

FEMALE EMPOWERMENT  
THROUGH SOCIAL ENTREPRENEURSHIP  
IN EGYPT: AN EXPLORATORY STUDY

By

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Abstract: In our more progressive society oftentimes it is difficult to understand the degree of impoverishment worldwide. As a result studies have been conducted with particular emphasis on countries mainly in Asia and Africa, subjugating other countries to mere secondary data that represent overgeneralizations in the developing world. This study seeks to analyze female empowerment in Egypt and the role in which Micro Finance Organizations shapes this topic. The purpose is to refute recent allegations that label the practices of micro-lending as unethical. I begin by examining the theories and publications of many authors who have sought to define empowerment in various capacities. From there I draw on the socio-economic context of Egypt and its non-governmental organizations which render microcredit/microfinance programs. Theory and pragmatic application differ greatly; hence an exploratory study is included to examine microcredit in Egypt. Oftentimes individuals imply that female empowerment is relatively low in patriarchal societies, particularly in the Middle East and North Africa. This study seeks to challenge that idea by introducing the reader to an alternative perspective. I seek to build on the body of available data on Microfinance in Egypt, to blend academic perspectives and client experiences which may encourage future dialogue on the subject of using Microfinance to empower women in Egypt.

*Keywords: Empowerment, Microfinance Institutions (MFI), Micro Credit/Finance, Middle East and North Africa (MENA)*

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## CHAPTER I

### INTRODUCTION

In wake of the seemingly endless attempts at reducing global poverty, I have increasingly become interested with ways this can happen from within an impoverished community. Oftentimes you hear of donations, or support that UNICEF provides to developing countries and humanitarian aid through programs such as the Peace Corps and the United States Development Agency, but assessment of the community afterward is often overlooked. Training among community members is needed to sustain that economic stimulus and it is as a result that I hope to see what if any action has been taken by the people within the country of Egypt.

The financial sector plays an important role in developing countries directly affecting their economic environments. Microcredit/micro-lending is a microfinance tool, which has been used for the past thirty years to stimulate economic development and alleviate poverty throughout the world.



Microfinance aims to encourage entrepreneurial activities especially in rural areas where poverty remains high. Market penetration is through the extension of loans by microfinance institutions (MFIs) to people who have a desire to change their economic status, but lack access to loans through traditional venues (i.e. banks).

In 2005, the United Nations Economic and Social Council declared the year as the International Year of Microcredit. Presently, there are over seven thousand MFIs worldwide which lend to over sixteen million individuals. My study in the areas of International Business and Relations led to my interest in conducting research on microfinance with a focus on microcredit schemes in the Middle East and North Africa (MENA). This region is particularly significant because it lacks data on microfinance as an empowerment tool and because of the evident patriarchy (male dominance) in many households there. Egypt has one of the world's highest unemployment rates. Statistics show that Egypt has high numbers of MFIs with the goal of alleviating poverty and empowering women as a result of government policy. It is thus somewhat alarming that research alludes to the reality of an existing harsh disparity in gender equality in Egypt.

In a study conducted in 58 countries on all major continents, Egypt ranked 58 (or lowest) in terms of eliminating the gender gap. It is alarming that in today's 21<sup>st</sup> century with awareness and a heightened focus on gender issues, no country has yet managed to eliminate the gender gap. Although awareness has increased over the past few years, particularly the need to empower women through social, economic and political equality, the issue of gender in its socio-cultural context has hindered progress.

This research assesses the impact of microcredit in Egypt on female empowerment through social entrepreneurship. My broad objective is to assess empowerment of females in Egypt and examine the relationship between loans with regard to gender norms. The World Bank identified empowerment as one of the key elements to poverty reduction, and as a primary development goal. It is because of researching this paper that I journeyed abroad for a short period of time to gain firsthand tactical skills to contribute to this publication. At the time of initial departure I selected Alexandria, Egypt to intern with their microfinance organizations. My hope was that I would be given an insider's privileged access to clients, the MFI borrowing and lending methods used to try to help clients achieve sustainability. I contacted several microfinance organizations in Egypt but with research gathered from the Mix Market network my goal was to intern/train with Alexandria Business Association. However, once I became more acquainted with their webpage I realized that they offered limited non-financial services. At that point in time I contacted a nonprofit pairing entity located in Washington, D.C., Hands Along the Nile. Their staff paired me with a partner organization that would welcome me for training at their institution; Entrepreneurs Business Forum (EBF). EBF became the second organization where I sought a practical working experience. My hope was to analyze empowerment, see how both entities measure it through social entrepreneurial activities, mainly microfinance.

The conclusion of my trip is highlighted in the last section of this thesis. In this study, I give a background on microfinance, empowerment in relation to females, the microfinance organization I interned with, facts gathered and summaries drawn to enable readers to further explore this understudied sector particularly in Egypt.

## CHAPTER II

### LITERATURE REVIEW: MICROCREDIT & EMPOWERMENT

#### **Microcredit**

"If a man have not capital of his own, upon which to bestow his labor, it is necessary that he be allowed to obtain it on credit. And in order that he may be able to obtain it on credit, it is necessary that he be allowed to contract for such a rate of interest as will induce a man" –Lysander Spooner

The concept of microcredit/microfinance, as I will use these terms interchangeably, was first introduced in the late 18th or early 19<sup>th</sup> century. Recently we seem to have linked this to the Grameen Bank model in Bangladesh, which was founded in the 1980s by an economist, Mohammed Yunus. Microfinance is a term most commonly used to explain the delivery of financial services which can be in the form of loans, savings, insurance and training to impoverished people.

It has been a successful socioeconomic development tool in the last 30 years and has been supported by the international donor community, especially the US government and World Bank as a form of sustainable development (Bateman, 2012).

Microcredit involves extending small loans to people who lack basic merits and collateral to receive loans through traditional banking systems. Loans allow these people to move out of poverty if they can develop sustainable businesses of their own. Therefore, loans are made for business startups or entrepreneurial projects that will generate income for the borrowers. The poor become included in economic activity and financial democracy is reached globally (Bateman, 2012). Moreover, a difference is made in the lives of borrowers, even if that difference is small (Morduch, 1998).

Microcredit is an important tool for rural development in most developing countries. In recent years, most of these countries have promoted microfinance institutions and other non-governmental organizations to alleviate poverty. Microfinance is not only seen as a positive rural development, but also as a means of transforming poor household members into sustainable business owners while diversifying labor skills (Morduch, 1998).

Microcredit helps to reduce poverty by providing the poor with capital to start small businesses (Kikhattak, 2011). Hopefully the economic activity of these poor entrepreneurs while enhancing their own economic conditions by increasing their disposable incomes and providing greater access to education and health facilities can help raise the standard of living among their communities (Kikhattak, 2011). Therefore,

microcredit may potentially bring social and economic benefits to developing countries as a whole (Morduch, 1998)

There are several factors that differentiate microcredit loans from typical bank loans such as no collateral requirements, simple procedures, group lending support of one another, and flexible repayment schedules which target impoverished sectors of the population. It promotes greater interaction among community members, and may provide emergency funds (Kikhattak, 2011). Moreover, microcredit is seen as a way to stop exploitation of the poor in the informal economy by providing small loans at low cost to finance economically viable projects (Morduch, 1998). Microenterprises are usually created with fewer than 10 employees working for the entrepreneur (Brandsma et Al, 1998). Women make up a large percentage of microfinance borrowers largely because they are believed to repay their loans at much higher rates than males, and to use their income to positively impact their households and families more than males (Pitt et Al, 1998).

### **A Brief History of Microcredit**

It has its origins in the 18<sup>th</sup> century. Jonathan Swift was a well-known Irish author and nationalist who was one of the early progenitors of microcredit. He started the Irish Loan Funds in the early 1700s to provide credit without collateral to the poor of Dublin. He believed that the answer to the honest and impoverished tradesman was access to capital. The Irish Fund he began was from his own capital. His borrowers were given loans in cases when their neighbors presented guarantee on behalf of them. Today we refer to this practice as “group lending”. In Swift’s case, tradesmen taking out loans

would need to have two individuals sign on behalf of them to verify that they are honest and capable of repaying them. As Swift quoted “for it was a maxim with him, that any one known by his neighbors to be an honest, sober, and industrious man, would readily find such security; while the idle and dissolute would by this means be excluded”. Collateral is replaced with witnesses who act as “co-signers”. The Irish fund died out after Swift passed away.

Lysander Spooner, a notable American who was born and raised in Boston, advocated his belief was that slavery, the economy, legal practices and government influenced in the free market. Spooner believed that it was beneficial for people to be self-employed (entrepreneurial) so they could reap the benefits of their own labor instead of being taken advantage of by major capitalists. To him, capitalism driving the industrialization of our country was alienating workers from the products they made because the ultimate beneficiary was the employer/major corporation. Spooner advocated against the government and banks and criticized education which was only made available to the urban upper class. Spooner ended up in numerous court battles which absorbed his lending capital. Thus he never had the chance of to introduce plans to support “entrepreneurism”.

We can observe that the idea of microcredit has existed for centuries, but its adoption has taken place at different times in different regions of the world. For example, Jordan has the oldest microfinance institution in the Middle East dating back to 1937, known as the Near East Foundation. Other MENA countries (Egypt and Tunisia) did not follow until 1970. Seventy percent of present day microloan programs were launched during the period of 1987 to 1990 in MENA, with Egypt accounting for 66% of the

region's borrowers (Bandsman et al, 1998). Although religious and cultural barriers exist that forbid interest rates on loans, there have been various forms of microfinance which have emerged to fill this void through Mudaraha or Musharaka Islamic Finance. Akhtar Hameed Khan was born in Britain in the late 1950s of Pakistani descent and studied in England and the U.S. His central focus was social science and developmental activities. While in residence at Cambridge University he developed an interest in grass roots organizations. He pursued his doctoral degree in law at Michigan State University. After leaving the United States he ended up serving on the Pakistani rural development academy and founded the Comilla and Orangi pilot project. These projects sought to assist the poor with infrastructure, training and development in rural areas presenting a lack of opportunities.

The Comilla project followed a microcredit methodology by providing credit to East Pakistanis through community based initiatives. Comilla focused on rural development and poverty alleviation and provided training to the poor. This project's main aim was rural development, particularly cooperative microcredit. The Organi project was located in one of the poorest locations, Karachi, and served a working class multiethnic population composed of skilled workers, day laborers and artisans. Several programs were under this pilot project which including; finance and managed low-cost sanitation, basic health and family planning programs, a program of supervised credit for small family enterprise units, an education program, and a rural development program.

An economist, Mohammed Yunus, who was working at Chittagong University in Bangladesh, heavily influenced modern practices of microcredit. In 1976, he formed the Grameen Bank because of his personal experiences with locals. He offered \$27 dollars to

some people in need. After being repaid he found that very small loans could significantly impact a poor person's life. The Grameen Bank was intended to serve impoverished clients who had no collateral for loans and lacked basic merits to receive one. After the Grameen Bank opened, Yunus decided to implement policies that differed from the traditional banking system found in Bangladesh. He offered females loans through a group lending approach, whereby the village women work together to help repay loans and aid in their own entrepreneurship. Meet up was required weekly to ensure that loan repayment was done. Many adjustments have been made during the quarter century of Grameen's operations and it has developed into a major economic force in Bangladesh.

In 2005 the United Nations proclaimed that year as the year of microfinance. This resulted in a boom in new microfinance institutions around the world. Microfinance has become main stream. However, Kofi Annan states "most poor people in the world still lack access to sustainable financial services, whether it is savings, credit, or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives" (UN, 2006). However as with most practices microfinance has gained its share of detractors. Several scholars have concluded that the impact of microfinance has little or no negative impact on the populations that these loans seek to assist. The Bolivia microcredit industry crashed in 1999 as a result of over-commercialization of its microfinance network (Rhyne, 2010).

However, problems surfaced in Andhra Pradesh, India where over indebted clients committed suicide during the 1990s (Bateman, 2012). The lack of microcredit



governance in 2009 may have contributed in Bosnia to its economic woes. A major economic and social crisis unfolded in direct correlation to the rise of its microcredit sector (Bateman, 2012). In addition, several scholars have concluded that sustainable development is created through non-financial support i.e. technology, training and other forms of innovation that microfinance institutions often fail to provide. Other opponents to microfinance find that it has become a lucrative industry aimed at increasing profits of major global financial institutions seeking higher returns (Sinclair, 2012). Julia Elyacher in her book *Markets of Dispossession* addresses the idea that microfinance is a form of capitalism which seeks to enslave and entrap the poor in their socio economic status while allowing the well off to reap the interest repaid from these lending practices.

