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Microfinance Essay Competition

Does microfinance have an impact on gender-equality? You bet. I proved it with my savings.

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The acrostic poem I authored above reflects the power of microfinance to pull women out of poverty and give them and their families a dignified future. Each

word in the poem echoes what microfinance means to women. The development world has many tools to assist women, who possess only 1% of the world's resources while performing 66% of the planet's work according to the Clinton Global Initiative. But none has proven as effective as microfinance in tailoring its services to women's scale and needs, as well as expanding its reach to benefit women groups in the most fragile and conflicted nations. While it is true that microfinance has some flaws in its execution and is criticized for failing to eradicate poverty, there is no doubt that it has succeeded in giving women the chance to create economic opportunities that mean education and health care for their families. This is enough to declare victory for the microfinance movement and its impact on gender equality.

The world of microfinance has fascinated me for quite some time. I read a lot about it and educated myself on its genesis and increasing growth as a poverty reduction tool. But the aspect that intrigued me the most is its powerful influence on women. The formal banking sector has traditionally eschewed women as beneficiaries of their services. Microfinance institutions have embraced them, nurtured them, provided education, training and financial support, developed women business initiatives and in the process gave women dignity and hope. According to the 2006 report of the Microcredit Summit Campaign, 84.2% of the poorest microfinance clients worldwide are women. Microfinance has succeeded in finding a sustainable business model for serving women, generally keeping loan sizes small and borrowing within groups. This allows them to avoid asking for collateral for the microloans, as women are asset poor.

The theory of microfinance and its impact of women is vast and has been the subject of numerous books and academic papers. Women have become preferred clients for microfinance institutions because more of their income benefits their families through improved nutrition, health, education and well-being, because they have higher repayment rates, and because women work better in the group lending programs that make reaching the poor efficient.

Reading extensively about the topic helped me frame the concepts, understand the diagnostic of women's need for access to finance and grasp the mechanisms used by microfinance institutions to carry out their mission. But I craved to learn more about microfinance by doing it. I needed to corroborate with my money that this is a valuable tool to bring about equality for women. I set out to prove the impact of microfinance on women by providing a microloan myself and closely monitoring how this opportunity turned around a woman's life.

Maria M. works in my house in Washington DC. She is Bolivian and has been looking after my brothers and I with love and care. She has a big family in her country that is very poor and needs her support. Maria is a creative soul, passionate about decorations and ornaments for life events such as baptisms, birthday parties and weddings. She has been decorating religious events for her church and for a

long time dreaming of doing this as a business. She became the perfect candidate to benefit from my experimental microfinance loan.

I did not want to give Maria the money and wait passively to see what she would do with it. I craved to be involved in the process in the same way many microfinance institutions are when they work with communities of women. I learned about starting a business, creating a business plan, doing market surveys, designing a product line with associated pricing, doing the accounting and helping out with the engagements. Together we calculated the loan amount Maria needed as working capital for the raw materials to start the new company. I sought the help of bankers, accountants and marketers in my family to teach me and guide me. I even drafted a microloan agreement that included the interest rate on my loan and the repayment schedule. Then we set out to work.

None of the material I read on microfinance prepared me for the satisfaction and awe I experienced at the outcome of my experiment. Maria was not only able to establish her services in the market and make a reasonable profit for her work. She found her calling in life and was able to send larger sums of money to her family in Bolivia. That money was used for pencils, books and clothes for her nephews and health care for her ailing father. She repaid my loan and got a new and larger one. Her event decoration venture became financially sustainable. I became a firm believer in the benefits of microfinance and its power to turn women's lives around.

My passion for learning and experimenting with microfinance has not stopped here. I created a microfinance club in my school, brought speakers and organized events to raise awareness and money to continue to help women. I just finished reading the biggest study of microfinance prepared by the World Bank, which rehabilitates the reputation of this tool to help poor people, especially women. As I go deeper in this journey, I keep my strong conviction on the impact of microfinance on gender equality.