. It also involves the process of the empowered developing confidence in their own capacities.

The analytical framework is based on the concept of sustainable livelihoods, which are understood to be largely about assets. A standard definition holds that: “a livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living”\(^4\). The livelihoods approach is increasingly being used in Afghanistan, not least by the AREU\(^5\). Livelihood assets can be divided as follows\(^6\):

- **Human capital** – skills, knowledge, good health, ability to work…
  This is the main resource of most poor people and has scope for significant improvement through education and training. Increase of human capital can become empowerment when it helps to mobilize the self-help efforts of the poor to do things that were previously not possible for economic, social or cultural reasons.

- **Physical capital** – basic infrastructure (transport, shelter, water, energy…), production equipment…
  Expansion of physical capital can take place at the household level through the acquisition of productive resources, whereas the development of larger assets such as infrastructure requires interventions from the local or central government.

- **Social capital** – networks, membership of groups, access to wider institutions of society…
  Savings and/or credit groups hold the potential for empowerment of the members, especially relevant for the Afghan women many of whom have had little exposure to the world outside the house. Male groups can provide networks for exchange of business information between members.

- **Financial capital** – income, savings, credit, remittances, pensions…
  Microfinance has the potential to expand the financial assets of the recipients; however, control over these resources can vary according to gender, ethnic group, and other factors.

- **Natural capital** – natural resources (water, wildlife, biodiversity…)
  Accessibility to assets within the wider natural environment is not likely to be strongly influenced by microfinance.

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\(^5\) For AREU studies on Afghan livelihoods, please see: Adam Pain and Sue Lautze: Addressing Livelihoods in Afghanistan, AREU September 2003; and Jo Grace and Adam Pain: Rethinking Rural Livelihoods in Afghanistan, AREU June 2004
\(^6\) Carney et al: Livelihoods Approaches Compared (DFID, CARE, Oxfam, UNDP). DFID 1999
1.8 Research Questions

Research questions were divided into six categories (see Annex 2 for details):

a) Socio-economic status of MF clients and non-clients
b) Clients’ understanding of microfinance
c) Clients’ use of MF products
d) Economic change associated with MF
e) Social change associated with MF
f) Attitudes of men and women on women’s social behavior and economic role.

1.9 Qualitative Methods

The qualitative approach was chosen over a more statistical (also called “scientific”, or “clinical”) one for various reasons, the main one being that microfinance is still new in Afghanistan and a real impact assessment is therefore premature. It would also be very expensive. A less ambitious study could still provide useful insights and had its own potential for results. Where the statistical survey is ranked high in terms of scale, representativeness, and ease of standardization while the qualitative approach is ranked low, the opposite is the case when it comes to capture causal processes, diversity of perceptions, or negative impacts. Where the quantitative approach is sometimes compared to a newspaper – large but thin – the qualitative one is rather like a small book in A4 format – smaller but thicker.

It should be noted that the AREU has since embarked on a larger study that is also predominantly using qualitative methods; the AREU study started a year later than the present one, and the two study teams took the opportunity to exchange experience on methodology and practical aspects of the fieldwork. The two studies, together with others, form part of a gradual learning process that should help the MFIs to adapt and develop their products to the benefit of their Afghan female and male clients.

The most in-depth qualitative investigations are done through participant observation by trained anthropologists through long-term residence in the targeted communities. This would be way beyond what was feasible in the present study. Instead was chosen a series of one-off interviews with different categories of respondents, carried out by local interviewers under the supervision and guidance of the principal investigator. In that way, a somewhat larger number of respondents could be reached, but at the cost of the depth. In all, some 135 households were interviewed, plus 41 focus groups mostly consisting of female clients who were met in connection with their weekly meeting with the MFI in which they paid their savings and repaid their loans. More about the qualitative methods can be found in Annex 2.

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7 Hulme, D.: Impact Assessment Methodologies for Microfinance: Theory, Experience and Better Practice, p 10. “From verbal reports it is clear that IAs adopting the scientific method and seeking to ‘prove’ impact cost the earth (probably US$500,000 to US$5 million depending on the number of MFIs studied).” World Bank, 1999
8 Ibid. Table 3, p.27
9 Meeting in March 2006 with Paula Kantor, Sen. Research Manager, and Ilse du Pied, Sen. Research Officer, both Livelihoods and Gender Section at AREU.
A combination of four different methods/approaches was used to obtain information. They are listed below together with the types of respondents associated with each method:

Table 1: Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household interviews and on-site observation</td>
<td>Household members, MF clients and non-clients, Male and female-headed households (e.g. widows)</td>
</tr>
<tr>
<td>Focus group discussions – obtaining different opinions from male and female groups of 6-10 interviewed according to structured interview guides</td>
<td>Groups of female MF clients, Groups of male MF clients, Groups of female MF non-clients, Groups of male MF non-clients</td>
</tr>
<tr>
<td>Key informants – in-depth interviews with people of influence/knowledge</td>
<td>MFI staff, Community leaders, Traders</td>
</tr>
<tr>
<td>Case histories – obtaining full individual stories of changes in life situation through in-depth interviews with men and women at selected project sites</td>
<td>Female MF clients, Male MF clients</td>
</tr>
</tbody>
</table>

1.9.1 Respondents

It is well-known that some respondents will tend to give the answers that they think the interviewer would like to hear. When the interviewer is accompanied by a representative of the implementing organisation (in casu the MFI) he or she may be seen as associated with that organisation and the answers may become overly positive and uncritical. How to get the best and most correct answers to the questions? Different strategies are needed for different types of respondent. MFI clients are easier to approach than non-clients, as generally they accept answering questions as part of being in a program. This study worked closely with the MFIIs and relied on them to a large degree for the identification of their clients. This may have led to a bias towards what the MFIIs consider as their most successful groups of respondents.

Non-clients and key informants were approached in different ways. Generally they were quite prepared to explain about their business, family or community. However, the selection of these respondents was rather ad hoc, and the vast majority of the respondents ended up being MF clients interviewed either in their shop, home, or in their savings and/or credit group (SCG) meetings.

For both data quality and ethical reasons the personal introductions that interviewers make prior to interview had to be carefully worked out so that respondents would understand why they are being interviewed and have an opportunity to ask their own questions before the interview begins.
The average time used for an interview was about 1½ hours. This is often considered as the absolute maximum amount of time that people can be asked to spend on being interviewed, and there were cases when either respondents or the interviewer would get tired towards the end. Generally it did work out, however, and the main topics were covered as planned.

1.9.2 Interviewers

Recruiting field study personnel who have the skills and qualities to interview, collate, analyse and write up findings is a key problem in many countries, and this also applies to Afghanistan. Different studies often find themselves competing for the same small pool of people. Qualitative research calls for skills that go beyond the filling of boxes in questionnaires: the depth and quality of the interview comes through the follow-up questions and probing into the answers – something that takes training and experience.

In Afghanistan, there is a particular bias against the use of female interviewers due to limitations in their mobility. Many women with potential for this kind of work do not want, or are not allowed by their families, to move around with strange people with whom they are not related. The problem is further complicated when the work requires the woman to travel to other provinces. In a study that focuses on women it is particularly important to have female interviewers who can interact directly with the women. These proved difficult to find, and the balance between female and male interviewers was not always optimal. However, the reorganization of the team that took place after the accident in Herat offered an opportunity to strengthen the female side of the team for the rest of the study.

Getting access to interview women clients was sometimes denied to the male interviewers. Not always though, but it was necessary to ask permission every time for males to participate in an interview; sometimes it was granted, and sometimes refused. Refusals could as well come from the women themselves as from their men.

Some MFIs took the attitude to forbid male interviewers to meet with the women. Experience proved this rather paternalistic standpoint on behalf of the women both unnecessary and counterproductive, and the approach by which the women themselves decide in each case if they agree to meet the male interviewers is clearly more respectful to them, and helpful to the study.

The organizational set-up was such that the core team was supplemented with provincial staff of MRRD, MoLSA, and MoWA, approximately half women and half men. These officials contributed their knowledge of the locations, which was useful, but they did not have experience in the work as interviewers on a qualitative study. There was also concern that their role as government officials might influence the way in which they were looked at by the respondents. This turned out not to be a problem, as they were presented as team members and not government officials, and were not recognized as such by the respondents.

In order to impart some understanding of social research principles, as well as on the subject of microfinance, a research training workshop was held in Kabul in August 2005. 26 participants (14 female, 12 male) from the three ministries attended. The female participants from provinces outside Kabul were accompanied on the journey by mahrams (male relatives: brothers, sons…). The qualitative nature of the study was continually stressed, with the importance of getting the respondents’ own stories out being paramount, rather than just checking that all questions on the list were answered. More details about the training workshop are provided in Annex 2.
It is clear that one week’s training does not make full-fledged social scientists, and the understanding and quality of the interviews in which the provincial interviewers participated varied from good to insufficient. Especially the following up to open-ended questions beyond the Yes-No answers proved difficult. In order to reduce this limitation, interviewing was organized in such a way that:

1. All interviews were carried out by two interviewers together, one of whom should be part of the core team;
2. All interviews should be consolidated by the two interviewers by the end of the day they were taken, and agreement should be reached between them on the content.

### 1.9.3 Tools

Interview Guides based on the research questions were developed and tested for the four categories of respondents. In practice it turned out that only the ones for household interviews and focus group discussions were used, as key informants and case stories could better be done without a prescribed format.

Preliminary versions of the two Interview Guides were presented in the training workshop and tested in the field, after which they were applied in the fieldwork in Bamyan. Some shortcomings were detected and a revised version was prepared for the interviews in Herat, Kabul and Balkh. See the revised versions of the two Guides at the end of this report.

The exercise included a poverty and vulnerability assessment of the interviewed households. Poverty is a relative concept, linked to the physical, economic, social and cultural environment. Given the specificities of the Afghan setting at this point in history, the use of general indicators such as the “USD 1 or 2 at PPP per day” was not found to be useful. Rather linked to discussions about other approaches to poverty assessment, such as the Visual Indicators of Poverty versus the Participatory Wealth Ranking \(^{10}\), the poverty assessments here were based on a combination of observation of the houses, infrastructure, clothes, jewellery, etc. of the respondents, and questions about their assets owned, daily diet, need to sell assets to buy food, and the like. The participation of the provincial staff of the ministerial departments was of great use in making realistic assessments, due to their close knowledge of the local context. Vulnerability to external shocks was mainly assessed by the dependency ratio in the family (number of economically active members with an income, against the number of mouths to be fed such as young children, elderly or disabled), and the stability of the income.

The material derived from the interviews was then systematised by province and type (household or focus group), and tendencies began to emerge. These will be discussed in the following sections. The distribution of interviews by type and province is as follows:

<table>
<thead>
<tr>
<th>Province</th>
<th>Households</th>
<th>Focus Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>31</td>
<td>22</td>
<td>53</td>
</tr>
<tr>
<td>Herat</td>
<td>23</td>
<td>11</td>
<td>34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>5</th>
<th>3</th>
<th>33</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balkh</td>
<td>51</td>
<td>5</td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>Bamyan</td>
<td>30</td>
<td>3</td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>135</td>
<td>41</td>
<td></td>
<td>176</td>
</tr>
</tbody>
</table>
The MFIs

The microfinance institutions to be included in this study were chosen on criteria of:

- Presence in the selected provinces
- A certain portfolio volume
- Representing both savings-and-credit program and credit-only.

BRAC Afghanistan has by far the largest portfolio of all MFIs in Afghanistan and was an obvious choice. In addition to BRAC, FINCA participated in Herat and Kabul, CARE in Kabul, and ARMP and CHF in Bamyan:

<table>
<thead>
<tr>
<th>Province</th>
<th>BRAC</th>
<th>FINCA</th>
<th>CARE</th>
<th>ARMP</th>
<th>CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balkh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bamyan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The details in the following presentation of the MFIs are taken from information received in discussions with them, as well as from MISFA’s website and the sites of the individual MFIs. As the sector is growing fast, some of the information may be quickly outdated.

1.10 BRAC Afghanistan

BRAC is quickly expanding its operations in Afghanistan and was in 2005 active with 75 branch offices in 12 provinces. In addition to microfinance, BRAC has programmes in health, education, and agriculture. BRAC combines savings and credit with micro-life insurance. BRAC’s main MF products are:

- The standard microfinance for women based on Village Organisations (VOs) as a platform for collective action. Each VO is an association of women who join together with a common interest to achieve economic sustainability through savings and credit groups (SCG). After a period of compulsory group savings, the women who prove capable of attending meetings regularly and pay a small amount into the savings scheme, get access to initial loans of around USD 100 – 120, to be paid back in 47 weekly instalments. Savings deposits carry a 6 % interest and can be withdrawn any time. The service fee on loans is 17.5 %. To this can be added a small life insurance to be paid out in the event of the death of the contributor or her close relative.

- The more recent Small Enterprises Programme which supports small businesses like bakeries, grocery stores, weaving businesses, stationery stores, cloth/clothing businesses, pharmacies, home appliance delivery stores and shoemaking factories. The loans vary from USD 300 to USD 750, but may go as high as beyond USD 1,000.

1.11 FINCA

FINCA’s Village Banking methodology is designed to target the working poor with its “solidarity” group guaranteed loans. In addition, FINCA Afghanistan is expanding its product line to include larger loans that will help slightly larger businesses—supporting clients as their businesses grow and their credit needs change. These larger businesses sometimes
provide jobs to the unemployed. FINCA has also launched a small enterprise loan (SEL) product that will deliver loans to individuals operating businesses requiring loans of USD 500 to 2,000. FINCA does not operate any savings scheme.

1.12 CARE

CARE’s savings-based micro finance program aims to improve the economic security of its beneficiaries in Kabul City through the strategic use of savings and credit groups and the establishment of a financially sustainable micro finance institution targeting vulnerable women. This project organizes savings and credit groups (SCGs) composed of 15-30 women members who are willing to pool their resources together to assist each other. Necessary training is provided to strengthen the SCGs in the areas of savings mobilization, loan disbursements and reimbursements. Once the SCGs reach loan eligibility criteria, they can apply for loans from USD 200 to USD 1,000 per member with a 2% administrative fee per month, deducted in advance. Principal payments are payable within 3-6 months, on a weekly or monthly basis.

1.13 ARMP

The Aga Khan Development Network (AKDN) runs the Afghanistan Rural Microcredit Programme (ARMP), whose primary objective is to serve rural micro credit needs. It targets specific issues pestering rural areas in Afghanistan, by offering a variety of loan services to individuals that allow them to improve their business activities or remedy cash flow problems. The average loan size for first time borrowers is USD 700. Other products include group loans based on solidarity of an average USD 150 per group member with 6 months repayment term. ARMP is operating in Bamyan, Kunduz, & Badakshan provinces. ARMP has no savings component.

1.14 CHF International

CHF’s Afghanistan Microfinance Initiative (AMI) provides loans to small businesses and agricultural activities in the Bamyan province. Its goal is to provide a full range of micro finance services to the people of Bamyan. Loans are currently available to groups of men and women, made up of individuals engaged in business activities. An average loan size is USD 460.
Microfinance clientele

The majority of respondents were MFI clients interviewed in their houses or shops, or in focus groups. All of them had received MF services through some sort of group mechanism, whether in female, male or mixed female-male groups, but the loans were all used by the client and his or her family – no group enterprises (e.g. pre-coops) were discovered. A few interviews did not contain sufficient information to be useful and had to be discarded, remaining with 135 households and 41 focus groups. A limited number of (male) recipients of larger individual loans through the various MFIs’ enterprise development programmes were interviewed, as were some non-clients in the neighbourhoods of the clients. The ethnic origin of the respondents was recorded, together with their experience during the years of armed conflict in which many lost their closest relatives as well as their property. Their understanding of microfinance and their use of savings and loans were also noted. Some of their characteristics can be summarised in tabular form.