### **Empowerment**

This section examines the theoretical construct of the term “empowerment,” and its facets. To understand empowerment thoroughly one must look at its various meanings across contexts but this review will focus on its meaning only in the context of economic empowerment and in its associated psychological sense. As such, it is important to understand that the term has been discussed since the early 1980s (Wilkinson, 1998) and has more recently gained popularity in wake of feminist movements, particularly in the twenty-first century. Koh and Lee in 2001 stated that empowerment is a new and unique concept reaffirming Wilkinson’s idea that “Empowerment is rarely located in a historical context because it is a new phenomenon” (Wilkerson, 1998). Today, empowerment in its current use reflects recent developments, although the basis and ideas underlying the term go much deeper (Wilkinson, 1998).

The term empowerment has been defined as an outcome and as a process. The actual definition varies from author to author and importantly in the context in which it is used. Empowerment refers to a process of gaining influence over events and outcomes of importance (Rappaport, 1981). According to UNIFEM “gaining the ability to generate choices and exercise bargaining power”, “developing a sense of self-worth, a belief in one’s ability to secure desired changes and the right to control one’s life” are a few aspects of empowerment. For my purposes, I’ve selected a definition which relates to the objective of this research. This research hypothesizes that female empowerment is feasible through micro-entrepreneurship initiatives. Therefore, “empowerment is a series of experiences in which individuals learn to see a closer correspondence between their goals and a sense of how to achieve them, gain greater access to and control over resources and where people, organizations and communities gain mastery over their lives” (Zimmerman, 1995).

Empowerment may be captured by a linear or cyclical model; with a set of stages people go through or in the case of the latter a series of intertwined steps. Both approaches can be connoted as there is no substantial evidence that they may be applied generically to all contexts. In fact, theorists such as Kieffer in 1984 argue for a linear model, one that sparks from birth until death in what he defined as a “progressive” way. Essentially an individual’s birth is referred to as the era of entry and with aging, one masters their situation. However, since this body of research is focused in particular on female empowerment, I favor the cyclical model that has been referred to as a more integrated and nuanced feminist conceptualization. The cyclical process is comprised of a position, a conscientization element, and interpretation leading up to an individual

changing in their environment (Carr, 2003). Below the components of this model are detailed.

Gutierrez, in 1994, posited that the fundamental change in a person's consciousness is necessary for engaging in empowerment building as originally conceived by Freier in 1970. Freier found that intensive reflection about oneself is necessary to consciously bring change. This was later labeled "conscientization," a key element in the cyclical process that allows an individual to look through their personal framework and from it develop a psychological understanding of oneself in the sociopolitical dimension.

The first element of the cyclical model is the position of the individual (Carr, 2003). The position is essentially the stance that one has been forced into which has provoked them to seek change. This position can also be referred to as a position of helplessness, powerlessness, or a weak occupational status. There may be multiple situations that correspond with uniqueness to the diversity of each person, their realities and their nature of positionality (Carr, 2003). It is this position that sparks the empowerment process (Hart, 1996).

Conscientization is the second component that is often at the forefront of producing outcomes from the cyclical empowerment process. Conscientization is the view of self in society that feminists have suggested is the best way to view one's position or possible positions. The term consciousness-raising has developed from conscientization by feminists who felt women are able to view their experiences in comparison to peers thereby elevating their personal situation to a level that they seek to reach. This then creates critical consciousness (Gutierrez et al., 1999). To continue the

empowerment cycle it is necessary to understand another subcomponent of conscientization, identity. Identity which is a crucial element to the empowerment process is the road to discovering the identity of oneself.

The third element following position and conscientization and consciousness raising is interpretation which is the building of either a group identity, or a group consciousness. The perceived self is now involved in a social process capable of changing social order (Gutierrez, 1995). Often members who are in a position of oppression are invisible to themselves (Mackinnon, 1989): and because they are invisible, they tend to be more alienated and lack self-knowledge. Interpretation is then the agency that allows for the possibility for change (Alcoff, 1994). Because identity is continually changing, interpretation is a key component in shaping identity. Interpretation among a shared group of women will allow them to understand how they relate to the environment (Parsons, 1991). They are directed by and able to break free of patriarchal discourse (Lauretis, 1986). Patriarchy refers to male control that oftentimes is present in society and within the household which once defined through interpretation may become the impetus for women to seek change (position). Mobilization is what allows activism instead of passivity and allows women to look at options for identification and action (Hart, 1996).

The last element of the cycle, the outcome is change women have achieved after they have gone through the empowerment process. This is not the end of the cycle or else it would be seen as linear process, instead it leads to one of two outcomes, either a failed or positive outcome. A failed empowerment outcome is the unsuccessful attempt by the individual to change their conscientization and thereby their position. The failed

attempt allows for the chain to restart only if conscientization is done to allow the individual/group to reexamine the surrounding environment with a newfound knowledge of the obstacles they face. Hopefully this results in an ontological change eventually leading to an empowered group of individuals. On the other hand, a positive outcome will allow the individual to feel empowered and seek to remain in this position of power, thereby reassessing their present state and beginning once again the cycle from a more empowered position.

Empowerment models and frameworks such as the cyclical model are heuristic in nature because they promise an understanding of the enabling activity and measures of the process of empowerment (Fawcett et al., 1995). Empowerment is difficult to assess because it varies across levels, domains and time, therefore by looking at economic change as a failed/successful outcome is somewhat ambiguous since it is simply a general outlook of individuals in their respective environment. Additionally, because empowerment is used broadly it can involve many environmental factors that limit its viability despite the individual/group attempts. Further, it is important to understand that empowerment is not a position that can be labeled absolutely. “There is no absolute threshold that once reached can be labeled as empowered” (Zimmerman, 1990).

Empowerment embodies interactions, and unfolds in different ways and timeframes.

In patriarchal societies, discrimination against females at home or in their businesses may reduce the likelihood that women can change and succeed outside of the home.

Therefore, there are environmental factors that constitute barriers to initiatives in the long run which affect individual/group efforts (Fawcett et al. 1995). To consider environmental factors is to look at empowerment from a psychological state of mind.

Psychological empowerment is simply the view of the individual in addition to changes in society and surrounding factors. Psychological empowerment can be measured through skills learned by social contact, the fulfillment of obligations and helping others (Kieffer, 1984; Zimmerman & Rappaport, 1988).

To understand the differences between individual and psychological empowerment sorting out empowerment theory is necessary. Empowerment theory changes in the context in which it is used (Rappaport, 1984). The idea is that the individual who seeks to be more empowered is active in the community and their ability to participate in decision making at home or in the business world (Kiefer, 1984). Individual oriented conceptions of empowerment differ from psychological empowerment. Interpretation is necessary and significant (Zimmerman, 1990). Individual conceptions of empowerment neglect contextual considerations and treat empowerment as a personality variable (Zimmerman, 1990). At the individual conception “individuals gain mastery and control over their lives” (Berger & Neuhaus, 1977). An analysis of the individual level is the “development of skills, effective participation in decision making, elements of self-esteem, sense of importance and perceived efficacy” (Zimmerman et al., 1993).

Psychological empowerment is similar to individual oriented conceptions in that it factors in trait considerations but also looks at environmental factors, interactional, behavioral and intrapersonal components (Zimmerman et al., 1993). Environmental factors may hinder and at times assist individuals who seek to become empowered. These factors can include the lack of voting rights as in previous years were seen in Saudi Arabia but more recently has changed. Therefore, although women have a strong

understanding of political ideologies they were unable to voice their personal opinions.

“A more contextual and collectivist orientation does not ignore individual experiences of control, rather it allows for a more culturally sensitive theory of control that is consistent with empowerment theory” (Van Uchelen, 1989). This means that it is necessary to look at outside influences past the individual to study empowerment.

Psychological empowerment requires contextual analysis because in viewing empowerment through an individual conception, one can reach false conclusions i.e. an individual can politically fail and is therefore not empowered when in fact “an empowered individual may have no real political power but have an understanding of choices in different situations” (Glidewell, 1970). Psychological empowerment can include the individual’s ability to develop skills, cultural awareness and collective action while building on intrapsychic processes. Intrapersonal components include variables that distinguish groups defined by the level of participation, and the activities in the community that are the behavioral components of psychological empowerment (Zimmerman et al., 1993). It is essentially self-perception, self-efficacy and perceived competence (Paulhus, 1983). The second component of psychological empowerment that Zimmerman posited was the interactional component which is the central difference between psychological and individual empowerment; the transactions between person and their environment that enable one to be successful in their surrounding environment (Zimmerman et al. 1993). These transactions can include resource mobilization (McCarthy & Zald, 1978), understanding causal agents (Sue et al., 1980), awareness of environment (Kieffer, 1984) and decision making. Causal agents require an analysis of the individual’s knowledge of societal issues and their ability to decide in situations they

face in addition to the environmental factors that are present. The agents which influence decision making include resources, money, events and even natural disasters (Sue et al., 1980). The last component which Zimmerman and several authors allude to that differentiates psychological empowerment (collective) from the idea of individual empowerment (individualistic) is the behavioral component. This refers to the actions one takes to exercise influence in the surrounding environment i.e. participation in organizations, service groups, and faith groups. There has been research that suggests participation in these organizations reflect voluntary participation which is manifested from psychological empowerment (Berger & Neuhaus, 1977).

To emphasize the importance of psychological empowerment, it has been conceptualized as four cognitions (Koh & Lee, 2001). These cognitions relate to work relationships between a superior authority (manager) and a subordinate (employee) which differs in my primary focus, but household in Muslim societies may put women in inferior positions. The four cognitions that employees are theorized to possess are meaningfulness, competence, self-determination, and impact. Meaningfulness is the value of the task or goal proposed (Thomas & Velthouse 1990), competence of the individual's ability to perform the activities skillfully (Gist. 1987), self-determination in the autonomy of work behavior and processes (Bell & Staw, 1989) and impact is also known as the influence of goal related outcomes (Splitzer, 1989). These four cognitions imply that it is necessary for individuals to fulfill all four in order to reach empowerment; they serve as a set for understanding psychological empowerment (Thomas & Volhouse, 1990). The implication of these cognitions is that empowerment is not just individually pursued but is shaped by the work environment (or household), and is ongoing as



previously mentioned in explaining the cyclical model of empowerment. However, empowerment as described by these components cannot be globally generalized as factors in each country differ greatly (Thomas & Volhouse 1990).

Although the four cognitions of workplace empowerment differ from the three components that make up psychological empowerment, their conceptualizations overlap greatly. These cognitions are present in individuals in the work environment regardless of the specific industry. Several of these cognitions are represented in the intrapersonal component of psychological empowerment as self, motivational goals, and the ability to produce an outcome are similar.

It should now be clear that the term empowerment is a theoretically driven and may be differentiated by the context in which it is used. It can be limited by factors outside of the basic business model, factors found in the environment and faced through cultural implications. This doesn't mean that those who seek to become empowered are not strong, but rather that they face societal obstacles that limit them. Substantial effort may be required to bring change, especially in cultural values that are incompatible with the initiative of women becoming empowered (Fawcett et al. 1995).

In summary, empowerment is a multidimensional social process that helps people gain control over their lives. It is a process that fosters power in people for the use in their lives, greater communities (Czuba, 1999). Czuba's definition of empowerment is indicative to an important aspect of the sociological, psychological and economic dimensions involving empowerment. The dimensions which align with this research include the sociological: gender consciousness, class, religion, the "individual

consciousness” introduced above as self and the psychological dimension of being environmentally active. The social dimension of empowerment is one I feel should be addressed with great caution. Gender in particular plays a large role in this dimension and is in fact what this research is focused on.

