

The Role of Credit in Women's Employment the Case of Women's Cooperatives in Iran

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Abstract

Since 1980s, credit policy has been promoted as an important mechanism in job creation, especially for women. However, some researchers have showed that although credit programs have significant potential for contributing to women's wellbeing, yet, many women borrowers have limited control over loans and/or resulted income. In such cases credit policy may not change women status. Women's cooperatives are one of the institutional set up for mitigating female unemployment and promoting women's position in the society and household. However, in most cases, cooperatives that established by the help of state subsidies may not realize the expected goals. Our field research about women's cooperatives in Mazandaran province (Iran) confirms that there is no automatic benefit of access to finance for women; as many registered women's cooperatives have not been able to create long lasting economic activity, despite of receiving loans.

Keywords: Cooperatives, Employment, Gender, Labour Market.

1- Introduction

In the past 30 years, providing credit for women has carried many promises of social and economic transformation. It was assumed that credit programs increase women's employment, enable them to control their income and also improve their status. However, many empirical studies shed doubt on whether loans can really make a difference against the enormous problems of women's position in the society and the household. Several studies show that a great part of women borrowers do not control their received money.

Women's cooperatives are one of the institutional settings for women's empowerment. Most women's cooperatives, especially in developing

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countries that are created by the state subsidies, have not been able to generate long lasting employment and income for women.

This paper adds the experience of implementing credit policy for generating employment opportunities for women through women's cooperatives in Iran to the current micro finance literature. Our study about the performance of the cooperative sector in Iran, during 1990- 2008, using formal statistics and direct interviews in women's cooperatives in 2003, shows that government financial support has not been sufficient to create active and successful women's cooperatives . In fact a considerable part of the public budget has been poured into channels that have not created long lasting jobs. As women's position in the labor market is effected by a set of social, cultural, legal and economic factors, access to credits cannot change all the unfavorable conditions that hinder women's employment. The consequences of such failed policies should stimulate the search for improvement and innovation in women's empowerment programs.

This paper consists of 6 sections. Section 2 is a review of the literature about the effects of credit policy on women's employment and on the role of women's cooperatives in upgrading the women status in the household and society. Section 3 is devoted to Iran's labor market performance and explains about gender segregation in the labor market. Section 4 portrays a formal picture of cooperative sector in Iran. Section 5 analyzes the official data and information obtained from our field study about the ability of Women's cooperatives regarding employment generation. The last section presents conclusion.

2- Government Support for Women's Employment

Since 1980s, credit policy has been promoted as one of the most important mechanisms for poverty alleviation and job creation, especially for women. The lack of access to credit by many entrepreneurs was identified by numerous studies as *a* major constraint. Studies in many developing countries, such as the Philippines, Bangladesh and Trinidad and Tobago, placed the lack of capital, particularly in the start-up period, as the problem most often mentioned by women micro entrepreneurs. It was supposed that credit programs could reach large numbers of women borrowers and initiate a series of 'virtuous spirals' of economic

Security, freedom from family domination and violence, public participation, increased well-being for women and their families and wider social and political empowerment (Buvinic, Berger and Jaramillo 1989; Schuler and Hashemi 1994; Peace and Hulme 1994). Other researchers indicate that credit is not the answer to all the problems of women's poverty in developing countries, but it has positive impacts on household health and nutrition and is an 'inducer' to a great many actions that can lead to a better quality of life for low-income women (MkNelly and Watetip 1993).

However, the findings of other studies show that although credit and microfinance programs have significant potential for contributing to women's economic, social and political empowerment, yet, there is no automatic benefit of micro-finance for

women and even gender inequalities may be exacerbated rather than reduced by the injection of capital through access to finance; as many women have limited control over loans and/or resulted income and without careful loan monitoring, the loans and incomes would be taken by men (Goetz and Sen Gupta 1994; Montgomery, Bhattacharya, and Hulme 1996; Sebstad and Chen 1996; Mayoux 1999; Rahman 1999; Hunt and Kasynathan 2001; Kabeer 2001, Cornford 2001, Mayoux and Simanowitz 2001, Mayoux 2002; Holvoet 2003).

Goetz and Gupta (1996) pointed out that about 63 percent of women's loans are actually invested by male relatives, while women bear the formal responsibility for repayment. A study of 151 Grameen Bank loans to women found that 12 percent of female borrowers surrendered the entire loan to male family members (Todd 1996). In such cases, male members of households use women as unpaid debt collectors that facilitate intermediation between finance institutions and the lenders; thereby reducing lenders' transaction costs (Ebdon 1995). Armendariz and

Murdock (2005) believes that credit impact on women's empowerment has remained controversial; they insist that credit is neither a panacea nor a magic bullet for eliminating all obstacles of women's empowerment. Credit by itself cannot overcome patriarchal systems of control at household and community levels¹.

1- For example Kabeer (2005) quote a school boy in Dinajpur (Bangladesh): "Poor women are now involved in NGO groups and they are 'doing meetings' with NGOs. They are taking loans from NGOs, though they are not doing business themselves with the loan money. Their husbands, sons are using the loan money for different purposes."

