

## **Microcredit in the context of women empowerment : A Brief Review**

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In the new modern economy, micro credit approach for women is considered as the best strategy to empower women economically. Through micro credit the poor women can rotate their funds to build economic capacities and capacities. The co – relation between credit and empowerment is seen in a positive way in almost all research studies. Prof. Amartya Sen in his book ‘ Public Action to remedy Hunger’ in 1999 has also recognized the role of micro finance in women empowerment and poverty reduction.<sup>1</sup> Micro- finance for women has been a popular poverty- alleviation strategy among development agencies since the mid – 1980. It has also been considered an effective vehicle for women’s empowerment. Disproportionately representation among the poorest in society , discrimination in the formal labour market, more vulnerability of women headed households and the higher repayment rates on loans and contributions to family well – being are some of the rationales put forward for providing loan to women <sup>2</sup> There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank, reports that societies that discriminate on the basis of gender have greater poverty , slower economic growth, weaker governance, and a lower standard of living (World Bank, 2001).<sup>3</sup> Although in many cases women’s increased contribution to household well being has improved domestic relations , in other cases it intensifies tensions. Women throughout the world play critical roles in economic growth and development , and their contributions have an impact on households,communities and national economies.<sup>4</sup> Studies conducted in Ghana to look at when, how and why women are empowered found strong evidence that microfinance institutions contribute to women empowerment. One consistent finding was increased self – confidence and increase self-esteem. Another was women’s increased participation in decision – making.<sup>5</sup> The SHGs programme has been successful in not only in meeting peculiar needs of the rural poor , but also in strengthening collective self – help capacities of the poor at the local level , leading to their empowerment. Credit for empowerment is about organizing people , particularly around credit and building capacities to manage money . The focus is on getting the poor to mobilize their own funds , building their capacities and empowering them to leverage external credit . Perception women is that learning to manage money and rotate funds builds women’s capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit . Further , it combines the goals of financial sustainability with that of creating community owned institutions .<sup>6</sup>

However not all people agree with this. As Srilata says, “People always think little about women, like, micro credit for women, why do they need micro credit. She further adds, “women need credit not micro credit”. Microfinance institutions and other profit making government programmes are not

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necessary for the credit. Bank itself can complete the process by opening a sole window for loan, especially for women. Otherwise women have to face hurdle to obtain micro credit from the bank. She says that women also dream big and capable to do everything. So banks have to provide every type of loan to women at every level. Micro credit is not the only solution for the debt type of necessities of women.<sup>7</sup>

Even though micro-credit was meant to be an empowering process, in practice it has made women as a medium of poverty eradication and depriving them from their actual civil rights. Even micro credit process has made women rights and issues as apolitical. Poor women, who had participated in different women struggles during the year of 1980-90, now have become puppet of micro credit system. It has changed their mindset, they are busy with their economical desire only, which has no end. Their role have become limited with the source of maintain micro credit system otherwise they would have been important for the political and social change in the society.<sup>8</sup>

### **Micro -credit as tools of women empowerment: Some early experiences :**

The world micro -credit summit held in Washington in 2000, earmarked the women's Self Help Movement as one of the most important themes to tackle socio – economic poverty. With the beginning of the micro –credit programmes that mobilized and organized women at the grassroots levels and provide access to supportive services, the issues of women's empowerment started to constitute cornerstone of planned interventions for poverty alleviation.