While there are many different approaches to understanding gender consciousness my primary reasoning for studying empowerment is to understand whether it is encouraged by entrepreneurial efforts. Female empowerment is an issue that has been discussed for a long time; through various feministic movements, females have made great strides in bridging the gap brought on by gender discrimination. Empowerment of females is probably a universal struggle today. My focus on female empowerment stemmed from developmental research on gender inequality. Several intergovernmental agencies such as the United Nations Development Program, the World Bank and others indicate the growing inequality particularly in developing societies. Inequalities in society often limit growth and development, which has been reaffirmed through reports issued by the World Bank confirming that there is a direct correlation between gender discrimination and greater poverty. This poverty slows growth, weakens economies and adds to lower living standards for the general population. Women are said to spend more on household necessities thereby stimulating the economy if they have access to disposable income. Overall, household consumption and general economic status increase. CIDA found that gender equality is essential for economic and social progress. Additionally, UNDP reported that 70% of the world’s poorest of the poor are women (Human Development Report, 1995) who live on less than a dollar a day. Women are said to have high unemployment and make up the majority of the informal work sector,

subjugating them to harsh working conditions. Women are relatively more disadvantaged than men and women compose over 74% of the 19.3 million clients served by microfinance institutions (Microcredit Summit, 2001). According to authors such as Naila Kabeer, there are several reasons why women should be treated as investments as they collectively serve their household rather than personal welfare more than men. Most poverty studies analyze poverty on the household level and lack substantive evidence of the amount of impoverished women within the household (Baden and Milward, 2000). This research will hopefully add to our knowledge about how to assess females and their degree of empowerment outside and within their households.

Lastly, female equality is now an issue of human rights. In wake of the Arab spring the issue of human rights proves to be a crucial component to assess, as several violations have occurred in the Middle East and North Africa, particularly in Egypt. “Empowerment of women and gender equality are prerequisites for achieving political, social, economic, cultural and environmental security among all people (Beijing, 1995). Quantitative methods of understanding empowerment are often limited as they reveal the general issues societies face rather than the details of everyday life. Additionally, secondary data often lacks the precision necessary to understand the plight of women.

Therefore, I’ve decided to take a qualitative approach in this paper. Qualitative approaches such as in-depth case histories involve investigative reporting (Levine, 1980) and participant observation surveys are useful starting points to expand on little understood topics. This qualitative study hopes to examine theoretical models of empowerment by examining the hypothesis that micro-entrepreneurship organizations can assist individuals to become empowered through self and environment fit

(psychological empowerment). The study looks at variables that the components of psychological Empowerment follows and assesses the environment surrounding the selected individuals.

Although this study is conducted in Egypt, a strongly collectivistic society, it is my hope to view the individualism of each client within this society. In viewing clients individually I align with scholars interpretation that “people control their own decisions, seek information and then have greater control” (Gill, 2012) rather than socio political institutions ability to influence their decision making abilities. It has been widely understood that Empowerment Theory is individualistic in nature as analysis has been of Western origin. “The person creates reality” a cognitive approach from our American psychic where “the individual’s mind is the determinant of the behavior and that which is fostered in the person’s head” (Sampson, 1983). It is relevant that I make the distinction between individualism versus collectivism in studying empowerment. It has been found that “Cultures with strong individualism have difficulty moving to group work and in reaching empowerment” (Cakar & Erturk, 2010). The ability to work in the group while retaining “Identity” is a crucial element to the cyclical process of empowerment. Further, authors point to the over emphasis on personal mastery/control when viewing empowerment rather than cooperation within the community (Speer, 1999) in doing so they risk disconnecting the individual from society - “sense becomes individual...and the political is made personal” (Riger, 1993). The flaw is a creation of Marxists “False Consciousness”. “The individual’s experience of power/lack thereof may be unrelated to the ability to influence and an increase the sense of empowerment may not actually reflect an increase in actual power (Riger, 1993).

It is my hope to support a new hypothesis about defining empowerment as it applies to females in Egypt.

## CHAPTER III

### COUNTRY OVERVIEW

#### **Demographics**

Egypt lies in the northeast corner of Africa, with the second largest economy in the Arab world after Saudi Arabia. Egypt shares its borders with Libya to its west and Sudan to its south. The land mass is roughly 997,739 square kilometers, comparable to the size of the state of Texas. Only 35,190 square km is settled and cultivated, which amounts to about 4% of the country (CIA, 2012). Egypt's northern coast is the Mediterranean Sea and its eastern coast is the Red Sea.

The population of Egypt is roughly 76.5 million as of 2006, with 43.4% of the population living in urban areas. It has been estimated in 2004 that the number of people below the poverty line amounts to 28.5 million living in nearly four million households. Egypt is considered a developing country with numerous economic and political problems. This is reflected in the scarcity of job opportunities and increasing unemployment.

Egypt is also suffering from increased population growth rate, which negatively impacts the national per capita income growth rate (CP, 2002).

**Economy Elements:** The Egyptian economy struggles to support its growing population. The below chart details pertinent information about demographics and the most recent population statistics after the revolution which took place on January of 2011 which led to an economic decline.

<p><b>Area:</b> 1,001,450 sq. km</p> <p><b>Population:</b> 76.5 million (Census 2006)</p> <p><b>Capital City:</b> Cairo (population - 17 million)</p> <p><b>People:</b> Eastern Hamitic (Egyptians, Bedouins, and Berbers) (99%); Greek, Nubian, Armenian, other European (primarily Italian and French) (1%)</p> <p><b>Languages:</b> Arabic (official), English widely understood</p>
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Table 3.1

<p><b>Real GDP growth:</b> 1.8% (FY2010/11)</p> <p><b>Inflation:</b> 9.5% (Dec 2011)</p> <p><b>Unemployment:</b> 12.4% (Dec 2011)</p> <p><b>Net international reserves:</b> \$16.4 billion (Jan 2012)</p> <p><b>Exchange rate:</b> 1 US\$=6.03 Egyptian pounds. £1=9.4 Egyptian pounds (Jan 2012)</p> <p>*CIA-World Factbook</p>
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Table 3.2

## **Formal Sector**

The structure and composition of an economy can indicate the environmental extremes that some workers are subjected to, their employment opportunities and the nature of its industries. This is particularly true when viewing the formal and informal sectors of an economy. To understand this poverty in Egypt, one must attempt to define these sectors and then examine their components.

Private business/companies exist in both the formal and informal sectors of an economy. In addition the formal sector possesses public companies/entities. They are public because “it’s the part of an economy in which goods and services are produced and/or redistributed by and for government agencies” (Johnson et al., 1995). Thus the composition of the public sector varies by country.

In Egypt, the public sector is comprised of three major industries. These industries are food and commodity production, public pension activity, and energy production (Glomm & Jung, 2010). The largest is petroleum/oil operations. The second largest industry is the public pension/spending which serves social institutions and investments. The last of the three industries that define the public sector companies is its food and other commodities producers (Glomm & Jung, 2010).

Public sector employment is limited to civilian central government, sub-national government, education, SOE and health employees, police, and armed forces. In 2009, the World Bank found “public sector employment as a factor of total employment at roughly 25%”. Public sector employment and investment in the past have exceeded the private sector (Glomm & Jung, 2010). Public sector work in the late 1950 to the 70s had



reduced unemployment in Egypt (Assaad & Hamidi et al., 2000). More importantly the government's guaranteed employment policy absorbed the bulk of labor force entrants (Hassan & Sassanpour, 2008). This guaranteed employment policy created labor in the public sector of the Egyptian economy. The public employment guarantee, however, in the 1980s had an adverse effect on the economy (Assaad & Hamidi et al., 2000). This adverse effect was due to inefficient economic policies to combat a growing population and the number of rising college/vocational graduates. Since the 1800s the population of Egypt has doubled over seven times (Kjeilen, 2009). Between 1950 and the 1980s the population grew from just over twenty million to forty-three million. The 2006 census estimated Egypt's population at seventy-two million, an increase of thirty-seven percent over the 1996 figure (African Development Bank, 2009). "When the guaranteed employment policy was first instituted the impact was significant because only a small number of eligible graduates existed. Over time the policy had major consequences" (Assaad, 1997). There was a direct correlation in unemployment with the increase in population, and a rise in enrollment in higher education institutions. Therefore, the number of graduates grew at 12% per year between the years of 1963-83 (CAPMAS, 1965-85). The employment demands were not met by public sector opportunities as Dr. El Mahdi from The American University of Cairo in 2005 stated. "We need every year between 600,000 and 800,000 new jobs while we've been able to do 500,000 new jobs a year" (El Mahidi, 2005)".

"Feminization" in the government labor force (public sector) has occurred. This is attributed to sex discrimination in the private sector among other factors. Private sector employment as defined below includes casual wage employment that is not socially

acceptable to females in Egypt (Assaad & Hamidi et al., 2000). Hence, many female graduates remain in the job queue for public employment (Assad, 1997). Females although represented as two thirds of the public sector, are disproportionately represented in the overall unemployment rate. In 1995, women made up 50% of unemployment and were only 25% employed (Assad, 1997). Reports produced by the United Nations in 1998 suggest that women are only 20% actively employed in the Egyptian economy (Statistics and Populations Division of the United Nations, 1998-99).

The second type of business/entities that make up the formal economy that I've mentioned that also make up the informal economy are private businesses/self-employed. The private sector of an economy consists of "companies not owned by government" (Oxford Dictionary). Companies may be privately owned and operated but publically regulated as is the case with major oil companies who are regulated by the government within the country but whose ownership is privately held and operated.

In Egypt the private sector is composed of large, small and micro businesses. In fact there are over 2.5 million private businesses (African Development Bank, 2009). The majority of which invest in industries such as oil, gas, manufacturing, tourism and finances (African Development Bank, 2009). The largest of these industries, oil and gas companies, constitute roughly 50% of export activities with a GDP recorded of 14% (Ministry of Petroleum, 2007/8). Tourism appears to be the second largest private industry although it has been greatly reduced since 9/11 attacks, the recent revolution and growing Middle East conflict although it does remain as a major revenue source for Egypt.

Private sector growth has resulted from more private companies, privatization of public properties, stock, investments, and small microenterprise growth. Small Micro Enterprises (SMEs) were strongly supported by the former Mubarak government. In fact, the creation of the Social Development Fund and banks offering microfinance flourished (African Development Bank, 2009). The private sector in Egypt has experienced a large boom since the late 20<sup>th</sup> century until the “Arab Spring” revolution. In fact, the rate of growth had reached 144.6% pushing the government’s “public sector” to become the second most growing economic sector at an average of 6.88% (CAPMAS, LFSS 1995-2001). The chart below represents the public and private industries in the twenty first century in Egypt. The latter also shows by gender the statistics employed in the private sector.

<b>Distribution of Working Individuals by Economic Activity and sector (2007/2008)</b>						
	<b>Male</b>		<b>Female</b>		<b>Total</b>	
	<b>Figures in hundreds</b>	<b>%</b>	<b>Figures in hundreds</b>	<b>%</b>	<b>Figures in hundreds</b>	<b>%</b>
<b>Agriculture, Irrigation &amp; Fishing</b>	<b>67</b>	<b>1.1%</b>	<b>5478</b>	<b>37.1%</b>	<b>5545</b>	<b>26.6%</b>
<b>Extractions</b>	<b>10.4</b>	<b>0.2%</b>	<b>110.6</b>	<b>0.7%</b>	<b>121</b>	<b>0.6%</b>
<b>Oil &amp; Natural gas</b>	<b>3.2</b>	<b>0.1%</b>	<b>86.8</b>	<b>0.6%</b>	<b>90</b>	<b>0.4%</b>
<b>Others</b>	<b>7.2</b>	<b>0.1%</b>	<b>23.8</b>	<b>0.2%</b>	<b>31</b>	<b>0.1%</b>
<b>Manufacturing</b>	<b>249.5</b>	<b>4.1%</b>	<b>2550.3</b>	<b>17.3%</b>	<b>2799.8</b>	<b>13.5%</b>
<b>Oil refining</b>	<b>19.5</b>	<b>0.3%</b>	<b>24.3</b>	<b>0.2%</b>	<b>43.8</b>	<b>0.2%</b>
<b>Others</b>	<b>230</b>	<b>3.8%</b>	<b>2526</b>	<b>17.1%</b>	<b>2756</b>	<b>13.2%</b>
<b>Electricity</b>	<b>155.9</b>	<b>2.6%</b>	<b>0.4</b>	<b>0.0%</b>	<b>156.3</b>	<b>0.8%</b>
<b>Water</b>	<b>135.8</b>	<b>2.2%</b>	<b>0</b>	<b>0.0%</b>	<b>135.8</b>	<b>0.7%</b>
<b>Construction &amp; Building</b>	<b>115</b>	<b>1.9%</b>	<b>1525</b>	<b>10.3%</b>	<b>1640</b>	<b>7.9%</b>
<b>Transportation, Storage &amp; Communications</b>	<b>276.6</b>	<b>4.6%</b>	<b>743.4</b>	<b>5.0%</b>	<b>1020</b>	<b>4.9%</b>
<b>Suez Canal</b>	<b>16.7</b>	<b>0.3%</b>	<b>0</b>	<b>0.0%</b>	<b>16.7</b>	<b>0.1%</b>
<b>Wholesale &amp; Retail Trade</b>	<b>48.8</b>	<b>0.8%</b>	<b>1860.6</b>	<b>12.6%</b>	<b>1909.4</b>	<b>9.2%</b>
<b>Financial Intermediaries &amp;</b>	<b>83</b>	<b>1.4%</b>	<b>80</b>	<b>0.5%</b>	<b>163</b>	<b>0.8%</b>