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Other empirical studies found out that micro lending does create a space for women; but it does not automatically change the system that subordinates women through social norms. Therefore, in most cases credit works only for women who have other support mechanisms. In some contexts, credit schemes mainly benefit women who are already better off (Noponen 1990); Creevey, Ndour and Thiam 1995; Hulme and Mosley 1996; Pitt, Khandker and Cartwright 2003).

Women's cooperatives in many countries are one of the institutional settings for supporting women. In fact, cooperatives are institutions of voluntary activity of groups of economic agents who own collective properties and democratically control the works which must ultimately meet their economic and social needs. Historically speaking, cooperatives have been established in industrial economies and played an active role in job creation (Birchall 1997). In contrast to industrial economies, cooperatives usually have benefited from government support in developing countries. Cooperatives have helped women in many parts of developing world to transition from inactivity to employment in a collective framework (Thomas, Spear and Lewis 1988). In successful cases, credit is directed towards women and the process of loan usage is monitored through close collaboration of government offices and women's advocate agencies. Such guided cooperatives can generate reliable employment (Sanjai 2004). However in many countries, allocated credit to women's cooperatives creates special rents for groups that have linkages with government institutions and may lead to establishment of cooperatives that become inactive shortly after getting the loans (Mayoux 1995; Kabuga 2000).

The experiences of Greek Women's cooperatives show the same results. From the late 1950s up to the mid-1980s, many Women's cooperatives were set up in Greece with government financial help to increase family income and to upgrade women's social status. However, by the mid-1980s, almost all Women's Cooperatives disappeared and only about 10 left. In 1990s, Women's cooperatives came into focus once more, as a solution to the pressing problem of female unemployment in Greece. Most new Women's cooperatives were established thanks to the funds of national or European Union programs. These cooperatives are again faced with a state subsidy "syndrome". The main concern now is that without great efforts in order for women do consider these cooperatives as businesses that can operate,

survive and grow in a competitive environment, the new women's cooperatives will have the same fate as the old ones (Koutsou et al. 2003).

Although the effects of credit on women's empowerment have remained controversial, there is a common belief that financial support must be complemented by other activities, such as legal and institutional change regarding women's position in the household and the community. Iran's credit policy for encouraging the establishment of women's cooperatives to generate employment for women is another case that shows the importance of institutional obstacles in preventing successful outcomes from such credit policies.

Many Iranian researchers have studied the obstacles of women's access to credit and the effects of credit on women's employment. They argue that although there is no gender discrimination in banking rules and regulations in Iran. Yet, Iranian women have limited access to bank credit, since women's cultural and social position restricts their access to credit (Gholami 2001; Zakeri and Khalili 2003).

Deyhim and Vahabi (2003) found that most women, who borrow money from the banking system claiming to establish a new business, actually use the money to buy or rent accommodations, to buy home appliances or to prepare dowry for their daughters. The results of this survey among women in Tehran showed that only 6 percent of women who got loans used the money in their own businesses.

Hasan Zadeh (2001) indicated that women's position in the household and society can be changed by better access to credit facilities. Yet, Yaghoubi (2006) showed that the policy for generating jobs for Iranian women in rural areas by providing micro credits was not successful in Zanjan province, as the financial institutions lacked effective monitoring of loan use. He pointed out that even the best planned interventions are unlikely to be automatically empowering for all women. Women who almost have their own businesses can use loans for expanding their activities, while most women cannot start a new business by credit.

There is little research regarding the performance of women's cooperatives in Iran; Most of the researches use formal data from active cooperation or information gathered directly from cooperative offices to understand the strengths and weaknesses of women's cooperatives and do not discuss the cases of inactive cooperatives. These studies show that

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women's cooperatives can create new opportunities for women's empowerment by improving their managerial skills, strengthening their financial independence and upgrading their status in the household and society (Shabanali Ghomi and Choubchian 2006; Feizpour and Mahmoudi 2007). Our study investigates all registered women's cooperatives , active and inactive, in Mazandaran province to find out whether they have been able to provide long lasting jobs and income for women, with the support of "easy credits".

3- Iran's Labor Market Performance

During 1965-1978, Iran was one of the fastest growing countries in the world. The annual GDP growth rate was more than 10 percent, boosted by oil export revenue for financing diversified industries and services. Economic turmoil a few months before and after the Islamic Revolution (1979) and the destructive Iran-Iraq war (1980-1988) changed its positive trend.

The average annual GDP growth rate became negative in 1978-1988 (about -2 percent). At the height of the war and the sharp decline of oil prices (1986) unemployment rate was 14.2 percent; yet unemployment among women was much higher (25.5 percent). After the war, by starting reconstruction programs, production and employment in different economic activities increased. In 1996 unemployment decreased to 9.1 percent, yet this rate for women was 13.4 percent.

As Table 1 indicates, during 1976-2011 unemployment among women was much higher than among men. Women tried to increase the likelihood of finding jobs, by acquiring higher education. The proportion of women students in universities rose from 38 percent in 1996 to more than 50 percent in 2006. However, getting jobs have been very difficult for educated women too. In 1996-2006, the gender unemployment gap widened significantly, especially among university graduates. While, in 2006, the unemployment rate for men with a university degree was 12.3 percent, this rate for their women counterparts was more than 50 percent. However unemployment rate for highly educated women decreased to 30.85 percent in 2011, yet their unemployment rate was still 2.2 times more than their male counterparts.