Grassroots mobilization of women into Self - Help Group (SHGs) emerged inter alia, as a dynamic consequence of activities of organizations like self - employed women's association (SEWA), working women's forum (WWF), Annapurna Mahila Mandal etc. The Self Help model has received universal recognition in the country and has also been incorporated as a strategy specifically in the National Policy on Empowerment of women.<sup>9</sup>

However, if we look at the concept of Self Help Groups (SHGs) that gained momentum in the late nineties we find that this phenomenon is not new to this country. Mahila Mandals and women's cooperatives have been in existence for long. The country has a long tradition of seeing people coming together voluntarily for performing various collective socio-cultural and economic activities. (Kumar Radha) talked of several instance of women's cooperative movements such as Chipko Movement Campaign against alcohol in Maharashtra, SEVA, AMUL to name a few which have shown how women have been successfully functioning as collectives through this getting together, women could pool together their humane and natural resources and this gave them the confidence and faith that they have greater control over their lives.<sup>10</sup>

SHGs is a voluntary association of people formed to attend certain collective goals working on the principle of mutual help. It acts as an instrument of social intermediation through which women have been demanding improved quality of services. As thrift and credit groups these women SHGs serves as a means of accessing credit from financial institutions for income– generating activities micro– finance which has resulted in increased incomes as well as other social and psychological benefits in the form of increased self- esteem, sense of achievement, greater role in decision- making and access to health and educational opportunities.

Savings and credit is put forward as an important entry point for the activities of SHGs as it requires the active participation and commitment of all members. It provides them with an opportunity to exercise control and participate in decision making. It fulfils short- term needs for crisis credit (for consumption and emergency purposes), leading later to the provision of credit for productive purposes. The Self –Help Groups is seen as a dynamic institution, which builds on the resources and management skills of its members and their confidence to become involved in issues and programs.<sup>11</sup>

Group formation is seen as crucial to the empowerment process as women draw strength from numbers. The groups provides: A confidence and mutual support for women striving for social

change, a forum in which women can critically analyze their situations and devise collective strategies to overcome their difficulties, a framework for awareness raising, confidence building, dissemination of information and delivery of services, and for developing communal self - reliance and collective action and a vehicle for the promotion of economic activities.<sup>12</sup>

The National policy on empowerment of women also talks of SHGs as a strategy with regard to women's empowerment. The National Policy on empowerment of women has adopted the following economic strategies along with other social strategies:

- “To organize women into Self – Help Groups and thus mark the beginning of a major process of empowering women.
- To equip women with the necessary skills in the modern upcoming trades which keep them gainfully engaged besides making them economically independent and self – reliant,
- To increase access to credit through setting up of a development bank for women entrepreneurs in small and tiny sectors.

Thus, in today's development paradigm Self– Help Groups are being increasingly recognized as the appropriate people's institution, which provides poor women with the space and support necessary to take effective steps towards greater control of their lives in private and in society. The essence of Self –Help Groups is that it lays the foundation for self – reliance through building up an institution, which has the capacity to continue the development and empowerment process for women in the future. Self – Help Promotion attempts to rise the choice level of the poor by building up an institutional framework that is in tune with their capacities of self administration and better geared towards serving their needs. Until now this potential of the rural poor of helping themselves has been underestimated and therefore under explored. Efforts were not made to stimulate the capacity of the rural poor to help them.<sup>13</sup>

One can see two distinct approaches to SHGs promotion have evolved in India. SHGs work solely for the purposes of micro – credit and SHGs for women Empowerment. In the case of the former SHGs are promoted primarily with the objective of credit delivery to the poor. Since loaning on individual basis to the poor is financially unsustainable in terms of higher transaction cost, greater risks (Groups work as the biggest collateral, ensuring timely repayment and mobilizing group deposit) it makes sense to adopt the collective approach. In this case the SHGs functions solely as a thrift and credit group with no other functions. In the case of the latter micro – credit serves as an entry point around which a host of supportive services and programmes in the areas of health, sanitation awareness building etc. are organized with the ultimate aim of empowering women. Thus it is obvious that existence of S H Gs and micro – credit alone does not and cannot lead to empowerment. For empowerment to occur specific strategies need to be in – build in addition to the credit component into the SHGs Programme. Empowerment through SHGs thus makes a ‘credit – plus’ approach imperative.<sup>14</sup>