<b>Supporting Services</b>						
<b>Insurance</b>	<b>48</b>	<b>0.8%</b>	<b>29</b>	<b>0.2%</b>	<b>77</b>	<b>0.4%</b>
<b>Restaurants &amp; Hotels</b>	<b>2.4</b>	<b>0.0%</b>	<b>377.6</b>	<b>2.6%</b>	<b>380</b>	<b>1.8%</b>
<b>Real Estate</b>	<b>73</b>	<b>1.2%</b>	<b>619</b>	<b>4.2%</b>	<b>692</b>	<b>3.3%</b>
<b>General Government</b>	<b>4756</b>	<b>78.5%</b>	<b>0</b>	<b>0.0%</b>	<b>4756</b>	<b>22.9%</b>
<b>Education &amp; health</b>	<b>24.3</b>	<b>0.4%</b>	<b>1373.7</b>	<b>9.3%</b>	<b>1398</b>	<b>6.7%</b>
<b>Total</b>	<b>6062.4</b>	<b>100.0%</b>	<b>14747.6</b>	<b>100.0%</b>	<b>20810</b>	<b>100.0%</b>

Table 3.3-CAPM

<b>Distribution of Working Individuals (15-64) by Sector and Gender (2008)</b>						
	<b>Male</b>		<b>Female</b>		<b>Total</b>	
	<b>Figures in hundreds</b>	<b>%</b>	<b>Figures in hundreds</b>	<b>%</b>	<b>Figures in hundreds</b>	<b>%</b>
<b>Government</b>	<b>36680</b>	<b>20.3%</b>	<b>16727</b>	<b>37.5%</b>	<b>53407</b>	<b>23.7%</b>
<b>Public</b>	<b>7106</b>	<b>3.9%</b>	<b>651</b>	<b>1.5%</b>	<b>7757</b>	<b>3.4%</b>
<b>Private Sector (Inside Establishments)</b>	<b>46017</b>	<b>25.5%</b>	<b>5414</b>	<b>12.1%</b>	<b>51431</b>	<b>22.9%</b>
<b>Private Sector (Outside Establishments)</b>	<b>86919</b>	<b>48.2%</b>	<b>21379</b>	<b>47.9%</b>	<b>108298</b>	<b>48.1%</b>
<b>Investment</b>	<b>3025</b>	<b>1.7%</b>	<b>354</b>	<b>0.8%</b>	<b>3379</b>	<b>1.5%</b>
<b>Others incl. Foreign and Cooperatives</b>	<b>668</b>	<b>0.4%</b>	<b>133</b>	<b>0.3</b>	<b>801</b>	<b>0.4%</b>
<b>Total</b>	<b>180415</b>	<b>100.0</b>	<b>44658</b>	<b>100.0</b>	<b>225073</b>	<b>100.0</b>

Table 3.4-CAPM

The Egyptian private labor market has been viewed as being “Efficient, no binding minimum wage, wages are flexible; non-wage costs (although significant) are in most cases non-binding and employers follow fairly liberal hire/fire practices” (Hassan & Sassanpour, 2008). More recent industry statistics indicate that of the labor force in private companies 32% are in agriculture services, 17% in industry and the rest 51% in service occupations (CIA World Factbook, 2012). Presently employed in the formal economy are roughly “6.8 million that he estimates for the formal private sector” (Galal 2004).

Running a business in the formal economy generates several benefits namely, publicly provided goods, but many market entrants select the informal economy to avoid formal costs. Formal costs are any fixed fees associated with complying with government regulatory measures (Levenson & Maloney, 1996). It is implied that there is a firm size dualism in the economy in that the largest informal sector firms are smaller than the smallest formal sector firms (Choi & Thum, 1998).

In Egypt, the constitutional provision on Civil Service and non-governmental organizations (NGOs) allows them simple entry in the formal economy. Law 32 of the Egyptian constitution states “all NGOs are to be registered through the Ministry of Social Affairs”. As was previously mentioned however, an entity may operate within the formal economy and be informal in nature. Often, this is the case with entrepreneurs or micro finance clients of registered NGOs whose businesses or employment practices are not made formal. Therefore, the umbrella NGO is formal with its clients as informal.

### **Informal Economy**

“The worse the economic situation, the bigger the informal sector grows. And with the weakening of monitoring authorities, employers are abusing their workers, forcing them to work in tougher conditions with lower wages,” said independent economist Abdel Khalek Farouk.

The term informal economy was initially assessed in the 1600s and continues to be defined and shaped to today (Swaminathan, 1991). The term was initially derived to describe work activities in developing countries but has since overlapped into developed countries. Although there are several definitions of the term informal economy all

definitions manifest three main points; lack of state regulation, the form of employment present, and the type of work. The informal economy is made up of private businesses/companies and the self-employed. The informal economy is neither taxed nor monitored nor included in the GNP of a country (Hussein, 2002). For developed and developing countries the main difference is the latter sees problems in the type of work, in wages received, and in work conditions compared to the mainstream informal sector where workers can get paid salaries almost equal to that of a formal sector worker (Swaminathan, 2002). Although it is understood that the informal labor economy exists everywhere, “little is known about its size in transition, developing and developed countries” (Schneider, 2002). In developing countries the informal economy is estimated to average 41% of the formal economy (UN, 2000). The World Bank in 2002 calculated that Egypt’s informal economy at 35% of GNP. Employment statistics which attempt to measure the informal sector find that “40% of the private sector GDP is through the informal economy” (El-Hawany, 2004). “The informal sector is estimated at 40% of employment, and roughly 65% of those who are employed in the private sector” (World Bank, 2000). The two major sectors which employ individuals informally are the tourism and personal services industries (CAPMS, 1999), although, the informal sector includes several industries; retail, real estate and even services. The Egyptian Center for Economic Studies found that “75 percent of real estate possessions in the Greater Cairo region (worth LE 370 billion) are informal”.

Many workers laid off from the formal economy seek jobs in the informal sector, and sometimes even maintain formal work while seeking employment informally to make ends meet. The bulk of poor Egyptian individuals cannot afford to leave their

homes because of the collectivistic norms that force them to remain close to family. Therefore they resort to work in informal conditions near their rural communities. “The Egyptian poor tend to live in large families, do not seek high education and work informally” (El-Laithy, 2003). In fact roughly 25% of self-employed households in non-agricultural sectors were reported as economically poor (El-Hawany, 2004). The self-employed were classified of course as being entrepreneurial, owning an enterprise through family inheritance or apprenticeship, or survival from personal situations (African Development Bank, 2009). There is however a clear distinction between informal self-employment and informal employment. Informal self-employment is “work without registration, license, social or health insurance” (CAPMS, 1995).

There are four distinguishing characteristics between informal and formal work. These include uncertainty, lack of benefits, conditions, and high costs. Uncertainty is attributed to no guarantee of continued employment as most informal work has no contracts. Additionally, informal work is often seasonal and there is no guarantee of income (Duryuea et al., 2006). Lack of benefits usually is in the area of health and social benefits. They lack social benefits of work protection, overtime compensation, unemployment and sick leave (Jutting et al., 2008). The third characteristic is work conditions, where workers are subjected to long workdays and work accidents to name a few problems (Jutting et al., 2008). Lastly, the high costs of becoming part of the formal sector are associated with business startup and bribery or corruption fees (Jutting et al., 2008). 96.9% of the informal sector self-employed is female (CAPMS, 1995). Although they are self-employed they still experience informal sector work conditions of uncertainty in earnings and business, lack of benefits, and high entry/bribery costs.

Women particularly favor informal work as it allows them to combine work and family responsibilities (Cunningham, 2001). This would be more favorable in Egypt's collectivistic society, where females may act as family building blocks.

“The informal economy exists because the formal economy was corrupt and inadequate” (El-Mahdi, 2011). Mahdi further defined the informal economy as market driven, fast paced, rewarding and creative. It's buoyant during a recession; it creates jobs; and most importantly, it correlates directly to the needs of the millions of people affiliated with it. Compare that to an impenetrable bureaucracy that is failing, where it takes almost two years to register a bakery. These bureaucratic measures were reiterated by a professor at the University of Cairo who stated over-bureaucratization of the other 'formal' sectors coupled with exhaustive and inflexible procedures are debilitating (Adham, 2005). Further examples made by Reda from The Egyptian Center for Economic Studies viewed bureaucratization to “include excessively long registration durations along with high costs and the inability to legalize such possessions. As an example, it requires 208 days and 96 bureaucratic procedures to legally register an asset with the local authorities” (ECES, 2005).

### **Gender Overview**

As stated earlier most females tend to be employed more in the public sector. This is true because men tend to drop from the waiting policy on the guaranteed employment and seek work opportunities in both the formal and informal sector. Females in the informal sector tend to work less; however, there is a large percentage



found within the informal self-employed sector. Below are tables which further present this overview.

### Private Sector Employment by Gender

Workers and Employees	Sex		Total	
	Male	Female	Count	Col%
	Col %	Col %		
Formal	46.1	66.8	1224	50.3
Informal	53.9	33.2	933	49.7
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>2157</b>	<b>100%</b>

Table 3.5-CAPM

### Self-Employment by Gender

Self- Employed	Sex		Total	
	Male	Female	Count	Col%
	Col %	Col %		
Formal	19.7	3.1	102	17.9
Informal	80.3	96.9	407	82.1
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>572</b>	<b>100%</b>

Table 3.6-CAPM

Although Table 3.5 illustrates a high number of females working in the public sector, what it fails to translate is why that is. Collectivistic ideas force females to work in the public sector as it is frowned upon for females to work to support themselves, particularly in bad working conditions as is usually the case in private informal work. “Women are expected to engage in activities inside the house...men engage with the outside” or another collectivistic ideal is “women are in support activities...men are in

power and decision making” (Chhokar et al., 2008). What these quotes illustrate is that regardless of whether the female is in a generating income role, her empowered “decision making” ability is held by the her male counterpart. This is typically evident in collectivistic societies where decision making is a family decision, and the way to solve issues is among the family (Chhokar et al., 2008). Another reason females are more publically employed is as a result of Abdel Nasr the former president of Egypt. In his socialistic policies, he created the Guaranteed Employment Law in Egypt, where graduates of any discipline from College/University/Technical schools would find work upon graduation. Since there has been a lack of jobs created to meet the demand of graduates in recent years, a job que or waiting list has been created that females tend to remain on for years. As more jobs are created they are filled using the oldest class (seniority) and as a result females end up in government public employment.

Micro and Small Enterprise businesses are an opportunity for female entrepreneurs in Egypt. Contributions of Small and Micro-Enterprise businesses in Egypt have been profound, especially in wake of the recent population increase with many individuals seeking labor in a shrinking economy. Many are forced into working for lower wages under informal market conditions. “The formal and informal micro, and small sector of Egypt’s economy has been the major private sector employer since the 1980s” (Egypt Human Development Report, 2005). It is no wonder that over 40% percent of the total employment is found in these small and micro-enterprises, as the previous section detailing the failure of employment generation has suggested.

