
UNIT 11 MICRO CREDIT

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11.1 INTRODUCTION

This Unit starts with defining Micro credit and elaborately deals with early beginning of micro credit and modern micro credit system. To explain further, the Unit takes grameen bank model of micro credit as a case study. It also deals with economic principles of micro credit and self help movement.

11.2 OBJECTIVES

After studying this Unit, you would be able to

- Define micro credit;
- Trace the early beginnings of micro credit;
- Discuss modern micro credit system with grameen bank as an example;
- Explain the economic principles of micro credit system; and
- Examine the micro credit and self help group movement in India.

11.3 DEFINITION

Microcredit is a broad name for the programmes that extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families. - *Microcredit Summit*

The word "microcredit" became a tool for development only after 1980. Now it has become a buzz-word among the development practitioners. Today it is common to see people use the term "microcredit" to mean agricultural credit, rural credit, co-operative credit and consumer credit.

The Reserve Bank of India defines Microcredit as a 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 improve their living standards. Microcredit Institutions are those institutions which provide these facilities.

Though the definition of microcredit varies from country to country and situation to situation, it is important to keep some basic terms in mind. These include:

- **Size of the loans** i.e. micro or very small in size;
- **Target users** – micro-entrepreneurs and low-income households;
- **Utilization** - the use of funds for income generation, and enterprise development, but also for community use (health/education) etc. and
- **Terms and conditions** - most terms and conditions for microcredit loans are flexible and easy to understand, and suited to the local conditions of the community.

Keeping the above terms in mind, **Microcredit** can be defined as the extension of very small loans (**microloans**) to those in poverty. These loans are designed to spur entrepreneurship in individuals who lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

Microcredit as a financial innovation is generally considered to have originated with the Grameen Bank in Bangladesh. In Bangladesh, the grameen bank has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and escape poverty.

Due to the success of microcredit in Bangladesh, the traditional banking industry have begun to realize that these microcredit borrowers should more correctly be categorized as pre-bankable; thus, 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, even though almost everyone in larger development organizations discounted the likelihood of success of microcredit when it begun. The United Nations declared 2005 as the International Year of Microcredit.

11.4 MODERN MICROCREDIT

11.4.1 Early Beginnings

When someone claims microcredit has a thousand-year history, or a hundred-year history, nobody finds it as an exciting piece of historical information. Ideas relating to microcredit can be found at various times in modern history.

Jonathan Swift inspired the Irish Loan Funds of the 18th and 19th centuries. In the mid-19th century, Individualist anarchist Lysander Spooner wrote about the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty. Ideas relating to microcredit were mentioned in portions of the Marshall Plan at the end of World War II.

In the 1950s, Akhtar Hameed Khan began distributing group-oriented credit in East Pakistan. Khan used the Comilla Model, in which credit is distributed through community-based initiatives.

11.4.2 Modern Microcredit

The origins of microcredit, in its current practical incarnation, can be linked to several organizations founded in Bangladesh, especially the Grameen Bank. The Grameen Bank, which is considered as first modern microcredit institution, was founded in 1976 by Prof. Muhammad Yunus. Prof. Yunus began the project in a small town called Jobra, using his own money to deliver small loans at low-interest rates to the rural poor. Grameen Bank was followed by the organizations such as BRAC (International development Organization) in 1972 and ASA International India Micro Finance Private Limited in 1978. Microcredit reached Latin America with the establishment of PRODEM in Bolivia in 1986; a bank that later transformed itself into the for-profit BancoSol. Microcredit quickly became a popular tool for economic development, with hundreds of institutions emerging throughout the third world.

Though the Grameen Bank was formed initially as a non-profit organization dependent upon government subsidies, it later became a corporate entity and was renamed Grameen Bank II in 2002. Muhammad Yunus awarded Nobel Peace Prize in 2006 for his work in the area of microcredit services known as Grameen-credit to the poor.

11.4.3 Grameen credit

Grameen credit is based on the premise that the poor have skills which remain unutilized or under-utilized. It is definitely not the lack of skills which make poor people poor. Grameen

believes that the poverty is not created by the poor; it is created by the institutions and policies which surround them. In order to eliminate poverty all we need to do is to make appropriate changes in the institutions and policies, and/or create new ones. Grameen does not believe in charity and it is not an answer to poverty. It creates more and more dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.

Grameen brought credit to poor, women and the illiterate who pleaded that they did not know how to invest money and earn an income. Grameen created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable terms enabling the poor to build on their existing skills to earn a better income in each cycle of loans.

General features of Grameen credit are as follows:

- a) It promotes credit as a human right;
- b) Its mission is to facilitate poor families to help themselves to overcome poverty. It targets low income family, particularly women from low income family;
- c) The most distinctive feature of Grameen credit is that it is not based on any collateral or legally enforceable contracts. It is based on "trust", not on legal procedures and systems;
- d) Grameen-credit is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption;
- e) Grameen-credit was initiated as a challenge to the conventional banking which rejected the low income group by classifying them as "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology;
- f) Grameen-credit provides service at the door-step of the low income groups based on the principle that the people should not go to the bank, but the bank should go to the people;
- g) In order to obtain loans a borrower must join in group as group of borrowers;
- h) Loans can be received in a continuous sequence. New loan becomes available to a borrower if previous loan is repaid;
- i) All loans need to be paid back in installments (weekly, or bi-weekly);
- j) More than one loan can be received by a borrower at one time;
- k) Grameen-credit comes with both obligatory and voluntary savings programmes for the borrowers;

- l) Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers. If it is done through for-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameen-credit's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate, market interest rate is taken as the reference rate, rather than the moneylenders' rate. Reaching the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints; and
- m) Grameen-credit gives high priority on building social capital. It is promoted through formation of groups and centres, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers, something similar to the "sixteen decisions", it undertakes a process of intensive discussion among the borrowers, encouraging them to take these decisions seriously, and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes an effort to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What is microcredit?

2. What is Grameen credit? List out any three important features of Grameen credit

3. Compare Grameen credit to traditional loans in the context of interest rates.

11.5 ECONOMIC PRINCIPLES OF MICROCREDIT

Microcredit is based on a separate set of principles, which are distinguished from general financing or credit. Microcredit organizations were created to serve in the place of local [loan-sharks] known to take advantage of their clients. Many microcredit organizations began as non-profit organizations, running off government or private subsidies. By the 1980s, the ‘financial systems approach,’ influenced by neo-liberalism propagated by the Harvard Institute for International Development became the dominant ideology among microcredit organizations.

The commercialization of microcredit began with the formation of Unit Desa (BRI-UD) within the Bank Rakyat Indonesia in 1984, which offered ‘*kupedes*’ microloans based on market interest rates. Most microcredit organizations now function as independent banks, leading to high interest rates and a greater emphasis on savings programmes. The application of neoliberal economics to microcredit has generated much debate among scholars and development practitioners, with some claiming that microcredit bank directors, such as Muhammad Yunus, are employing the

practices of a loan shark for their own personal enrichment. Indeed, a Wall Street style scandal involving the Mexican microcredit organization Compartamentos illustrated the limitations of profit-driven microcredit institutions.

The reform of the interest rate regime has constituted an integral part of the financial sector reforms initiated in our country in 1991. In consonance with this reform process, interest rates applicable to loans given by banks to microcredit organizations or by the microcredit organizations to Self-Help Groups/member-beneficiaries has been left to their discretion. The interest rate ceiling applicable to direct small loans given by banks to individual borrowers, however, continues to remain in force. Banks have been given freedom to formulate their own lending norms keeping in view ground realities. They have been asked to devise appropriate loan and savings products and the related terms and conditions including size of the loan, unit cost, unit size, maturity period, grace period, margins, etc. Such credit covers not only consumption and production loans for various farm and non-farm activities of the poor, but also include their other credit needs such as housing and shelter improvements.

Microcredit emphasizes trust building, which can enable micro-entrepreneurship, so generating employment and helping people to help themselves during enterprise initiation and during difficult times.

11.5.1 Group Lending

Though group-lending has long been a key part of microcredit, microcredit initially began with the principle of lending to individuals. Despite the use of solidarity circles in 1970s Jobra, Grameen Bank and other early microcredit institutions initially focused on individual lending. Indeed, Muhammad Yunus propagated the notion that every person has the potential to become an entrepreneur. The use of group-lending was motivated by economics of scale, as the costs associated with monitoring loans and enforcing repayment are significantly lower when credit is distributed to groups rather than individuals. Many times, the loan of one participant in group-lending depends upon the successful repayment of another member, thus transferring repayment responsibility of microcredit institutions to loan recipients. This is facilitated by the participation of Self Help Groups.