1.15 Reaching the Poor?

As described above, poverty and vulnerability was assessed using a combination of observation and questions. While vulnerability is not necessarily limited to the poorest, there is a clear overlap between poverty and vulnerability, and in the following tables the two are combined.

Table 4: Poverty assessment - households

<table>
<thead>
<tr>
<th>Poverty/Vulnerability</th>
<th>Households</th>
<th>Non-poor</th>
<th>Poor</th>
<th>Very poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>16</td>
<td>13</td>
<td>2</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Herat</td>
<td>6</td>
<td>17</td>
<td>0</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Balkh</td>
<td>29</td>
<td>16</td>
<td>6</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Bamyan</td>
<td>20</td>
<td>9</td>
<td>1</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>55</td>
<td>9</td>
<td>135</td>
<td></td>
</tr>
</tbody>
</table>

More than half of the sampled households were assessed as being non-poor, and only nine (or 7%) were very poor. The picture was slightly different for the focus groups where the majority (60%) was considered poor, but where there were no cases of very poor groups. While these numbers only reflect the respondents included in this study and does not claim any statistical representativeness, the indication is that only about half of those interviewed were considered poor by the local standards used in the study.

Table 5: Poverty assessment - Focus Groups

<table>
<thead>
<tr>
<th>Poverty/Vulnerability</th>
<th>Focus Groups</th>
<th>Non-poor</th>
<th>Poor</th>
<th>Very poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>8</td>
<td>14</td>
<td>0</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Herat</td>
<td>3</td>
<td>8</td>
<td>0</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Balkh</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Bamyan</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>25</td>
<td>0</td>
<td>41</td>
<td></td>
</tr>
</tbody>
</table>

It is clear that focus groups can include both poor and non-poor women; the assessments were based on the overall impression of the two interviewers who visited a group (size and quality of house, clothing, jewellery, etc., and the stories told by the women). In terms of numbers, the focus groups account for many more women than the households, as
the average attention of a focus group was 10 – 12 women. 41 focus groups therefore involved between 400 and 500 women.

The difficulties of reaching the poorest with microfinance are well-known by its practitioners, although the image of the service as the main instrument to fight “abject poverty” is still projected by many (not least by the MFIs). CGAP (the Consultative Group for Assistance to the Poor) has changed its name from “Poorest” to “Poor” in recognition of this. In fact, the Microfinance Gateway website sponsored by CGAP explains under its FAQs WHEN microcredit is NOT an appropriate tool:

“Microcredit is only useful in certain situations, and with certain types of clients. As we are finding out, a great number of poor, and especially extremely poor, clients exclude themselves from microcredit as it is currently designed. Extremely poor people who do not have any stable income—such as the very destitute and the homeless—should not be microfinance clients, as they will only be pushed further into debt and poverty by loans that they cannot repay. As currently designed, microcredit requires sustained, regular, and often significant payments from poor families. At some level, the very cause of poverty is the lack of a sustained, regular, and significant income.”

BRAC officials in Herat admitted that their programme doesn’t reach out to the “ultra-poor”. The risks of default in repayment, and the high transaction costs of loans that are even smaller than the ones in BRAC’s current products, makes it impractical. However, they refer to experience from BRAC’s IGVGD (Income Generation for Vulnerable Groups Development) project which targets the very poorest in Bangladesh. The IGVGD combines microcredit with a safety net, namely WFP food aid provided to the poorest individuals and households. The food rations provide for their very basic sustenance, thus making it possible to start very small savings and loan schemes combined with training, according to a fixed and tested 18-months cycle.

The IGVGD is an interesting case to learn from. By 2001, about a million women had been reached through the programme, of which two-thirds have “graduated” to normal microfinance programs, while the remaining third have not had longer-term benefits. This can be due to old age, disabilities, or other factors; some have lost their new assets and ended up deeper in debt, for example if an animal that has been bought dies from disease.

The IGVGD approach raises some issues. The availability of food handouts at a certain level for an assured period of time is a precondition for the delivery of microfinance to these women. IGVGD also combines financial services with skills training, something that conventional MF wisdom advises against (CGAP, the World Bank and MISFA all stress that MF is part of the banking sector and MFIs can only achieve long-term sustainability if they avoid subsidies and stick to the banking operation, leaving otherwise important things such as skills training to others). It is nonetheless clear that IGVGD could not reach the very poor without the subsidies (the value of which has been calculated at some USD 135 per participating woman), and the success rate has surely gone up as a result of the training provided by BRAC in conjunction with the Government. This conclusion probably has more general applicability, also for Afghanistan: the present MF programmes do not reach the very poorest. If future products for the poorest are to be developed they must be linked to reliable safety nets preferably run by the Afghan Government, and the MFIs must find innovative ways to deal with these without getting themselves bogged down in non-banking activities.

11  http://www.microfinancegateway.com/section/faq#Q5
13  This number is reported to have grown to 1.6 million in 2006
1.15.1 Client Groups and Individuals

The distribution of clients interviewed in the household or in the shop, by the type of group they were part of, is shown below. The table includes the individual shopkeepers in the male group, many of whom received individual loans under the BRAC SEP programme; this is especially the case with 20 of the 22 male recipients in Balkh. In addition to this, the different loan products are reflected in the number of mixed gender groups in Bamyan due to CHF’s approach there. As it turned out, it was common that these groups consisted of people closely related to each other, such as one case where three women had married three brothers and lived in the same place in the village; all of them received loans that went into the family farming. FINCA’s focus on families is also reflected in the number of mixed groups in Herat, which are family groups with the men most often being the recipients of the loans. Neither CHF nor FINCA has savings as part of their products. However, more than half of the loans were for female groups, mostly provided by BRAC.

Table 6: MF Clients by group and province

<table>
<thead>
<tr>
<th>Province/Group</th>
<th>Female</th>
<th>Male</th>
<th>Mixed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>26</td>
<td>4</td>
<td>1</td>
<td>31</td>
</tr>
<tr>
<td>Herat</td>
<td>12</td>
<td>3</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Balkh</td>
<td>29</td>
<td>22</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td>Bamyan</td>
<td>10</td>
<td>13</td>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>42</td>
<td>16</td>
<td>135</td>
</tr>
</tbody>
</table>

1.15.2 Loan Cycles and Size

The maturity of the programs is reflected in the number of clients who have graduated to go beyond their first loan. In Kabul and Balkh (Mazar), more than half of the interviewed households or individual clients were into their second cycle or beyond, while Herat was slightly below this, and Bamyan was still in an earlier stage.

Table 7: Clients by number of loan cycles

<table>
<thead>
<tr>
<th>No. of loans per client:</th>
<th>1 round</th>
<th>2 rounds</th>
<th>3 rounds</th>
<th>4 rounds or more</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>13</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>31</td>
</tr>
<tr>
<td>Herat</td>
<td>13</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>Balkh</td>
<td>18</td>
<td>19</td>
<td>9</td>
<td>5</td>
<td>51</td>
</tr>
<tr>
<td>Bamyan</td>
<td>19</td>
<td>10</td>
<td>1</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>43</td>
<td>15</td>
<td>14</td>
<td>135</td>
</tr>
</tbody>
</table>

The size of BRAC’s standard first-cycle group loans to women is USD 120 and grows with USD 100-200 for each subsequent loan, according to the client’s needs and BRAC’s agreement. BRAC’s EDP loans to men were between USD 2,000 and 3,000, while FINCA had a more varied portfolio between USD 320 and 2,220. CARE mostly starts with very small loans less than USD 100, whereas the two MFIs in Bamyan range higher with USD 300-3,000.

The size of loans being offered by MFIs is important in several aspects. Firstly, because the transaction costs are almost equal for all loans, – larger amounts are therefore “cheaper” for the MFI and can help it towards sustainability of the operations. The clients are also more secure, as they are in possession of collateral – houses and shops. And the money mostly goes into existing businesses, thereby contributing to growth. On the other hand, the larger loans are reserved for a clientele that is not poor, hence the poverty objective of microfinance is not being achieved. It is even questionable if these larger loans (useful as they may be for the
recipients) should be classified microfinance. These issues will be discussed in more detail below.

1.16 Use of Microcredit

What is the money being borrowed for? According to the MISFA Newsletter of June 2006, the sectoral distribution was as follows:

<table>
<thead>
<tr>
<th>Table 8: MISFA: Sectoral distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial/Retail/Trade</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Craft/handicraft</td>
</tr>
<tr>
<td>Agriculture (crops, livestock, poultry)</td>
</tr>
<tr>
<td>Manufacturing/Production</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

The sampled households were not much different in their spending pattern from what was recorded by MISFA, when one looks at the main purpose of the loan. However, it was also found that according to the livelihoods strategies of the clients, the borrowed amounts were very frequently channelled into several different activities, often combining production/trade with handicrafts and consumption.

Case 1: Meeting different needs

Farooqa is 45 years old and married to Agha; they have six children, the oldest boy is 21. Both husband and wife are part-time teachers, and all the children are being educated up to at least grade 12. They fled to Iran for three years where they lost a nine-year old son; Farooqa has been in a bad state since then, physically and mentally.

After returning to Kabul, they have had financial problems and occasionally had to borrow money from friends. They also sent their sons out to sell chewing gum in the streets, and she had to sell jewellery for USD 100.

Farooqa became head of an SCG with BRAC and got a loan of USD 100, which she used for different purposes: The main project was to help the sons expand their shop with USD 20, but she also spent USD 40 on food and 30 on notebooks and pens for the children.

She finds MF has somehow helped but without making the big difference. However, she manages to make some savings. She thinks it is good that MF goes to the women, as “they are more creative”. The members of her group help each other and maintain good relations.

The distribution according to the main purpose of the loans looks as follows:

<table>
<thead>
<tr>
<th>Table 9: Sectoral distribution of sampled loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of loans (not of clients)</td>
</tr>
<tr>
<td>Carpet weaving</td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Trading shop and carts</td>
</tr>
<tr>
<td>Live-stock</td>
</tr>
<tr>
<td>“Improved standard of living” (consumption)</td>
</tr>
<tr>
<td>Handicrafts</td>
</tr>
<tr>
<td>Tailoring</td>
</tr>
<tr>
<td>Services and consumption*</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
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<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Percentages:**

<table>
<thead>
<tr>
<th></th>
<th>Kabul</th>
<th>Herat</th>
<th>Balkh</th>
<th>Bamyan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.0</td>
<td>0.0</td>
<td>3.3</td>
<td>9.8</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.9</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>41.7</td>
<td>38.9</td>
<td>51.1</td>
<td>39.0</td>
<td>44.1</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>18.5</td>
<td>43.9</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>23.3</td>
<td>9.3</td>
<td>8.7</td>
<td>2.4</td>
<td>11.3</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>1.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>15.0</td>
<td>46.3</td>
<td>18.5</td>
<td>0.0</td>
<td>20.6</td>
</tr>
<tr>
<td></td>
<td>15.0</td>
<td>3.7</td>
<td>0.0</td>
<td>0.0</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*) a mixture of services and consumption: carpentry, restaurant, mobile phone selling shop, fixing cars, beauty salon, children’s weddings).

### 1.16.1 Retail Trade

Retail trade in shops or pushcarts is by far the most important activity in all the provinces and in rural as well as urban areas. This is an almost entirely male domain; when women join groups and make savings deposits it is almost inevitably in order to get access to money that will help her husband to expand the stocks in his shop. Her direct involvement in this activity is very limited, as illustrated in the next chapter.

Trade is sometimes combined with workshop production such as in the case of Abdel Wahab, a 50-year old Tajik from Herat, who has a shoemaking workshop and outlet on the first floor in shoe serai. He has four male employees helping him. He started as an apprentice shoemaker as a child in a relative’s workshop, then set up his own shop when he was 20. With a monthly turnover between 100,000-200,000 Afs, the loan of 40,000 is useful enough but does not make a great difference in his business. His main problem, which he shares with many other producers, is the increasingly stiffer competition with imported goods from elsewhere in Asia (China, India, Pakistan) that are rapidly entering the market.
Case 2: Shoemaker in Herat
Abdel says that business was good before Taliban time, they were exporting boots to the USA. But the Taliban destroyed the business – they said making shoes for women is a sin. He had to leave for Iran and stayed for 4 years (also making shoes there).

The workshop gets materials from Iran (soles), leather from Pakistan and elsewhere. They make 50 pairs a day, many of them for children. They follow the fashion – smart girl’s shoes sell for 100 Afs, smaller ones for 50. Adult shoes are sold in his own shop for 220 Afs, and he sells them to other shops for 200 Afs. Pays 1,000 Afs rent for workshop each month.

Abdel complains that business is not good now due to the many imported shoes from China – he has now also taken to selling Chinese shoes himself. He got a SEP loan from BRAC of 40,000 Afs 3 months ago. He thinks it is a small amount – he used some for buying materials and some for Chinese shoes. Repayment is no problem for him.

Asked if women could be shoemakers, he and the employees say they think women can make shoes but they can not work outside. It is dangerous, and competition from men is very strong – they will not allow women to enter trade. (HRT 33)

Case 3: Shopkeeper in Bamyan
This Hazara family fled Bamyan when the Taliban attacked the province and lived in Kabul for a year and in Besood for another year. When they returned, their house was destroyed and they now live in a rented house. They have a separate water source and a government generator provides power, which allows them to

Retail trade in a mixed selection of everyday household commodities is by itself the largest recipient sector for microfinance. Loans are inevitably used for expanding the stocks in the shop, but sometimes a part is also used for other purposes, typically handicraft for the women or for consumption. Abdul Azeem owns a shop in Bamsarai village in Bamyan. He is 34 years old and the father of 7 children, the oldest being Mohammed who is 16. His wife Marzia is 30; unlike Abdul, she has never attended school. They were assessed as being poor.
use their radio. They do not own agricultural land, but they rent a small shop in the village for Afs 3,000 per month.

Abdul took a loan of USD 500 from CHF to expand his stock. They also considered buying a vehicle but that was too expensive. They have no problem with paying a service charge to CHF, because they know that there are expenses that must be covered. They want to take a new loan for the same purpose; however, Abdul thinks the repayment time is too short. But business is doing OK, he can sell what he has in the shop. He thinks it is best that microfinance goes to men rather than women, since “men are better in repayment of the loan than women”.

Marzia makes carpets with the help of the four daughters aged between 7 and 12, of whom the two oldest go to school. Part of the loan has gone into buying materials for the carpet making.

No social change can be noted in this family in connection with the access to microfinance beyond Abdul’s statement that such decisions are taken in the family.

(BAM 3)

The popularity of the retail shops is an indication of increasing purchasing power that has come with the relative peace and stability in these areas. In Bamyan, which was very hard hit by the Taliban, most respondents reported to have lost most of their property when they fled from the province. At the time of interviewing them in August 2005, almost all had rebuilt their houses and were busy getting their land back into production. Without being wealthy, they do now have more money to spend, and the traders therefore can make more goods available in the villages.