According to Egyptian law these enterprises typically employ 50 employees or less. Small and micro-enterprises (SMEs) have an annual growth rate of 2.8%. The

increase in SMEs can be attributed to two causes. One is decline in economic policies to reinstate government employment, which in turn produces a high labor surplus. The other cause is the 2005 action plan for poverty reduction, created by the Egyptian Ministry of Planning. This action plan was implemented to create jobs through SMEs and proposed the institution of programs to support this sector (UNDP, 2005).

Of the 40% of SMEs operating in Egypt “females represent only 6% total employment” (Egypt Human Development Report, 2003). Other figures have found higher values from anywhere between 10-25% (Nasr, 2012). Of these females 20% of them rely on loans from commercial banks- the higher values are subject to compounded interest. Gender differences are prominent within Egypt, in particular in lending programs. There are many reasons that females experience several obstacles and one is being denied loans. The primary two I have found to be the collectivistic barriers and bank sex discrimination. “In Egypt banks have stricter collateral requirements for woman” (Nasr, 2012). Additionally, providing collateral is difficult for many women because “some women are under the guardianship of male relatives and unable to independently manage their assets” (Nasr, 2012). Other variables which increase the likelihood of the male relatives control over female assets is attributed to an over-exemplification of religious/ideological guidelines an example of which is found in the Sharia Law/Islamic code of conduct. According to Sharia law, women must always defer to their husbands or male guardians in administering their assets (Gender Index: Sudan).

From Alexandria Business Association’s webpage, two clients of its SME Program and the two others from its Blossoms Program are described later to support the

lack of empowerment that exists for females in Egypt. Each profile examined successful SME owners who relied on loans through Alexandria Business Association to sustain their business. The main points drawn from these profiles overlap with my study of their empowerment which includes; household decision-making, skill learning, ability to adapt, their identity, and environmental hindrances.

## CHAPTER IV

### NON-GOVERNMENTAL ORGANIZATIONS (NGOS) IN EGYPT

#### **History of Non-Governmental Organizations (NGOs)**

There are three types of organizations which provide microfinance services in Egypt. A large portion of these organizations are registered as NGOs (Associations/Foundations) under the Ministry of Social Affairs (Law No.84, 2002). Two types of NGOs exist: community development and specialized NGO-MFIs (Legal, 2009). Community Development Associations (CDAs) which provide monetary funds to the poor focus on small scale assistance at village/district levels and do not operate in cities.

Comparatively, NGO-MFIs provide microloans to a larger market segment, penetrate at a much larger scale, possess some type of business background and have seed funds from donors.

Typically these NGOs have access to commercial funding through bank loans but only a small number transform into financial institutions.

The third type of organization providing microfinance services is the banking sector in Egypt. Typically they charge the same interest rates to clients whether they provide direct microcredit loans small borrowers or indirect loans to them through NGO-MFIs. The market share of four banks is approximately 15.6% of the total number of served clients (Article 11, 2002).

Other entities similar to NGO-MFIs and banks are the Social Development Fund (SDF) and the Microfinance Enterprise Service Company (MESFC) in Egypt. The MESFC companies provide services in compliance with laws and are supervised under the General Authority for Investment (GAFI). Their service model emerged in the absence of the legal framework which labeled microfinance as a “non-banking” activity (Article 31, Banking). MESFC companies’ purpose is to engage in microcredit, in addition to providing non-financial services to the poor. The SDF was established in 1991 by Presidential Decree as a social safety net. The purpose of this entity is to support economic reform programs, Small and Medium Enterprise (SME) development and increase family income through financial and non-financial services.

Egypt’s first NGO was the Greek Association of Alexandria in 1821, followed by several NGOs with a focus on cultural and religious ideals. There are now a wealth of organizations that offer humanitarian aid, monetary funds, training and assistance to help in the eradication of poverty. The most prevalent we often hear of are: NGOs which are “nonprofit-oriented associations seeking to achieve the common interests of the ordinary citizens and the civil society” (SIS, 2012) It is said that these entities play a role in human resources, deliver capital and services to citizens so development goals may be

reached. “Many NGOs are involved in issues of public interest particularly education, income generation, health care and small scale agricultural production” (SIS, 2012). Presently, in Egypt there are well over five hundred registered organizations monitored and approved through the Ministry of Insurance and Social Affairs (Sanabel, 2012).

According to the Egyptian Ministry of Insurance and Social Affairs, NGOs now employ over 16,660 with around 3 million employees. Much of the increase in NGOs in the years between 1900 and 1944 has been attributed to the constitutional change which promoted citizens’ rights to form associations. Several organizations quickly emerged to support state reforms, in particular ones focusing on empowering women in all fields. The microfinance sector started in the early 1990s with the support of several sources i.e. the Social Fund for Development, and the United States Development Agency (Garbero, 2005). In addition, the Credit Guarantee Corporation was founded by several local Egyptian banks and promoted the development of micro, small and medium size enterprises through direct loans. Outside international sources which supported the Credit Guarantee Corporation included the Ford Foundation, the Egyptian Swiss Development Fund and the United States Agency on International Development.

In 1977, the Integrated Care Society established libraries in poor districts. By launching several projects to upgrade access in various districts, their success mirrored a social model promoting the well-being of the community. Their goal was to develop reading habits for children, urge government and private officials to expand libraries, contribute to child literature, integrate education, thereby contributing to local community development services. The Egyptian Center for Women’s Rights (ECWR) formed in the

early 1980s to establish a non-profit civil organization in accordance with constitutional civil law provisions. The ECWR supports women's struggle to reach full rights and equality. Much of the work of the society targets the development of women and increases their participation in the public life as both voters and political candidates. The Society of Women Promotion and Development (TSWPD) established in 1987. Its purpose is to offer females services to help them deal with their limited income. These services are in the form of ID cards, assistance and care for deserted, divorced, widowed and elderly women

In 1995, with similar principles to the ECWR, the Center for Egyptian Women's Legal Assistance (CEWLA) was founded. Their purpose, although aligned with the ECWR, is to define and solve women's issues in all aspects of society in accordance to Egyptian law. Their work primarily focuses on fostering laws that are intended to reduce the gap between females and males, and emancipate women. Similarities among all these organizations are reflected by the ways impoverished women continue to be supported: education, legal rights, economic development, and political awareness. Although, several of these NGOs provide some form of credit they are not classified as microfinance institutions. This is largely attributed to the country's legal and regulatory framework which hinders the growth of the microfinance industry (LEGAL, 2009). It is this same principle that affects societal development in a number of ways, primarily through the restriction of commercial banks providing widespread credit.



## **Legality of Non-Governmental Organizations**

The microfinance law in Egypt does not specify legal requirements clients need to meet to be eligible for loans. It mentions two entities which may provide microloans; banks and NGOs. Egyptian law defines difference between the capabilities of the registered banks and NGOs. According to the NGO laws, an NGO can be formally recognized as an association or a foundation. In order to gain such a status it must meet the several criteria. To register as an association:

1. Be registered by ten or more individuals or legal entities.
2. Be managed by a board of directors which consists of five to fifteen members.
3. The number of Egyptian members of the board should be equal to or greater than non-Egyptian board members.

To register as a foundation:

1. Be registered by one or more individuals and/or legal entity wishing to allocate funds and move assets.
2. Managed by board of trustees of three to fifteen members (no nationality preference).

There have been no changes made to the NGO law for differentiating between NGOs and MFI- NGOs. Although the law does post interest rate, tax treatment, funding and loaning

compliance regulations. Law number 317 allows NGOs and NGO-MFIs to charge an interest rate capped at 7% (Cooperatives Law, 1956). Any interest rate charged over this cap is deemed illegal and can thus be contested in a court hearing for violation of the civil code. As opposed to the banking sector in Egypt, since a law has not been passed to label MFIs legally, they are exempt from numerous taxes. These taxes include: income, registration, customs, real estates, and stamp duties (Article 13, NGO). In addition, NGOs are not considered part of the credit bureau system, and therefore lack the ability to share information about their loans, services, size and costs (I-Score).

The Egyptian government has made an attempt at drafting “General Rules for Microfinance Companies” to facilitate micro-lending formally. If enacted, this proposed legislation would “provide direct credit to individuals, households, entrepreneurs and companies with or without collateral” (GAFI, 2008). In addition, this proposed law would implement a pilot project of information sharing to integrate the credit bureau system with these organizations.

Foreign NGOs can freely operate in Egypt; typically they must be approved by a minimum of one national individual and follow the structure of a “limited liability” business model. They must obtain security clearance by the government and can only receive donated funds from within Egypt. In addition, banks within Egypt do not typically lend to NGOs as they have no formal way of pledging their collateral in exchange for bank loans (Article 50, NGO).

## **Microfinance in Egypt**

Although formal MFIs do not exist in Egypt, lending practices to the poor are evident through non-governmental organizations. In assuming this, NGO-MFIs act as microfinance institutions and have been doing so for well over twenty years. The sector therefore is composed of “microfinance” official providers (banks) and unregistered NGO-MFIs. There are four prominent banks that provide microfinance services: the Central Bank of Egypt, the Social Fund for Development, the Principal Bank for Development and Agricultural Credit, and the National Development Bank. Banks have no legally imposed interest cap but their programs are subject to strict regulations (Garbero, 2005). The Central Bank of Egypt has programs designed for small size loans of 25,000 EGP. The Social Fund of Development is a quasi-governmental agency as aforementioned created through the Small Enterprise Law to mitigate the negative effects of The International Monetary Fund and The World Bank by providing small loans through partner banks and NGO-MFIs. The Principal Bank for Development and Agricultural Credit offers micro and small loans on agricultural and rural needs through village banking. Lastly, the National Bank for Development founded in 1987 focuses on micro-financing.

The prominent two NGO-MFIs operating in Egypt are the National Bank for Development (NBD) and the Alexandria Business Association (ABA). With well over 1.2 million borrowers (MAP, 2008) they are the oldest and among the largest in Egypt. The penetration rate of these two organizations in addition to other NGOs and banks throughout the country is estimated to be only 3.9% of the population living on \$2/day or

less (MAP, 2008). Typically these two offer individual loans to MSEs or group lending primarily to poor women (Legal, 2009). These services are offered to roughly 50% of their active poor clients with 24% receiving individual loans representing only 5% of the eligible female poor. Other loan services include: computer, agricultural and educational loans, and micro insurance.

In 2004, the first law was enacted to define the microfinance sector, the Small Enterprise Development Law. This law was the first of its kind to define Micro and Small Enterprises (MSEs) and the role of the social development funds in addition to the facilities granted to them. According to the UNCDF in 2004, the Small Enterprise Development Law “is an attempt by government to increase clarity of and conformity to policies governing the sector”. The law deals primarily with small enterprises and involves the Social Development Fund. The definition includes criteria illustrated in Table 4.1 below.

#### **Small Enterprise Law**

<b>Size of Enterprise</b>	<b>Paid Capital</b>	<b>Number of Employees</b>
Micro	50,000 EGP	NA
Small	50,000-1,000,000 EGP	Not more than 50

Table 4.1

This new definition of MSEs enables them to register with the Social Development Fund for assistance and support. It was estimated by the Ministry of Investment that this new microfinance law will allow roughly 21 million people to benefit from microfinance

programs (Daily News Egypt, 2009). The benefit is through assistance in the form of local funds, credit guarantees, and public contracts, technical assistance, and “one stop shops”. The “one stop shop” approach allows representatives from governmental bodies to assist MSEs in registration (Article 3, 10 and 13, SME). The local funds use multiple sources of financing to extend credit (Article 5, SME). The credit guarantee facilitates access to financing (Article 9, SME). Land allocation provides at least 10% of government zones for MSE usage (Article 10, SME). Public contracts provide work agreements of a 10% minimum to MSEs (Article 12, SME). Lastly, the Social Fund for Development may provide non-financial service to MSEs including investment information, business plans and consultation services (Article 14, SME).

In 2006, the creation of a network for microfinance with the support of the Social Development Fund and Microfinance Institutions was created. The Egyptian Microfinance Network (EMFN) allowed for supervision, and authorized the representation of MFIs for policy purposes. EMFN creation was to provide a more formal outlook for the financial sector. Drawing on the principles of the National Strategy for recommendation it allowed for greater transparency and reporting services. The projected and proposed plan of the National Strategy was to “develop within five years a microfinance industry which provided sustainable financial services for lower market segments and integrated overall development of the broad, inclusive and diverse financial sector” (The National Strategy for Microfinance, 2005). The plans included the establishment of the Egyptian Microfinance Network (EMFN), the first Microfinance (MF) policy created by the EMFN, development of MF programs through MFN, and credit guarantee mechanisms (SFD/MFS, 2008). These credit guarantee initiatives were

supported by organizations which sought to encourage micro-lending. Some donor agencies such as USAID, and AFD launched a credit guarantee program to provide NGOs operating MF programs support.