Table 1: Unemployed Rates (1976-2011)

	1976	1986	1996	2006	2011
Total Labor Force					
Total	10.2	14.2	9.1	12,75	12.3
Male	9.1	12.9	8.5	10,8	10.54
Female	16.4	25.4	13.3	23,35	20.94
University Educated Labour Force					
Total	4.3	5.9	3.9	21.8	20.09
Male	4.4	5.8	3.7	12.3	13.43
Female	3	6.2	4.7	50.1	30.85

Source: Iran Statistics Center, different years.

It is widely believed that men are the family bread winners and it is necessary for them to work. Women have care responsibilities in households; they are less mobile and face barriers in many historically male-dominated professions. So, they tolerate the higher burden of growing unemployment. Moreover, most employers in public and private firms believe that women leave the labor market when they marry or at least when they have their first child. So they prefer to employ and train male workers for long-term jobs.

At present, the key challenge for Iranian society is unemployment. At least 900,000 job seekers enter the labor market each year; among them 150,000 to 200,000 are university graduates. The creation of 900,000 jobs per year is a Herculean task that requires a GDP growth rate higher than 7 percent and an investment ratio greater than 30 percent of GDP. In the past decade, the investment ratios in the Iranian economy had peaked at 21 percent and GDP growth at about 5.5 percent; these have not been high enough to create sufficient employment to absorb the coming labour force (Iran Central Bank 2008). In 2006, the unemployment rate was close to the 1986 rate (during the Iran-Iraq war), demonstrating the inability of Iran's economy to generate sufficient numbers of new jobs.

In the past three decades, the public sector has been the biggest employer of highly educated professionals. Working conditions in the public sector, including higher wages, job security, 30 days annual leave and fully paid three month leave for the care of a new born child with a guarantee of return

to work, persuade women to search for jobs in this sector. However, public sector employment is shrinking.

During 2006-2010, the number of public employees declined from 5 to about 3,5 million¹ (Iran Statistics Center 2011). Government enterprises are no longer an important source of jobs for women. In the private sector, women generally have fewer job opportunities, lower wages and little potential for career promotion. Faced with increasing unemployment, Iranian government has provided loans for newly registered cooperatives in order to increase production and employment and to promote social justice.

4- The Cooperative Sector in Iran

After Islamic revolution (1979), social justice was announced as being Iran's first priority. According to Article 44 of the Islamic Republic of Iran's Constitution, cooperatives are the second most important economic sector of the country (next to the public sector). The private sector is ranked third. Therefore, the cooperative sector is prioritized in access to loans and tax incentives as it is supposed to be a limit the process of wealth accumulation in the hands of a small group of capitalists, and at the same time, to prevent creation of a dominant public sector.

Therefore, cooperatives seemed to be the third way between capitalism and socialism. It was expected that cooperatives would motivate team work on the one hand, increase sense of workers' responsibility and reduce income inequality, while helping to collect small savings and increase the economic growth and facilitate the difficult process of development on the other.

After the Iran- Iraq war, the cooperative sector received special priority in the era of economic reconstruction. In 1992, the Ministry of Cooperatives was established to design and implement policies to enhance the cooperative movement. The most important policy of the Ministry was to facilitate access to loans from the state banking sector for cooperatives. During the recent oil price boom (2001-2007) the allocated credit facilities of state

1- Decrease in the public sector employees had two different causes. In one hand government implemented adjustment policies for downsizing government institutions, by the other some of public enterprises with high number of employees, such as Iran Telecommunication Company were privatized.

banks for the cooperative sectors rose considerably. It was estimated that the number of new jobs in the sector would increase by about 1.4 million during the Fourth Development Plan of 2005 to 2009 (Iran's Ministry of Cooperatives 2005a). The failure of this plan has not changed the attitude of the government towards the cooperative sector. As, in 2010, the government emphasized that the cooperative sector would be the main source of employment generation in the Fifth Development Plan of 2010 to 2014 (Iran Ministry of Cooperatives 2010).

In this program, women's cooperatives are given priority access to credit. Each year the Ministry allocates a specific amount of credit to women's cooperatives and state banks are obliged to give loans, up to amount allocated to newly registered women's cooperatives, which are exempt from minimum capital requirements generally applied to new businesses. In other words, the banks have to finance all the capital needs of these cooperatives. While the interest rates for the cooperative sector and other firms are similar, cooperatives have better access to banking credits, compared to small and medium size private firms. In special cases, when cooperatives can prove that they will create considerable employment, especially for university graduate women, it is possible to obtain subsidized loans, with lower interest rates¹.

From 1997 to 2007, more than 90 percent of all cooperatives had received loans (Iran's Ministry of Cooperatives 2008); while, it was very difficult for small private firms to get banking credits. Because of the demand for loans, there is credit rationing by Iranian banks. Loan applicants have to submit valuable collateral and acceptable proposals for economic projects to the banking sector. As a consequence of the discriminatory allocation of financial resources to cooperatives, numerous private companies have artificially redressed themselves as "*cooperatives*", although they never actually became real cooperatives with equal capital shares and democratic control. However, the total amount of government credit available to cooperatives in different provinces is limited. The restricted supply of credit creates special rents for people who have close connections to different government institutions, and discourages many others from establishing cooperatives.