It is common for the traders to buy wholesale on credit from suppliers, and many of them give goods on credit to their customers. Several traders reported that they needed money to buy stocks because they had money outstanding with customers, money that they would only get by the harvest time or other occasion when the customer would get an income. At the same time traders were indebted to their suppliers, and in order to satisfy the local demand they could benefit from access to microcredit. Many MF recipients also confirmed that they were buying on credit from traders for their daily necessities, adding that it was common for
the trader to charge them more than normal prices\textsuperscript{14}, although in most cases they were not able to say how much more.

Being a man’s domain, the involvement of women in trading is minimal, even if they are the direct recipients of MF services. In cases where they are members of groups such as BRAC’s VO\textsuperscript{s}, they may reap social benefits – which will be discussed further below. But business decisions on retail trade mostly pass them by, such as in the following case.

\begin{center}

\textbf{Case 4: Man’s world}

Iashan is a 40 years old Tajik who completed Grade 3 in school. He is trader in clothes and fabrics in rural Balkh and has an EDP loan from BRAC of USD 1,600. He made the decision to apply for the loan himself after discussing it with his sons. He has three wives and 15 children, but he declined the interviewer access to talk to the wives and daughters – or even talk to himself about them. They have no role in his business. He thinks MF must go to men, because “men can work outside and are familiar with the outside business/environment”. He has no problem with the principle of paying a service charge except that he finds it is too high. (MZR 29)

\end{center}

More than two-thirds of the sampled recipients of loans for retail trade were assessed as “non-poor”, with the remainder being “poor” (no cases of “very poor” were encountered). In the majority of cases (although with some notable exceptions), the women had little if any involvement in the business or decision-making. The conclusion therefore is that while this type of loans can help stimulate the general economy (but on a limited scale due to the loan size), its effectiveness in the fight against poverty is relatively weak. The same applies to its ability to empower women; where empowerment does happen in connection with retail trade, it is not in the business sphere but in the participation in a women’s group.

\subsection{1.16.2 Tailoring and Carpet Weaving}

Tailoring and carpet weaving are predominantly within the female domain although some men also have taken up these occupations. With one-fifth of the sampled households having taken loans for tailoring as their main activity, this comes out as the second-highest after retail trade. However, as many women are weaving carpets at home, it was found that part of the loans was often given to the procurement of wool, thread, etc. This did not feature as the main reason for the loan (which could be a shop or something else) but its extent was considerable, and the 4\% of the loans that gave carpet weaving as the main purpose for a loan does not present the full picture. Microfinance supports this craft to a much larger extent than shown in that figure.

\textsuperscript{14} These observations concur with a recent study from Herat. Floortjie Klijn: Informal Credit Practices in Rural Afghanistan. Case Study 1: Herat. AREU, June 2006
Men and girls also make carpets

Tailoring and carpet weaving takes place in the home – the woman does not need to go out much, if a supplier brings her the materials and collects the finished products, or if the husband or sons go to the bazaar to buy and sell for her. Some women are doing quite well as tailors, although few have received any real training.

Case 5: Tailor in Mazar

Khanum Gul is 25 and married to Abdu who runs a mechanics workshop. She has four children the oldest being 10 years, the three oldest go to school. The couple are hard-working and assessed as non-poor.

Khanum Gul is on her second loan with BRAC, the first one of USD 80 for a simple sewing machine, and the second one of USD 200 for an embroidering machine with zigzag function. She came up with the business idea herself, and the new assets belong to her.

She is the leader of the group and meetings take place in her house. There have been no defaults in the group, but Khanum Gul has occasionally advanced money for repayment from other members. She has taken in some of the women to train them in tailoring without charge.

She is her own boss, and microfinance has helped increase her status (which was already quite high before joining MF). She thinks microfinance should go to women so that they can have their business and also make sure the children are healthy and educated.

She is self-taught, and she would like to improve her skills through more training for herself if a vocational training centre could be made available. Her other main problems relate to the physical environment in the streets around the house which is very dirty due to garbage not being collected. (MZR 15)
Borrowing for a sewing machine

Tailors are facing competition from imported clothing that is flooding the bazaars, and they are often limited to doing clothes repair work:

**Case 6: Burqa repair**

Aziza Gul is a widow of 37 years old. She lost her husband and a brother during the war. She has four sons and a daughter, the oldest son is 19 and works in construction. They live in a very small house but are assessed as being non-poor and non-vulnerable.

Aziza Gul now has a second loan from FINCA – her first one of USD 120 and the second one of 260 – which has been used for construction materials (wood) and tailoring tools and cotton fabrics. Her business is repairing burqas, and she complains that "with the Taliban gone, the burqa business has gone down and we have lost a lot".

She is happy in her group and says that women are now more respected than before. (HRT 18)

Tailoring is an easily accessible activity for women, as most have learnt the basics of stitching in the family as little girls. It can provide an important source of income to the household economy, as in the case of Zainab.

**Case 7: Traditional skills**

Born and raised in Mazar, Zainab, a 39 years old Hazara woman, is raising 6 of her children. Currently living in Jibril, Herat, life has been a struggle for her since her husband died during the Taliban regime. They were poor and not able to find work in Mazar. She is deeply moved as she explains: “My first husband was badly beaten by the Taliban, because we are Hazaras. He was alive for a few days, and then died leaving me to move on and marry one of our relatives”. Her new husband, a clergy, mostly relies on the tailoring that Zainab is doing for the income of the household. They have received a group loan from BRAC, which they feel has been helpful to them since there is no other way they are able to earn an income.

She goes to the bazaar twice a month and brings back USD 25-30 worth of fabric material. After preparing clothes to sell in the bazaar, on average she is making 5 pieces of clothing per day and has some USD 150 net income monthly from the tailoring.
Aside from tailoring Zainab suggested, “It will be better if microfinance organizations build vocational institutes for women, to learn some specific skills and through those skills they will be able to earn some money and support their families.”

The members in the group either have tailoring jobs, or are cooks. There is no shop to sell the items, rather they sell it in the market. The group is on its second loan, for about 200 dollars now. They are grateful to borrow from an MFI, rather than use informal credit. As women they feel that they have been able to take charge of the money, and be the decision makers along with their husbands. Zainab has been tailoring for 25 years, and feels that it is the best occupation for her. She says, “When I get my next loan, I want to continue tailoring.” (HRT 3)

1.16.3 Agriculture

Loans for livestock are also popular targets for loans in the rural areas, accounting for more than half of the sampled cases in Bamiyan province which is almost entirely rural. A small proportion of borrowed money also goes into arable farming or gardening. Nigar lives in Eljanak village in Shebar district in Bamiyan:

**Case 8: Sheep fattening**

Nigar is a widow who lives with her nine children of whom some are married with children of their own. The oldest daughter is reported to be 32, followed by a married son of 30; the youngest is a daughter of nine years. They have small holding of 2 jirib of land for gardening but live in a rented house. She borrowed USD 500 from CHF and spent it on the purchase of five lambs for fattening in five months and then selling them up to the Eid holidays.

The idea came from her son Qiamuddeen who is 12 years, and who is doing most of the work with the lambs as a herdboy. Keeping livestock is difficult and risky, but they are managing, however the work keeps Qiamuddeen out of school.

“Most of the kids go to school, but if more of them went who would then look after the animals?” Nigar wants to take another loan to pay the brideprice for one of her sons who is still unmarried. (BAM 8)

This case is one where a very poor family borrowed money and ended up deeper in debt.

**Case 9: The stolen cow**

Naazuku is 45 and lives with her husband, 7 daughters and one son in a small rented house in Mazar. They are Pashtuns. Her husband is old, he runs a small stall but it is not profitable and he is unable to undertake real gainful employment that would ensure a regular income. Her son is only 10, too young to do the same. They lost most of their possessions during the war and had to sell 2 jirib of land, some livestock, jewellery etc. to survive. Naazuku is very poor and sustains herself and her family through support she receives from neighbours and other locals. Her daughters are good tailors but all uneducated, and due to lack of sewing machines and material, they are unable to benefit from this profession. Naazuku wanted to join the microfinance programme, however, since she does not own her own house, she was initially refused entry.

After much struggle and efforts, she was accepted to receive a loan and, in consultation with her family she bought a cow. Unfortunately the cow was stolen shortly after purchase. The family now finds itself in a difficult situation since they have to repay the loan but do not have any means by which to repay it. Moreover, even-though they know who the thief is, they are helpless since they feel threatened by him. She fears for her 7 young daughters and thinks that since her husband is old and weak, he will not be able to effectively defend the girls.
Naazuku says about the risks of borrowing: “I was not afraid in the beginning because I could purchase the cow with my loan, so I was optimistic about repayment. But I am very scared now. They stole my cow, and without it how can I pay back?”

Naazuku has asked BRAC for help to recover the cow through their contact with the shura. According to most MFIs, their first point of contact in any community is the local shura or the elders. However, this contact only creates an awareness of its activities, not an approval. Therefore, if there is conflict such as in Naazuku’s case, these governance groups are not willing to get involved, and the MFI can do little to help her. (MZR 2)

1.16.4 Services and Manufacturing

Services and manufacturing cover a wide variety of activities, from running a restaurant to bicycle repair, transport by pushcart or rickshaw, small-scale workshops of many kinds. Most of these are considered pure male activities while others are distinctly female, such as for example beauty parlours. Some examples:

Case 10: Taxi business

Nafisa is 45 and married to Mohammed Omar who is 65. They are Pashtun and have six sons and a daughter, all of whom have attended school (one went to university but is now unemployed). Mohammed and three of the sons are all drivers. Nafisa has had three loans from BRAC of USD 80, 120, and 200. She has also saved but does not know/remember how much. The loans have been used for tyres and spare parts for Mohammed’s taxi, and for buying another car for one of the sons. She came up with the ideas for this, and she thinks it is good that women get the loans, as they have good ideas on how to utilise it best.

She feels life is getting better and is slowly saving money for the sons’ weddings. She is not planning to apply for another loan – it is not needed. She feels her status has increased, she has more influence and the family sees her with more respect than previously. However, she complains bitterly about the dirty environment in the area, saying that the government should improve the infrastructure and clean up the neighbourhood. They need clean water and a septic tank. She would also like to go to an adult literacy centre, but any type of school would be welcome. (MZR 9)

BRAC and other MFIs whose products include savings often stress that saving and borrowing through several cycles eventually reduces the clients’ need for loans, as the savings accumulate and the clients eventually have enough money for their financial needs and no longer require borrowed cash for which they must pay a service charge. This could be the case with Nafisa who has gone through three cycles. On the other hand, the second loan was USD 120 which was insufficient for buying a car for the son, so they had to co-finance from other sources. This was frequently found to be the case in the sampled population: the loans were too small for any major investment and additional money had to be sourced. In such cases, the loans become one contribution among several to the household economy, and not necessarily the most important one.
The restaurant business is also the men’s domain. Nazira’s husband runs a small restaurant:

**Case 11: Shut up, woman**

Nazira and Momin Shah are Tajiks living in Kabul with their eight daughters and a young son of six years. Neither of them, nor their three oldest daughters, has been to school, but the younger ones have studied up to 5th grade, then they were taken out. They lost a 12-year old daughter who was killed when a missile hit their house during the mujahideen war. Later, during Taliban time, they fled to Pansjir. They often went without food. Nazira and her little daughter were once beaten up by Talibs for not wearing a burqa.

Nazira took a loan from BRAC of USD 140, which she gave to Momin to buy rice and wheat flour for his restaurant. He was the one who decided that she should go to BRAC “but he didn’t force me to go”. If she asks questions about the economy of the restaurant, he tells her to shut up.

She would like to take a second loan for a sewing machine. She is already doing homebased tailoring, sewing table cloths, pillow covers, etc. for contractors who bring the materials to the house and collect the finished products. She thinks there is a great need for training centres for women, especially for tailoring. Her daughters used to go to a tailoring centre, but then two young girls were kidnapped and raped on the way to the centre, after which her husband did not allow their daughters to continue there. (KBL 26)

### 1.16.5 Consumption

A sizeable portion of the loan money goes into consumption, although that does not appear in the categories monitored by the MFIs and MISFA. In the sampled households, “improved standard of living” (= consumption) accounted for 11 % of the loans. This was recorded as the main purpose of the loan – however, as illustrated in the cases above, and in
the case of Sabira below, there is an element of consumption in most of the loans, although it is not registered as the main purpose.

**Case 12: Tools and wedding**

| Sabira is married to Abdul Hussain, a painter. They are Pashtuns and assessed as “poor” in this study. Sabira has five sons, two of them carpenters, and one daughter. She borrowed USD 360 from CARE, of which some was used for carpentry tools for the sons, and some for the wedding of the daughter. |
| She complains that the son’s furniture shop runs slow because most companies import high quality furniture from international markets, therefore nobody is interested in local hand made furniture any more. They haven’t been able to save any money from their furniture business so far. No change in woman’s status in the family can be seen – just the same as before. Nonetheless, although she is scared of not being able to pay back the loan, she wants to take another loan also for carpentry tools. (KBL 37) |

Loans registered as purely for consumption include food, clothing, house improvements, school expenses, repayment of previous debt, brideprice and weddings, i.e. items that are not related to a business. While not directly productive, they can improve the well-being of the family and sometimes indirectly lead to employment or business. The household dynamics in Fatimah’s household is an example:

**Case 13: Food and education**

| Fatimah is 40, she is the head of household and lives in Herat city with her mother, two daughters (25 and 13 years) and two sons (16 and 11 years). She never went to school, but is sending her daughters and the youngest son to school. The son of 16 years failed his grade and dropped out of school after grade 4. The household owns their house, has a TV, radio-recorder and washing machine and is assessed as being non-poor. |
| Fatimah lost her husband, eldest son and two brothers during the war. Since she married a second time, her family has got a man’s name which according to her is important in the area. She had problems of money especially since her brother-in-law from the first marriage did not allow her to work after she was widowed. But now all this is in the past and over. However, she is the second wife of her new husband, who does not live with them and does not contribute financially to their upkeep, but sends over some rice and oil from time to time. |
| Fatimah heard about BRAC and went to their office asking to join the MF programme. She became the VO president and got a loan of USD 120, which she used for food and clothes, as well as for her daughters’ education – she is now able to send them for extra courses in English and computer training. |
| Fatimah says that the forced savings made her understand household economics, and she feels comfortable that her savings are kept with BRAC for a lean season when she may need it. She also says that repayment of the loan forced her 16-year old son Agha Gul, who dropped out of school, to get a job in a construction company, for which he receives a monthly wage of USD 56. Fatimah controls the family economy and she does not have any problems with repaying her loan. She wants a second loan for her son to establish his own construction business, and to buy a tailoring machine for her daughters. (HRT 9) |

**1.16.6 Monitoring Microfinance**

The cases illustrate the wide variation in the use of loans, and the inherent difficulty in monitoring them. Production, trade, services and consumption are mingled within the family, and MFI staff cannot know exactly what each client does with the money. They therefore concentrate most of the efforts on monitoring the financial flows – payment and repayment.
The monitoring categories that MISFA uses are not always clear to the MFI staff – the study team encountered several complaints that people were not sure how to categorise a certain activity.

In addition, the categories are too general to offer any real insight in the eventual impact of the loans. A category such as agriculture covers arable farming together with livestock, which can be cows, sheep or poultry. In the present study, loans for agriculture was found to be almost 100% for livestock – very little went into farming or gardening. To understand the dynamics involved in the operations, it would be good to know if this is predominantly sheep fattening for sale at the Eid festivities, or longer term investment in say, cattle.

