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Emergence of Microfinance as a Powerful tool for Women Empowerment

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Empowerment of women is one of the burning issue in developing countriesThe role and status of men and women are governed by traditions and cultural practices. Studies from all over the world show that women do not have equal status to that of men. This difference in role is determined not by their biological differences, but by the gender of the individual, which determines the social and cultural roles accorded to men and women by the society. The social evils like, illiteracy, poverty, violence against women and girls, and low health status continue to be persisting areas of concern for women. As a result women continue to have a lower status in the society. To raise the status of women, they must be socially, economically and politically empowered. Over the year various efforts have been taken by Government and Non – Government organizations to raise the status of women. Microfinanceintervention is considered as one of the efforts to empowering the women.Microfinance does lead to empowerment of women and in some cases this may be the only input required to get women started on the road to empowerment.

Key Words: Microfinance, Women Empowerment, Microcredit, SHGs

Introduction

Human societies since the dawn of civilization have been marked by hierarchical societal structures. Hierarchies get defined based on caste, class, race, creed and even gender. These factors determine power structures making some more powerful than others in the society and thus, a hierarchy builds up. Those powered subjugate the less powerful either through force, which is direct form, or through preventing the powerless to enter decision-making arena. The most subtle forms of such subjugations is when those powered would create an environment that internalises power relations and makes powerless think and accept the power relations as legitimate and ideal conditions (Sarah and Kabeer).

For the developing countries like India, inequalities based on class and gender has been the most pressing problems. Women are generally subjugated by men. Women, the second half of human civilization, have been increasingly marginalized and pushed to the lower strands of the hierarchies. Their control over resources is highly limited. In patriarchal structures, that characterize most human societies on earth, women often would not participate in the family's main decisions; this is the prerogative of the men.

The women, who work tirelessly throughout her life to take care of the entire house and family members, are labelled as a 'mere housewife' not contributing to the household finance. If she steps out and starts working even harder to earn, she must also continue to do the household work as before for this is her responsibility. At the most some other female member may share her increased burden. On the top, her income would be regarded as only supplemental. Poverty further constrains the available resources to women and they are often the worst sufferers of such constrained situations. Economy, thus, gets closely linked to re-emphasise the gender power structures.

Oppressions are revolted against; this is just as natural to human civilizations as the history of subjugation. Those who can think rationally and question the bases of power structures set the movements against them. Hence, voices have been raised against gender and class inequalities as well. Also the policy makers and developmental gurus soon realized that development ignoring the marginalized sections of the society is not a possible option. Then these issues became concerns for development and people started to search for strategies, which can straighten the situations. Several policies and programmes have been formulated and implemented from time to time. From the sixth plan onwards, Government of India started focussing on women in particular. Several schemes like DWCRA, IRDP, etc. were implemented to improve the condition of women. However, desired results could not be achieved.

The condition of poor women further deteriorated upon introduction of structural adjustment programmes during the 1990s. SAPs had advocated for state's cutting down its subsidies and withdrawing welfare services such as health and education. The concept of self-help was being presented and transferred from western countries to the developing nations such as India as an alternative. This gave an increased impetus to women's movement world over which culminated in the ICPD Conference in Cairo in 1994. This conference became the largest platform where women's issues were discussed and a Plan of Action (POA) was prepared. The governments of all the participating nations including India reached a consensus that affirmed their commitment to promote and protect the full enjoyment of human rights by all women throughout their life cycle. They also agreed to accord more power to women and to equalize their relationship with men in laws, economic systems and within the household. They also called to remove all forms of discrimination and violence against women and make them equal partners in the developmental processes.

It was during this conference that the term 'women empowerment' gained popularity and the entire focus started to shift onto this one objective. Thus, even though the gender inequalities have long been opposed and fought against, women empowerment as a term became particularly forceful and came to occupy the centre stage during 1990s.

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The Concept of Microfinance

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings.

The Canadian International Development Agency (CIDA) defines microfinance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions".

NABARD had defined microfinance as "provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their income levels, and to improve living standards". In other words, microfinance refers to the financial requirements of the individual borrowers to carry out various economic activities at the grass root level.

Robinson defines microfinance as, "small scale financial services provided to the people who work in agriculture, fishing and herding; work for wages or commission; and other individuals and groups at the local levels of developing countries both rural and urban".

The RashtriyaMahilaKosh, national level microfinance apex organization providing microfinance services for women in India, defines microfinance as a set of services comprising the following activities: (a) microcredit: small loan; primarily for income generation activities, but also for consumption and contingency need. (b) Microsaving: thrift or small saving from borrowers own resources.