11.5.2 Self-Help Group

A Self-Help Group (SHG) is a registered or unregistered group of micro-entrepreneurs, having homogenous social and economic background, voluntarily coming together to save small amounts regularly, to mutually agree to contribute to a common fund, to meet their emergency needs on mutual help basis. The group members use collective wisdom and peer pressure to ensure proper end-use of credit, and timely repayment thereof. In fact, peer pressure has been recognized as an effective substitute for collaterals.

An economically poor individual gains strength as part of a group. Besides, financing through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to & from the branch and other places) for completing paper work, and on the loss of workdays in canvassing for loans.

11.5.3 Lending to Women

Lending to women has become an important principle in microcredit, with banks and NGOs such as BancoSol, WWB, and Pro Mujer catering to women exclusively. Though Grameen Bank initially tried to lend to both men and women at equal rates, women presently make up ninety-five percent of the bank's clients. Women continue to make up seventy-five percent of all microcredit recipients worldwide. Exclusive lending to women began in the 1980s when Grameen Bank found that women have higher repayment rates, and tend to accept smaller loans than men. Subsequently, many microcredit institutions have used the goal of empowering women to justify their disproportionate loans to women. Microcredit is a tool for socio-economic empowerment.

Case 1

Rajalakshmi 41 years old women is treasurer in *Kadamalai* Federation. She studies up to class VIII and got married at the age of 15. Her husband left when she is pregnant thinking that she delivers girl baby again since they have already two daughters. But she delivered boy. She stays with her parent. She associated with *Kalanjiyam* micro credit organization for many years. After understanding the system, she can able to lead the other women and she also actively

participate in group activities. Due to her ability, she became group leader and then cluster leaders. Finally she became the treasurer of the federation. In the process, she got confidence and courage. She became a trainer and started providing training to cluster associations. Not only micro credit activities, she is conscious of social development issues and she successfully negotiated HDFC for 8 million loan to housing project.

Ref: Padia, Veena Social mobilization and Micro-credit for women's empowerment: A study of the Dhan Foundation in *Micro-Credit, Poverty and Empowerment Linking the Triad* (Eds) Neera Burra, Joy Deshmukh-Ranadive and Ranjani K.Murthy, New Delhi: Sage Publications, 2005.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What is group lending?

2. What is the advantage of financing through Self-Help Groups?

3. Why does microcredit mostly concentrate on loans for women?

11.6 STRENGTHS OF MICROCREDIT SYSTEMS

In the past few years, savings-led microfinance has gained recognition as an effective way to bring very poor families low-cost financial services. For example, in India, the National Bank for Agriculture and Rural Development (NABARD) finances more than 500 banks that lend funds to Self-Help Groups (SHGs). Each SHG comprises of 20 or fewer members, of whom the majority are women from the poorest castes and tribes. Members save small amounts of money, as little as a few rupees a month in a group fund. Members may borrow from the group fund for a variety of purposes ranging from household emergencies to school fees. As SHGs prove capable of managing their funds well, they may borrow from a local bank to invest in small business or farm activities. Banks typically lend up to four rupees for every rupee in the group fund. Groups generally pay interest rates that range from 30% to 70% APR, or 12% to 24% a year, based on the flat calculation method. Nearly 1.4 million SHGs comprising approximately 20 million women now borrow from banks – which make the Indian SHG-Bank Linkage model the largest microfinance programme in the world. Similar programmes are being set up in Africa and Southeast Asia, with the assistance of International organizations.

Micro financing also helps in the development of an economy by giving everyday people the chance to establish a sustainable means of income. It works on the principle that eventual increases in disposable income will lead to economic development and growth.

As for women's empowerment is concerned, it has been proven that women experience higher bargaining and decision-making power within the family as they bring more income to the household. The increase in the household income trickles down to impact higher consumption standards, education for children, and better nutrition.

11.7 SYSTEMS AND METHODS OF MICROFINANCE

With a view to facilitating smoother and more meaningful banking with the poor, a pilot project for purveying microcredit by linking Self-Help Groups (SHGs) with banks was launched by NABARD in 1991-92. The Reserve Bank of India had then advised commercial banks to actively participate in this linkage programme. The scheme has since been extended to RRBs and co-operative banks. Different models were adopted for establishing linkages with the banks. Some of them were:

Model I: A linkage directly established with the SHGs without intervention/facilitation of any NGO which comprising of 16% of the projects.

Model II: A linkage established directly to SHGs with facilitation by NGOs and other formal agencies amounts to 75% of the projects.

Model III: A linkage established through an NGO facilitator and financing agency which represents 09% of the total linkage. While 488 districts in all the states/UTs have been covered under this programme, 444 banks including 44 commercial banks (including 17 in the private sector), 191 RRBs and 209 co-operative banks along with 2,155 NGOs are now associated with the SHG-bank linkage programme.

While the SHG-bank linkage programme has surely emerged as the dominant micro finance dispensation model in India, other models too have evolved as significant micro finance purveying channels. The other successful models that have emerged are:

(a) An Intermediate Model that works on banking principles with focus on both savings and credit activities and where banking services are provided to the clients either directly or through SHGs.

(b) There is also a Wholesale Banking Model where the clients comprise NGOs, MFIs and SHG Federations. This Model involves a unique package of providing both loans and capacity building support to its partners.

(c) Further, there is an Individual Banking-based Model that has its clients as individuals or joint liability groups. While programme management and client appraisal in this Model may be a challenge, it is best suited to lending to enterprises.

Keeping these validated models for delivery of credit to the poor and the unorganized sector in view, RBI is moving towards a systems perspective for providing effective policy support not only because a number of different institutions including banks, MFIs, NGOs & SHGs are involved, but also because these institutions have very different institutional goals. With this in

view, a series of initiatives are being planned in the coming months for putting in place a more vibrant micro finance dispensation environment in the country, where complementary and competitive models of micro finance delivery would be encouraged to co-exist.

11.7.1 Foreign Investment in Micro Credit projects

The Government of India in 2000 included 'Micro Credit/Rural Credit' in the list of permitted Non-Banking Financial Company (NBFC) activities for being considered for Foreign Direct Investment (FDI)/Overseas Corporate Bodies (OCB)/Non-Resident Indians (NRI) investment to encourage foreign participation in microcredit projects. This covers credit facility at a micro level for providing finance to small producers and small micro enterprises in rural and urban areas.

11.7.2 Micro Finance Development Fund

In 2001 it was felt that there was an urgent need for micro credit providers to shift from a minimalist approach – that is offering only financial intermediation – to an integrated approach to poverty alleviation, taking a more holistic view of the client including provision of enterprise development services like marketing infrastructure, introduction of technology and design development. Therefore, the Micro Finance Development Fund was set up and a Rs. 100 crore Fund created in NABARD to support broadly the following activities:

(a) Giving training and exposure to self-help group (SHG) members, partner NGOs, banks and Government agencies.

(b) Providing start-up funds to micro finance institutions and meeting their initial operational deficits.

(c) Meeting the cost of formation and nurturing of SHGs;

(d) Designing new delivery mechanisms.

(e) Promoting research, action research, management information systems and dissemination of best practices in micro finance. This Fund is thus expected to address institutional and delivery issues like institutional growth and transformation, governance, accessing new sources of funding, building institutional capacity and increasing volumes. RBI and NABARD contributed Rs. 40 crore each to this Fund. The balance Rs. 20 crore was contributed by 11 public sector banks.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Describe the process of microcredit through SHGs

2. Briefly outline the different models outlined for linking up SHGs with banks

3. When was the Micro Finance Development Fund created and why?

11.8 IN THE DEVELOPED WORLD

Microcredit is not only provided in poor countries, but also in one of the world's richest countries, the USA, where 37 million people (12.6%) live below the poverty line. Among other organizations that provide microloans in the United States, Grameen Bank started their operation in New York in April 2008. According to economist Jonathan Morduch of New York University, microloans have less appeal in the US, because people think it is too difficult to escape poverty through private enterprise. The Bank of America has announced plans to award more than \$3.7 million in grants to non-profit organizations to use in backing microloan programmes.

Other developed countries in which the micro-loan model is, in fact, gaining impetus include Israel, Russia, and the Ukraine, where micro-loans given to small business entrepreneurs are also used to overcome cultural barriers in the mainstream business society. The Israel Free Loan Association (IFLA) has lent out over \$100 million in the past two decades to Israeli citizens of all backgrounds.