A sizeable part of borrowed money goes into consumption, which does not feature in the monitoring system. This could give the mistaken impression that all loans go into business opportunities of burgeoning micro-entrepreneurs. While it is understandable that the MFIs and MISFA wish to publish their successes, a slightly more critical (or realistic) picture would not hurt – in fact it could help to identify weaknesses and come up with improvements. CGAP, as the international powerhouse for microfinance, has recently carried out an evaluation of 66 UNDP and 69 World Bank assisted microfinance projects with disappointing results: despite a few successes, the report describes the overall performance as “unacceptably low”, calling the average grade of both agencies projects “at the lower end of Weak.” Some of these unsustainable projects had been publicised as great successes by the implementing MFIs. Clearly, it is in the interest of all to arrive at a realistic understanding of the strengths and weaknesses of microfinance in order to be able to provide their clients with the best professional services that match their needs.

1.16.7 Summary

This section has brought out the following points:

① Overall, microfinance is popular with the male and female clients who prefer the structured process of credit and repayment to other forms of locally available informal credit (from traders, relatives).

② About half of the studied households receiving microfinance were assessed as “poor” by the survey team. The ultra-poor (destitute) are unable to benefit from the available microfinance products. Special products need to be developed if they are to be reached.

③ While a part of microcredit goes into micro-enterprises, especially to expand the stocks of retail shops, it is also common that a portion goes into other parts of a household’s livelihoods strategy – consumption smoothing, food, clothing, education, marriages – that are considered important.

④ The involvement of women was very limited in certain male-dominated fields such as retail trade.

⑤ Women’s involvement in MF-supported economic activities is limited to traditional crafts such as (especially) tailoring and carpet making that can be done in the house. There was little innovation in the choice of activity.

⑥ Women expressed strong need for vocational training facilities suitable for them, mentioning mostly the traditional crafts such as tailoring, but any kind of skills upgrading was welcomed.

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③ Most men and women accepted the principle of paying the service charge without hesitation, although some found it to be on the high side; however, microfinance was generally found to be preferable to informal credit, since MF repayment is in instalments, unlike credit with traders or relatives who normally expect full payment in one go.

③ Some women were worried over their own ability to repay loans and made every effort to pay in time; when they failed, their group members would often advance the money for one or two weeks, or they would go out to borrow from elsewhere. Some would end up deeper in debt, but such cases encountered in the study were few.

③ Many men and women said the loans were too small to really make a difference, and additional money was frequently needed from other sources in order to start a project. Interestingly, many of the same people who thought the loans were small also wanted to have a longer repayment period with the same amounts – monthly instead of weekly – without recognising that this would extend both the repayment period and the service charge considerably.

③ Many of the small-scale production activities such as making shoes, clothes, furniture, household items of various kinds, are into very competitive markets with imported goods and their businesses are not all doing well

③ Crime and insecurity exists in many places, with MF clients risk having their assets stolen, in which case they can end up deeper in debt

③ Complaints about the physical environment was found in all locations in the urban areas – lack of water and electricity, no garbage collection and lack of proper sanitation resulting in dirty streets, which negatively impacted on not only people’s health and well-being but also on their economic activities.
Women’s Empowerment

To what extent does microfinance contribute to the empowerment of women? Men and women in households and focus groups were asked questions about women’s involvement in economic decisions related to microfinance; who in the family generated the idea to go for MF; whether it is better that MF goes to men or to women; who is doing the actual work related to MF; has women’s general well-being, confidence and mobility increased with the access to loans, and by being a member of a group; what activities are there in the groups; as well as respondents’ attitudes on which types of work is suitable for women, and what constraints they might have on taking up a job.

1.17 Decision-making

Respondents were asked who came up with the idea of what to use the loan for – the woman, the man, the family altogether, or others (typically “friends”). The result was as shown in the table. While more men than women had taken the decision, except for Bamyan the number of women is also significant; this is clear in the cases of widowed heads of household, but it also occurred with a good number of married women. The high number who reported that these decisions were discussed in the family is perhaps a good sign that families work together in their livelihood strategy.

<table>
<thead>
<tr>
<th>Province</th>
<th>woMan</th>
<th>man</th>
<th>Family</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabul</td>
<td>5</td>
<td>7</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Balkh</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Herat</td>
<td>9</td>
<td>4</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Bamyan</td>
<td>1</td>
<td>10</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>35</td>
<td>58</td>
<td>10</td>
</tr>
</tbody>
</table>

A further indication that microfinance is a subject for discussion and joint decision-making in the family can be seen in the responses to a question as to whether it was best to give MF services to men or to women. The majority answered that it didn’t matter, as this was for the whole family. Among those who chose, the balance here tipped in favour of giving MF to the women. It should be noted that the majority of respondents were women.
On a question whether MF has contributed to changes in decision-making in the family, about two-thirds of the respondents said that their involvement had increased. Some women said there was no change, and almost all the men who answered the question said there was no change. Some men refused to answer it. Some quotes from the interviews:

**Case 14: Who decides?**

| Woman: “Yes, my husband respects me a lot and life has become better” (KBL 26) |
| Focus group of female clients: “There is definitely an increase in the overall level of respect women get within the household, since the men realize that they have to go through the women to get to the money.” (KBL 20) |
| Focus group of female clients: “Yes, because women participate in the decisions on how to spend money. They cannot overrule their husband’s decisions completely but at least they have begun to participate in the decision making process.” (HRT 10) |
| Female client: “I make the household decisions. After becoming unemployed my husband made no efforts to find a job or contribute towards the household economy. I made all the efforts, I earn all the money and I make all the decisions now.” (HRT 8) |
| Woman: “MF has effectively removed many problems and women have gained back their rights and values which they had lost during the Taliban regime.” (HRT 5) |
| Female client: “Nothing has significantly changed. I am consulted but in case of disagreements, it is his opinions that determine the nature of expenditure.” (KBL 10) |
| Tajik husband whose wife has a loan: “Yes. She saves USD 30 per month, which she can use for her expenditures.” (KBL 19) |
1.18 Well-being and status

A similar pattern shows when women are asked if their general well-being has changed. The majority say their confidence has risen with the possibility to get access to resources in their own name, and the money is also important. The gradual building up of savings is seen as important by many, as it reduces their vulnerability and provides them with some security against external shocks. The savings are in their name, which is also important. Others find that the savings amounts are too small to be of much use. This is especially those who are still in their first or second cycle, whose savings are still very small, or people (men and women) who are relatively well off.

Some quotes on women’s status and well-being:

**Case 15: Well-being and status**

Female client: "I am really appreciated in my home, by the men. I feel even more confident, and I feel that they see me as trustworthy - to help and make decisions. I am in charge of the household, and even though my husband spends money, I advise him." HRT 32

Focus group of female Tajik clients, all uneducated, assessed to be poor and vulnerable by the interviewers: “Previously we were poor and our life was difficult. Now we are able to earn more respect from the husbands who has started soliciting our opinions. Previously, because the men were the only earning members in the household, they controlled the women. Now, the women can go out more often since they also control money. Women can now go out and meet friends and relatives. They are more respected and therefore more trusted.” (KBL 6)

Respondents were also asked about their attitudes to women’s work – what is suitable for women to do, can they work only inside the house or also outside, what are the main constraints on women’s participation in the economic life. The responses broadly follow the same pattern as seen above with regard to the way microloans are administered by men and women. More men than women thought that women should remain within the home, but with some exceptions. In fact, an overall picture emerged in which the number of households in which husband and wife already before the advent of microfinance agreed on the major
decisions to be taken, and where the wife was already quite powerful with her own control over resources, was relatively significant. Questions about whether her status in such cases had increased could give a negative answer, simply because she was already influential.

An observation that could be made was that the more harmonious families where the wife would be a full party to all major decisions, were not necessarily also the most prosperous ones. Better-off households with successful businesses often were run by men who adhered to strict and restrictive rules about female behaviour. In such cases, the woman might get a loan and give the money to the husband without any trace of empowerment could be observed.

**Case 16: Gender attitudes vis-à-vis prosperity?**

| Ibrahim and Nadir are brothers who have both received business loans from BRAC in Herat and currently have profits of USD 1,000 per month. They both argue that there is no need for their wives to take a loan or any other professional employment for that matter because the burdens of household chores is so great. They subscribe to the old view that men are the only bread winners in the family. For them, it is incomprehensible that women would undertake productive employment not because they need to but because they want to. (HRT 14) |

Fieldwork in Herat indicated that men from poor households tend to be keener for their wives to receive loans, work and generate income, although these women are also restrained in their mobility and the extent to which they can develop. This confirms the view that greater wealth does not lead to a more liberal outlook – Herat is a case in point. Gender norms are stricter among well-to-do households (and frequently among businessmen), which is well-
known in the Afghan context\textsuperscript{16}. With economic progress, gender segregation increases and purdah norms get enforced as a sign of social status. Poor people can not afford honour – but the very rich and educated can afford not to bother, or to show their status by disregarding these norms. The more income a family earns, the more restrictive the men become with regard to the movements of their wives. The poorer a household, the more desperate they are for greater income, realising the need for women to look for economic opportunities even beyond their traditional occupations.

\textsuperscript{16} World Bank: National Reconstruction and Poverty Reduction – the Role of Women in Afghanistan’s Future, World Bank, March 2005
Social Capital

Across the sampled households and women groups, hardly any cases were found where a group had taken up any joint economic activities. In some groups, the women only spent 10 – 15 minutes in the weekly meetings to make their savings and repay their loan, while in many other groups the members took the opportunity to stay for an hour or more to discuss subjects of common interest. This would especially be in the programmes which included a group savings component; in the more individually oriented programmes for men or for women, repayment was a pure business transaction that would take place in the MFI office.

When women would spend time in their group, it could be just for common exchange of information, or in relation to health or education issues. Many cases were also mentioned where group members helped each other with advice or, more practically, looking after each other’s children. Generally this was appreciated highly by the members.

Issues for discussion in the savings and credit groups, especially in the urban areas, very often centred on three issues in the neighbourhood:

1. crime/insecurity; rape and robbery was common in many of the neighbourhoods, making movement difficult, especially for women and girls

2. the appalling state of the infrastructure; muddy (unpaved) streets serving as open sewers and leading to disease; lack of drinking water; lack of dependable electricity supply; and uncollected garbage piling up in the streets

3. the lack of educational institutions, especially for women; the enormous importance attached to education for their children, which was the same for boys and girls, by the women was notable. Asked about what they wanted their sons and daughters to become in the future revealed high hopes – most of them should be doctors or engineers. As for themselves, they needed to develop their skills to produce items (carpets, clothes etc.) of a higher quality, but suitable training opportunities were not available to them.

Socially, many of these groups have potential to become important networks and reference points for women. It should be noted that while some groups consisted largely of women who already knew, or were related to, each other, this was far from always being the case. Many women had very little exposure to the outside world prior to becoming member of an SCG and expressed their contentment with getting to know their neighbours and interact with them.

Respondents were asked if women’s mobility had increased with the advent of microfinance. Male respondents rarely thought any change had occurred. Some women said the same, which was in some case because they were already quite mobile before MF. The most important factor was seen as being member of an SCG and attending meetings there, which could lead to other things beyond the weekly meeting. The elected officials of SCGs – president, accountant etc. – would visit members in their homes as part of their duties. Mobility related directly and indirectly to microfinance has clearly increased.

Although the disbursement of these loans has led to significant empowerment of many women, the study team noted that perceptions of empowerment differ across men and women. For women, just being part of a group is empowerment: they leave their houses regularly for VO meetings and meet other women of the neighbourhood. This sharing helps them realize that their problems are perhaps personal but common within their community. Most women take the loan to give to their husbands so that they can generate income. The fact that men are therefore dependent on the women to receive money changes the household balance and has,
according to the women, placed women in a position of authority. However, their husbands perceive this contribution as being limited.

**Case 17: Limits to empowerment**

Sediqullah is employed on a full-time basis in the shop of Nadir (Case 16). His wife has received a loan from BRAC, she is in her third round and has established a credit rating with the organization. She saves regularly and earns USD 20 per week through her tailoring business for which she borrowed money.

For Sediqullah, his wife’s income, which is by any standard, a substantial contribution to the household economy remains subsidiary and not in any way equal to his own contribution. He admits that since starting to earn a regular income, his wife has become a life partner, but he maintains that tailoring - and that only for neighbours – is as far as she will go. Large-scale tailoring for shops in Herat City is something he will not encourage her to undertake. (HRT 14).

1.18.1 **Occupations for women**

The respondents were asked about whether they thought a woman could work outside the home or not; whether she could be self-employed or have a wage job; and if she could work with government or in the private sector. Very few limitations came out in the responses: the majority of women thought that a woman can work anywhere for anyone.

A list of jobs was presented to the respondents with the question which ones were suitable for women. The list included farmer, livestock keeper, carpet weaver, cook, butcher, shopkeeper, driver, cleaner, policewoman, transporter (pushcart or rickshaw), and secretary. The picture was of course mixed, and male respondents tended to be more restrictive than women, some of whom thought all of the jobs were suitable. “Women can even be pilots”, said one. However, the jobs that very few thought of as suitable were butcher and shopkeeper.

**Case 18: A woman can do anything**

“A woman can do anything she sets her mind to. My husband’s cousin is a policewoman. There are two things in the world that are bad jobs, one stealing and the other prostitution. Everything else is good and women can be good at anything.”

Badar Gul (MZR 27)

Respondents were also asked if they agreed or disagreed with six statements relating to constraints on women to take up a job. One response from a woman who saw no constraints is shown below. She represents one extreme view, and the general picture was more mixed, but it was interesting to note that hardly anyone agreed that religion posed a constraint on women working.
Table 12: Constraints on women's work

<table>
<thead>
<tr>
<th>Statement</th>
<th>AGREE</th>
<th>DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>“She has too much work at home, so she does not have time for work outside.”</td>
<td>NO</td>
<td>She can organize her work day so that she undertakes both housework as well as other jobs.</td>
</tr>
<tr>
<td>“She will have a bad reputation if she moves far away from the home.”</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>“She lacks physical strength to take up most outside jobs.”</td>
<td>NO</td>
<td>Not all jobs require extensive physical strength.</td>
</tr>
<tr>
<td>“She lacks knowledge of life outside the house, so working becomes difficult for her.”</td>
<td>NO</td>
<td>Women are smart and they can learn.</td>
</tr>
<tr>
<td>“She lacks education and skills to get a good job.”</td>
<td>NO</td>
<td>Not everything is taught through education.</td>
</tr>
<tr>
<td>“Culture and religion says that she should stay at home and take care of the husband and children.”</td>
<td>NO</td>
<td>Working has nothing to do with religion or traditions. It is a basic right.</td>
</tr>
</tbody>
</table>

1.18.2 Summary

This section has brought out the following points:

1. The potential for women’s empowerment is higher when savings deposits and microcredit are combined in one product targeting women in savings-and-credit groups (SCGs) than when the service is credit only. The SCGs can provide important networks for women; those women who are not members of savings groups rarely get involved in group activities unless they have family ties to each other.

2. So far, there is little economic cooperation within the women’s groups, but they provide a forum for the gradual building of empowerment and social capital.

3. Many women feel their well-being has increased and they are empowered vis-à-vis the men; the men do not all share that feeling.

4. In cases where women have their own economic activity, they also take the decisions related to that activity. In cases where the money is given to the husband for his shop or other venture, the woman is mostly not involved, but her status in the family can still increase because the loan money has to go through her.