1- Direct interview with the director of Cooperatives Office in Babolsar.

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During credit expansion, the number of newly registered cooperatives rises rapidly, and when the credit allocation declines, the tendency for establishing cooperatives diminishes. In 2007-2008, with increasing inflation and oil price down turn, Iran's Central Bank implemented tight credit policies. Banking credit for cooperatives was reduced sharply and the number of newly registered cooperatives decreased by more than 30 percent. In July 2009, in Babolsar, a small city in Mazandaran province, there was about USD 15 million in loan requests were received from newly registered cooperatives and rejected by state banks because of the shortage of funds¹. In such conditions, no one is interested in establishing a new cooperative. Despite the government support for cooperatives in the past 3 decades, the Iranian cooperative sector has experienced very slow growth, accounts for only 0.5 to 0.6 percent of GDP. More than one third of all cooperatives are inactive (Table 2).

According to Cooperative officials, if inspectors confirm that a registered cooperative does not answer phone calls, has no activity or workers, the cooperative must be considered inactive. The Cooperative Offices' inspectors can confirm that cooperatives are "active", only when someone in the workplace answers phone calls. Using direct inspection, it must be confirmed that workshops are equipped and some workers do work in the cooperatives. In industries, mining, carpet weaving and civil works, more than 40 percent of cooperatives are inactive. Many cooperatives that receive loans do not start work or stop working after a while.

Table 2: Active and Inactive Cooperatives in Iran (2003)

Activities	Active and Inactive	Active		Inactive	
		Numbers	Percent	Numbers	Percent
Industries	7,242	4,026	55.6	3,216	44.4
Mining	1,532	864	56.4	668	43.6
Agriculture	11,014	7,960	72.3	3,054	27.7
Carpet weaving	993	553	55.7	440	44.3
Civil works	1,654	430	26.0	1,224	74.0
Services	7,917	6,013	76.0	1,904	24.0
Total	30,352	19,846	65.4	10,506	34.6

Source: Iran's Ministry of Cooperatives, 2005.

1- Direct interview with the head of Cooperative Office in Babolsar, July 2009.

The statistics published by the Ministry of Cooperatives point out that the cooperative sector has created about 800,000 jobs during 1980-2003 (Table 3). According to the formal statistics, carpet and handicrafts cooperatives have the highest rate of job creation. However, the official data about employment in the cooperatives must be treated cautiously. At the time of registration, cooperatives must declare the number of their workforce. These numbers are compiled to generate official statistics on employment in the cooperative sector, but the actual new jobs are much less than indicated by formal data. Even the formal data shows more than 30 percent of expected employment possibilities have disappeared in the inactive cooperatives. However, public officials are unlikely to announce such unfavorable indicators.

Table 3: Employment in Active and Inactive Cooperatives in Iran (2003)

Activities	Active & Inactive	Active		Inactive	
		Numbers	Percent	Numbers	Percent
Industrial	158,071	99,753	63.1	58,318	36.9
Mine	28,947	19,942	68.9	9,005	31.1
Agriculture	195,376	145,380	74.4	49,996	25.6
Carpet viewing	200,473	120,237	60.0	80,236	40.0
Civil works	23,595	10,653	45.1	12,942	54.9
Services	183,128	149,075	81.4	34,053	18.6
Total	789,590	545,040	69.0	244,550	31.0

Source: Iran's Ministry of Cooperatives, 2005.

4-1- Women's Cooperatives

The first Women' Cooperative was established in 1994 in *Absard* village in Damavand township (Moghaddam 2007). Since then, establishment of women's cooperatives was encouraged to combat increasing unemployment among women, especially in cities. Cooperatives were given priority because it was supposed that cooperatives, even in the first stage, can generate employment for a group of women. Furthermore, as mentioned earlier, the

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government supported cooperatives for promoting social justice. Gender equality was explicitly mentioned as one of the main purposes of Women's cooperatives for the first time by the reformist government of President Khatami. Article 158 of the Third Development Plan (2000-2004) emphasized the necessity of closing the gender gap in the household and the community (Budget and Planning Organization 2000). Since the year 2000, different supportive measures, especially "easy credits", for women's cooperatives, aimed to upgrade women's position in economic and social spheres.

For registration of a new Women's Cooperative, it is necessary that at least 7 persons (70 percent must be women) submit a proposal for a new business to the Cooperative office. After confirmation of the proposal, the officials register the new cooperative and introduce the members to a state bank. Banks are required to give them priority for loans (Iran' Ministry of Cooperatives 2005b). However, since there is a limit on the amount of the credit available to women's cooperatives, some of the registered cooperatives can get the loans and some cannot. Although this policy is gender biased and encourages women to establish their own businesses in the form of cooperatives, the government has not planned to connect the micro finance for women's cooperatives to women's NGOs that were active in different economic and social aspects of women's lives.