Even so, efforts to replicate Grameen-style solidarity lending in developed countries have generally not succeeded. For example, the Calmeadow Foundation tested an analogous peer-lending model in three locations in Canada, rural Nova Scotia and urban Toronto and Vancouver, during the 1990s. It concluded that a variety of factors—including difficulties in reaching the target market, the high risk profile of clients, their general distaste for the joint liability requirement, and high overhead costs—made solidarity lending unviable without subsidies. However, debates have continued about whether the required subsidies may be justified as an alternative to other subsidies targeted at the entrepreneurial poor, and VanCity Credit Union, which took over Calmeadow's Vancouver operations, continues to use the process of peer lending.

Some organizations, however, have been able to find success bringing the microfinance model to the United States. ACCION USA, the US subsidiary of the better-known ACCION International, has been able to provide US\$117 million in microloans since 1991, with an over 90% repayment rate.

11.8.1 Microcredit and the Web

The principles of microcredit have also been applied in attempting to address several non-poverty-related issues. Among these, multiple Internet-based organizations have developed platforms that facilitate a modified form of peer-to-peer lending, where a loan is not made in the form of a single, direct loan, but as the aggregation of a number of smaller loans—often at a negligible interest rate. There are several ways by which the general public can participate in alleviating poverty using Web platforms.

New platforms that connect lenders to micro-entrepreneurs are emerging on the Web, for example Kiva, Zidisha, Lend for Peace, the Microloan Foundation, and iMicroInvest. Another web-based micro lender United Prosperity uses a variation on the usual micro lending model; with United Prosperity the micro-lender providing a guarantee to a local bank, which then lends back double that amount to the micro-entrepreneur. United Prosperity claims this provides both greater leverage and allows the micro-entrepreneur to develop a credit history with their local bank for future loans. In 2009, the US-based non-profit Zidisha became the first peer-to-peer micro lending platform to link lenders and borrowers directly across international borders without local intermediaries. Vittana allows peer-to-peer lending for student loans in developing countries.

11.9 CRITICISM

Enthusiasm for microcredit among government officials as an anti-poverty programme can motivate cuts in public health, welfare, and education spending. The success of the microcredit model has been judged disproportionately from a lender's perspective (repayment rates, financial viability) and not from that of the borrowers. For example, the Grameen Bank's high repayment rate does not reflect the number of women who are repeat borrowers that have become dependent on loans for household expenditures rather than capital investments. Studies of microcredit programmes have found that women often act merely as collection agents for their husbands and sons, such that the men spend the money, while women are saddled with the credit risk. As a result, borrowers are kept out of waged work and pushed into the informal economy.

Many studies in recent years have shown that risks like sickness, natural disaster and over-indebtedness are a critical dimension of poverty and that very poor people rely heavily on informal savings to manage these risks. It might be expected that microfinance institutions would provide safe, flexible savings services to this population, but—with notable exceptions like Grameen II—they have been very slow to do so. Some experts argue that most microcredit institutions are overly dependent on external capital. A study of microcredit institutions in Bolivia in 2003, for example, found that they were very slow to deliver quality micro-savings services, because of easy access to cheaper forms of external capital. Global data tables

from *The Microbanking Bulletin* show that savings represent a small source of funds for microcredit institutions in most developing nations.

Because field officers are in a position of power locally and are judged on repayment rates as the primary metric of their success, they sometimes use coercive and even violent tactics to collect installments on the microcredit loans. Some loan recipients sink into a cycle of debt, using a microcredit loan from one organization to meet interest obligations from another. Also, counter to the original intention of the microcredit system to empower women, one of the effects of an infusion of cash into local economies has been to increase dowries, with women forced at times to take microcredit loans as the only means to pay these increased dowries for their daughters.

In recent years, there has been increasing attention paid to the problem of interest rate disclosure, as many suppliers of microcredit quote their rates to clients using the flat calculation method, which significantly understates the true Annual Percentage Rate.

Professor Dean Karlan of Yale University, a point was raised concerning a comparison between two groups: one African, financed through microcredit and one control group in the Philippines. The results of this study suggest that many of the benefits from microcredit are in fact loaned to people with existing business, and not to those seeking to establish new businesses. Many of those receiving microcredit also used the loans to supplement the family income. The income that went up in business was true only for men, and not for women. This is striking because one of the supposed major beneficiaries of microfinance is supposed to be women. Professor Karlan's conclusion was that whilst microcredit is not necessarily bad and can generate some positive benefits, despite some lenders charging interest rates between 40-60%, it isn't the panacea that is purported to be. He advocates giving citizens in poor countries access to rudimentary and cheap savings accounts, rather than focusing strictly on microcredit.

Furthermore, there are widespread accumulations of studies that indicate that the Grameen Bank system does not reach very far down the poverty spectrum, either in absolute terms or relative to other income categories. So according to Tazul Islam, it risks the exclusion of the below poverty line, since the clients of the bank incline to be clustered around the poverty line of

predominantly moderately poor or vulnerable non-poor. Also, of the poor who join the bank's microcredit programme, a high percentage often dropout after only a few loan cycles, while many others eventually dropout in later loan cycles as loan amounts begin to exceed their repayment capacity. For women, their loans are seen as the source of capital acquisition and this may lead to manipulation of women by putting pressure on them to gain membership of a credit group. Also, there are criticisms over microfinance institutions (MFIs) in creating small-debt traps for the poor with high interest rates and coercive methods of recovery. In Andhra Pradesh, the villagers who take out the loan often do not know the interest that they were being charged and are not aware of the consequences of taking multiple loans as they take the second loan to clear the first loan. Also, some studies reveal that the repayment rate of Grameen's loans does not match anywhere near what the bank claims, that at least one quarter of its loans were being used for household consumption and there is no serious supervision of bank, which leads to bank delaying defaults and hiding problem loans.

Negative Impact on Women

Studies note that there is increase in domestic violence for women who do not get the loan or have to wait a long time to get the loan and often times their loans are given over to their male relatives or husbands. Women are more likely to retain control over their loans in traditional women's work like livestock rearing that are considered "women's work". Moreover, the bigger the size of the loan, easier the women lose control on it. For example, Montgomery's studies show that women have 100% control over loans that are smaller than Rs 1000, but only 46% of control if the loan is bigger than Rs 4,000. Women also face the situation that they have to depend on men when they cannot generate enough income, which can lead to gendered pattern of dependency and a new source of tension within the household.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Describe the process of microcredit in developed countries

2. Briefly outline some of the problems with microcredit

11.10 SUMMING UP

In this Unit you have learnt about microcredit and its importance in alleviating poverty and empowering women. Economists and research scholars in have shown how small loans given to women can help in not only managing household financial needs, but also make them make them economically self-reliant in the long run. Though some critics of microcredit say that the loans obtained by women are often used by men in the households, who sometimes pressurize the women to take more and more loans, the role microcredit plays in helping women rise themselves and their families above the poverty line cannot be ignored.

11.11 GLOSSARY

Target users - The beneficiaries of any scheme or people at whom the programme or scheme is targeted. In the case of microcredit the target users are the micro entrepreneurs and low-income households

Loan-sharks: An individual or group of individuals who loan money to people at a high rate of interest, to repay which, the debtor takes more and more loans- often falling into an abyss of poverty and deprivation and being forced to sell all his possessions to the creditor.

11.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. Microcredit can be defined as the extension of very small loans (microloans) to those in poverty. These loans are designed to spur entrepreneurship in individuals who lack collateral,

steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

2. The Grameen Bank, which is generally considered the first modern microcredit institution, was founded in 1976 by Prof. Muhammad Yunus. Prof. Yunus began the project in a small town called Jobra, using his own money to deliver small loans at low-interest rates to the rural poor.

This microcredit came to be known as Grameen Credit.

Some of the features of Grameen credit are:

- Grameen credit is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
- Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid. All loans are to be paid back in installments and a person can receive more than one loan at a time.
- Grameen credit provides service at the door-step of the poor based on the principle that the people should not go to the bank, but the bank should go to the people.

3. Grameen credit's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate, market interest rate is taken as the reference rate, rather than the moneylenders' rate. Efforts are made to keep the interest rate at a level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors.

Check Your Progress Exercise 2

1. Group lending is a process in which the loan is given to a group of people and not an individual. The use of group-lending was motivated by economics of scale, as the costs associated with monitoring loans and enforcing repayment are significantly lower when credit is distributed to groups rather than individuals. Many times, the loan of one participant in group-lending depends upon the successful repayment of another member, thus transferring repayment responsibility of microcredit institutions to loan recipients.