### **Regional Microfinance**

In 2002, a microfinance umbrella was created for the Middle East and North Africa countries, named Sanabel. This network reaches 13 Arab countries from Tunisia to the Arabian Peninsula. In 2003, the General Assembly of Egypt recognized Sanabel by registering it as a nonprofit entity, and later in 2004 the organization became incorporated as a non-profit organization internationally (Sanabel, 2004). Between 2002 and today it has served over 2.4 million borrowers with a loan portfolio of well over 988 million USD.

Statistical representations of the microfinance sector in several of these Arab countries are readily available. Below, a comparative table for Egypt has been created to represent a three year period for microfinance activities. Today, Sanabel estimates that there are in operation over 509 NGOs acting like microfinance organizations in Egypt. As of 2004, outside sources found balances of loans in Egyptian microfinance programs to be roughly 47.9 million EGP, with the average loan size of 2,300 EGP (Garbero, 2004).

### **Egypt Microfinance Sector**

<b>YEAR</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
# of Offices	378	319	218
# of Employees	9,995	10,552	5,232

# of Female Employees	17	33	33
# of Borrowers	1,148,621	1,422,409	149,845
# of Female Borrowers	66	58	69
Average Loan Amount (EGP)	286	262	2,492

Table 4.2-MixMarket.Org

Donor entities to Egypt NGOs consist of the Canadian International Development Agency (CIDA), German Technical Cooperation (GTZ), and the United States Agency for International Development (USAID), the European Union, Japanese International Cooperation Agency (JICA), and the Italian Cooperation (Legal and Regulatory Framework, 2009). Funding agencies include: Ambers Microfinance and the Grameen Credit Agricola Microfinance Foundation (Sanabel, 2011). According to the UNDP Human Development Report in 2008 over six donor entities aim at development of the microfinance sector in Egypt, many of which penetrate the industrial, retail, and manufacturing sectors of Egypt. The services they provide include: technical training, plan studies, design development, and consultancy. Of the sixteen member organizations to Sanabel's microfinance network in Egypt, I have selected the Alexandria Business Association (ABA) for study. Below, I have supplied data I've collected from ABA's departments.

## **Alexandria Business Association**

ABA is an NGO-MFI entity founded in 1983 by an economic committee for businessmen (Garbero, 2005). In 1990 it received seed funding from the United States Agency for International Development, Computer Information Systems Company (CISCO), and the Canadian International Development Fund (CIDF). This money was given to the Small and Micro Enterprise Division of ABA which was an early launch of microfinance in Egypt.

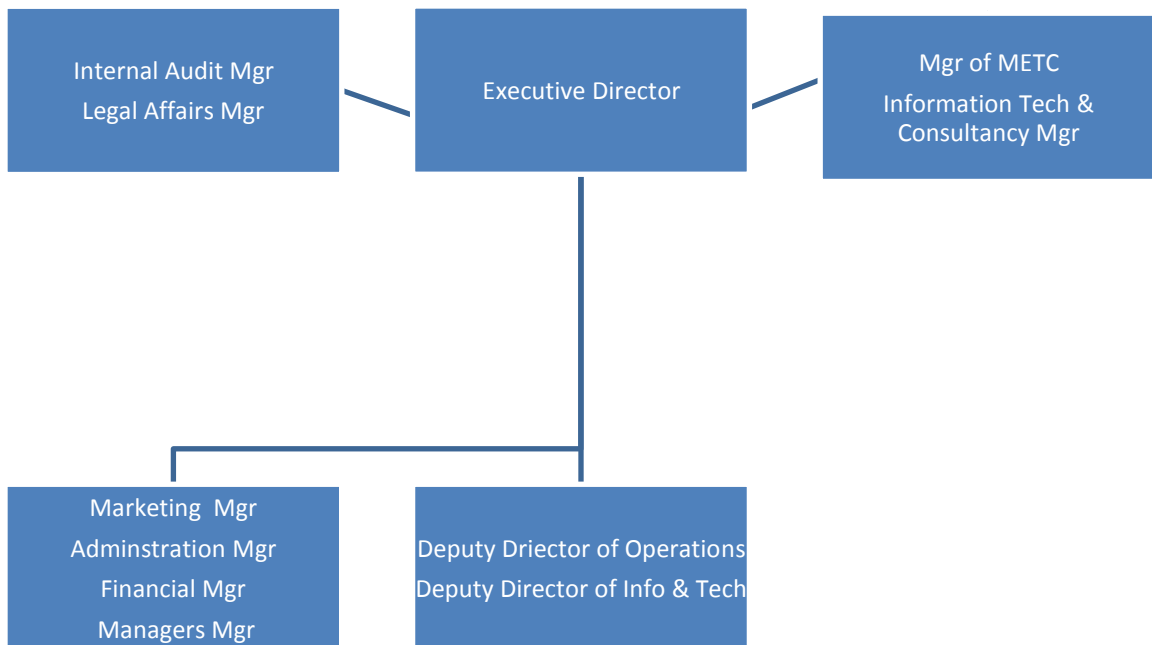
The organization has grown at least six fold since it first began operations. Its Small and Micro Enterprise division has seen sustained development. At present, it is one of the most stable microfinance institutions in the region with outreach and funding sources available for years to come. In fact, ABA was one of the few associations which did not decline in profit or growth after the recent Egyptian revolution. Remarkably, their risk portfolio has been a cushion to the association. Through self-funding and donor assistance the vision of microfinance has become a reality.

### **Leadership**

Leadership within ABA follows a diversified hierarchy as illustrated in Figure 4.1. Roughly nine members hold a position on the board of directors, and there is an executive committee and director, deputy directors, and department heads below them. The executive committee is selected by the managing board and the board of directors is selected through annual nominations by prominent business leaders in Egypt. The executive committee directs the SME division (Garbero, 2005). There are roughly six



regional managers and twenty-eight branch managers (ABA, 2012). Essentially the Board of Directors approves any major change in the organization as a whole and directs orders to the executive committee that it created. The executive committee reports organizational changes/procedures to the executive director who is in direct contact with the deputy directors and department managers. There are two deputy directors, one of whom is in charge of operations and therefore receives information from city, operation managers and branch managers. The second deputy manager is the information technology consultant who oversees information systems management and the overall maintenance of the organization. The three other department managers who report to the executive director include: the marketing manager, the administrative manager, and the financial manager. This level of management is in charge of all core programs. The non-core programs are typically for the training center manager and the information technological services department.



## **Marketing Strategies**

Marketing strategies have been aimed at targeting the economically poor of Egypt, well over 25 million. Microfinance only penetrates roughly 6% of the population according to 2010 figures (1.5 million clients). Studies have shown that of the microfinance sector, 94% are non-agricultural businesses (Egyptian Financial Supervisory Authority, 2010). Presently, ABA targets the active poor in six northern Egyptian governates.

## **Services**

ABA offers three primary financial services. The Small and Micro Enterprise Project, grant projects, and the Blossoms Program. Non-financial services include: marketing, training, consultancy, and a library (ABA, 2012). Financial services first began in the form of individual loans without adopting a group lending methodology (Garbero, 2005). All non-financial services are supported through client fees with the exception of the showroom where items may be sold for clients at a 10% selling price fee.

With three target markets, ABA appeals to female heads of household with ideas for income generation, male and female heads of household who've developed a micro business plan and males and females who are current entrepreneurs. Loan amounts can reach up to 3,000 EGP for the poorest clients and up to 5,000 EGP for those less poor. Clients seeking a loan go to their local operations branch and follow guidelines for filling

out forms and sit in on 45-minute session briefings. The briefings explain the loan programs; and upon completion clients may access their loans.

### **Small and Micro Enterprise (SME) Credit Program**

<b>Criteria/Requirements</b>	<b>Details</b>
Location	Must live in the area near 4/6 governates: Alexandria, Kafr Sheik, Behera, Matruh, Menufaya
Target	Small and Micro Entrepreneurs
Criteria	Existing enterprise
Loan Amount	Micro-1,500 - Large 100,000 EGP
Repayment Rate	4-12 months; up to 24 months investment finance
Necessary Paperwork	Identity Card; Rent; Literate; Social Security; Work Permit; Business Register; Tax Card, Account Bank, Financial Statements (Balance Sheet – By outside credited accountant)

Table 4.3: ABA-SME

Table 4.3 describes the client services and procedures of ABA’s SME program. The process requires an approved loan application by an officer, review of the application by the manager of the branch, and review by senior level management. After approval clients meet throughout the month to receive loans and attend briefings. The borrowers receive a check for a certain amount and sign a promissory note. Through the SME program an individual loan is for a business investment, fixed asset and/or raw material. The target client can be a male or female who is an active entrepreneur with viable business ideas. The age range is from twenty-one to sixty-five and the client must have a proven business track record. Interest is charged at roughly 13.7-15% per annum and

paid monthly over a 4-24 month agreed upon period. Dispersion and collection is at any operations branch.

### **Blossoms Program**

<b>Criteria/Requirements</b>	<b>Details</b>
Purpose	Extend credit to poorest of the poor especially female households
Type of program	Must adopt a group lending program
# of members	5 members within the same neighborhood
Required Paperwork	National ID, Personal Photo, Birth Certificate, Marriage Certificate

Table 4.4: ABA-SME

The Blossoms Program focuses on female empowerment with a group lending methodology adopted in the late 1990s. This program requires a group of at least three individuals. The program supports budding entrepreneurs who wish to initiate or expand their income generating activities in a spirit of solidarity achieved through group lending. The group is typically formed by clients who live in the same area. The target is only female clients between the ages of 21-65 who are able and willing to participate in a group. Upon completion of this program the clients may then graduate to the Small and Micro Credit program. The loan amounts range from 250 EGP to 1,000 EGP, are repaid weekly over a 10-40 week installment term at an interest of 24% per annum.

The third type of loan product recently created to assist with empowering females who face inner family theft, is the Development Path in response to reports of males domestically abused females for the loans. This program requires a minimum of three individuals, two females and one male between the ages of 21-64 who pay biweekly over a 30-40 week period at a rate of 22%. Loans typically range between 750-1,500 EGP.

### **Development Path**

<b>Criteria/Requirements</b>	<b>Details</b>
Purpose	Extend credit to poorest of the poor especially female households and combat gender issues.
Type of program	Individual lending within a group
# of members	3 members within the same neighborhood
Required Paperwork	National ID, Personal Photo, Birth Certificate, Marriage Certificate, Electricity Receipt, land title/rental agreement for home business

Table 4.5: ABA-SME

The “Toward Self-Employment Program” is a grant program. Essentially, poor individuals are selected by a loan officer in any of the ABA’s districts, and are given a micro loan for a “probationary” eight months period. The client receives the initial portion of the funds and uses this for any type of activity they choose. Clients are then closely monitored to observe successful business operations and are then disbursed a second installment. If the selected entrepreneur shows she is able to sustain herself through increased profits or ideas to enhance the business, they are eligible to graduate to the Blossoms Program.

**Steps to Receive Loan**

The steps for receiving a loan from ABA are detailed below (Deputy Executive Director 2012). The entire process takes approximately eight days from the time of application to the disbursement of the loans to clients.

1. Introductory meeting: This meeting is essentially an orientation of clients to the available products/programs offered. Typically this is a one day long activity.

2. Loan application/: The clients are required to fill out paperwork and submit the paperwork to their operations office/officer. Typically this is a one day long activity.
3. Loan evaluation: Evaluation is conducted by the loan officer who verifies client data and must conduct field visit to the business/future business.
4. Loan Approval: Lasts up to one day.
5. Loan Disbursement: Lasts up to one day.
6. Loan Renewal/Next Loan: May take up to three days.

To ensure that loans increase the client must: continue to repay the loan on time, demonstrate a continued need for the business to grow, and engage in a continual relationship with the Association through transparency and accountability. Typically, loan amounts are at the discretion of the loan officer who is authorized by the branch manager.