5. The poorer a household is, the more desperate are they for greater income, thereby realising the need for women to look for economic opportunities beyond their traditional occupations. Gender segregation often increases with economic progress, and the strict observation of purdah norms becomes a sign of social status. When microfinance causes greater wealth in a family, this can result in men becoming more restrictive with regard to the movements of their wives.

6. Women themselves see few constraints on what they can do to earn an income – they can take up almost any job. Many men disagree with this.
Conclusions and Recommendations

1.19 Microfinance and livelihoods

How does microfinance influence the livelihoods of the clients? Livelihoods strategies vary between households, and the impact of access to microfinance differs accordingly. The lessons from the study are related below to the different types of assets, or capital, that comprise a livelihood.

1.19.1 Human capital

Skills, knowledge, good health, ability to work – these are the main resources of most poor households. The direct contribution of microfinance to education and training is limited to the savings and credit training offered by all MFIs according their products, which is often limited to a day but followed up in subsequent group meetings according to need. This is very important for the success of the programmes and a precondition for the high repayment rates. It is taken very seriously by the clients, and great efforts are made by them to meet the requirements.

As we have seen, education of their children is of paramount importance to the clients, and some of the loan capital goes into support to schooling, hence contributing to the expansion of human capital in the family. However, some of the activities supported by microfinance are known to use child labour to a considerable extent, notably carpet weaving (mainly girls) and herding animals or working in shops or workshops (boys). This can have a negative effect on human capital, both because children spend their time working instead of learning, and because of the hardships involved in e.g. carpet weaving which negatively affects the eyesight and fine motor control. No conclusive lessons on this matter can be drawn from the present study, but it was clear that many children spend time working on MF-assisted activities. However, mostly, their parents would say that they also go to school. This would be a subject for further separate study, or for inclusion in a full impact study of MF in Afghanistan, which should take place not later than within the next two to three years.

The study found an overwhelming appetite for skills development, vocational training, and basic literacy across the sampled women. The subjects asked for were mostly within the areas where women were already active – tailoring, handicrafts, etc. To get the full potential of access to microfinance, the clients will have to move beyond the very small and traditional activities. To do so, they will need to have access to at least three types of learning:

① skills development within their existing activities, with a view to improve their products and be better able to compete with imported goods in the bazaar.
② training in new or untraditional vocational subjects, in order to develop and diversify the female domain in the world of work.
③ basic literacy courses, with an estimated 79% adult female illiteracy, this need is self-explanatory.

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17 It is acknowledged that some NGOs do offer skills training in addition to their role as MFI. However, as this is not recommended as Best Practice by MISFA and the donors who want MFIs to concentrate on their role within the financial sector, these training activities are not considered here.


1.19.2 Social capital

Social capital is seen as networks, membership of groups, and access to wider institutions of society. The primary group is the family, and the study bears witness to the testimony by a majority of interviewed women, individually or in groups, who said their status had increased in the family and the community, and they were now more respected and listened to because they were directly involved in drawing resources into the family. There were some cases, to be sure, where women said there was no difference, as well as others where it had led to conflict if the woman had tried to assert her own opinion. While the husband would still have the final word, there was an overall feeling that women had now become partners on a more equal footing than before.

Savings and credit groups hold the potential for empowerment of the members, which is especially relevant for the Afghan women many of whom have had little exposure to the world outside the house. Although there were no joint economic activities taking place in the groups, the social effects were perhaps the most important ones for many women. Being member of a group, talking to neighbours they did previously not know they had, moving around the community together, and helping each other with advice and practical issues, has contributed positively to the self-confidence and empowerment of many women.

Male groups tend to be looser, unless they consist of close relatives who run a business together. Where that is not the case, the groups can sometimes provide networks for exchange of business information between members.

1.19.3 Physical capital

Physical capital comprises basic infrastructure (shelter, water, energy, roads, a clean and healthy environment) and production equipment. Expansion of physical capital can take place at the household level through the acquisition of productive resources, whereas the development of larger assets such as infrastructure requires interventions from the local or central government.

Microfinance has to a large extent permitted the clients to acquire productive resources in the form of tools, light machinery, looms, sewing machines, as well as livestock in the rural areas. However, a sizeable part of loan money also goes into consumption as part of a livelihoods strategy.

The issue of infrastructure is beyond the realm of microfinance, but since it is continuously emphasized by MF clients, and especially the female clients in the urban areas, as a huge constraint on their livelihoods, it should be considered in the context of on-going and planned urban upgrading initiatives, and will therefore be discussed below to some extent.\(^\text{20}\)

Consultation with, and participation by, the residents is essential for successful urban rehabilitation. The strategy should focus on consultation in decision-making – through meetings with male and female resident groups separately, and participation in the execution of the works – through labour-intensive technologies and the use of labour from within the locality.

Consultation with the men can happen through the urban neighbourhood shuras. In order to also hear the women’ views within a gender-safe environment, it is recommended that consideration be given to using the existing savings and credit groups to consult with. As

\(^{20}\) For a more detailed discussion, see E. Lyby: A Study on Employment Opportunities for Women in Afghanistan, World Bank May 2006
they are also neighbours from the same locality, they will have opinions about what needs to be done. MFIs would be able to assist with the identification and access to the groups.

Consultations with the women’s groups also offer an opportunity to identify occupations that women could undertake in relation to the upgrading of infrastructure and solid waste management. The present study asked questions about jobs and functions that were considered suitable or unsuitable for women, and it was found that in cities there were many women – and some men – who were quite open to women’s participation in different kinds of work – jobs that were not normally considered “women’s work”. A consultation process could reveal, through conscious and structured questioning, new employment opportunities for women that could help the most vulnerable such as female household heads including widows to get an income in the urban upgrading works.

A more participatory approach to solid waste management (SWM) practices could also involve the SCGs, and the responses given in this study indicate that they would be more than willing to participate. So far, SWM feasibility studies and pilot projects in Kabul have taken as their point of departure a traditional approach by which it is the local authority (or a utility company) that collects and disposes of waste material from households, institutions and industries at sanitary landfills. An alternative approach – integrated solid waste management – has been successfully implemented in many developing countries21, by which private sector participation is much stronger, especially with small, local enterprises using employment-intensive technologies. This strategy aims to reduce the amount of waste that is finally taken to a landfill, by separation at the source (in the household, institution, factory, workshop), using transfer stations to save on the transport, and recycling as much of it as is economically feasible, such as paper, plastic, wood, metals, glass, organic waste (animal feed, compost), and local disposal of inert material

The integrated SWM approach has the capacity to generate large numbers of jobs in small enterprises and is in many ways well suited to the situation in Afghanistan. The collection and transportation can be done in stages with transfer stations, which will facilitate the separation that cannot be done by the households and workshops themselves. And it can be done by small vehicles or, as is the case with the Zabbaleen community that collects a sizeable part of the waste generated in Greater Cairo, by donkey carts. Donkeys are common in Kabul, and their owners can collect garbage on contract with the Municipality.

1.19.4 Financial capital

This includes income, savings, credit, remittances, and pensions. Microfinance obviously expands the financial assets available to the recipients; however the control over these resources can vary according to gender, ethnic group, and other factors. This is the core business of microfinance.

As earlier mentioned, the activities that are being financed by MFIs tend to be very traditional. It is understandable if MFIs prefer lending to activities that the clients are already familiar with, as this would reduce the risk of default. However, the scope for business expansion and economic development remains limited within such a strategy. There is a need to facilitate more diversity and growth of those micro and small enterprises (MSEs) that actually do have growth potential.

Case 19: Enterprise development

Most of the very small “survivalist” loans go into activities that are already familiar to the borrower, they are additional to other livelihoods activities and little potential for

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1.19.5 **Natural capital**

Accessibility to assets within the wider natural environment (water, wildlife, biodiversity…) is not seen as being influenced by microfinance.

1.20 **Recommendations**

A number of recommendations have been made in the above sections. Here follows some which combine the others and try to put them into a wider context.

1.20.1 **Empowerment**

In terms of women’s empowerment, the MFIs that operate SCGs appear to have best potential for impact through the build-up of networks and mobility. It is therefore recommended that MFIs who currently do not run programmes with savings components, based on regular meetings of clients, consider developing such products.

In order to be able to develop their human capital as well as business potential, women need better information about suitable training opportunities in their vicinity. Rather than doing training themselves, it is recommended that MFIs take contact on a systematic basis with local training providers in order to be able to provide such information to the women groups. This can be obtained from the ministerial departments in the provinces, especially MoLSA, MoE, and MoHE. In the major centres of the country there are now also Employment Service Centres (ESCs) run by MoLSA, which also keep databases on training providers in order to be able to give this information to job seekers; the ESCs would be a resource for MFIs to draw upon. Finally, when linkages have been made and information is available, MFI field staff should be trained to enable them to help clients with the required information.

1.20.2 **Participation**

In the urban context, the women’s savings and credit groups can in many locations provide a forum for contact with the women (and the only ones that exist), for listening to their concerns about the urban environment, and to their ideas as to how they can enter into certain job functions in relation to the urban upgrading and management. It is recommended that programmes such as the World Bank-supported Kabul Urban Reconstruction Project (KURP) and the Urban Water Supply and Sanitation Project (UWSS) connect to the MFIs with a view to draw on them in the identification of women’s groups to be involved in discussions about how to proceed.

It is further recommended that an integrated approach to solid waste management is adopted, which is labour-based and with widespread use of intermediate technology, e.g. with donkeys for transport of garbage to transfer stations. Source separation of garbage, and recycling should be promoted vigorously. Many jobs can be generated by such an approach,
some for men some for women. Women in urban areas have indicated willingness to enter
into untraditional occupations, and a range of those could be considered in the planning of
urban works – jobs as attendants at water kiosks could be one example to test out. A number
of studies are outlined above that would assist in the refinement of the approach to make it
suited to specific locations.

1.20.3 Enterprise Development

Most of the activities supported by microfinance are small and additional to other work
in the family. They also tend to be very traditional, and are not likely to be turned into
flourishing micro-enterprises. The amounts are too small (larger loans almost entirely go to
men), and only the entrepreneurial few have the drive and skills to expand a small business.
Enterprises with real growth potential are not many – but those there are need access to skills
development (both technical/vocational and business skills), as well as business development
services such as market assessments and other types of information. Growth of the micro-
enterprise sector will depend on access to all these services, and the links between them and
the NGOs/MFIs desperately need to be strengthened.

It is recommended that a “Futures Workshop” is held to get together all relevant
stakeholders to start developing a strategy for MSE development. Invitations to the Workshop
should include representatives of at least the following:

① Ministry of Rural Reconstruction and Development (MRRD)
② Ministry of Labour and Social Affairs (MoLSA)
③ Ministry of Education (MoE)
④ Ministry of Higher Education (MoHE)
⑤ Ministry of Commerce and Industry (MoCI)
⑥ Afghan Chamber of Commerce and other private sector representatives
⑦ MoLSA Employment Services Centres (ESC)
⑧ The First Micro-Finance Bank of Afghanistan
⑨ MFIs
⑩ Local training providers
⑪ The BDS Forum
⑫ National Skills Development Programme (NSDP)
⑬ Partner NGOs of the National Solidarity Program (NSP) and the NRAV
⑭ MISFA
⑮ Relevant UN and donor organisations.

In the Workshop, the MFIs would give their vision of the prospects for the sector in
relation to their various programmes and products, and the needs for sustained growth, based
on their experience. BDS providers could present opportunities for business training as well
as their views on market opportunities open to MSEs, and the services that they can offer.
Vocational training providers could explain their perceptions on the needs for trained
(wo)manpower in the labour market. Private sector representatives could give their views of
the skill needed for the future. The discussions should then lead to practical proposals on how
best to link the three areas in a way that would ensure the maximum use of each other’s
expertise. All the major programmes mentioned here could derive great benefit from spending a few days together on such a look into the future.

1.20.4 The Ultra-Poor

The MFIs in Afghanistan have not yet managed to reach out to the very poorest. It must be realised that this requires special measures22. It must also be realised that many MFIs are still in their consolidation phase, which by itself takes a lot of effort and concentration. However, it is recommended that MISFA and the MFIs meet to discuss the potential for developing new products for the ultra-poor by linking up with reliable safety net programmes, e.g. through WFP, UNHCR, or bilateral donors.

1.20.5 Monitoring

It is recommended that MISFA reviews the categories used in its monitoring. To be really useful, correct information must be collected on the use of microcredit. It has been found here that loans often go into a livelihoods strategy consisting of different elements, and the money does not only serve one purpose. Currently only the main purpose is recorded, and consumption, or “improved living standard”, does not feature, although in this study it accounted for 10% of the “main purposes”.

Splitting categories such as agriculture into different categories of livestock (Cattle, sheep, poultry), and arable farming or gardening, would give a better impression of what the loans are actually used for. Craft/handicraft should be divided between tailoring, carpet weaving, and other home-based work. Manufacturing/Production and Services are also not clear categories to the MFI staff that collects the data (what is the difference between manufacturing and production? – what are the services covered here? – where do we put the shoemaker who also has a shoe-shop?....). It would be an advantage rather than using the sectoral categories simply to mention the most common purposes, which are well-known to the MFIs.

1.20.6 Small Steps

There is no one great fix that will quickly bring about power and prosperity to the majority of Afghan women who are in many ways more constrained in their access to work and income than their men. But “we make the road by walking” said Horton and Freire23, and notable change can be achieved by small steps, they only take longer. Gender equality is a struggle against vested and well-established privileges, enveloped in cultural dogmas, and conflicts are unavoidable. The present study indicates that the microfinance community can make a positive contribution to women’s emancipation with a minimum of intra-family conflict. The best approach is a process of continuous learning, and it is hoped that the insights from the study can serve as a small contribution to that process.

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23 Myles Horton and Paulo Freire: We Make the Road by Walking – Conversations on Education and Social Change, edited by Brenda Bell, John Gaventa and John Peters, 1991
ANNEXES

ANNEX 1 – LITERATURE

ANNEX 2 - METHODOLOGY

ANNEX 3 – HOUSEHOLD INTERVIEW GUIDE

ANNEX 4 – FOCUS GROUP DISCUSSION GUIDE
AREU: Afghanistan Research Newsletter (various issues 2004-05)
Beall, Jo and Daniel Esser: Shaping Urban Futures – Challenges to Governing and Managing Afghan Cities. AREU March 2005
BRAC Afghanistan: BRAC Afghanistan Microfinance Program. December 2004
Carney et al: Livelihoods Approaches Compared (DfID, CARE, Oxfam, UNDP). DfID 1999
Dichter, Thomas: Hype and Hope: The Worrisome State of the Microcredit Movement (All dressed up and no place to go) Microfinance Gateway, 2006 http://www.microfinancegateway.org/content/article/detail/31747
EDA Rural Systems: The Maturing of Indian Microfinance – a Longitudinal Study http://www.microfinancegateway.org/content/article/detail/20624
Freire, Paolo and Myles Horton: We Make the Road by Walking – Conversations on Education and Social Change, edited by Brenda Bell, John Gaventa and John Peters, 1991
Grace, Jo and Adam Pain: Rethinking Rural Livelihoods in Afghanistan, AREU June 2004
Hardy, Daniel C., Paul Holden and Vassili Prokopenko: Microfinance and Public Policy. IMF WP/02/159, Washington 2002
Hashemi, Syed et al.: Linking Microfinance and Safety Net Programs to Include the Poorest: The Case of IGVGD in Bangladesh. CGAP Focus Note no. 21, Washington 2001.
Human Rights Research and Advocacy Consortium: Afghan Opinions on Rights and Responsibilities, November 2003


World Bank: National Reconstruction and Poverty Reduction – the Role of Women in Afghanistan’s Future, March 2005

Opel, Aftab: Bound for the City – a Study on Rural to Urban Labour Migration in Afghanistan. AREU April 2005

Pain, Adam and Sue Lautze: Addressing Livelihoods in Afghanistan, AREU September 2003

Pain, Adam: Opium Trading Systems in Helmand and Ghor. AREU, January 2006


Schütte, Stefan: Urban Vulnerability in Afghanistan – Case Studies from Three Cities. AREU, May 2004

Sharma, Manohar, Manfred Zeller, Carla Henry, Cecile Lapenu and Brigit Helms: Assessing the Relative Poverty of MFI Clients – Synthesis Based on Four Case Studies. IFPRI for CGAP, June 2000


WFP Afghanistan: Annual Report 2004


www.microfinancegateway.com/section/faq#Q5
ANNEX 2 – METHODOLOGY:

QUALITATIVE METHODS

RESEARCH QUESTIONS

RESEARCH WORKSHOP
Methodology

Qualitative Methods

The qualitative approach was chosen over a more statistical (also called “scientific”, or “clinical”) one for various reasons, the main one being that micro-finance is still new in Afghanistan and a real impact assessment is therefore premature. It would also be very expensive. A less ambitious study could still provide useful insights and had its own potential for results. Where the statistical survey is ranked high in terms of scale, representativeness, and ease of standardization while the qualitative approach is ranked low, the opposite is the case when it comes to capture causal processes diversity of perceptions, or negative impacts.