2. Lending money through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to & from the branch and other places) for completing paper work, and on the loss of workdays in canvassing for loans.
3. Lending to women has become an important principle in microcredit, with banks and NGOs such as BancoSol, WWB, and Pro Mujer catering to women exclusively. Though Grameen Bank initially tried to lend to both men and women at equal rates, women presently make up ninety-five percent of the bank's clients. Women continue to make up seventy-five percent of all microcredit recipients worldwide. Exclusive lending to women began in the 1980s when Grameen Bank found that women have higher repayment rates, and tend to accept smaller loans than men. Subsequently, many microcredit institutions have used the goal of empowering women to justify their disproportionate loans to women. Microcredit is a tool for socio-economic empowerment.

Check Your Progress Exercise 3

1. Each SHG comprises of 20 or fewer members, of whom the majority are women from the poorest castes and tribes. Members save small amounts of money, as little as a few rupees a month in a group fund. Members may borrow from the group fund for a variety of purposes ranging from household emergencies to school fees. As SHGs prove capable of managing their funds well, they may borrow from a local bank to invest in small business or farm activities. Banks typically lend up to four rupees for every rupee in the group fund. Groups generally pay interest rates that range from 30% to 70% APR, or 12% to 24% a year, based on the flat calculation method. Nearly 1.4 million SHGs comprising approximately 20 million women now borrow from banks – which make the Indian SHG-Bank Linkage model the largest microfinance program in the world.

2. There are three basic models for linking up SHGs with banks. These include:

Model I: A linkage directly established with the SHGs without intervention/facilitation of any NGO now accounts for 16% of the projects.

Model II: A linkage established directly to SHGs with facilitation by NGOs and other formal agencies amounts to 75% of the projects.

Model III: A linkage established through an NGO facilitator and financing agency which represents 09% of the total linkage.

3. In 2001 it was felt that there was an urgent need for micro credit providers to shift from a minimalist approach – that is offering only financial intermediation – to an integrated approach to poverty alleviation, taking a more holistic view of the client including provision of enterprise development services like marketing infrastructure, introduction of technology and design development. Therefore, the Micro Finance Development Fund was set up and a Rs. 100 crore Fund created in NABARD to support broadly the following activities:

(a) Giving training and exposure to self-help group (SHG) members, partner NGOs, banks and Government agencies.

(b) Providing start-up funds to micro finance institutions and meeting their initial operational deficits.

(c) Meeting the cost of formation and nurturing of SHGs;

(d) Designing new delivery mechanisms.

(e) Promoting research, action research, management information systems and dissemination of best practices in micro finance. This Fund is thus expected to address institutional and delivery issues like institutional growth and transformation, governance, accessing new sources of funding, building institutional capacity and increasing volumes. RBI and NABARD contributed Rs. 40 crore each to this Fund. The balance Rs. 20 crore was contributed by 11 public sector banks.

Check Your Progress Exercise 4

1. Microcredit is not only provided in poor countries, but also in some of the world's richest countries. Among other organizations that provide microloans in the United States, Grameen Bank started their operation in New York in April 2008. The Bank of America has announced plans to award more than \$3.7 million in grants to non-profit organisations to use in backing microloan programs. Other developed countries in which the micro-loan model is gaining

impetus include Israel, Russia, and the Ukraine, where micro-loans given to small business entrepreneurs are also used to overcome cultural barriers in the mainstream business society. The Israel Free Loan Association (IFLA) has lent out over \$100 million in the past two decades to Israeli citizens of all backgrounds.

3. According to some critics the high repayment rate in microcredit does not reflect the number of repeat borrowers who have become dependent on loans for household expenditures rather than capital investments. It has also been found that women often act merely as collection agents for their husbands and sons, such that the men spend the money, while women are saddled with the credit risk. Microcredit field officers are said to use coercive and even violent tactics to collect installments on the microcredit loans. Some loan recipients sink into a cycle of debt, using a microcredit loan from one organization to meet interest obligations from another. Also, counter to the original intention of the microcredit system to empower women, one of the effects of an infusion of cash into local economies has been to increase dowries, with women forced at times to take microcredit loans as the only means to pay these increased dowries for their daughters.

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11.14 QUESTIONS FOR REFLECTION AND PRACTICE

1. Analyze the importance of microcredit and its role in empowering women to rise above the poverty line.
2. What are the different models of micro-financing and what are their advantages?
3. What are the challenges of the microcredit program and how can they be overcome?

UNIT 12 LIVELIHOOD FINANCE

STRUCTURE

12.1 Introduction

12.2 Objectives

12.3 Livelihood and sustainable livelihood

12.4 Existing scenario

12.4.1 Role of finance

12.4.2 Providing livelihood finance: The demand perspective: Individuals and Families

12.5 Limitations of micro credit

12.5.1 Assumption **that credit is the main financial services needed by the poor**

12.5.2 Wrong assumption that credit can automatically translate into successful micro enterprises

12.5.3 Wrong assumption that the poorest all wish to be self-employed and can be helped by micro credit

12.5.4 Wrong assumption that those slightly above the poverty line do not need micro credit, and giving it to them and mis-targeting

12.5.5 Wrong assumption that micro credit institutions can all become financially self-sustaining

12.6 Risk in promoting only “microcredit

12.7 Micro credit and economic growth

12.7.1 Financial services

12.7.2 Agricultural and business development services

12.7.3 Institutional development services

12.8 Micro finance Vs Livelihood finance

12.8.1 Micro finance

12.8.2 How is micro finance related to livelihood?

12.9 Adopting livelihood finance as a national strategy

12.9.1 Livelihood finance

12.9.2 Steps towards livelihood finance

12.10 Summing Up

12.11 Glossary

12.12 Answers to check your progress exercise

12.1 INTRODUCTION

India is the world's fourth largest economy. At the same time, more than 40 % of the population lives below the international \$1 per day poverty line at Purchasing Power Parity (PPP). The total workforce in India is 403 million. Out of this 77 % are in rural India. About 65% of the workforce is engaged in the primary sectors, 80% are in agriculture. Unemployment and underemployment is a major cause of poverty. Improving and upgrading existing livelihoods and generating new livelihoods is essential in India. In this regard, the Unit discusses livelihood finance.

12.2 OBJECTIVES

After studying this Unit, you would be able to

- Define livelihood finance;
- Discuss micro finance and livelihood finance; and
- Explain the various aspects of livelihood finance.

12.3 LIVELIHOOD AND SUSTAINABLE LIVELIHOODS

A livelihood is any set of economic activities through which a household meets its basic needs and earns some cash income. When carried out on a repetitive basis, these tend to become a “way of life”. The vast majority of people make a living through self-employment or wage-employment in the informal sector.

A **livelihood** is a means of support, something that provides income to live on, especially paid work to secure the necessities of life.

A **sustainable** livelihood is one which can cope with, and recover from, stresses and shocks and maintain or enhance its assets and capabilities while not undermining the existing resource base.

Evolution of Sustainable Livelihood Approach (SLA)

Livelihood approaches emerged in the Zeitgeist of the 1990s and continue to prove their utility within today's international commitment of the Millennium Declaration and the Millennium Development Goals. SLA has emerged as an alternative way of conceptualizing

poverty alleviation, including its context, objectives and priorities. It focuses on one of the most fundamental aspects of life: the ability of people to support themselves, both now and into the future. SLA does so in a manner that views livelihoods within both micro- and macro-contexts, spanning both physical and social environments at the local to the global levels.

The Sustainable Livelihoods Approach (SLA) as developed by the UK Department for International Development (DFID) has become as the most prominent framework among various concepts developed by other agencies. Basically, DFID subscribes to a system approach that attempts to capture the many factors that influence people's livelihoods and helps to identify priorities for action based on the needs and interests of poor people by reflecting their perceptions of poverty and well-being.

Today, the SLA represents the reference frameworks for effective poverty reduction, which takes into account that:

- women and men have to be in the centre of attention;
- specific contextual considerations are of great importance;
- thorough links between macro level policy development and micro level realities need to be established; and
- Participation is a means and an end to effectiveness.

The term 'sustainable livelihood' came to prominence as a development concept in the early 1990s, drawing on advances in understanding of famine and food insecurity during the 1980s. Much of the literature takes an adaptation of Chambers and Conway's (1991).

In the late 1990s the sustainable livelihoods approach gained momentum in the UK's Department for International Development (DFID) with investments in research, workshops and the publication of guidance sheets and other papers. Mechanisms for debating and analyzing the effectiveness and challenges of implementing livelihoods approaches were put in place. Later, Livelihood with development actors evolved into a knowledge base that sources, organizes and disseminates the latest information on the use of livelihoods approaches by a wide range of organizations and individuals. There are few definitions cited here:

Chambers and Conway (1991) defined a sustainable livelihood as follows

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.