Nevertheless, in 2004, there were 279 formal women's NGOs and many more that were not registered (CNWN 2004) that were able to collaborate with the cooperative officials to specify the groups of active women who would be interested and able to establish businesses in the form of cooperatives. Without the help of NGOs it was impossible for the poorest women in the remote and deprived region to access to the loans. Furthermore, it was not viable for the Cooperatives' offices to monitor the use of the approved loans and the work of registered cooperatives. Therefore the program became a new opportunity for men to gain access to the rationed credit, under the name of their female relatives, friends and workers who could register cooperatives, but were not independent and courageous enough to get and control the loans. During the oil price hike in 2000-2006, allocation of huge amount of credit to cooperatives increased the growth rate of newly registered cooperatives. Yet, since 2007, with implementation of a

tight credit policy by Iran Central Bank, the number of new cooperatives fell sharply.

Although, the cooperative sector has performed poorly in promoting growth and employment, women's cooperatives, compared to other cooperatives, are more unsuccessful. In 2006, there were 88,585 cooperatives in Iran; 15 percent of these cooperatives (13,559 firms) were women's cooperatives. In 2009 there were 86472 cooperatives of which 12970 were women cooperatives. This shows the decline in the number of women's cooperatives during 2006-2009 (Bahrami 2010).

Table 4 indicates the fluctuation in the number of new cooperatives in Mazandaran province during 2001-2008. The data shows that the decline in the number of newly registered women's cooperatives was greater than other cooperatives, and the proportion of the new women's cooperatives among total cooperatives in Mazandaran province turned down from 12.6 percent in 2001 to 8.4 percent in 2008. This supports the hypothesis that major motive for establishment of women's cooperatives is to gain from the state financial help. A similar trend was seen in other provinces too. As an example, in Isfahan province, the number of new women's cooperatives was 112 in 2004 and 207 in 2007; but when possibility of receiving loan decreased, these number fell to 93 in 2008 and 85 in 2009 (Iran News Agency 2010). According to the Ministry of Cooperatives there is no precise data about the number of inactive women's cooperatives. However, cooperatives officials pointed out that at least 20 percent of women's cooperatives are inactive. This rate differs by provinces. As an example, in 2006, in Kermanshah province, 150 out of 250 women's cooperatives (39 percent) are formally inactive (Kakaie 2007).

Table 4: Newly Registered cooperatives in Mazandaran Province

	2001	2006	2008	Growth Rate 2001-06	Growth rate 2006-08
All Cooperatives	596	1128	933	89.3	-17.3
Women's Cooperatives	75	128	78	70.7	-39.1
Share of Women's Cooperatives	12.58	11.35	8.36	-9.8	-26.3

Source: Cooperatives Office of Mazandaran Province, 2009.

4-2- Women's Cooperatives in Mazandaran Province

In Mazandaran Province, women's cooperatives established in 1997. In 2003, there were 503 formally registered women's cooperatives in Mazandaran province, a quarter of them was formally active and more than 41 percent inactive. The rest (about 34 percent) were under preparation process, which means the cooperatives were registered, had received loans and were preparing the necessary equipment to start the business. They have to start payment of the loans in installments, after 6 months to 1 year (Ministry of Cooperatives 2008). By starting repayment of their loans, cooperatives are called active automatically. But it cannot be known for sure that by starting the repayment of the loans, cooperatives are really active. Inactivity rate for all cooperatives in the province was 35.8 percent. In other words, the proportion of inactive women's cooperatives (41 percent) was higher than the rate for other cooperatives in Mazandaran.

As is shown in Table 5, about 61 percent of Women's cooperatives were in clothing sector; however, 75.2 percent of these cooperatives were inactive. It seems that it was very easy for 7 women to register a cooperative, receive the loan, divide the money in between, perhaps for solving the financial problems of the family, and not bother themselves for starting up a firm. In such cases the credits created cash for women's borrowers or their family members; yet, the money was not used for generating continuous income by investment in formally defined businesses.

Table 5: Women's Cooperatives in Mazandaran (2003)

Activities	Active& Inactive	Active		Inactive	
		Numbers	Percent	Numbers	Percent
Agriculture	12	10	83.3	2	16.7
Clothing	199	47	23.6	152	76.4
Handicrafts	20	11	55.0	9	45.0
Carpet viewing	31	14	45.2	17	54.8
Others	65	43	66.2	22	33.8
Total Women's Cooperatives	327	125	38.2	202	61.8
All Cooperatives in Mazandaran	4492	2092	46.6	2400	53.4

Source: Iran's Ministry of Cooperatives, 2005.

