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Research Article

Skill Development

Micro Credit and Women Empowerment

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This paper explores the impact of microcredit on women's empowerment. Microcredit programs, often implemented through microfinance institutions (MFIs), aim to provide small loans to women to initiate or expand income-generating activities. The study suggests that microcredit can contribute positively to women's empowerment, outcomes vary based on contextual factors such as local culture, loan size, repayment pressure, and the presence of supportive networks. The paper concludes that microcredit is a potentially powerful tool for the poor in the insurance sector. It must be complemented by education, skill development, and broader social support mechanisms to ensure sustainable empowerment.

Keywords: microcredit, empowerment, microfinance, loan size, skill development, sustainable empowerment

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1. Introduction

Today one of the major sources of credit to the agriculture sector is through Micro credit system. Micro credit is a part of microfinance, which is the provision of financial services to the very poor; apart from loans, it includes savings, micro insurance and other financial innovations.

Further to explain Microcredit is the extension of very small loans (microloans) to the unemployed, to poor entrepreneurs and to others living in poverty that is not considered bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore can not meet even the most minimal qualifications to gain access to traditional credit.

Micro credit has been boon and a financial innovation to developing countries which successfully impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to this microcredit is increasingly gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplating microcredit projects as a source of future growth.

Currently various types of micro-credit can be classified:

- Traditional informal microcredit (such as moneylender’s credit, pawn shops, loans from friends and relatives, consumer credit in informal market, etc.).
- Microcredit based on traditional informal groups (such as, ROSCA, etc.).
- Activity-based microcredit through conventional or specialized banks (such as agricultural credit, livestock credit, fisheries credit, handloom credit, etc.).
- Rural credit through specialized banks.
- Cooperative microcredit (cooperative credit, credit union, savings and loan associations, saving banks etc.)
- Consumer microcredit.
- Bank-NGO partnership-based microcredit.
- Grameen type microcredit or Grameen credit.
- Other types of NGO microcredit.
- Other types of non-NGO non-collateralized microcredit.

This Grameen Bank is currently considering the pioneer Micro Finance Institution (MFIs) in many other countries both by the government and non-government organizations. The Grameen model has inspired more than 10,000 microlending organizations providing loans to more than 25 million poor people throughout the world, most of them women. The number of these organizations grew dramatically during the 1990s, spurred by the notion of ‘self-help’ and a faith in the creditworthiness and entrepreneurial potential of the poor. The movement took off with strong support both from the free-enterprise zealots of the right and the anti-poverty warriors of the left.

The microcredit programmes influence saving in a number of ways. First of all, it inculcates habit of regular savings and thrift. Secondly, the compulsory savings mobilized would be invested in productive activities, which in turn able to increase the employment, income and output. Third, this increase in income would increase the purchasing power and effective demand among the community and thereby the standard of living and the economics development of the nation would improve.

2. Micro-Financing Institution in India

Micro-credit is not a new idea in India. Earlier National Bank for Agriculture and Rural Development (NABARD) set up in 1982 under an Act of Parliament “ Specifically for promoting integrated rural development and securing prosperity of rural areas” showed that despite a wide network of rural bank branches which implemented specific poverty alleviation programmes that sought creation of self-employment opportunities through bank credit for almost two decades, a very large number of the poor continued to remain outside the fold of the formal banking systems.

The priority of the rural poor appeared to be consumption credit, savings, production credit and insurance. Consumption needs included credit for short periods for emergent needs, which were usually met by informal sources at exploitative interest rates, as poor borrowers were unable to offer banks any security for small consumption loans. Bank in turn faced constraints due to the high transaction costs involved in processing small amounts to borrowers scattered in rural areas, as well as concerns related to loan recovery. Against this background, a need was felt for alternatives policies, systems and procedures, savings and loan products, complementary services, and new delivery mechanisms which would fulfill the requirements of the poorest, especially of the women members of such households. The Grameen bank is neighboring Bangladesh had already proved a successful model of microlending in South Asia. The self-help group model pioneered by the Grameen's a viable strategy to tackle these issues- both for borrowers as well as banks.