Microfinance by definition refers to the entire range of financial and non financial services, including skill upgradation and entrepreneurship development rendered to the poor for enabling them to overcome poverty, with special emphasize on empowering women. The operational framework of microfinance, therefore, essentially rests on the premises that; (a) formation of a self employment enterprise is a viable alternate means of alleviating poverty; (b) lack of access to capital assets/credit acts as a constraints on the existing and potential microenterprises; and (c) the poor are capable of saving despite tier poor income level.

Microfinance is thus a financial service of small quantity provided by financial institution to the poor. These financial services may include savings, credit, insurance, leasing, remittance, equity transaction, etc., that is, any type of financial service provided to customers to meet their normal financial need; with the only qualification that (1) transaction value is small, and (2) customers are poor.

In essence, therefore, microfinance could be referred to as an institutional mechanism of providing credit support in small amount and usually linked with small groups along with other complimentary support such as training and other related services to the people with poor resources and skills for enabling them to take up economic activities. In the November 1995 microcredit summit, USA first lady Hillary Clinton wrote: 'microenterprise is the heart of development because microenterprise programmes work – they lift women and families out of poverty. It is called micro but its impacts on people is macro; we have seen that it takes just a few dollars, often as little it takes as dollar ten, to help a women gain self employment, lift her and her family out of poverty. It is not a handout; it is a helping hand'.

Characteristics of Microfinance

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. The characteristics of microfinance products include:

- Little amounts of loans and savings.
- Short- terms loan (usually up to the term of one year).
- principal and interest, which amortized in course of time.
- Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor - intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.
- Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.
- Application procedures are simple.
- Short processing periods (between the completion of the application and the disbursement of the loan).
- The clients who pay on time become eligible for repeat loans with higher amounts.
- The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.
- No collateral is required contrary to formal banking practices. Instead of collateral microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

Growth of Microfinance:

The historical account of the emergence and growth of micro-finance sector at the global level was started after the emergence of the Grameen Bank, which was set up by Mohammad Yunus in 1976, as an experiment, on the outskirt of Chittagong University campus in the village of Jobra, Bangladesh. In 1981 NDF (National Development Foundation), Jamaica, was started with support of Pan American Development Foundation. In 1983 ADEMI (Association for Development of Micro Enterprises) was established in Dominican Republic, Santo Domingo with support from ACCION, an International Agency. In 1984 BRI (Bank Rakayat Indonesia) started micro-finance in Indonesia. In 1984, K-REP (Kenya Rural Enterprise Programme) was set up by USAID (United States Agency for International Development) to develop credit programmes for micro-enterprises through NGOs intermediation. In 1986 ACEP (Agence de Credit Pour 'L Enterprise Privee) was established in Senegal with the support of USAID. In 1986, PRODEM (Foundation for the Promotion and Development of Micro-Enterprises) which was established by USAID and ACCION International in Bolivia, started micro finance. Later on it was converted into a bank called Bancosol (BancoSolidario) in 1992. Micro-Credit Summit held in February 1997 at Washington was organised to launch a global movement to ensure delivery of credit for self employment by 2005 to hundred million of the world's poorest families especially the women of those families.

In India, the history of rural credit, poverty alleviation and Micro Finance are inextricably interwoven. The forces and compulsions that shaped the initiatives in these areas are best understood in context of State and banking policy over time. Thus, for e.g., there were peasant riots in the Deccan in the late 19^{th} Century on account of coercive alienation of land by moneylenders. The policy response of the then British Government to this problem of rural indebtedness was to initiate the process of organization of cooperative societies as alternative institutions for providing credit to the farmers as also to ensure settled conditions in the rural areas.

In the development strategy adopted by independent India, institutional credit was perceived as a powerful instrument for enhancing production and productivity and for alleviating poverty. The strategy devised by the Government for this purpose comprised of expansion of the institutional structure, directed lending to disadvantaged borrowers and sectors and interest rates supported by subsidies. The institutional vehicles chosen for this were cooperatives, commercial banks and Regional Rural Banks (RRBs). Between 1950 and 1969, the emphasis was on the promoting of cooperatives. The nationalization of the major commercial banks in 1969 marks a watershed in as much as from this time onwards the focus shifted from the cooperatives as the sole providers of rural credit to the multi-agency approach. This also marks the beginning of the phenomenal expansion of the institutional structure in terms of commercial bank branch expansion in the rural and semi-urban areas. RRBs were set up in 1976 as low cost institutions mandated to reach the poorest in the credit-deficient areas of the country. In hindsight it may not be wrong to say that RRBs are perhaps the only institutions in the Indian context, which were created with a specific poverty alleviation mandate".