5- The Result of the Field Work

To investigate the performance of women's cooperatives in Mazandaran, we interviewed many cooperative officials in different cities of the province to get precise information about the strength and weaknesses of women's cooperatives. We received the list of all registered women's cooperatives in the province with addresses and defined economic activities. Then, a questionnaire was designed with the main focus on trends in production and employment in these cooperatives. In addition, we wanted to find out in which sectors women's cooperatives are successful in expanding their activities and what are the important features (age, education, marital status) of members and managers of booming and failed cooperatives. Undergraduate students of Mazandaran University visited the cooperatives and interviewed cooperative members to fill out the questionnaires. In the first stage, we wanted to visit all 125 active women's cooperatives in the province. We covered more than 80 percent of the women's cooperatives in nine cities and townships (Sari, Amol, Babol, Babolsar, Behshahr, Tonekabon, Fereydoon Kenar, Galougah and Noushahr). All of the agricultural and some of the handicrafts cooperatives were located in villages, but most of the others were in cities¹. In fact, 40 percent of "active" cooperatives of the list were not found. In many cases addresses of registered cooperatives were wrong. At several correct addresses, there was no active firm. Some cooperatives had never started operation, and others had stopped working after a while. It was not possible for us to search and find the members of inactive cooperatives to ask them about the causes of their cooperatives' failure. However, in Mazandaran province, similar to other parts of Iran, the most important obstacle is the male dominance in the family that oblige the women to give the borrowed money to the male members of their family to cover their debts or do their own businesses. In other circumstances, women spent the money to buy or rent accommodation, to purchase home appliances and prepare dowry for their daughters². It took

1- As there is not clear boundary between cities and villages in Mazandaran province, we could not divide the cooperatives in urban and rural areas. The list of Women's cooperatives that we received from the Cooperative Office, also did not divide cooperatives in villages and cities.

2- The author interview with a member of a carpet viewing cooperative.

long time for us to find the active firms; as the number of active firms in the list of women's cooperatives was not correct. Officials of the Ministry of Cooperative did not have regular contact with cooperatives and do not amend the list of active and inactive cooperatives on time. Due to budget limitations, we could not visit about 20 percent of women's cooperatives in small cities and townships far from Babolsar, where our university is located.

5-1- Age Structure and Education Level of Cooperatives Members

Women with secondary education have the highest proportion (more than 52 percent) in our studied cooperatives. About nine percent of women in our sample had elementary, and 39 percent were university graduates. Eighty two percent of respondents were married (between 30 to 50 years old). Young women (20-30 years old) represent 6.5 percent of respondents. Only five percent of single women in our sample were less than 30 years old. All young women (under 30 years old) had university degrees. They mainly worked in education and computer training centers. The results of our field study confirm previous studies (Gholami 2001; Zakeri and Khalili 2003) that show traditional families generally support their sons for starting a business. Young single women in traditional families have limited freedom and mobility, are not allowed to attend many public places and have lower chances to establish a new firm.

5-2- Concentration in Limited Economic Activities

About 50 percent of cooperatives in our sample were in clothing and handicrafts sectors. Others were in fields such as agriculture, kindergarten and training which are women's traditional activities and mostly do not need large amounts of capital. Carpet weaving and handicraft production generally do not have a work place out of the houses of workers.

Regarding farming cooperatives, as interest rates for credit for agricultural activities were less than industries and services, the number of agricultural cooperatives increased rapidly in the past decade. However, for registration of an agricultural cooperative, the members had to possess a piece of land or to present a formal document showing they have legally rented it for at least 5 years. Young and educated women had more difficulties establishing such cooperatives as they did not possess land for

using their knowledge of modern farming. In fact, in most farming women's cooperatives, farms belong to men who control the activities. They use the female relatives and friends to register a women's cooperatives to gain easy credits and other government support.

5-3- Employment Condition

Owners of firms often register the names of their workers as the members of cooperatives to change private firms to cooperatives. Women's cooperatives in our sample were small firms, and the owners of the cooperatives worked in the firm. Workers were usually formal members of the cooperatives, but without any share in the capital and management of the firms. About 34 percent of these cooperatives (25 firms) officially had more than 10 workers, but actually much less. In majority of women's cooperatives, the number of workers and working hours were flexible and could change easily in accordance with changes in market demands.

Many handicrafts and clothing cooperatives had small offices and their members worked in their houses and received piece work earnings much lower than the formal minimum wage even though, according to Iran's Labor Law, all firms have to pay the formal minimum wage and social insurance cost for their employees. Workers in 48 percent of our sample cooperatives were not the members of the cooperatives and worked as casual laborers¹ not covered by any social security insurance. Employment in most women's cooperatives was similar to small firms in informal sector: short-term, insecure and low-paid.

As Table 6 indicates, according to the formal data, 74 sampled women's cooperatives generated 871 new job opportunities, on average 12 workers for each cooperative. However, it was not possible to calculate the real employment of the cooperatives in our sample as it was claimed in most visited cooperatives that their members produce for the cooperatives in their houses. In fact, the job creation possibility of our sample cooperatives was very low. For instance, the formal employment data of one handicraft cooperative indicated that 146 members of the cooperative worked in the

1- Workers who are in informal jobs, work on daily wages and do not have any contract.

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firm. But apparently some of them (the number and proportion was not clear) worked in their houses, receiving the necessary materials from the cooperative and get their tiny wages for final products, while some of the members did not work in the cooperative. Most of the cooperative members had the same home-based jobs, prior to the formal registration of the cooperative. As another example, a food processing company with 40 employees was established in 1994. In 1999 it was changed to a women's cooperative whose members were the wife and other relatives of the owner of the factory. The registered cooperative got a loan and did not generate any new jobs.

