

# Women's access to credit affects efficiency in rural households

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Rural strategies designed to induce economic growth often emphasize the need to improve access to capital for poor households. However, this approach implicitly assumes that family members pool all their resources and allocate them to their most efficient use. Men and women may differ in their access to credit and may choose not to alleviate their partners' constraints.

A new study in the *American Journal of Agricultural Economics* shows how rural households in which women are not able to meet their needs for capital do not produce as much as they could.

Diana Fletschner, PhD, of the University of Washington utilized information from a survey to assess individual access to credit of husbands and wives in 210 rural households.

Data analysis showed that households in which women are reportedly unable to meet their credit needs are not producing as much as they could. The costs of these constraints to society are substantial, because for the average family, the woman's constraints are associated with an 11 percent loss in efficiency.

Consequently, policies and programs designed to promote economic growth must address obstacles that limit access to credit for poor women, not just for poor households. Studies that are based solely on the household's head may significantly underestimate the true economic impact of credit constraints.

"The study shows that there are economic arguments for enhancing women's access to capital," Fletschner concludes. "Policies and programs that improve women's access to credit would in turn lead to more efficient allocation of resources and increased production."

Source: Wiley

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