### **Exploratory Study**

The data used for this study was from twenty five Egyptian clients from the Microfinance Institution of the Alexandria Business Association. These clients reside in rural areas and operate small businesses whose loans may start at \$200 Egyptian pounds (EGP) leading up to \$50,000 EGP, the threshold that defines a small size business from a medium size business. These clients were recently studied as part of a business initiative with another NGO in Egypt, the Entrepreneurs Business Forum. Of the twenty-five, there were a total of four females between the ages of 32-61 of different marital status. I've translated

these initiative reports and used them in this research. The following are the criteria ABA used to select their clients.

Micro Client: A client whose loan falls into the “small business” which is any amount up to \$50,000 in Egyptian pounds (EGP) but particularly a client who is labeled as a micro enterprise receiving a loan of \$9, 000 or less.

Entrepreneur not resale: Client must be entrepreneurial. Client must be innovative and creative - cannot simply resell goods or operate as a retail shop.

Employ between 30-50 workers: Client must maintain a workshop which employees at a minimum two employees. Preference is given to workshop with 30-50 employees.

Cash flow between \$30-50,000: Profits the workshop receives are between \$30-50,000 EGP annually.

Ability to read and write: Client must be literate, no specification on education or any formal training.

The need for training: Need for training outside of financial assistance, particularly training in technological communication.

Startup licensing and business costs are all legal: Client registered through Egyptian government and all duties paid with regard to business.

Successful client: Client who actively reapplies and whose business is reaping revenues.

The secondary sample is solely focused on female programs. Of the two programs available under the NGO, one female was selected.



**Name:** Subject A, **Gender:** Female, **Age:** Late 40s, **Marital Status:** Married, **Education Level:** Primary School Completion, **Type of community:** Rural, **Program:** Small and Micro Enterprise **Industry:** Handmade Steel

Subject A is a small and micro enterprise owner operating in Abdel Qader district of Alexandria, Egypt, a location known for its impoverished communities. This area lacks adequate electricity and water lining. She resides with her three kids aged eighteen, eleven, and five. Having had no access to education, Subject A married at a young age to a husband who lives and works in Saudi Arabia. She has very little access to and/or computer skills and walks miles a day to gather items she needs for work.

Subject A began her business when she reflected on her life position. Her family barely had enough income to sustain themselves and she wanted to bring enough in for her individual household. She resides in close proximity to her immediate family and learned business principles from her father who was a peasant landowner. She has the desire to bring change for her family and for her customers by providing just in time inventory rather than taking pre orders as she currently does. After assessing her present



socio-economic status, Subject A looked at methods of financing through several organizations before settling with The Alexandria Business Association, whom she found after a friend's referral. She first began in the Blossoms Program of ABA with only 100 Egyptian pounds which allowed her to open her own small retail shop selling snack foods. After a year in the program she graduated to a higher loan scale of 200 Egyptian pounds annually before her loan officer eventually moved her to the next level of 500 Egyptian pounds. The initial 100 EGP loan allowed her to learn about the market and her customers as she realized that her impact was minimal, and with the second loan she was able to diversify her products with new brands and goods. Once her loan reached 500 EGP she decided to change her business to increase revenue rather than maintain her small retail business. Instead she turned to handmade commodities, and with her third loan she opened a new shop, bought aluminum from nearby retail companies and began to manufacture small umbrella pieces. These pieces are used to support oversized beach umbrellas by connecting to the metal rod that is inserted into the sand. When her husband came back to visit, he was impressed by the work she had done and began assisting with the construction of the workshop. As the revenue continued to increase she realized she had a product with a seasonal market as her aluminum umbrella parts sold more frequently in the summer time when umbrella usage typically increased as a result of beach activity. So in her down time she began making rugs and doing small carpentry work. She gathered the material through a local company and paid 350 EGP for a room full of carpet pieces that were excess material from businesses making carpets. She used this material to sew bags, rugs and small car placemats. She hired roughly two workers at a time to run this shop while her primary presence was in the manufacturing workshop.

There she had five workers assisting her, although the turnover rate for her employees has been very high. At times she has had to work in the carpet shop alone, after learning the skill from her workers.

Although, her manufacturing workshop has all the necessary paperwork and legal documentation, her carpet company is not legally registered because the funds that are generated do not exceed the required amount to report federally. Presently, her loans annually amount to 10,000 Egyptian pounds. With a high rate of repayment, she is one of ABA's most valued clients. Her products are sold indirectly through a distribution channel. At first she would sell items on her own until she moved to this impoverished rural area where it is a traditional taboo for females to sell in the local markets. Now, she hires a male salesperson to distribute her items and relies on word of mouth to get her products known and sold.

Subject A has hopes of changing her business to a more stable income generating activity. She seeks higher loans and more equipment. In addition to this, she wants to find dedicated workers as the turnover of labor is excessively high. When asked questions by Entrepreneurs Business Forum for her initiative she replied with the following in Arabic, which I've been able to translate:

Do you feel empowered? Yes, I am a strong female.

Do you think the market stops you from selling for gender differences? No, of course not. I used to sell in the market before I moved here and had kids. Its tradition that usually frowns upon the female working hard in the market.

Do you think that the market factors stop your business? No, the market has little effect except for the time of the year.

Are your kids in school? Yes, my three kids are all in school, because I want them to get an education. They need to have something that I didn't have before.

Are you happy at where you are in your business and personal life? Yes, but I want to grow. I need to change the business to a more solid sustaining business.

What does your husband think about this? He is very supportive, although he wasn't here when I began. When he visits he sees what I need and goes out of his way to try and get that.



**Name:** Subject B, **Gender:** Female, **Age:** 40, **Marital Status:** Married, **Education Level:** College Degree in Secondary Education, **Type of community:** Rural, **Program:** Small and Micro Enterprise, **Industry:** Retail

Subject B resides in a rural community in the Al-Seif District of Alexandria. Known for her retail business, she was the first owner of a mobile resale outlet in her surrounding area. As a former teacher who elected to own and operate her own business, she is a proud business owner. She went to ABA to seek funds to assist with the opening of her business, which she considered after she gave up her academic career. She took several loans to assist with her business and continues to annually, with the first loan just at three hundred pounds. She consulted with her husband prior to taking the loan and he is very supportive of her decisions. She decided that she wanted to use her skills for a business that would run effectively so she plunged into the market with no previous experience and opened a mobile store. She has prevailed in the market for the past eight years and continues to add products such as: mobile phones, prepaid phone charges, and copy/fax machines. On the job she learned how to repair technological devices, customer

service skills and how to manage her three employees. A typical workday lasts anywhere from sixteen hours or more so she hires employees on an as needed basis. She hires individuals who reside in the same area to ensure that they are available to work.

She is a mother of two and is married to an engineer. She elected to stay at home instead of working and distancing herself from her kids, a traditional viewpoint that many follow in Egypt. Her children are currently enrolled in primary education and she will see that they complete past the high school level. Part of her success is because she was a former teacher. She discussed how her particular status has changed her economic status. Now, she operates a well-run retail phone outlet with services ranging from copy machines, printing, phone recharges and repairs. The skills she gained were entirely on the job, as her prior career was in education not in business practices. In the brief coverage of Subject B, her replies were translated from Arabic to English as follows:

Do you feel empowered? Yes, I have always felt empowered, but now I view myself as a business owner so a different form of empowerment.

Do you have any characteristics that are new? Yes, confidence. I am more confident.

What market barriers have you faced? Competition, because so many similar businesses recently opened; also after the revolution sales have gone down.

Do you think the revelation will continue to affect business? Initially it did, but I have one of the few businesses that are still consistently going because everyone has phones from poor to the very rich.

What is your biggest barrier? Money, the loans have been relatively the same and it is not enough to grow past, especially because electronics increase in price. Every day, you see newer products and you have to constantly upgrade.

Were there any societal pressures that forced you to come back home? No, it was a personal choice.



**Name:** Subject C

**Gender:** Female, **Age:** 32, **Marital Status:** Single, **Education Level:** No education past primary. **Type of community:** Rural, **Program:** Development, **Industry:** Retail

Subject C has begun participating in the Development Path of ABA's microfinance division. Subject C lives in the rural part of Maharam Bey in Alexandria with her family. The Development Path (DP) that Sarah is in targets females with low incomes. Its purpose is to graduate clients into the Blossoms Program or if very successful directly into the Small and Micro Enterprise Program.

Presently, she has been in the DP for close to ten months before engaging in the group lending Blossoms Program. Much of the interview was difficult to follow because Sarah was very nervous and anxious. However, details were gathered from her profile through ABA's webpage translated from Arabic to English.

What made you decide to seek out a loan? I needed money.

Why this program? Did someone suggest it to you? No, I looked for ways of getting money and a loan was my only option.

Did you have much startup capital? What was your living condition? No, not enough money. I live with family and we need more income.

Do your parents work? How did you decide that you wanted to change? My mother doesn't work and my father is retired from work. So we need income and I wanted to get money to work and get more money.

Do you feel stronger from this program? Has this changed where you are at socially? I just get the money.





**Name:** Subject D

**Gender:** Female, **Age:** 22, **Marital Status:** Single, **Education Level:** High School.

**Type of community:** Rural, **Program:** Blossoms **Industry:** Sewing

Subject D is an interesting case who actually participated in the Development Program prior to the Blossoms Program. Subject D makes clothes to distribute to retail shops. She joined ABA in October of 2012 and received only 100-200 Egyptian Pounds for her first loan. She moved from the program shortly after to the Blossoms Program with a group where she received a larger loan. As a female who moved to the rural area after her father died she has to take care of herself, her brother and assist her mother in taking care of the household. She is from a more impoverished community in Karmouz, known for high theft, small shops and drugs; it is impressive that her societal upbringing has not bogged her down. Her first loan was to buy material to sew and the second to actually buy a sewing machine, needles, and thread. When I translated her client profile, I was able to obtain the following:

Why did you seek out a loan? I needed to help take care of the house. I graduated with a high school degree and it was a commercial degree to just go into the market and work.

Why did you switch programs? The first program I was in wasn't giving me enough money to work with so I switched to the other program to have larger loans so I can begin working.

Do you have a lot of work? Yes, even after the revolution I still have work I mean sales stopped but they did at the retail places not from my end.

How/Why did you find out about loans? The loan officer lives by me and I had heard of her before. So one day I asked her how I can sign up.

What goals do you have or are you okay with where you are at? I would like to open my own clothing store.

Do you feel stronger/personality change? Yes, of course I feel stronger. Now business owners know me because I make products for them.

Do you feel the market has an effect negatively I mean on your work? No, I can get around and get the material I need.

Where do you get the material? Locally, I know people and get deals on material that I use to make products.

What is your motivation? Money, having enough to support myself and family.

## CHAPTER V

### CONCLUSION

#### **Findings**

When the clients were interviewed by ABA, they were asked how they would rate themselves in terms of success, which relates to self-efficacy, part of psychological empowerment. Perceived empowerment is contingent on self-efficacy, identity, decision making, and learning skills. These constructs were discussed when I discussed empowerment in the literature review. It seems evident that the female clients in ABA's Blossom and Development Programs appeared to be less empowered than those in the SME program, based on their answers to interviewer's questions. This provides evidence of the longitudinal nature of the development of empowerment. Entrepreneurship may empower women over time as their businesses succeed.

However, all women interviewed wished to grow continually, and seemed to be constantly re-evaluating themselves in terms of how strong they felt. One is left with the thought of the borrowers' satisfaction with their growing empowerment. While ABA's funding options can help enhance their clients' socio economic status, it is uncertain whether it helps them transition to higher socioeconomic status. I argue that money alone is insufficient to empower Egyptian women. Further, in Frere's cyclical conception of empowerment the necessary step of "conscientization," during which identity is recreated, ABA did not appear to be dealing with this issue. The clients in the Blossoms Program had less of this identity than those in the Small and Micro Enterprise Program. From my exploratory study it is evident that the Small and Micro Enterprise female clients were higher in terms of felt/perceived psychological empowerment. They wanted to continue to grow - which signifies that although they reached the positive outcome of the empowerment cyclical chain they will rework their identity as the cyclical theory has suggested. By restarting this chain the entrepreneurs are constantly reevaluating their own identity and will continue to empower themselves through other facets of their lives i.e. as part of a group/community program. What this research has served is to project future hypotheses for future research. These hypotheses can be put forth as follows:

H1: Women will feel empowered by owning their own businesses as the time involved increases.