Table 6: Employment in the Sample Cooperatives

Activities	Numbers of Cooperatives	Numbers of Employees	Average Employment
Carpet viewing	9	125	13.9
Clothing	16	147	9.2
Handicrafts	11	249	22.6
Industries	6	95	15.8
Agriculture	8	45	5.6
Driving & Computer training	11	66	6.0
Schools & Kindergartens	4	78	19.5
Other Services	9	66	7.3
Total	74	871	11.8

Source: Extracted from the research questionnaires

5-4- Male Dominance in Women's Cooperatives

Our research showed that in Mazandaran province, the management of the women's businesses and control of loans is often in the hands of men. It seemed normal for most women in our sample cooperatives to give the loan to their male family members. This attitude is based on the belief of men's collective responsibility for household welfare, including the welfare of women. So, investment in male assets is seen as an investment in the most widespread form of their familial networks. The membership of women in

such cooperatives is for applying loans and gaining other concessions. Such ‘‘women’s cooperatives’’, in fact, are the intermediates who reduce the costs of borrowing for men.

Twenty five percent of the women’s cooperatives in our sample were obviously managed by men. In these cases, the real users of the loans were the male relatives of the borrowers. For example, the owner of one private textile workshop, who was a man, registered it as a women’s cooperative in 2001. Eleven female workers of the workshop became the members of the newly registered “*cooperative*”. The owner of the workshop obtained good amount of loans that were in his complete control. He had arranged all the necessary legal documents that confirmed his property rights and prevented any legal ownership claims by the “cooperative” members. In a food packaging “women’s cooperative” the male owner had introduced some of his female relatives as the “*cooperative*” members and got the prioritized loan, but employed 15 part time and low paid women workers. In another case, the owner of a small sewing cooperative had given the borrowed money to her son-in-law; and the cooperative worked with much lower than the stated capacity, with two part time women workers. She told me that her son-in-law was expanding their business in other provinces with the cooperative’s loans and she seemed happy to be able to have a role in his investment programs.

5-5- Success Stories

The most successful women’s cooperatives were ordinary private firms that were established in 1980s by women who were already exercising considerable entrepreneurial initiative and could continue their activities, despite harsh competition and marketing problems, but they had formally transformed into cooperatives to facilitate their access to state subsidized loans. As an example, a handicraft cooperative that started business in 1986 was managed by a 45 year old woman. The profit rate was high and the cooperative had 15 part time workers, most of them producing artificial flowers at home. Another cooperative that designed and sewed curtains was established in 1986. The manager was a woman about 50 years old. This cooperative had acceptable profit and had 3 workers.

Another example was a firm that produced bed covers and was established in 1980. The manager of the firm was a 51 year old woman.

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Profit of the cooperative activity was low and the firm had 5 full time workers. All managers were married women with 12 years of schooling. All these private firms were registered as women's cooperatives in 1990s to get financial support from the government. Furthermore, the Ministry of Cooperatives provided several opportunities for these firms to sell their products in the national market by organizing exhibitions. Women's cooperatives had successes in many services, such as driving schools, kindergarten and high schools. According to Islamic rules, women are only trained by women teachers in high schools and driving schools. For instance, a high school (for girls) was established as a women' cooperative in 1999. The 52 year old principal of the high school was a married woman with B.S. degree and 20 teachers with university degrees worked in the high school. A driving school was established as a Women's Cooperative in 2002. The cooperative had seven women trainers. A computer training center that was established as a woman's cooperative in 1997 had eight trainers. The manager of the cooperative was a young and single woman. These services needed considerable amounts of capital to purchase the necessary equipment and rent suitable workplaces. Most women in these cooperatives had university education. Almost all respondents in these women's cooperatives stated that their personal motive to be active and economically independent was the most important factor for starting their businesses, while getting loan as a woman's cooperative helped them to cope with their financial problems. Although these cooperatives created secure jobs for their owners, most workers in these firms, who were not cooperative members, did not receive the formal minimum wage and were not covered by any social insurance. Our study confirms the results of other research (Yaghoubi 2006) in Zanjan province showing that women who had already started their own businesses could use the loans for expanding their activities, while most women could not start a new business using credit programs.

5-6- Performance of Local Cooperative Offices

While the main goal of supportive measures of the Ministry of Cooperatives is to generate new job opportunities, the most important objective of the local offices is to *increase* the number of newly established cooperatives and their official employment figures. Every year, the Ministry of Cooperatives publishes the formal statistics of its performance regarding

the number of cooperatives and the increase in employment of the cooperative sector to show its success. For example, in 2002, the cooperative office in Mazandaran province asked the Job Seekers Registration Centers affiliated with the Ministry of Labor and Social Affairs, to encourage job seekers to establish new cooperatives with at least 7 members. Each new cooperative was eligible to receive a USD 17,500 subsidized loan. As job seekers did not know each other in advance and did not like, necessarily, to undertake cooperative activities, it was clear that the main motivation of establishing cooperatives for them was to receive money. Many of these registered "*cooperatives*" got credit and did not start any business and became inactive very soon. The officials also tried to establish new "*cooperatives*" by persuading the traditional producers of handicrafts to register a formal "*cooperative*", to be able to receive long-term subsidized loans. They did not have any objection when formerly established private firms registered as "*cooperatives*". They justified such cases as new businesses as independent of the former ones. There were no new activities after switching the firms to "*cooperatives*", and when we interviewed the managers of such "*women's cooperatives*" and asked about the date that they started their businesses, they gave us dates prior to their work as cooperatives.