Ellis F., (2000) developed a definition of livelihood:

A livelihood comprises the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or household.

Typically in India the livelihoods of the poor can be characterized as follows:

In the agriculture and allied sectors (>70%)

- Cultivators, particularly small and marginal farmers; Landless labourers; and Livestock-rearers and fishermen;

Rural non-farm sector (~12%)

- Artisans, e.g. Weaving, Pottery, Bamboo Basket Work;
- Those running household industry or service sector micro-enterprises, e.g. Wood Workshop, Metal Workshop; Brick kilns, Construction material; Cycle/ Motorcycle Repair, Rental, Spare parts; Video Rental, Repair, TV Servicing; Small Tea Stall, Hotels, Cold Drink Shop; Grocers and General Merchants In the urban informal sector (~16%);
- Those running household industry or service sector micro-enterprises;
- Vendors; and
- STD booth (long distance telephone booths)

12.4 EXISTING SCENARIO

Agriculture is over-crowded with increasing number of landless labourers and marginal farmers with holdings below 2.5 acres. People are moving into the rural non-farm sector but not in sufficient numbers to absorb the growth in the labour force. Thus the urban informal sector becomes the “employment of last resort”. Millions of rural people migrate every year to cities for work, in construction, transport, tea-shops, hawking. The wages and incomes in the urban informal sector are barely above the rural subsistence level, if incremental costs of migratory living are taken into account.

12.4.1 Role of finance

The experience of poverty is often felt in the presence or absence of cash in the lives of a household. Some basic needs can be met by direct production, fishing or gathering usable products (fruit, fodder, fuel wood, building material, dung) but many needs require cash to facilitate the payments and transactions involved. Thus all households have the problem of managing variable cash flows - matching income and expenditure requirements by saving and borrowing.

12.4.2 Providing Livelihood Finance :The demand perspective: Individuals and families

Livelihood finance from a demand perspective should be as much about convenient savings as it is about loans. Savings are the first line of defence against risk. When faced with losses or crises arising from illness, for example, the existence of savings help to prevent severe distress.

Savings are also the mainstay of informal finance. It is only possible to borrow from family members, friends and neighbours if they have some savings. The story of the medical practitioner in Konkapaka who absconded with some Rs800,000 (\$17,390) of people's savings showed both the desire people have to save and the risk of informal savings methods. But many moneylenders acquire funds in this way, making financial intermediation between savers and borrowers their business.

There is no virtue in the argument about whether it is better to borrow or save up. As explained above, people have to save even if they borrow. It is all about managing variable flows of money and dealing with lumpy expenditures which occur at intervals. It is very nice if one does not have to borrow but for most, credit is an essential part of the managing process, even though they have to pay interest on borrowings.

The demand for credit according to many study is characterized firstly by a need for relatively small amounts. This would accord with the assumption that families' basic requirement is to manage short term variable cash flows.

Lumpy expenditures may arise from purchasing any of the following items:

- housing materials; bullocks or other livestock; carts or rickshaws; storage sheds; land; milking equipment; irrigation pumps; bicycle; ploughs or cultivators; inventory for a shop and seeds and fertilizers

The list could continue - these are just examples. People may need credit for all or part of the cost of such purchases. But the repayment terms are important that they can match by their income flows.

Most lenders make assumptions that credit for income generating items is repaid from the income flow generated by the item, whereas the borrower will not distinguish between income flows and only requires to be able to repay at the times when he has sufficient income from any source. This is the nature of a diversified portfolio of livelihood activities and the cash flows from different livelihood activities are managed like a basket of cash available.

So from a demand perspective, loan conditions need to match people's livelihood repayment potential, which can only be determined by estimating cash income and cash expenditure on a daily, weekly or monthly basis for an appropriate time period. Weekly repayments are only possible if there are weekly incomes, unless people make recourse to savings or borrow elsewhere to repay. However simple assumptions that a loan used to purchase crop inputs cannot be repaid until that crop is harvested, fail to take into account other income flows or expenditure requirements.

Ideal livelihood finance would take a holistic approach to saving, borrowing and repayment strategies. This could be achieved through a simple bank account in which deposits and withdrawals can be made as required and into which loan funds can be put and repayments and withdrawn either in the form of an overdraft or as term loans of some kind. However, distances from banks may still preclude this option and people are likely to continue having to identify the saving and loan products that best suit their livelihood requirements from a range of different service providers.

In this situation some of the options may be rejected or ignored as a result of misinformation or lack of information and this could be remedied. People may rule out the use of bank products through ignorance and be completely unaware of insurance. They may not know about the availability of grants to support investments in water management techniques or land improvements from government programmes. If individuals can perceive how to

improve their livelihoods, they also need to work out the optimal way of financing the change and managing their cash flows.

One aspect that requires further thought is whether it is logical to think of livelihood finance as an individual or family issue. Most loans or accounts are in the names of individuals - men or women. Is this compatible with a livelihood approach? There are good reasons why it was beneficial for women to develop a separate financing system for themselves. Livelihood finance may require a move towards joint responsibility. It is evident from many studies that loans given to women are passed on to men and livelihood activities are jointly managed with men doing the purchasing for the activity.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Define Livelihood.

2. Explain the role of Finance in Livelihood?

12.5 LIMITATIONS OF MICRO CREDIT

While the microfinance movement has improved access to credit, it has often “romanticized” the poor as potentially creative entrepreneurs while the actual causes of poverty are not focused upon. There are some assumptions which are currently prevailing in the society on need for financial services which are:

12.5.1 Assumption that credit is the main financial services needed by the poor

The Microcredit Summit Declaration did make a token recognition of this assumption when, in a shift from the draft to the final, they added "other financial and business

services" to credit. The experience of SEWA Bank in India for example, shows that women, at least, value a safe place to keep their savings as an important service. However, the field in general does not adequately emphasize other financial services, such as savings and insurance.

Savings are particularly important, as they provide the "equity" for borrowing; act as a cushion for sudden demands of cash such as due to illness in the family or natural disasters; and finally, to some extent act as a guarantee for repayment of loans, where savings are deposited with lenders. Insurance is another important financial service for the poor, given their vulnerability to livelihood risks. Here one is not talking so much of life insurance but of crop insurance and insurance for income earning assets such as livestock and irrigation pump sets. For certain occupational groups such as sea-going fishermen and miners, life insurance is important.

12.5.2 Wrong assumption that credit can automatically translate into successful micro-enterprises

This is the familiar debate of "minimalist credit" strategies versus the "integrated" approach to microenterprise promotion. Others argue that there is no truth and the approach to microenterprise promotion should be contingent on the requirements of the situation, based on a systematic analysis. Microfinance is a necessary but not a sufficient condition for microenterprise promotion. Other inputs are required, such as identification of livelihood opportunities, business and production training, establishing of market linkages for inputs and outputs, sub-sectoral analysis and policy reform.

12.5.3 Wrong assumption that the poorest all wish to be self-employed and can be helped by microcredit

Most of the proponents of micro-credit as the strategy for poverty eradication make the explicit assumption that the poor would all like to be self-employed. It is true that a certain proportion of poor people do like to take up micro-scale farming, processing, manufacturing or trading activities, but usually they do so to supplement their income from wage-employment. A majority of poor people, particularly the poorest (such as landless labourers in India) want steady wage-employment, on- or off-farm.

12.5.4 Wrong assumption that those slightly above the poverty line do not need microcredit, and giving it to them and mis-targeting

This assumption has come from the Grameen Bank experience of successfully reaching microcredit to the poorest, mainly landless women (there is no other example of comparable scale and targeting). However, almost all other programmes mainly reach the upper layers among the poor and some, mainly those above the poverty line. Yet this experience is not as well regarded by the field, even though access to credit by those who are not among the poorest is not very much better than for the poorest, and what is more, these people generate much needed wage employment opportunities for the poorest.

12.5.5 Wrong assumption that microcredit institutions can all become financially self-sustaining

While one supports the overall move for financial self-sustainability, the assumption that this can be possible for all microcredit institutions. But it is not true. It needs to be examined. Even the best cases are either still not there (e.g. Grameen) or have got there by shedding their NGO avatar which needed early subsidies.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. There are limitations in Micro Credit. Discuss.