The most in-depth qualitative investigations are done through participant observation by trained anthropologists through long-term residence in the targeted communities. This would be way beyond what was feasible in the present study. Instead was chosen a series of one-off interviews with different categories of respondents, carried out by local interviewers under the supervision and guidance of the principal investigator. In that way, a somewhat larger number of respondents could be reached, but at the cost of the depth. In all, some 135 households were interviewed, plus 41 focus groups mostly consisting of female clients who were met in connection with their weekly meeting with the MFI in which they paid their savings and repaid their loans.

A combination of four different methods/approaches was used to obtain information. They are listed below together with the types of respondents associated with each method:

<table>
<thead>
<tr>
<th>Method</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household interviews and on-site observation</td>
<td>Household members, MF clients and non-clients, Male and female-headed households (e.g. widows)</td>
</tr>
<tr>
<td>Focus group discussions – obtaining different opinions from male and female groups of 6-10 interviewed according to structured interview guides</td>
<td>Groups of female MF clients, Groups of male MF clients, Groups of female MF non-clients, Groups of male MF non-clients</td>
</tr>
<tr>
<td>Key informants – in-depth interviews with people of influence/knowledge</td>
<td>MFI staff, Community leaders, Traders</td>
</tr>
<tr>
<td>Case histories – obtaining full individual stories of changes in life situation through in-depth interviews with men and women</td>
<td>Female MF clients, Male MF clients</td>
</tr>
</tbody>
</table>

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24 Hulme, D.: Impact Assessment Methodologies for Microfinance: Theory, Experience and Better Practice, p 10. “From verbal reports it is clear that IAs adopting the scientific method and seeking to ‘prove’ impact cost the earth (probably US$500,000 to US$5 million depending on the number of MFIs studied.” World Bank, 1999

25 Ibid. Table 3, p.27
Research Questions in detail:

A. Socio-economic status of MF clients and non-clients
1. Wealth group assessment – classification into poorest, poor, and non-poor HH
2. Gender and age of HH head. Widow in case of Female-headed?
3. Ethnic group(s), brief history – origin, war experience…?
4. Household composition - nuclear/extended, male/female ratio, dependency ratio, members on migration who contribute remittances on regular basis?
5. What is the main economic activity?
6. Asset ownership – productive (land, livestock, buildings, shop, farm implements, loom, sewing machine…) and household (furniture, radio, bicycle, jewellery…)?
7. Indebtedness?
8. Education and training levels of household members?
9. Members currently undergoing any form of education or training? If yes, who and what form of education or training? Is it of general interest or linked to MF?
10. Nutrition – number and type of daily meals by men, women, boys, girls?
11. Access to clean water, electricity?

B. Understanding microfinance
12. What are the potential benefits of saving?
13. Why is there a service charge on loans?
14. What are the risks involved in borrowing?
15. What are the obligations of entering into a savings/credit group?
16. From where did you learn about the MF programme?
17. Any training received in relation to MF – business understanding, skills training?
18. What are the common (non-MF) sources of informal borrowing in the area (relatives, credit with traders, rich villagers, moneylenders…)?
19. What are the conditions for borrowing with these respective sources?
20. How do the benefits and risks from MF compare with informal credit from traders or moneylenders?
21. Do you wish to continue with MF? If yes, why?

C. Use of microfinance products
22. What was the choice of investment (production/trade/household/social)?
23. Genesis of the investment idea (the woman?; the husband?; the women’s group?) – Who decided on the activity?
24. Were other family members interested in you joining MF programme? Who? Why?
   Any male pressure to join?
25. Any previous experience in the chosen investment area?
26. Practical/technical problems encountered with the chosen investment?
27. Ownership/control of assets acquired through MF?
29. Was the best choice of activity made? Who benefited most? Why?
30. What will be the subject of a possible new loan? Are there many others who venture into the same area of activity?
31. Does the selection of MF products correspond with the needs of the potential clients? Anything that could be done better?
D. Economic change associated with MF
32. Has there been an increase in economic activity in the household with MF? Or a decrease? By who – men, women, boys, girls?
33. Has there been an increase in income as consequence of MF? How much?
34. Are any benefits derived from MF spent for productive, commercial, social or consumption purposes?
35. Have new assets been acquired – for a business, or for the house, or for an individual?
36. Has there been an increase in the workload of women? Of men? Of boys or girls?
37. Does the woman feel she has more control over money earned than before joining MF?
38. Has she bought anything new for herself with the earnings from MF?
39. Has she bought anything new for her children with the earnings from MF? Or for her parents or other relatives?

E. Social change associated with MF
40. Has the time spent in economic activity by men, women and children changed with MF? How?
41. Have the functions carried out by men, women and children changed with MF?
42. Is there a change the school attendance of boys or girls in the family after MF?
43. Are there any changes in the frequency of attendance to health care after MF? If yes, for whom (women, men, boys, girls)? Who decided about it?
44. Are there any changes in women’s participation in household decision-making after MF? If yes, what decisions? In consultation with whom?
45. Has mobility increased due to being member of a women’s group and attending meetings?
46. Are any joint economic activities taking place within the women’s group (e.g. gabion weaving, joint marketing of products…)?
47. Are there any changes in social activities that women participate in after MF? Which ones?
48. Has mobility in general increased after joining the women’s group? If yes, in which way (where do you go to now that you did not go to before)?
49. Are there any changes in how a woman can move around, and with whom?
50. Do members of the women’s group help each other with other things than the MF – health care, child care, advice…?
51. Do the members of the women’s group feel their well-being has increased after MF? If yes: in which way? If no: why not?
52. Do members of women’s groups feel their status/position as women has changed as a result of belonging to a women’s group?
53. If there are Women’s shuras (NSP) around, how do they compare with the MF groups? More beneficial, or less beneficial? In which way?
54. Should Women’s shuras undertake MF activities as a means to empower the members?

F. Attitudes on women’s social behavior & economic role
55. Are the women currently making an important economic contribution to the household wellbeing?
56. Should they rather stay at home and look after the children?
57. What about the female-headed households – where the woman must take all the responsibility?
58. Should MF preferably go to women or to men? Why? (Experience shows that women are better at paying back their loans than men…).
59. In difficult times such as these, should not everybody make his or her maximum contribution to make sure the family is fed and clothed?
60. Is it a good idea if women get together in groups to work for wages or to produce joint articles for sale – for example gabions, carpets, clothing…?
61. Should a woman not have the power to decide over money she has earned by her own labour?
62. Can the husband still be respected as the head of the household if his wife has her own assets and money that belongs to her?
The Research Training Workshop

The organizational set-up was such that the core team was supplemented with provincial staff of MRRD, MoLSA, and MoWA, approximately half women and half men. These officials contributed their knowledge of the locations, which was very useful, but they did not have any experience in the work as interviewers on a qualitative study. In addition, there was some concern that their role as government officials might influence the way in which they were looked at by the respondents. This turned out not to be a problem, as they were presented as team members and not government officials, and were not recognized as such by the respondents.

In order to impart some understanding of social research principles, as well as on the subject of micro-finance, a research training workshop was held in Kabul in August 2005. 26 participants (14 female, 12 male) from the three ministries attended. The female participants from provinces outside Kabul were accompanied on the journey by mahrams (male relatives: brothers, sons…). The workshop was opened by the Deputy Minister for Social Affairs, followed by presentations on the basics of microfinance by MISFA and its practical applications by BRAC. A presentation on the objectives and methodologies of the study followed. Draft survey instruments had been prepared and were introduced, especially interview guides for households and focus groups, followed by some field testing in Kabul. The qualitative nature of the study was continually stressed, with the importance of getting the respondents’ own stories out being paramount, rather than just checking that all questions on the list were answered.

Some quotes from the participants’ evaluation of the workshop in their own words:

“… it was really good and we learned a lot about microfinance, and now we understand how necessary this microfinance is for those families who are very poor, who don’t have any income from somewhere else. I mean, as we surveyed some of the places, for poor families it is very important to get the advantage of this. For example these poor families, after getting this loan they can work on this amount and from the profit of the loan they can have food, and they can make their children educated.”

“I am very happy that I was present in such a good training, where I have learned much about microfinance. Now I am able to give some information about the microfinance for poor people to take loans from some these organizations and to work on these loans and make a good life for themselves.”

“This is Nadera Safari commenting. This workshop, which was for both male and female, was very good, we got more information about the microfinance, and we really enjoyed the group practicing. Now we believe in ourselves that if we go to some of the families to ask about microfinance from them, insh’allah we won’t have any problem surveying those people.”
ANNEX 3

HOUSEHOLD INTERVIEW GUIDE
Household interview guide

INSTRUCTIONS FOR INTERVIEWERS:

1. A HOUSEHOLD CONSISTS OF ALL THE PEOPLE WHO LIVE THERE – OR WHO MAKE IMPORTANT CONTRIBUTIONS TO THE FAMILY – SUCH AS FATHERS OR SONS WHO ARE WORKING OUTSIDE AND SEND MONEY HOME REGULARLY.

2. A HOUSEHOLD INTERVIEW WILL NORMALLY TAKE 1 – 2 HOURS.

3. IT IS NOT ENOUGH TO GET A “YES” OR “NO” ANSWER TO A QUESTION – IT MUST ALWAYS BE FOLLOWED UP BY “WHY?”, “HOW?”, “WHO?”, “WHEN?”. WE NEED THE DETAILS THAT SHOW HOW PEOPLE’S SITUATIONS DIFFER FROM ONE ANOTHER. USE AS MUCH SPACE AS YOU NEED.

4. ALL INTERVIEWS MUST BE CONSOLIDATED. THIS MEANS THAT THE TWO PERSONS WHO HAVE CARRIED OUT THE INTERVIEW MUST SIT TOGETHER AND GO THROUGH THE NOTES AFTER THE INTERVIEW TO MAKE SURE THEY BOTH AGREE ABOUT WHAT WAS SAID BY THE INFORMANT.


REMEMBER THAT HOUSEHOLD INTERVIEWS SHOULD GIVE A FACTUAL PICTURE OF THE FAMILY’S EXPERIENCE WITH MICROFINANCE – HOW THEY SAVED, WHAT THEY BORROWED AND FOR WHAT PURPOSE, ETC. SPECIAL ATTENTION MUST BE GIVEN TO ANYTHING THAT HAS CHANGED WITHIN THE FAMILY SINCE BEFORE THE TIME THEY GOT ACCESS TO MICROFINANCE.

STIMULATE THE HOUSEHOLD MEMBERS TO COME FORWARD WITH THEIR OWN OPINIONS AND DISCUSS THEIR VIEWS. REPEAT A QUESTION IF YOU FEEL THAT SOMEONE HAS DIFFERENT VIEWS BUT HESITATES TO SPEAK.

NOT ALL ANSWERS ARE CLEAR FROM THE BEGINNING. SOMETIMES THE ANSWER CHANGES IF YOU DIG DEEPER INTO IT. IT CAN BE NECESSARY TO USE FOLLOW-UP QUESTIONS TO BE SURE YOU GET THE MOST CORRECT ANSWER.

THE INTERVIEWED HOUSEHOLDS DIFFER: SOME ARE MICROFINANCE CLIENTS AND OTHERS ARE NOT; SOME HAVE INDIVIDUAL LOANS, OTHERS ARE IN GROUPS; SOME HAVE GROUP SAVINGS OTHERS HAVE NOT; SOME ARE RURAL OTHERS ARE URBAN RESIDENTS; ETC. NOT ALL QUESTIONS ARE RELEVANT TO ALL HOUSEHOLDS. IF A QUESTION IS IRRELEVANT TO A HOUSEHOLD YOU JUST SKIP IT AND MOVE ON TO THE NEXT QUESTION.

ALWAYS ENCOURAGE THE RESPONDENTS TO TELL THEIR STORIES AS THEY FEEL THEMSELVES, AND RECORD THEIR ANSWERS. THE BEST INFORMATION USUALLY COMES FROM THE DETAILS THAT PEOPLE GIVE FROM THEIR PERSONAL EXPERIENCE. USE AS MUCH SPACE AS YOU NEED TO RECORD THE STORIES.
**Household interview guide**

*Introduction to interview:*

“We have come here because we know that the MFI (BRAC/FINCA/AFSG/etc.) is offering microfinance services here and some of the people have joined groups to save money or to qualify for loans. We come from MISFA which is an organisation that supports the MFIs in their delivery of such services to people. We are interested in knowing if the services offered are the same as what people really need here. If we find the services are very good we can report that to MISFA. If we find something could be improved to be more useful for the customers then we can suggest to make changes so that the services correspond better to the needs of the people.

We therefore wish to ask you some questions about yourselves and how you think about microfinance. We will ask your names and what you do, but this personal information will only be used by MISFA for the purpose of this survey. It is completely confidential and will not be passed on to anybody else. So please feel free to give your own opinion on the questions we ask. The more frank answers we get, the better will we be able to help to make the microfinance services to suit YOUR particular needs.”

**IDENTIFICATION:**

MAKE SURE ALL BOXES ARE FILLED!