Cooperative offices generally are not very careful about actual levels of employment and production in registered firms. Ineffective monitoring caused unique opportunities of rent-seeking for the close relatives and friends of government authorities to set up "*cooperatives*" and obtain large amounts of easy credit. For instance, one small handicraft cooperative received about USD 9000 subsidized loan in 2002 and two years later, in 2004, got a new loan of about USD 10,000 to expand its production. The manager of the firm got the new loan, despite of disapproval of the local cooperative officers who did not accept the necessity of giving the new loan, by using her connections to some higher authorities. Another handicraft cooperative received a loan of about USD 20,000 for the purpose of investing in new machineries and equipment, but actually used the money for buying a piece of land. The old workshop remained dirty and unequipped with a few casual workers. Local officials did not even protest against the manager's behavior. They were satisfied that the cooperative could repay the installments.

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To increase the number of active cooperatives, officials try to change the data by putting some of the inactive cooperatives in the list of under preparation firms¹. They try to give new motives, in some cases new loans, to activate the inactive cooperatives. The lack of effective collaboration between women's NGOs and government officials to direct loans to interested and capable women who control the use of the money is one of the most important obstacles to successful implementation of access to finance policies for women's empowerment in Iran.

The weaknesses of the cooperative sector have caused some concern among a group of policy-makers. Many officials in the Ministry of Economics insist that government must put an end to special help to cooperatives and must treat them similar to other different types of firms (Mohseni 2005). Some government officials in Mazandaran province who at first had very positive views about the effectiveness of access to finance for women's cooperatives, have changed their minds and believe that money alone cannot create employment for women². Yet, there are other policy-makers, especially the officials in the Ministry of Cooperatives, who still argue for the effectiveness of the cooperative sector and its ability to guarantee economic growth, employment and social justice, using the formal statistics of growth in employment and production of the cooperative sector that are published by the Ministry every year.

6- Concluding Remarks

In the 1980s credit policies targeting women became a major focus of women's empowerment programs. It was supposed that micro credit could reach large numbers of women borrowers and initiate a series of 'virtuous spirals' of increased well-being for women and wider social and political empowerment. However, the findings of many researchers had shown that although credit programs have significant potential for contributing to women's welfare, there is no automatic benefit of access to finance for women, because many women have limited control over loans and/or the results in income. So, credit delivery does not automatically challenge existing decision-making patterns. Unless loans are explicitly directed and

1- Direct interview with the director of Cooperative Office in Babolsar.

2- Direct interviews with government officials in Tehran and Mazandaran.

monitored by the credit programs towards women's productive activities, the loans and incomes may be taken by men.

Women's cooperatives are one of the institutional settings for women's empowerment in many countries. However, cooperatives that are established with governments' financial support, in most cases, have not been able to realize this goal. The failure of women's cooperatives in Greece, which were established by the state subsidies and disappeared quickly, is an example that shows access to finance policies alone cannot change the economic and social position of women. The unsuccessful performance of women's cooperatives in Iran is another example.

Women's cooperatives began to be established in the late 1990s in Iran. The Iranian government provided generous credit facilities to the cooperative sector, as a lever to accelerate growth and employment and in the meantime to avoid increases in inequality. During past four decades, as Iranian women have increasingly entered the labor market, the unemployment rate among women has also risen considerably, because of the social and cultural constraints against women's work outside the house.

Our study shows that a large part of women's cooperatives in Mazandaran province that have received loans and are formally considered to be active, actually do not exist. Several women's cooperatives divide the money between the members and do not start any business; some others start work, but stop quickly. Active cooperatives are largely small private firms that are concentrated in producing handicrafts and clothing, the activities that do not need large amounts of capital and production processes that mostly occur in the homes of casual laborers who receive piece work earning and do not benefit from any type of social insurance. Most women in our sample cooperatives were married women in their forties with secondary education. It confirms the previous studies that traditional families do not support young single girls for establishing new firms. Women's cooperatives that survived for a long time, owed their success to a nucleus of women, who were particularly active and had leading entrepreneurship skills and continued their work in their own businesses. Many women's cooperatives are managed by male owners who introduce their female relatives and friends as the members of cooperatives. In such cases, female members act as mediators for borrowing from state banks, although they do not control the use of the borrowed money.

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While our field research in Mazandaran province depicts the picture of active and inactive women's cooperatives in 2003 in that province, the available official data from the Ministry of Cooperatives show similar trends in other provinces. Women's cooperatives are mainly established to take advantage of government loans and many of these registered "*cooperatives*" become inactive shortly after getting the loans. Without complementary programs for women's empowerment and active collaboration of women's NGOs that identify women who are interested and able to start businesses and monitor the use of loans, specific finance programs, in most cases, can create special rents for the persons who have close relationships with officials who can decide about the allocation of limited credits.

However, the findings of our survey, similar to another study about credit for women in Zanjan province, confirms that credit programs cannot motivate women to start a new business and are not sufficient for solving the problem of women's sub-ordinate position in society and in the household. This conclusion may be generalized to Iran only cautiously and still more research is necessary to extend the findings.

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