12.6 RISK IN PROMOTING ONLY “MICROCREDIT”

India has witnessed a large growth in micro-credit over the last decade. By adopting and building on the work of a few pioneering NGOs like MYRADA, ASSEFA, PRADAN and

DHAN, NABARD has helped to make the SHG-bank linkage model now perhaps the largest microcredit programme in the world, with an outreach to nearly 24 million poor women, who have cumulatively received loans of over Rs 6800 crore (nearly US\$ 1.5 billion) from banks. This is an achievement that we can all – NGOs, MFIs, NABARD, and the banks - be proud of. But we should also not forget that the average loan size is around Rs 2000 (about \$US45) which is too little to even alleviate poverty, leave alone lift a family totally out of poverty, or trigger local economic growth. In many of the poorer states, it is still hard for SHGs to even open bank accounts, leave alone get a loan. In other states, where a large number of groups have been financed, there is an attempt by various political parties to interfere with interest rates and other terms on which the groups work, to cultivate this new vote bank. Thus, there is a real risk in the SHG-bank linkage microcredit programme. The attention is diverted from the larger problem of financial exclusion of the poor and the banks are let off the hook from their real job.

A second risk is that the poor may suffer as a result of over-emphasis on a microcredit strategy and the reduction in government budgetary allocations. For an example the well-trying but less dramatic strategies of investment in human capital such as health and education programmes. While there is no denying that such social sector programmes can be run more cost-efficiently and that they are targeting poor directly. The replacement of such programmes with microcredit programmes will be a double disaster for the poor. If the implicit subsidies to microcredit institutions are made explicit, then subsidizing microcredit programmes versus subsidizing social sector programmes can become an informed policy choice, rather than be carried out under the mistaken notion that the former will require only temporary and diminishing subsidies. But the implicit subsidies to microcredit, legitimate as they may be, are not being described or analyzed. Thus there is the risk of reducing the overall resource allocation for poverty alleviation and social sector programmes. We need to recognize that by pointing to numbers like the Rs. 6800 crore of bank credit to SHGs, politicians and the government can take attention off the fact that not enough resources are being put on more pressing needs such as nutrition, primary health and primary education. We have to thank the Eleventh Finance Commission for recognizing this and making additional allocations to the poorer states for precisely these things. But, as the mid-term review of the Tenth Five Year Plan shows, the progress on most of the Millennium Development Goals (MDGs) is tardy and no amount of microcredit is going to make up for that.

12.7 MICRO CREDIT AND ECONOMIC GROWTH

So far we have discussed the risk and opportunities of micro credit loans. Let us see the importance of livelihood finance. Since microcredit is able to address the livelihood problem only peripherally, we need to broaden the paradigm from microcredit to Livelihood Finance. Let us see the term first. Livelihood Finance is a comprehensive approach to promoting sustainable livelihoods for the poor, which includes:

12.7.1 Financial Service

- Savings; Credit, both short-term (for working capital and consumption) and long-term- (for investment in natural resources such as land, water, trees, livestock, energy);
- Insurance for the lives and livelihoods of the poor, covering health, crops and livestock;
- Infrastructure finance: roads, power, market places, telecom, as needed; and
- Investment in human development including in Nutrition, Health, Education, Vocational Training.

12.7.2 Agricultural and Business Development Services

- Productivity enhancement;
- Risk mitigation, other than insurance (such as vaccination of livestock);
- Local value addition; and
- Alternate market linkages.

12.7.3 Institutional Development Service

- Forming and strengthening of various producer organisations such as self-help groups, water users' associations, forest protection committees, credit and commodity cooperatives, panchayats (village councils).
- Establishing systems for accounting, performance measurement, Incentives, MIS, etc.

By looking at the broader coverage of livelihood finance, Microcredit by definition is a single intervention: small loans, given for short durations, with repayments beginning as quickly and as frequently as possible. Moreover, whether given through self-help groups, Grameen

Bank style groups, joint liability groups or directly to individuals, most microcredit eventually is loans to individuals, not to any collectives.

In contrast, Livelihood Finance will require large amounts; it may need more than just loans (it may need equity or risk funds and indeed some public subsidies); it will invariably be for long durations, at least five and maybe 20 years, and its use will almost always be for collective purposes. Thus microcredit and Livelihood Finance are fundamentally different.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. “Microcredit by itself is enough” Discuss.

2. What are the institutional Development services offered?

12.8 MICRO FINANCE VS LIVELIHOOD FINANCE

12.8.1 Microfinance

The importance of being able to manage money in order to improve your life and potentially work your way out of poverty, has led to the growth of agencies offering or promoting financial services specifically for the poor. These are usually some form of non-governmental organizations (NGOs) with a development oriented remit. The model that has become widespread in India is that of promoting the development of self-help groups (SHGs) where members save together and give each other loans. Most SHG members are women. The SHGs are able to link directly to banks to deposit savings and take loans, provided the banks are satisfied with their record-keeping and management. This is popularly known as linkage banking model supported by NABARD, the apex rural finance institution in India. In some

states, SHGs also form apex organizations which may act as wholesalers of funds for on-lending.

There are also a number of NGOs who provide credit products direct to individuals, using the joint guarantee and joint liability system to reduce risk. These are generally known as microfinance institutions or MFIs. The Indian microfinance movement is identified with having reached a remarkable scale of outreach (nearly 35 million households), achieved largely through the mechanism of SHGs linked with formal sector financial institutions. The SHG bank linkage channel, however, provides borrowers with low levels of credit (approximately Rs3900 or \$84 per capita – one of the lowest in the world) mostly through a two-year term loan at the SHG level. Neither the amounts nor the product offered are conducive to SHG members diversifying their livelihoods and growing or sustaining their enterprises.

In fact a recent study by CARE illustrates that informal sources of credit, which traditionally served largely consumption related, lifecycle (marriage/festivals) related or emergency related requirements, have now shifted to meeting investment related needs of poor households, while microfinance has taken up the role of meeting to a significant extent consumption expenditure or at best minimal working capital requirements of certain kinds of traditional enterprises. Unless higher per capita loans are able to flow to microfinance clients, this aberration is likely to continue.

12.8.2 How is Micro Finance related to Livelihood?

The livelihoods approach helps the poor to improve their livelihoods by strengthening these five basic assets, and comprises broad and interrelated programs and policies. Microfinance is an important component.

The livelihoods approach includes:

- giving people salaried jobs and other opportunities to earn income;
- providing loans, savings and other financial services;
- providing training in job and business skills;
- developing institutions, alliances and networks to advance economic interests; and
- Promoting policy and social changes that improve people's livelihood prospects.

12.9 ADOPTING LIVELIHOOD FINANCE AS A NATIONAL STRATEGY

In this section we will look in to the definition of livelihood finance and the steps in implementing livelihood finance.

12.9.1 Livelihood Finance

The poor tend to operate not just with one but with several livelihood activities, often switching from one to the other in same day and also in same seasons. Thus, they maintain a diversified portfolio of subsistence activities. For example a marginal farmer may also rear livestock, gather forest produce, twist rope, and work as a mason and so on.

Their lives are also hedged around by their personal circumstances - their family situation, their health, their social status, their inheritance, their strengths and their weaknesses. Their options are governed by the natural environment in which they live and the developments which have occurred - some negative like land degradation, some positive like new roads and market outlets.

Thus improving or changing a livelihood means taking all these factors into account and determining where something can be improved and how it can be done. Finance, of course, will be an issue both at household and the wider community level. Poor households cannot solve problems of water supply, soil erosion, electricity supply, marketing and so on individually. However, by working together they may be able to address some of these problems.

To change lives, individuals and groups will need to organise themselves and as always, money will be required to pay for things. People will need the skills to plan and work out how things can be financed, e.g. by saving or pooling savings or borrowing, and how cash flows can be managed in the longer term, especially according to the livelihood related cash flows.

12.9.2 Steps towards Livelihood Finance

1. The first step should be an intellectually rigorous analysis, careful crafting of the concept and then a wide and open debate on the idea of Livelihood Finance. The existing experience of both government and NGO projects in natural resource and human resource development should be thoroughly examined for lessons.

2. The next step is to convince the capital markets that the Livelihood Finance is a good deal and the risk adjusted returns in it are comparable to or better than well accepted investments such as “housing finance”.

3. Step three would be ushering institutional changes in the way our natural resources are owned and managed. New models will have to be developed to ensure a congruence of interest for the state, the community, and for the investors.

4. Step four is ensuring the availability of high quality human resources to work close to the ground, where all the implementation is done. Only highly capable and committed human beings working at the grassroots can make livelihood finance benefit to people.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. How is Microfinance related to livelihood?