<table>
<thead>
<tr>
<th>Interview no.:</th>
<th>Interviewer 1:</th>
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<tbody>
<tr>
<td>Province:</td>
<td>Interviewer 2:</td>
</tr>
<tr>
<td>Village:</td>
<td>Control:</td>
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<tr>
<td>Name of MFI:</td>
<td>MF client?</td>
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<tr>
<td>MF non-client?</td>
<td></td>
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<tr>
<td>Date of interview:</td>
<td></td>
</tr>
<tr>
<td>Household head name:</td>
<td>Gender: M F</td>
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<tr>
<td>Type of loan (if any):</td>
<td>Group loan?</td>
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<tr>
<td>Individual loan?</td>
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<tr>
<td>Type of group (if any):</td>
<td>Male?</td>
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<tr>
<td>Female?</td>
<td>Mixed?</td>
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<tr>
<td>Savings?</td>
<td>YES</td>
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<td>How many MF loans?</td>
<td>First</td>
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<td>Third</td>
<td>Fourth</td>
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<tr>
<td>Amount borrowed each loan?</td>
<td>USD</td>
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<td>USD</td>
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**HOUSEHOLD BACKGROUND:**

Instructions:

1. **Gender:** M = male, F = female
2. **AGE:** When in doubt about age or time depth, measure years in relation to the following periods:
   - Since last winter = ½ years ago
   - Since last Eid = ¾ years ago
   - Since last summer = one year ago
   - Time of Karzai government (since end of 2001) = 1 – 4 years ago
   - Time of Taliban (1996 – 2001) = 4 – 9 years ago
   - Mujahedin time (between Russians and Taliban, 1989 – 1996) = 9 – 16 years ago
   - Russian time (1979 – 1989) = 16 – 26 years ago
   - Daoud Khan time (1973 – 1978) = 27 – 32 years ago
   - Zahir Shah time = more than 32 years ago.
3. **Relation to Household Head, write:** HH; Spouse; Brother; Sister; Son; Daughter; Spouse’s brother or sister; other (explain below)
4. **Education:** Write no. of years of schooling completed
5. **Was the person present at the time of the interview:** Write Yes or No
1. Which of the members contribute to the household economy?
   Instruction: use the numbers of the HH members above
   Kind of Work: Write one or more occupations of each person that brings in some income: farmer, farm labourer, housewife, trader, baker, builder, blacksmith, livestock, teacher, other (explain). If not working mark: None.
   Also ask about women and children working.
   Dependency ratio = number of members not working divided by number working.

<table>
<thead>
<tr>
<th>Kind of work</th>
<th>Full-time</th>
<th>Part-time</th>
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</table>

2. Which ethnic group(s) do you belong to?

<table>
<thead>
<tr>
<th>Ethnic Group(s):</th>
<th>Pashtun</th>
<th>Tajik</th>
<th>Hazara</th>
<th>Uzbek</th>
<th>Turkmen</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Husband</td>
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<tr>
<td>Wife</td>
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3. Birthplace: Province: Rural: Urban: How long are they in this place: Since………

4. Where were they during the war: EXPLAIN in detail. If refugees/IDPs – where and for how long?

5. What happened to them during the war? Lost family members? Any experience that was especially important to them during the war?

6. If they were away during the war:
   Why did they come back?
   What did they come back to (land, property…)?
   What assistance did they receive? From whom?

RECORD ANY DETAILS THEY WANT TO GIVE THAT CAN CONTRIBUTE TO UNDERSTANDING THEIR SITUATION:
7. Do they have family members abroad? YES NO
   If YES: Who? Where?
   If YES, do they receive gifts or remittances from them? YES NO
   If they do, how important are these gifts or remittances for the family economy?

   EXPLAIN:

   3. Absolutely essential  2. Important  1. Not very important

B. OBSERVATIONS
---Write 1, 2 or 3 as appropriate in the column to the right:

<table>
<thead>
<tr>
<th></th>
<th>3</th>
<th>2</th>
<th>1</th>
<th>4</th>
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<tbody>
<tr>
<td>A</td>
<td>Size of house compared to no. of people living</td>
<td>Spacious</td>
<td>Average size for the area</td>
<td>Very small</td>
</tr>
<tr>
<td>B</td>
<td>Quality of house</td>
<td>Good</td>
<td>Normal for the area</td>
<td>Very bad</td>
</tr>
<tr>
<td>C</td>
<td>Kitchen</td>
<td>Separate</td>
<td>Shared with others</td>
<td>None</td>
</tr>
<tr>
<td>D</td>
<td>Water</td>
<td>Separate</td>
<td>Shared with others</td>
<td>Public</td>
</tr>
<tr>
<td>E</td>
<td>Sanitation</td>
<td>Separate</td>
<td>Shared with others</td>
<td>None</td>
</tr>
<tr>
<td>F</td>
<td>Energy source</td>
<td>Electricity</td>
<td>Kerosene</td>
<td>None</td>
</tr>
<tr>
<td>G</td>
<td>Stable for livestock</td>
<td>Separate</td>
<td>Shared with others</td>
<td>None</td>
</tr>
<tr>
<td>H</td>
<td>Major tools or farm implements</td>
<td>Own</td>
<td>Few</td>
<td>None</td>
</tr>
<tr>
<td>I</td>
<td>Major household assets</td>
<td>TV</td>
<td>Radio</td>
<td>Kitchenware</td>
</tr>
</tbody>
</table>

C. OWNERSHIP OF FIXED ASSETS

1. Do you own land in your own name?
   No land at all | Less than 1 jirib | 1 – 3 jirib | More than 3 jirib (write how many jirib):

2. Do you own livestock? Explain what animals you own:

3. Do you own your house?
   YES.
   NO. If NO, who owns it?

4. Do you own a trading shop?
   NO.
   YES. If YES, what goods do you sell?

5. Do you own a workshop?
   NO.
   YES. If YES, what is produced in the workshop?
D. VULNERABILITY AND COPING

DIET

*Instruction: Enter the number of meals; you can enter more than one number at each meal.*

1. How many meals are you currently eating per day? 1 2 3 More than 3

<table>
<thead>
<tr>
<th></th>
<th>Morning:</th>
<th>Midday:</th>
<th>Evening:</th>
<th>Other:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boys:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Girls:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. What kind of food do you eat and how often?

<table>
<thead>
<tr>
<th>Type of food</th>
<th>Daily</th>
<th>Twice per week</th>
<th>Once per week</th>
<th>1-2 times per month</th>
<th>Less than once per month</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yoghurt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potatoes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soup</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other??</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Within the last six months, have you ever had to reduce the number of meals because you could not afford food?

NO.

YES: IF YES, WHAT HAPPENED TO MAKE YOU REDUCE MEALS?

<table>
<thead>
<tr>
<th>Reduced to 3 meals</th>
<th>Reduced to 2 meals</th>
<th>Reduced to 1 meal</th>
<th>Went without food</th>
</tr>
</thead>
</table>

4. What are the good things in your life at this time?

*Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest the issues mentioned below.*

--------?

--------?

--------family?

--------peace?

--------security?

--------work?

--------religious practice?

--------?

5. What is not good in your life at this time?

*Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest some of the issues mentioned below.*

--------?

--------?

--------still lack of peace?

--------money problem?
6. What have you done to solve your problems in the last year?

*Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest some of the issues mentioned below.*

<table>
<thead>
<tr>
<th>Borrowed money?</th>
<th>From whom? Did you pay back? Can you pay back?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bought food on credit?</td>
<td>From whom?</td>
</tr>
<tr>
<td>Looked for work?</td>
<td>What work? Could you find work?</td>
</tr>
<tr>
<td>Sent women or children to work?</td>
<td>What work? Could they find work?</td>
</tr>
<tr>
<td>Sold land?</td>
<td>To whom? For how much? (value in cash or kind)?</td>
</tr>
<tr>
<td>Sold valuable assets, e.g. livestock?</td>
<td>To whom? For how much? (value in cash or kind)?</td>
</tr>
<tr>
<td>Sold household items?</td>
<td>To whom? For how much? (value in cash or kind)?</td>
</tr>
<tr>
<td>Entered into marriage agreement?</td>
<td>With whom? Explain the agreement and the brideprice:</td>
</tr>
</tbody>
</table>

E. POVERTY ASSESSMENT BY INTERVIEWERS:

<table>
<thead>
<tr>
<th>NON-POOR</th>
<th>POOR</th>
<th>VERY POOR</th>
</tr>
</thead>
</table>

F. VULNERABILITY ASSESSMENT BY INTERVIEWERS:

*Instruction: high dependency ratio and few resources such as land or job indicate high vulnerability to external shocks.*

<table>
<thead>
<tr>
<th>NOT VULNERABLE</th>
<th>VULNERABLE</th>
<th>VERY VULNERABLE</th>
</tr>
</thead>
</table>

G. UNDERSTANDING MICROFINANCE

*Instruction: The questions in this section are general to find out about people’s knowledge about credit; they are not about their own loans (that comes in the next section).*

1. What do you think are the potential benefits of saving? EXPLAIN:
To buy food in lean season
To have something for festivals
To keep for schooling and sickness
To invest in some production
Other (specify):

2. Do you think it is OK that a person must pay back more than he/she gets in loan to cover the service charge? YES. – WHY?
NO. – WHY NOT? (someone must pay the loan officers, their transport etc…?)

3. Some people are afraid of taking a loan – what if they cannot pay it back? What do you think are the main risks involved in borrowing? Are you afraid yourself?

4. What are the obligations of entering into a savings/credit group (what do you need to commit yourself to)?

(Instruction to interviewers: find out if they have a clear understanding of what group solidarity is – that if a member of a group fails to pay back then the others will have to pay for him or her. 2 – find out if they know exactly how much they will be paying back inclusive of service charge; how long repayment time they have; what will happen if they do not pay back in time!):

5. From where did you learn about the MF programme?
MFI called meeting  Relatives  Shura  Mosque  Radio

6. What are the most common sources of informal credit or borrowing in this area? (several sources possible – mark: 1 for the most important, 2 for the second most important)

Relatives  Traders (goods on credit)  Rich villagers  Others (explain)

7. When borrowing from them, do they ask for more to be paid back than what they lend out? Do traders charge a higher price when giving goods on credit? Explain as detailed as possible how much more is paid back in cash or kind (- money? – foodstuffs? – handicrafts? – labour? – other)?

8. Which kind of credit do you prefer?
Informal credit  Loan from group savings  Loan from MFI

WHY? Explain your choice in terms of what you see as the benefits and risks of the different kinds of credit:

H. USE OF MICROFINANCE PRODUCTS – ONLY FOR CLIENT HOUSEHOLDS

Instruction: We want to have exact information about the clients’ savings and loans: how many cows, how many sheep, how much trading stock etc. for each loan, and the cost of each and every item.

1. Are you a member of an MF group?
2. Are you related by family ties to the other members of the group that you belong to?

3. Is your spouse (husband, wife) part of a MF programme? If yes, explain what he or she borrows money for:

4. How much money did you save? (only for those who saved as part of MF. If they did not save, write zero (0) US dollars. There can be more than one round of savings – mention amount saved in each round)

<table>
<thead>
<tr>
<th>Savings round number</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollars:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. How much money did you borrow? (mark if each loan came from within a savings group that the client is member of, or if came from the MFI’s external resources).

<table>
<thead>
<tr>
<th>Loan number</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
</tr>
</thead>
<tbody>
<tr>
<td>From savings group:</td>
<td>YES/NO</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>From MFI:</td>
<td>YES/NO</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>US dollars:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. How long is/was the repayment period?

<table>
<thead>
<tr>
<th>Loan number</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Months:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. What did you want the money for? (write the exact number and kind of each item bought with each loan as well as the price that was paid for each item).

<table>
<thead>
<tr>
<th>Loan number</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items bought with loan (exact numbers of each item):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of each item USD:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Who came up with the idea of what the money was to be used for (husband, wife, relative, other)? (mention only one person).

9. Were other options of how to spend the money also considered? If YES, why was this particular choice made?

10. (This question is only to women who have joined an MF programme:)
- Were other family members interested in you joining MF programme?
  NO.
  YES. Who? Why?

11. Did you have any previous experience in the chosen investment area?
  NO.
  YES. What experience?
12. Did you have any practical problems with the business that you borrowed money for?
NO. 
YES. Which problems?

13. Did you receive any training in connection with the loan?
NO. 
YES. Which kind of training? Training to understand credit? Training in how to look after your investment? For how long? Was it useful?

14. Have you had any problems with paying back your loan?
---No problems at all!
---Difficult to find the money to pay back in time:
---Had to sell something to pay back the loan (specify WHAT was sold):
---Had to ask for extension of time, because:

15. Who owns the assets that you have acquired through MF (who uses them, or takes decisions about them)?

<table>
<thead>
<tr>
<th>Woman</th>
<th>Man</th>
<th>Others (who?)</th>
</tr>
</thead>
</table>

16. Who does the actual work related to the microfinance loan? (write what different things they are doing)

<table>
<thead>
<tr>
<th>Who?</th>
<th>Man</th>
<th>Woman</th>
<th>Child</th>
<th>Other (explain)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing what?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17. Did you make the best choice of activity with the loan, or should you have chosen differently?
YES.
NO. What should you have chosen instead?

18. Are you planning to have a new loan?
NO. 
YES. For which purpose?

19. Should microfinance preferably go to women or to men?

<table>
<thead>
<tr>
<th>MF should go to men</th>
<th>MF should go to women</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHY?</td>
<td>WHY?</td>
</tr>
</tbody>
</table>

---

I. ECONOMIC CHANGE ASSOCIATED WITH MF

1. Has there been an increase in income as consequence of MF? How much?
NO. 
YES. How much income?

2. If YES above: How are the benefits from MF spent? (Indicate the main purpose as 1, the second as 2…):

<table>
<thead>
<tr>
<th>Type of activity:</th>
<th>Productive</th>
<th>Commercial</th>
<th>Social</th>
<th>Consumption</th>
<th>Other</th>
</tr>
</thead>
</table>
3. Have new assets been acquired from MF surplus?
   NO.
   YES. For what?

<table>
<thead>
<tr>
<th>What assets?</th>
<th>For business</th>
<th>For household</th>
<th>For an individual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(For who?)</td>
</tr>
</tbody>
</table>

(TO THE WOMAN):

4. Do you feel you have more control over money earned than before joining MF?
   NO.
   YES. How? Describe a situation where you have had control over the money that you would not have had before you got MF:

5. Have you bought anything new for yourself with the earnings from MF?
   NO.
   YES. What?

6. Have you bought anything new for your children with the earnings from MF? Or for your parents or other relatives?
   NO.
   YES. What?

<table>
<thead>
<tr>
<th>What was bought?</th>
<th>Husband</th>
<th>Son</th>
<th>Daughter</th>
<th>Parents</th>
<th>Relatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

J. SOCIAL CHANGE ASSOCIATED WITH MF

1. Has MF led to more or less work for the household?
   THE SAME       MORE       LESS. Explain how?

If MORE work:

2. WHO in the household has now more work to do? WHAT work? (explain in detail what kind of extra work each person is now doing):

<table>
<thead>
<tr>
<th>WHAT WORK?</th>
<th>Men</th>
<th>Women</th>
<th>Boys</th>
<th>Girls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Do you think it is important that all children go to school for at least 7 years?

<table>
<thead>
<tr>
<th></th>
<th>Very important</th>
<th>Important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boys</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Girls</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Do your children attend school more or less than before you got involved in MF programme?
<table>
<thead>
<tr>
<th></th>
<th>Attend more</th>
<th>The same as before</th>
<th>Attend less</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boys</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Girls</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Please explain why your children now attend school more or less than before?
BECAUSE:

6. What do you think will be the future for your sons?
---Education?
---What skills should your sons be taught?
---What work should they have?
---Marriage? At what age should they marry?
---How many children should they preferably have?
---Where will they live?

7. What do you think will be the future for your daughters?
---Education?
---What skills should your daughters be taught?
---What work should they have?
---Marriage? At what age should they marry?
---How many children should they preferably have?
---Where will they live?