There are several micro-finance implementing organizations in the government as well as non-government sectors. Leading national financial institutions like the Small Industries Development Bank of India (SIDBI), the National Bank for Agriculture and Rural Development (NABARD) and the Rastriya Mahila Kosh (RMK) have played a significant role in promoting micro-credit. Small Industries Development Bank of India (SIDBI), an apex financial institution for the promotion, financing and development of small-scale industries in India, has launched a major project christened SIDBI Foundation for Micro Credit (SFMC) as a proactive step to facilitating accelerated and orderly growth of the micro-finance sector in India. SFMC is expected to emerge as the apex wholesaler for micro-finance sector in India, providing a complete range of financial and non-financial services such as loan funds, grant support, equity and institution-building support to retailing Micro Finance Institutions (MFIs) so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector.

Other agencies, like the Swayamsidha Project launched in 2001 under the Department of Women and Child Development are garbed in the language of 'Women's empowerment' rather than in economic terms. Swayamsidha, or the Integrated Women's Empowerment Programme (IWEP), no more than a recast Indira Mahila Yojna and Mahila Samriddhi Yojna, has the loft aim of "holistic empowerment of women through awareness generation, economic empowerment and convergence of various schemes" through the formation of SHGs.

The scheme, which aims to benefit almost 10 Lakh women through 53000 SHGs, has an outlay of Rs. 116.30 crore, funded by the World Bank. With micro-credit becoming financially viable, even commercial banks like ICICI and international banks like Citibank and Rabobank have entered the field. The benefits to the borrower in purely commercial set-ups need further evaluations.

3. Micro-Credit and Women's Empowerment

According to the Microcredit Summit Campaign "1.2 billion people are living on less than a dollar a day. Women are often responsible for the upbringing of the world's children and the poverty of the women generally results in the physical and social underdevelopment of their children. Experience shows that women are a good credit risk, and that woman invest their income toward the well being of their families. At the same time, women themselves benefit from the higher social status they achieve within the home when they are able to provide income."

Micro credit seems to work best with women. Women take financial help more seriously. They utilize money much more carefully and credit groups find them more conscious of repayment obligations. But in many ways, women end up a loser despite being in the thick of the micro finance movement. Points out Smita Premchander, Chief Executive, Sampark, a NGO which works with micro finance and women in Hyderabad: "Women value the habit of savings. But how is the money is being managed is the question. Micro finance can become meaningful only if social empowerment happens and realities like the caste divide collapses. Women ultimately need o have control over their money and not let other relatives or men folk decide on what should be done with it."

Dr. C Rangarajan, Chairman, Economic Advisory Council of the Government of India, points out, "Micro credit can aid employment and sustain households giving them opportunities they never had before." It is called micro credit with good reason. The size of the loan is typically small. The borrower is usually battling against poverty. The repayment schedule is simple and short. And, the activity for which the loan is taken is often of a small nature.

But poor women, who are in the forefront of the micro credit movement, use the small loans to jumpstart a long chain of economic activity from this small beginning. As they have enormous pride in their integrity, they repay quickly and reliably, not wanting to be seen as defaulters. Then, they begin again, this time with a bigger loan and keep expanding their profit base until they do not need the loans any longer.

Micro credit has given women in India an opportunity to become agents of change. The movement has made them more confident than ever helping them to explore new horizons, new dreams. The most active states are Andhra Pradesh and Tamil Nadu. Other states where such self-help groups are making a dramatic difference are Karnataka, Himachal Pradesh and Uttaranchal. Sheila Deikshit, Chief Minister of Delhi, says: "Micro finance will be the future mantra for alleviation of poverty. I have met women who say that 500 to 800 rupees makes all the difference as it dramatically changes their standard of life."

4. Empowerment: Focus on Poor Women

In India, the truckle down effects of microeconomic policies have failed to resolve the problem of gender inequality. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reasons for this: among the poor, the poor women are most disadvantaged. They are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. If loans are routed through women benefits of loans are spread wider among the household.

Since women's empowerment is the key to socio economic development of the community: bringing women into the mainstream of national development has been a major concern of government.

5. Conclusion

There is now mounting hope that micro finance can be a large-scale poverty alleviation tool. Banks too are shedding their old reluctance to lend to the poor, and are looking to tap the expertise of micro credit groups to create a new market. What will it take for micro credit to become mainstream mode for lending? One option is to provide other financial services similarly built around small amounts of money, such as micro insurance. There is tremendous scope to design well-adapted insurance products for the poor in the insurance sector as well; this will reduce their vulnerability to environmental influences- weather and pests-as well as diminish the risk should they-or their livestock-become ill unexpectedly. Such additional products will expand the micro finance platform, and even encourage more new directions. Credit schemes specifically tailored for urban areas can also help urban micro finance. Unlike its rural counterpart, has not mushroomed despite the rising numbers of urban poor.

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