2. Who are the major players in livelihood restoration?

12.10 SUMMING UP

At present in the paradigm of “Financial Inclusion” the debate has moved from microfinance to microfinance livelihoods linkage. There is a growing realization to look beyond the delivery of financial services to offering services for livelihood security, promotion of rural entrepreneurship, technology infusion and market linkage. There is also a need to innovate and engineer micro financial products to cater to the need of the poor in terms of strengthening their livelihood in general and addressing their vulnerability affecting livelihood in particular.

Microcredit and the SHG-bank linkage programme is the right remedy for the ills of a banking system rendered hostile to the poor after the excesses of the IRDP under which they were forced to lend to a government generated list of poor households. It is time the proponents of narrow microcredit and the SHG-bank linkage programme move from this to the more holistic concept of Livelihood Finance.

There are examples where the amalgamation of microfinance and livelihood has provided boost to the mission of providing a better life to the poor segment of population. Various models operational in India has enabled the extreme poor like artisans; agricultural workers etc. to access and productively use micro financial services. Integration of both microfinance and livelihood operations has played instrumental role in strengthening rural economy and livelihood.

To facilitate the bank and micro financial institutions there is a need to revise the existing evaluation strategy of MFIs and adopt a mutually agreed evaluation system.

12.11 GLOSSARY

Zeitgeist: Founded in 2008, The Zeitgeist Movement is a sustainability advocacy organization which conducts community based activism and awareness actions through a network of global/regional chapters, project teams, annual events, media and charity work.

The movement's principle focus includes the recognition that the majority of the social problems which plague the human species at this time are not the sole result of some institutional corruption, absolute scarcity, a political policy, a flaw of "human nature" or other commonly held assumptions of causality. Rather, the movement recognizes that issues such as poverty, corruption, pollution, homelessness, war, starvation and the like appear to be "symptoms" born out of an outdated social structure.

12.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. A livelihood is any set of economic activities through which a household meets its basic needs and earns some cash income. When carried out on a repetitive basis, these

tend to become a “way of life”. The vast majority of people make a living through self employment or wage-employment in the informal sector.

A **livelihood** is a means of support, something that provides income to live on, especially paid work to secure the necessities of life. **Livelihood activities** are economic activities that people know, own and undertake to earn income today and into the future.

A **sustainable** livelihood is one which can cope with, and recover from, stresses and shocks and maintain or enhance its assets and capabilities while not undermining the existing resource base

2. The experience of poverty is often felt in the presence or absence of cash in the lives of a household. Some basic needs can be met by direct production, fishing or gathering usable products (fruit, fodder, fuel wood, building material, dung) but many needs require cash to facilitate the payments and transactions involved. Thus all households have the problem of managing variable cash flows - matching income and expenditure requirements by saving and borrowing.

It is well known that many mechanisms have evolved within communities to facilitate this, e.g.:

- Informal user-owned devices: ROSCAs, savings clubs, mutual insurance funds, building societies, share-cropping
- Private informal services for profit: deposit takers, lenders, pawnbrokers, chit funds, hire purchase, credit from retailers.

Check Your Progress Exercise 2

1. While the microfinance movement has improved access to credit, it has often “romanticized” the poor as potentially creative entrepreneurs while ignoring the structural causes of poverty in a given country.
 - a. Wrong Assumption that credit is the main financial services needed by the poor
 - b. Wrong Assumption that credit can automatically translate into successful micro-enterprises
 - c. Wrong Assumption that the poorest all wish to be self-employed and can be helped by microcredit

- d. Wrong Assumption that those slightly above the poverty line do not need microcredit, and giving it to them amounts to mis-targeting
- e. Wrong Assumption that microcredit institutions can all become financially self-sustaining

Elaborate on the above mentioned 5 assumptions further to complete the answer

Check Your Progress Exercise 3

1. In many of the poorer states, it is still hard for SHGs to even open bank accounts, leave alone get a loan. In other states, where a large number of groups have been financed, there is an attempt by various political parties to interfere with interest rates and other terms on which the groups work, to cultivate this new vote bank. Thus there is a real risk that in celebrating the SHG-bank linkage microcredit program, attention is diverted from the larger problem of financial exclusion of the poor and banks are let off the hook from their real job.

One could live with this finding in an imperfect world, but what is really troubling is that a vast majority of those whose starting income was below the poverty line actually end up with less incremental income after getting a microloan, as compared to a control group which did not get the loan. This should stop converts from offering microcredit as the solution for poverty eradication, since it seems to do more harm than good to the poorest.

A second risk that the poor may suffer, is the drying up of, or at least reduction in other efforts at poverty alleviation, such as the well-tried but less dramatic strategies of investment in human capital through simple primary health and primary education programs. While there is no denying that such programs can be run more cost-efficiently and that they can be better targeted to the poor, the replacement of such programs with microcredit programs will be a double disaster for the poor.

2. The Institutional Development services offered are:
 - Forming and strengthening of various producer organisations such as self-help groups, water users' associations, forest protection committees, and credit and commodity cooperatives, panchayats (village councils).
 - Establishing systems for accounting, performance measurement,
 - Incentives, MIS, etc.

Check Your Progress Exercise 4

1. The livelihoods approach helps the poor to improve their livelihoods by strengthening these five basic assets, and comprises broad and interrelated programs and policies.

Microfinance is an important component.

The livelihoods approach includes:

- giving people salaried jobs and other opportunities to earn income,
- providing loans, savings and other financial services,
- providing training in job and business skills,
- developing institutions, alliances and networks to advance economic interests,
- Promoting policy and social changes that improve people's livelihood prospects.

2. The major players involved in livelihood restoration include:

- Relief agencies that focus on the initial stages of disaster response.
- Development agencies that provide assistance during reconstruction stages to restore livelihoods and to prepare for and mitigate future disasters.
- Some of the above organisations engage in both disaster relief and long-term development.

MFIs are invariably drawn into livelihood restoration from the earliest stages following a natural disaster, if they were present in the affected community before the disaster event. They seek to work closely with relief agencies for a smooth and quick transition from relief to reconstruction.

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www.microfinancefocus.com

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12.14 QUESTIONS FOR REFLECTION AND PRACTICE

1. Analyse the importance of livelihood finance.
2. What are the differences of micro finance and livelihood finance?

UNIT 13 CAPACITY BUILDING

STRUCTURE

13.1 Introduction

13.2 Objectives

13.3. The concept of capacity building

13.4 Capacity building for sustainable development – Indian perspective

13.5 Methodology for capacity building

13.6 Capacity building at societal level

13.6.1 Social learning and governance

13.7 Capacity building- Community level

13.8 Capacity building for poverty reduction

13.8.1 Capacity building programme

13.8.2 Impact of SHGs

13.9 Summing up

13.10 Glossary

13.11 Answers to check your progress exercises

13.12 References

13.13 Unit end questions for reflection and practice

13.1 INTRODUCTION

Capacity building also referred as Capacity Development. It is a conceptual approach to development that focuses on understanding the obstacles that inhibit people, governments, international organizations and non-governmental organizations from realizing their developmental goals while enhancing the abilities that will allow them to achieve measurable and sustainable results. In this Unit we will look into how capacity building is significant for self help group members and what is the transformation they realized after the capacity building programme and how capacity building programme helped them to look beyond financial savings.

13.2 OBJECTIVES

After studying this Unit, you would be able to

- Define capacity building;
- Discuss capacity building concept at various level;
- Explain the use of capacity building programme for sustainable livelihoods; and
- Analyse the methodologies for capacity building programmes.

13.3 THE CONCEPT OF CAPACITY BUILDING

The UNDP defines the concept as the abilities of individuals, institutions and societies to perform functions, solve problems, set objectives and achieve the same in a sustainable manner. It is described as a process through which these abilities are strengthened adopted, and maintained overtime mostly (but not exclusively) in the public sector, through learning and practical management at both individual and institutional levels. According to Human Development Report, 1995 titled as gender and development, “In no society do women enjoy the same opportunities as men; and removing gender inequality has nothing to do with national income or wealth”.

The Beijing Platform for Action embodies two strategic objectives ensuring women’s equal access to and full participation in power structures and decision making; and increasing women’s capacity to participate in decision-making and leadership.

Increased and more systematic formal and informal training is needed to increase the effectiveness of women’s political, social and economic knowledge and skills, as well as their capacity to utilize the emerging gender equity knowledge base. The skill areas involved include the understanding of the formal and informal functioning of politics, society and finance, fund raising, the media agenda setting, networking, caucus formation and alliance building, negotiation, lobbying, leadership, and constituent relations. This will make women more as effective role players in the society in different capacity. The training of men is also essential and can facilitate alliance building through equity caucuses and other mechanisms.