8. Are there any changes in women’s participation in household decision-making after MF? If yes, what decisions? In consultation with whom? Please explain:

9. Do women go out more than before MF?
NO.
YES. Why do they go out more?

<table>
<thead>
<tr>
<th>Tick box: 1: every day, 2: every week, 3: less than weekly:</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>To attend meeting of women’s group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To visit neighbours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To go to school</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To go to clinic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To work in field</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To go to market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To look for work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (explain)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Are there any changes in how a woman can move around?
NO.
YES. With whom that she would not move with earlier? (alone? With other women?...?)
11. (For members of women’s groups only): Are any joint economic activities taking place within the women’s group (e.g. gabion weaving, joint marketing of products…)?
NO.
YES. Explain which activities:

12. (For members of women’s groups only): Are there any changes in social activities that women participate in after MF?
NO.
YES. Which ones? Explain:

13. (For members of women’s groups only): Do members of the women’s group help each other with other things than the MF – health care, child care, advice…?
NO.
YES. What kind of help do the members give to each other?

14. (For women only): Do you feel that your well-being has increased after joining the MF programme?
NO. Why not?
YES. In which way?

15. (For women only) Do you feel that your status/position as women – in the family, or in the community – has changed as a result of belonging to a women’s group?
NO.
YES. How has it changed?

16. What kind of work do you think women can do to earn an income? (Mark if respondent is a man or a woman)
RESPONDENT: MAN WOMAN

<table>
<thead>
<tr>
<th>Only in the house</th>
<th>Also outside the house</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>Employed by others</td>
</tr>
<tr>
<td>Government employment</td>
<td>Private enterprise employment</td>
</tr>
</tbody>
</table>

17. Which of the following jobs are suitable for women? – explain why, or why not, they are suitable.

<table>
<thead>
<tr>
<th>Job</th>
<th>YES – suitable, because:</th>
<th>NO – not suitable because:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock holder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carpet weaver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cook</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butcher</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopkeeper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Driver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaner</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
18. What are the constraints on women to take up any job? Say if you agree or disagree with the following statements: (Instruction: Mark if respondent is a man or a woman)

**RESPONDENT: MAN WOMAN**

<table>
<thead>
<tr>
<th>Statement</th>
<th>AGREE</th>
<th>DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. She has too much work at home, so she does not have time for work outside.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. She will have a bad reputation if she moves far away from the home.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. She lacks physical strength to take up most outside jobs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. She lacks knowledge of life outside the house, so working becomes difficult for her.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. She lacks education and skills to get a good job.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Culture and religion says that she should stay at home and take care of the husband and children.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. Any remarks you would like to add? Feel free to say anything you think we should know:

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
Focus Group Interview Guide

Introduction
We have come here because we know that the MFI (BRAC/FINCA/ARMP/CHF/CARE) is offering microfinance services here and some of the people have joined groups to save money or to qualify for loans. We come from MISFA, which is an organisation that supports the MFIs in their delivery of such services to people. We are interested in knowing if the services offered are the same as what people really need here. If we find the services are very good we can report that to MISFA. If we find something could be improved to be more useful for the customers then we can suggest to make changes so that the services correspond better to the needs of the people.

We therefore wish to ask you some questions about yourselves and how you think about microfinance. We will ask your names and what you do, but this personal information will only be used by MISFA for the purpose of this survey. It is completely confidential and will not be passed on to anybody else. So please feel free to give your own opinion on the questions we ask. The more frank answers we get, the better will we be able to help to make the microfinance services to suit YOUR particular needs.

IDENTIFICATION:

<table>
<thead>
<tr>
<th>Interview no.:</th>
<th>Interviewer 1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province:</td>
<td>Interviewer 2:</td>
</tr>
<tr>
<td>Village:</td>
<td>Control:</td>
</tr>
<tr>
<td>MFI:</td>
<td></td>
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<tr>
<td>Date of interview:</td>
<td></td>
</tr>
<tr>
<td>Number of group members:</td>
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</tr>
<tr>
<td>Gender of group members:</td>
<td>Gender: M F Mixed group</td>
</tr>
<tr>
<td>Type of group:</td>
<td>Female clients</td>
</tr>
<tr>
<td></td>
<td>Female non-clients</td>
</tr>
<tr>
<td></td>
<td>Female clients and non-clients</td>
</tr>
<tr>
<td></td>
<td>Other (explain):</td>
</tr>
<tr>
<td></td>
<td>Male clients</td>
</tr>
<tr>
<td></td>
<td>Male non-clients</td>
</tr>
<tr>
<td></td>
<td>Male clients and non-clients</td>
</tr>
</tbody>
</table>

This form is primarily for MF clients who have taken loans based on group solidarity. The focus group discussion includes all those members of a group that are present (some members may be elsewhere, they don’t participate in the focus group).

Focus group discussions should stimulate the group members to come forward with their opinions and discuss their views. Repeat a question if you feel that someone has different views but hesitates to speak. Use follow-up questions to be sure you get the most correct answer.

Focus groups differ, mostly being either all male or all female, and not all questions are relevant to all focus groups. If a question is irrelevant to a group you just skip it and move on to the next question.

Always encourage the respondents to tell their stories as they feel themselves, and record their answers. The best information usually comes from the details that people give from their personal experience. Use as much space as you need to record the stories.
1.20.6.1  A. FOCUS GROUP COMPOSITION

Instructions:

6. Gender: M = male, F = female
7. AGE: When in doubt about age or time depth, measure years in relation to the following periods:
   o Since last winter = ½ years ago
   o Since last Eid = ¾ years ago
   o Since last summer = one year ago
   o Time of Karzai government (since end of 2001) = 1 – 4 years ago
   o Time of Taliban (1996 – 2001) = 4 – 9 years ago
   o Mujahedin time (between Russians and Taliban, 1989 – 1996) = 9 – 16 years ago
   o Russian time (1979 – 1989) = 16 – 26 years ago
   o Daoud Khan time (1973 – 1978) = 27 – 32 years ago
   o Zahir Shah time = more than 32 years ago.

8. X
9. Education: Write no. of years of schooling completed
10. X
11. X

<table>
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<td>9</td>
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<td>10</td>
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<td></td>
</tr>
</tbody>
</table>

B. OBSERVATIONS

<table>
<thead>
<tr>
<th>Mark A2, B1 etc. as appropriate</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>J Clothing</td>
<td>Good</td>
<td>Normal for the area</td>
<td>Poor</td>
</tr>
<tr>
<td>K Jewellery</td>
<td>Good</td>
<td>Normal for the area</td>
<td>None</td>
</tr>
<tr>
<td>L Other assets</td>
<td>Expensive</td>
<td>Cheap</td>
<td>None</td>
</tr>
<tr>
<td>M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. OWNERSHIP OF FIXED ASSETS
1. How many in the group own land in their own name? Total:

<table>
<thead>
<tr>
<th>No land at all</th>
<th>Less than 1 jirib</th>
<th>1 – 3 jirib</th>
<th>More than 3 jirib</th>
</tr>
</thead>
</table>
COPING

4. What are the good things in your life at this time?
   Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest the issues mentioned below.
   -------?
   -------?
   -------family?
   -------peace?
   -------security?
   -------work?
   -------religious practice?
   -------?

5. What is not good in your life at this time?
   Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest some of the issues mentioned below.
   -------?
   -------?
   -------still lack of peace?
   -------money problem?
   -------food problem?
   -------employment problem?
   -------poor house?
   -------lack of ownership to land or other resources?
   -------neighbour problems?
   -------bad attitudes by other people?
   -------problems with government?
   -------too many mouths to feed and too few opportunities to earn money?
   -------what is your biggest problem right now?

6. What have you done to solve your problems in the last year?
   Instruction: This is an open question. Let the persons think about it and then give their answers. Only after that you can suggest some of the issues mentioned below.

D. DIET 1:
Instruction: Enter the number of meals mentioned by the majority of the group. You can enter more than one number at each meal:

1. How many meals are you currently eating per day?  1  2  3  More than 3

2. X

3. Within the last six months, has anyone in the group had to reduce the number of meals because you could not afford food?
   NO.
   YES:
Reduced to 3 meals | Reduced to 2 meals | Reduced to 1 meal | Went without food
Number: 

E. CREDIT FOR COPING

In this period, did any group members borrow money to buy food, or buy food on credit? NO.

YES: (mention how many group members)

<table>
<thead>
<tr>
<th>Borrowed money</th>
<th>Bought food on credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>From whom?</td>
<td>From whom?</td>
</tr>
</tbody>
</table>

F. OTHER COPING MECHANISMS

In this period, did any group member do anything else to buy food? NO.

YES: (mention how many group members)

<table>
<thead>
<tr>
<th>Sold land</th>
<th>To whom? For how much? (value in cash or kind)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sold valuable assets, e.g. livestock</td>
<td>To whom? For how much? (value in cash or kind)?</td>
</tr>
<tr>
<td>Sold household items</td>
<td>To whom? For how much? (value in cash or kind)?</td>
</tr>
</tbody>
</table>

E. POVERTY ASSESSMENT BY INTERVIEWERS:

<table>
<thead>
<tr>
<th>NON-POOR</th>
<th>POOR</th>
<th>VERY POOR</th>
</tr>
</thead>
</table>

F. VULNERABILITY ASSESSMENT BY INTERVIEWERS:

Instruction: high dependency ratio and few resources such as land or job indicate high vulnerability to external shocks.

<table>
<thead>
<tr>
<th>NOT VULNERABLE</th>
<th>VULNERABLE</th>
<th>VERY VULNERABLE</th>
</tr>
</thead>
</table>

G. UNDERSTANDING MICROFINANCE

ONLY FOR MF CLIENT GROUPS:

1. What do you think are the potential benefits of saving? EXPLAIN:

a:........................................................................................................

b:........................................................................................................

c:........................................................................................................

d:........................................................................................................
3. Do you think it is OK that a person must pay back more than he/she gets in loan to cover the service charge? YES. – WHY?

NO. – WHY NOT? (someone must pay the loan officers, their transport etc…?)

4. Some people are afraid of taking a loan – what if they cannot pay it back? What do you think are the main risks involved in borrowing? Do you have any specific experience with people who got into trouble because they took loans? Is there any difference in the difficulties that have been faced by men and by women respectively?

4. What are the obligations of entering into a savings/credit group (what do you need to commit yourself to)? (Instruction to interviewers: find out if they have a clear understanding of what group solidarity is – that if a member of a group fails to pay back then the others will have to pay for him or her. 2 – find out if they know exactly how much they will be paying back inclusive of service charge; how long repayment time they have; what will happen if they do not pay back in time!)

H. MEMBERSHIP OF MICROFINANCE GROUP

1. THE MF GROUP: How did the group start? When did it start? Did you know each other before joining group? How does the group function – who was elected to as group representative, and why was that person chosen? Have you had more than one round of loans

2. SAVINGS: Did you save first? How much per week? Was it difficult to save? Could all group members save the same amount every week?

3. What did you borrow the money for?
4. Who decides what the money should be used for (husband, wife, relative, other)?

5. X

7. Did you have any previous experience in the chosen investment area?
   NO.
   YES. What experience?

8. Did you have any practical problems with the chosen investment? Was anyone unable to back their loan on time?
   NO.
   YES. Which problems?

9. Did you receive any training in connection with the loan?
   NO.
   YES. Which kind of training?
   For how long?
   Was it useful?

10. Who owns the assets that you have acquired through MF (who uses them, or takes decisions about them)?
    | Woman | Man | Both together | Others (who?) |
    |-------|-----|---------------|---------------|

11. Who does the actual work related to the microfinance loan?
    | Who? | Man | Woman | Child | Other (explain) |
    |------|-----|-------|------|----------------|
    | Doing what? | | | | |

12. Did you make the best choice of activity with the loan, or should you have chosen differently?
    YES.
    NO. What should you have chosen instead?

13. Are you planning to have a new loan?
    NO.
    YES. For which purpose?

14. Is it better that microfinance goes to the women or the men?
    NO – better to men. WHY? (Experience shows that women are better at paying back their loans than men…)?

    YES – better to women. WHY?

15. Are you planning to keep the group together for many years?
I. ECONOMIC CHANGE ASSOCIATED WITH MF

1. Has there been an increase in income as consequence of MF? How much?
   NO.
   YES. How much income?

2. If YES above: How are the benefits from MF spent? (Indicate the main purpose as 1, the second as 2...):

<table>
<thead>
<tr>
<th>Type of activity:</th>
<th>Productive</th>
<th>Commercial</th>
<th>Social</th>
<th>Consumption</th>
<th>Other</th>
</tr>
</thead>
</table>

3. Have new assets been acquired from MF surplus?
   NO.
   YES. For what?

<table>
<thead>
<tr>
<th>What assets?</th>
<th>For business</th>
<th>For household</th>
<th>For an individual (For who?)</th>
</tr>
</thead>
</table>

4. Are the loans big enough to make a difference for you, or are you as poor as before when the loan has been repaid?

   Do you feel you have more control over money earned than before joining MF?
   NO.
   YES. How?

5. Have you bought anything new for yourself with the earnings from MF?
   NO.
   YES. What?

6. Have you bought anything new for your children with the earnings from MF? Or for her parents or other relatives?
   NO.
   YES. What?

<table>
<thead>
<tr>
<th>What was bought?</th>
<th>Husband</th>
<th>Son</th>
<th>Daughter</th>
<th>Parents</th>
<th>Relatives</th>
</tr>
</thead>
</table>

J. SOCIAL CHANGE ASSOCIATED WITH MF

1. Has MF led to more or less work for the household?
   THE SAME             MORE             LESS. Explain how?
**If MORE work:**

2. WHO in the household has now more work to do? WHAT work?

<table>
<thead>
<tr>
<th>WHAT WORK?</th>
<th>Men</th>
<th>Women</th>
<th>Boys</th>
<th>Girls</th>
</tr>
</thead>
</table>

3. Do you think it is important that all children go to school for at least 7 years?

<table>
<thead>
<tr>
<th></th>
<th>Very important</th>
<th>Important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boys</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Girls</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Are there any changes in women’s participation in household decision-making after MF? If yes, what decisions? In consultation with whom? Please explain:

**6. What do you think will be the future for your sons?**
---Education?
---What skills should your sons be taught?
---What work should they have?
---Marriage? At what age should they marry?
---How many children should they preferably have?
---Where will they live?

**7. What do you think will be the future for your daughters?**
---Education?
---What skills should your daughters be taught?
---What work should they have?
---Marriage? At what age should they marry?
---How many children should they preferably have?
---Where will they live?

10. Do women go out more than before MF?

**NO.**

**YES.** Why do they go out more?

Tick box: 1: every day, 2: every week, 3: less than weekly: 1 2 3

- To attend meeting of women’s group
- To visit neighbours
- To go to school
- To go to clinic
- To work in field
- To go to market
- To look for work
- Other (explain):
11. Are any **joint** economic activities taking place within the women’s group (e.g. gabion weaving, joint marketing of products…)?
   NO.
   YES. Explain which activities:

12. Are there any changes in social activities that women participate in after MF?
   NO.
   YES. Which ones? Explain:

13. Are there any changes in how a woman can move around?
   NO.
   YES. **With whom** that she would not move with earlier?

14. Do members of the women’s group help each other with other things than the MF – health care, child care, advice…?
   NO.
   YES. What kind of help do the members give to each other?

15. Do you feel that your well-being has increased after joining the MF programme?
   NO. Why not?
   YES. In which way?

16. Do you feel that your status/position as women has changed as a result of belonging to a women’s group?
   NO.
   YES. How has it changed?