H2: Meaning and means of empowerment is different in individualistic versus in-group collectivistic societies/cultures.

H3: A women's stage of life may be an important moderating or mediating variable in how entrepreneurship builds empowerment.

In addition, the results of these interviews align with previous research by author Julia Elyachar in her book "Markets of Dispossession" which illustrated the conditions of the informal economy, and traditional workshops in which Egyptians work. The high value that family, workshops and self-employment is to Egyptians. For example, Client A had inherited her workshop experience from her father. Her father according to Elyachar would be the master and Client A would be the worker. Once her father stepped down she would assume the role of the master and conduct business in the same manner. This is because "A master has to make his workshop go, since that is the source of his and his family's survival and well-being" (Elyachar, 2004). Skills are therefore not inherent but are learned and for purposes of this study, learned skills are a component of measures of being empowered.

### **Limitations**

As with most studies there are evident shortcomings in this research. There exist several sources of bias in my sample. The client sample used was selected by the Alexandria Business Association based on the criteria EBF provided; therefore it was not a random sample. The clients were interviewed by the organization and therefore my own questions were not included as I was just an observer. Further all female clients followed the same religion, Islam and most of them resided in the rural parts of Egypt. Thus the sample cannot be said to be representative of empowerment for Egyptian women. Additionally, personal hindrances in the translation of the Arabic Language to

English were present as I am not a native speaker. Our culture in comparison to the Middle Eastern Egyptian culture is much more individualistic and I had no measure of psychological empowerment in this collectivistic society.

## **Conclusion**

After I traveled to Egypt, I discovered that the NGO, Entrepreneurs Business Forum had been shut down. It had been declared ineligible to receive funds from the Ministry of Social Affairs after Egypt's tense political instability. I learned this after visiting with the Executive Director upon arrival to Alexandria. Luckily he was part of a business initiative promoted by Computer Information Systems and Communications (CISCO) a United States based technological firm who had an agenda to promote e-commerce in Egypt. My agenda became including myself in these interviews being conducted by CISCO and I was successful and had exposure to these women. I was able to sit in on a few of these meetings which greatly contributed to the conclusions that I can draw from this experience. I wish to make the following key points to my readers about what I learned from this experience. The majority of Egyptian NGOs are performing under internationally accepted good practices. However many still lack the support, transparency and ability to transform their organizations into formal financial institutions. The most recent uprising in the country has also caused turmoil among Egypt's NGOs as the Social Ministry of Affairs has begun to reduce the number of grants and prevalence of NGOs in Egypt, equating them to "terroristic" organizations. Presently, micro lending programs only penetrate 16% of the impoverished communities in Egypt leaving the majority of the population without access to credit (ABA, 2012). Without donor and capital support, particularly support of the Ministry of Social Affairs, the sector is sure to

meet several obstacles particularly the ability to mature. If it fails to mature it will not meet the challenges of remedying poverty on a massive scale. Reform of the NGO sector as a whole through more specific defined criteria and/or the ease of transition from an organization to a banking institution is necessary for the microfinance industry to prevail and target appropriate markets. Education of the population is necessary once those barriers to business have been reduced. Several traditional norms presently exist which equate lending with unethical values, and in order to dispose of those norms education is key. It is these same traditional norms that frown upon females who seek to work and/or make daily decisions in their lives instead of only staying at home to take care of their offspring. With so little of the population having access to primary education it will be a difficult challenge to overcome. It appears that the rural sector is composed of literate and illiterate as the four clients in my sample each had various educational attainments. I conclude that Egyptian females need more support than mere financial and non-financial training in micro-lending and managing business. Rather they need an understanding of how they can better themselves personally. These clients simply focused on income without viewing how or why they reached the position they are in. Their inability to define their position, and lack of motivation to change themselves to better their standing in society is what I feel hinders the cyclical method of empowerment this study sought to follow. It is then evident that female empowerment through social entrepreneurship is feasible, but not solely reliable on the creation of business. For societal change to happen, in the case of collectivistic Egypt, change in the groups upon which they women focus is essential. Lastly, measuring empowerment solely through four variables i.e. self-efficacy, decision making, skill learning and identity, is limited. In order to truly examine

empowerment, other empirical elements need to be reviewed some of which include: time spent in domestic labor, control over selecting a spouse, couple's communication, and traditional support networks (World Bank Report). By looking at these less studied elements one can move past the typical "decision making" and "financial allocation" elements of empowerment to better understand real empowerment. It is agreed that empowerment is difficult to measure because there are multiple elements to analyze. In fact "enormous problem exists with regard to the availability of adequate data across time" (Malhotra, et al., 2002). As with any other complexes in developing societies i.e. poverty reduction, income dispersion and labor demand, analysis and refinement are key to reaching appropriate measurement. Additionally, the reader can use this exploratory study to reflect upon other facets of this microfinance organization as well as indicators to empowerment in different cultural contexts.

## **Recommendations**

I urge microfinance institutions to assist those clients through morale boosting with programs targeted to assist females in feeling successful over their life decisions and thereby be empowered. Further, I hope that microfinance programs will continually reevaluate their clients to ensure they receive the services as intended because lack of transparency may lead to corruption within these organizations. Females are the backbone of societies and investing in the backbone will aid with development initiatives. Poverty is multifaceted, and with this it is my hope to illustrate the vast degree of women truly affected by these conditions. I firmly believe and support studies from the United Nations Women's organization and the USAID on alleviating poverty and targeting



females through micro-lending initiatives. For empowerment to become prevalent in Egypt the following recommendations are steps NGO-MFIs should elect to follow:

1. Education of impoverished individuals: It appears that several of the clients could neither read nor write. Their inability to be literate hinders them in other major decisions such as political representation, participation in societal organizations or basic recreational activities like going to the library which aids in empowering and developing character.
2. Introducing support groups of strong dedicated females: Although several of the clients I met with had reached a degree of empowerment they still lacked the feeling of support. Support is typically felt in the “group” cyclical process where they find their individualistic selves and therefore embody their identity. The collectivistic society coupled with the conservative religious dominance has stopped participation in recreational groups. I recommend that support group sessions are offered to help groups focus on long term goals and growth while allowing individuals to personally plan their own development process.
3. A standard dimension that can be applied across the globe: Although all developing countries do meet similar indicators they are unique in elements that make up their society. To measure the degree of empowerment across the global universal dimensions should be created without influence of religious/cultural elements.
4. Greater centralized data: It was difficult to gather data on empowerment in Egypt. Although there has been a number of research projects conducted on female participation, Millennium development goals, and other means of alleviating

poverty the data are very dispersed and require numerous sources from the literature to derive the above cognitions I used.

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## APPENDICES

### **Glossary**

Association: An organized body of people who have an interest, activity, or purpose in common; a society.

Borrowers: To obtain or receive (something) on loan with the promise or understanding of returning it or its equivalent.

Client: The party for which professional services are rendered, as by an attorney

Cognition: The mental process of knowing, including aspects such as awareness, perception, reasoning, and judgment.

Collateral: Of, relating to, or guaranteed by a security pledged against the performance of an obligation.

Collectivism: A theory and practice that makes some sort of group rather than the individual the fundamental unit of political, social, and economic concern. In theory, collectivists insist that the claims of groups, associations, or the state must normally supersede the claims of individuals.

Concientization: The process of developing a critical awareness of one's social reality through reflection and action.

Critical Consciousness: Critical consciousness focuses on achieving an in-depth understanding of the world, allowing for the perception and exposure of social and political contradictions. Critical consciousness also includes taking action against the oppressive elements in one's life that are illuminated by that understanding.

EGP: Abbreviation for Egyptian currency, Egyptian Pound.

Empowerment: Process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes (basic).

Formal Market: Legal standards followed and where the activities of companies can easily be monitored.

Finance Services: Term used to refer to the services provided by the finance market. Financial Services is also the term used to describe organizations that deal with the management of money.

Group Lending: A lending practice where small groups borrow collectively and group

members encourage one another to repay. It is an important building block of microfinance.

Gross Domestic Product: The monetary value of all goods and services produced within a country.

Gross National Product: A measure of a country's economic performance, or what its citizens produced (i.e. goods and services) and whether they produced these items within its borders.

Individual Lending: A debt obligation made to a single individual.

Individualism: Regards man -- every man -- as an independent, sovereign entity who possesses an inalienable right to his own life, a right derived from his nature as a rational being.

Informal Market: Part of an economy that is not taxed, monitored by any form of government, or included in any gross national product (GNP), unlike the formal economy.

Interest Rates: Rate at which interest is paid by borrowers for the use of money that they borrow from a lender.

Interpersonal: Relates to relationships or communications between people

Intrapsychic: Psychological term referring to internal psychological processes of the individual. These processes can be positive (ego syntonic), negative (ego dystonic) or neutral.

Micro Enterprise: type of small business, often registered, having five or fewer employees and requiring seed capital of not more than \$35,000.

Micro Lending/Finance: The provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories.

Non-Governmental Organization: Legally constituted organization created by natural or legal persons that operates independently from any form of government.

Non-Financial Services: Services provided by a company that do not include brokering, banking, or anything related to investment.

Norms: Group-held beliefs about how members should behave in a given context.

Sociologists describe norms as laws that govern society's behaviors.

Outreach: Is an activity of providing services to populations who might not otherwise have access to those services.<sup>[1]</sup>

Patriarchy: A social system in which the male is the primary authority figure central to social organization, and where fathers hold authority over women, children, and property. It implies the institutions of male rule and privilege, and entails female subordination.

Positionality: An idea that emerged out of feminist scholarship stating that variables such as an individual's gender, class, and race are markers of her or his relational position within a social and economic context and influence the knowledge that she or he produces.

Private Sector: The part of the national economy that is not under direct government



control.

Public Sector: Referred to as the state sector or the government sector, is a part of the state that deals with either the production, ownership, sale, provision, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local/municipal.

Rural: A geographic area that is located outside the cities and towns.

Sharia: The moral code and religious law of Islam. Sharia deals with many topics addressed by secular law, including crime, politics, and economics, as well as personal matters such as sexual intercourse, hygiene, diet, prayer, and fasting.

Small Enterprise: SMEs are said to be responsible for driving innovation and competition in many economic sectors. Fall below certain legal limits, employment operational costs etc.

Surplus Labor: labor performed in excess of the labor necessary to produce the means of livelihood of the worker ("necessary labor").

Traditional: Of, relating to, or in accord with tradition:

Training: the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies

Urban: relating to or concerned with a city or densely populated area

Unemployment: occurs when people are without work and actively seeking work.

Unemployment Rate: a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force.

Variable: Apt or able to change, may be inconsistent.

### **Reference Acronyms**

ABA	Alexandria Business Association
AFD	Agency Française de Développement
CAMPS	Central Agency for Public Mobilization and Statistics
CGC	Credit Guarantee Corporation
CIA	Central Intelligence Association
CIDA	Canadian International Development Bank
EBF	Entrepreneurs Business Forum
EU	European Union
ECES	Egyptian Committee on Economic Studies
ECWR	Egyptian Women Rights Center
EMFN	Egyptian Microfinance Network
GAFI	General Authority for Investment and Free Zones
GTZ	German Technical Corporation

ICS	Integrated Care Society
IMF	International Monetary Fund
JICA	Japanese International Cooperation Agency
MENA	Middle East and North Africa
MFI	Microfinance Institution
NGO	Non-Governmental Organization
Sanabal	Arab Microfinance Network
SFD	Social Fund for Development
USAID	United States Agency on International Development
UN	United Nations
UNDP	United Nations Development Program
UNIFEM	United Nations Development Fund for Women
WB	World Bank

### **Laws Reviewed**

The Banking Sector and Money Law (Law 88, 2003)

The Companies Law (Law 159 of 1981)

The Consumer Protection Law (Law 67, 2006)

The Draft General Rules for Microfinance Companies

The Egyptian Civil Code

The Executive Regulations of Egyptian Private Credit Bureaus

The Law of Regulation and Supervision of Non-Banking Financial Markets (Law 10, 2009)

The Law on Associations and Non-Governmental Organizations (Law 84, 2002)

The Small Enterprise Development Law (Law 140, 2004)

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