While tracing the history of rural credit initiatives, it is seen that during this period, the Reserve Bank of India came out with series of policy initiatives to enable the flow of credit to the rural sector despite of the conditions like absence of collateral among the poor, high cost of servicing geographically dispersed customers, lack of trained and motivated rural bankers, etc. The policy response was multi-dimensional and included special credit programmes for channeling subsidized credit to the rural sector and operationalising the concept of "priority sector". The priority sector concept was evolved in the late sixties to focus attention on the credit needs of neglected sectors and under-privileged borrowers. These strategies helped to build a broad based institutional infrastructure for the delivery and deployment of credit and ensured a wider physical access of financial services to the poor.

A government regulated, the so called Directed Credit Approach included the policies namely, artificial/subsidized interest rates on advances (1970), benchmarks for priority sectors (1970), credit-linked programmes for addressing poverty and unemployment (1972); each having a subsidy component and the directed credit for the poor. Banks were used as a conduit for various poverty alleviation programmes of the government, notably the Integrated Rural Development

Programme (IRDP). There was little change in the basic orientation of the formal government institutions as IRDP and subsequent poverty alleviation programmes continued to provide cheap, subsidized credit to the rural poor. Under IRDP, loans were given to the BPL families up to Rs. 15,000 for productive purposes with the subsidy of 25-30%. More than Rs 100 billions was disbursed under the scheme yet it failed to realize its intended objectives. It ended up in fetching abysmal repayment rates of 25-33%, appropriation of funds meant for the poor by the rural elite, reduction in loanable funds due to poor recycling of funds. The subsidy component in the loan systematically ingrained the culture that government loans are not to be returned. Amongst bankers, it deeply ingrained the view that poor are not bankable.

However, despite the best efforts of the state, the banking system was not able to internalize lending to the poor as a viable activity but only as a social obligation – something that had to be done because the authorities wanted it so. So, loans to the poor were treated as a part of social sector lending and not commercial lending; the poor were not borrowers, they were beneficiaries; poor beneficiaries did not avail of loans they availed of assistance. It resulted in an attitude of carefully disguised cynicism towards the poor. The attitude was that the poor are not bankable, that they can never be bankable, that commercial principles cannot be applied in lending to the poor, that what the poor require are not loans but charity. Once this mindset hardened it became more and more difficult for commercial bankers to accept that lending to the poor could be a viable activity. It is significant to note that the system had to wait for almost a decade for the concept of Micro Finance to become credible.

Microfinance as a tool for women empowerment

Microfinance is emerging as a powerful tool for poverty alleviation in the new economy. In India, microfinance sector is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the "unbanked poor". Based on the philosophy of peer pressure and group savings as collateral substitute , the SHG programme has been successful not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the community level, leading to their empowerment.

Microfinance for the poor and especially women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Recently, there is increasing debate of whether microcredit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on microfinance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

Micro 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 about 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.

There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experiences of several SHGs reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength.

National schemes like the RashtriyaMahilaKosh, Indira MahilaYojana and poverty alleviation programmes like Swaranjayanti Gram SwarozgarYojana (SGSY) etc. see women's SHGs as vehicles for programme implementation. International organizations working and/or providing funds for development programmes in India too support large number of women SHGs or CBFIs supporting women SHGs. All of them increasingly been accepting, supporting and promoting these SHGs as vehicles of women empowerment.

In nut shell we can say that from the foregoing discussion on women empowerment and microfinance it cannot be denied that history is replete with women's movements for securing gender equality. The hierarchical structure of the society is inherently exploitive in nature and there lies the need for changing the societal order. As we saw many studies talked of powerlessness based on class and gender. Hence the need for empowering the women was felt. The true empowerment has different meanings attached to it. Its different components like women's controls over material and intellectual source, women's ability to make strategic life choices and their participation in social, economic and political activities find nice treatment here.Switching over to the microfinance, the concept of microfinance is considered to cover the provision of a broad range of financial services to the poor, low income households, ensuring betterment of their condition. The emergence of SHGs is a fillip to the ongoing process of empowerment through microfinance. Models of SHGs have an important bearing on the whole process. Approaches to microfinance programmesviz – minimalist and integrated are a huge stride in this direction and the linkage between microfinance and women empowerment is an established fact.

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