It is noteworthy that most of the Self help groups are primarily functioning as savings and credit groups. Meaning that regular monthly savings of a predetermined amount by all its members, which is maintained in the form of a group deposit with the bank MFI, is a distinct feature of most Self help groups. The members use this group deposit to leverage loan directly from the bank or MFI. Thus savings and credit activities form the cornerstone of the Self help groups functioning in India, the last decade has seen the emergence of several development initiatives based on the Self help groups approach. The formal emergence of the Self help groups movement was marked with the establishment of the Rashtriya Mahila Kosh the premier micro- credit agency in India created as an autonomous body under the aegis of Ministry of Human Resource Development, Department of Women and Child Development in 1993 with a corpus, of Rs 33 crores. Its primary objective has been to provide credit as an instrument of socio- economic change through provision of financial services for women. Since then several other Government of India (GOI) Programmes have been launched such as the

Swaranjayanti Gram Swarojgar Yojana (SGSY), Swarn Jayanti Shahri Rozgar Yojana (SGSRY), IMY, Swa-Shakti Programme characterized by the large - scale mobilization of women into Self help groups with the ultimate objective of empowering them. As a result in the last few years, thousands of Self help groups have come up in different parts of the country. Self help groups is being increasingly viewed as a panacea for women's poor and marginalized status and their lack of power. It is thought that the provision of savings intrinsic to the Self help groups not only helps the women to meet her contingent household need but also assures availability and accessibility of credit for productive purposes, which increases her economic self- reliance Self help groups as people's institution is also considered to boost women's self - confidence in challenging the structures of domination within the household and outside and is there by instrumental in initiating a process of change necessary for women empowerment.<sup>15</sup>

Another model of SHG for women's empowerment is followed by organisations like the Mahila Association for Literacy Awareness and Rights is an organization which has emerged of the literacy campaign in Kanyakumari district. Unlike the other two models discussed in chapters and 4 self help groups made in MALAR and other women's organisations like Janvadi Mahila Samiti do not take any support from an external agency. The MALAR is a good example of this because when they started the Self help groups they took the decision to make them economically independent. The savings were deposited in a savings bank account in the name of the group or in the joint account of the President, Secretary and Treasurer. When they found money was accumulating in the account they decided to start lending themselves. Over a period of one year a system was evolved and the federation got registered under the societies act with 13 women literacy volunteers as the executive committee members. Now the federation has 1530 groups with 30100 members who have saved Rs 4.85 Crores and the cumulative loan given to 29885 members has reached Rs. 32.53 Crores.<sup>16</sup>

The organization was not started with any project fund from Government or foreign funding agencies. Rs. 10 per member as membership fee was the initial fund available. A mechanism of sharing interest on the group loan made the federation sustainable.

This has helped to increase the full timers from none to 36 with an office cum training centre and a part time volunteer strength of 353. NABARD has provided training support of periodic intervals and recently provided 2 EDP (Employment Development Programmes). The creation of a federation which is self sustainable through a sharing mechanism and a democratic structure is the first unique feature. That the interest on loans has been brought down to 18% from 24% with diminishing returns and no extra interest is charged for the bank loans including loans under SGSY.<sup>17</sup> We see the view of women Empowerment, often there is criticism that the Self help groups only provide space for savings and small loans and empowerment does not take place.

In this model to achieve the aim of women's empowerment through formations of savings group. Therefore savings were seen as a bulwark of a women's movement that intervened in all local issues and upgraded the perspectives and skills of women. To that extent the organization , as it developed through the years became a federation of savings groups where women met, not onlyfor savings but also to discuss their own problems and the problems of theirlocality. Within this perspective, the saving provided a sound economic base to create a self - reliant women's movement.

### **Conclusion :**

In the last 5 years the numbers of SHGs in India have risen from 2 lakh to 7 lakh<sup>18</sup>. While supporting women emancipation different groups, feminists and other social activists have also been attracted towards this phenomenon and are analyzing its impact on women and society especially because after 1990, micro credit has been seen as an important mechanism for the access to credit by the women informal sector<sup>19</sup>. Here empowerment is seen, not merely in economic terms but also in social and political terms.

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