Development of training strategies for increasing women’s participation in the society for following areas:

- advocacy in gender awareness;
- capacity building through networking;
- negotiation skills;
- management;
- constituency building;
- budget analysis;

- gender mainstreaming skills;
- use of mass media;
- political and voter education;
- mass mobilization; and
- long term strategies for engaging younger generations.

UNDP outlines that capacity building takes place on an individual level, an institutional level and the societal level.

- **Individual Level-** Capacity-building on an individual level requires the development of conditions that allow individual participants to build and enhance existing knowledge and skills. It also calls for the establishment of conditions that will allow individuals to engage in the “process of learning and adapting to change”
- **Institutional Level-** Capacity building on an institutional level should involve aiding pre-existing institutions in developing countries. It should not involve creating new institutions, rather modernizing existing institutions and supporting them in forming sound policies, organizational structures, and effective methods of management and revenue control.
- **Societal Level-** Capacity building at the societal level should support the establishment of a more “interactive public administration that learns equally from its actions and from feedback it receives from the population at large.” Capacity building must be used to develop public administrators that are responsive and accountable.

The term capacity building emerged in the lexicon of international development during the 1990s. Today, “capacity building” is included in the programmes of most international organizations that work in development, the World Bank (World Bank), The United Nations (UN) and non-governmental organizations (NGOs) like Oxfam International. Wide usage of the term has resulted in controversy over its true meaning. Capacity building often refers to strengthening the skills, competencies and abilities of people and communities in developing societies so they can overcome the causes of their exclusion and suffering.

Organizational capacity building is used by NGOs to guide their internal development and activities.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Define Capacity Building

13.4 CAPACITY BUILDING FOR SUSTAINABLE DEVELOPMENT- INDIAN PERSPECTIVE

We already discussed the issues of sustainable livelihoods and livelihood finance in our previous Unit. This section discusses the significance of capacity building for sustainable development. History has led to vast inequalities, leaving almost three-fourths of the world's people living in less-developed countries and one-fifth below the poverty line. The long-term impact of past industrialization, exploitation and environmental damage cannot be wished away. It is only right that development in this new century be even more conscious of its long-term impact. The problems are complex and the choices difficult. Our common future can only be achieved with a better understanding of our common concerns and shared responsibilities.

Poverty magnifies the problem of hunger and malnutrition. The problem is further compounded by the inequitable access of the poor to the food that is available. It is therefore necessary to strengthen the public distribution system to overcome this inequity. Diversion of common and marginal lands to 'economically useful purposes' for poor from which they can meet their sustenance needs is also an approach. Market forces also lead to the elimination of crops that have traditionally been integral to the diet of the poor, thereby threatening food security and nutritional status.

While conventional economic development leads to the elimination of several traditional occupations, the process of sustainable development, guided by the need to protect and conserve the environment, leads to the creation of new jobs and of opportunities for the reorientation of traditional skills to new occupations.

Women, while continuing to perform their traditional domestic roles' are increasingly involved in earning livelihoods. In many poor households they are often the principal or the sole breadwinners. A major thrust at the policy level is necessary to ensure equity and justice for them.

Literacy and a basic education are essential for enabling the poor to access the benefits offered by development initiatives and market opportunities. Basic education is therefore a precondition for sustainable development. A sizeable proportion (about 60 per cent according to some estimates) of the population is not integrated into the market economy. Ensuring the security of their livelihoods is an imperative for sustainable development.

13.5 METHODOLOGY FOR CAPACITY BUILDING

The following methodology will be used for capacity building. The importance of preparing modules and the methodologies to prepare modules are discussed briefly in block 1 of the Course MGSE-013.

- Development of modules:** Each capacity building events will be organized with an effective module corresponding to the absorbing capacity of the community members. This is preferred to be presented in local language and should bear ample application of audio visual tools.

- Learning by Doing-** Every module will subject to further improvement by learning of previously organized events and feedback from the community.

- Learning by seeing** - Various sites within the country and the state would be identified and arrangement will be made to send community members to see the best practices (interface).

- Empanelment of Resource Persons and Agencies-** Identifying external resource agencies and persons and empanelled them for delivering the capacity building component at block and state levels is necessary. A clear MoU may be drafted with any resource agency or individual for hiring.

- Handholding Support-** This will be among major strategies of capacity building in the Project. Project staff and other resource persons/ teams/ agencies will constantly be counselled by regular handholding support by the training and capacity building cell to improve the effectiveness of programmes at community level.

Box 1 Dhan Experience on Capacity Building and Training

Dhan Foundation organize training/ capacity building exercise to SHG members -*Kalanjiyam* in a regular basis. They have prepared modules and it starts with modules on financial

management, record keeping and administrative aspects. The phase of training spreads over five months. Training sessions on linkage building with banks and government are conducted for one or two months. Every year, they organize refresher course. Apart from regular training programme, exposure visits (interface) to other project sites, exchange visits to other groups within the project and annual mahasabhas are also considered to be learning places. The staff members of the dhan foundation conduct the training programme. They learn the training through Dhan academy. Apart from Dhan academy, there is a separate training centre for SHGs to groom women volunteers as cluster associates through 42- day training. Along with the staff members, bankers, rural development officials NGOs are also part of the training programme.

Ref: Padia, Veena Social mobilization and Micro-credit for women's empowerment: A study of the Dhan Foundation in *Micro-Credit, Poverty and Empowerment Linking the Triad* (Eds) Neera Burra, Joy Deshmukh-Ranadive and Ranjani K.Murthy, New Delhi: Sage Publications, 2005.

The above experience clearly shows that capacity building is not few days training. It is continuous learning process. This will happen through different types of activities.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What are the methodologies of capacity building?

13.6 CAPACITY BUILDING AT SOCIETAL LEVEL

Capacity building is, of course, only meaningful when it refers to what it is planned to build capacity in. Here it is referred to building the capacity of those many individuals in agencies and communities that directly or indirectly take the lead in initiating and supporting the many social process strands that support a sustainably learning society. Social learning and empowerment are based on each other. Empowerment is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

The contemporary view of capacity-building goes beyond the conventional perception of training. The central concerns of environmental management and community building - to manage change, to resolve conflict, to manage institutional pluralism, to enhance coordination, to foster communication, and to ensure that data and information are shared - require a broad and holistic view of capacity development. This definition covers both institutional and community-based capacity-building.

One of the key requirements in this regard for capacity building is to recognise that the society as whole is more than the sum of its individual components. People form social systems which provide for a range of needs not met through market transactions - households, communities of interest, locality and neighbourhoods create networks of mutual obligation, care, concern, interest and even conflict. In the development and organizational learning literature these networks, norms and trust which facilitate co-operation for mutual benefit are referred to as 'social capital'. Social capital can be thought of as the framework that supports the process of learning through interaction, and requires the formation of networking paths that are both horizontal (across agencies and sectors) and vertical (agencies to communities to individuals). The quality of the social processes and relationships within which learning interactions take place is especially influential on the quality of the learning outcomes in collaborative approaches. Taken one step further, this suggests that social capital plays an important role in fostering the social networks and information exchange needed to achieve collective action - and sustaining a social and institutional learning environment which is ready to adapt and change.

If we assume that in the short term, there will be no major shifts in financial resources to the environmental or development sectors, nor will current policies be massively altered to change the status quo, then we need strategies for other ways of empowering people and changing current practices. The use of approaches to improve social capital to better strengthen and harness many existing aspects of social relationships in environment and development may work to foster constructive change.

13.6.1 Social learning and Governance

The concept of social (or collaborative) learning refers to learning processes among a group of people who seek to improve a common situation and take action collectively. This understanding effectively extends experiential learning into collective learning. This is a form of governance, in the sense that governance relates to how society manages to allocate

resources and coordinate or control activity in society or the economy. It is also adaptive management or 'learning-by-doing'.

There are definitions for social learning, but all the definitions emphasise the importance of dialogues (negotiation) between groups - to better understand different points of view, and develop processes for collective action and reflection over time. Social learning and empowerment are based on each other. As we have already learnt, Empowerment is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Achieving such outcomes is not a one-off process that can be externally planned and executed like a field day or workshop, but it is a social process that are woven from activity strands including systems thinking, network building, dialogue, knowledge management, and evaluation.

social learning is a process which must: (1) demonstrate that a change in understanding has taken place in the individuals involved; (2) demonstrate that this change goes beyond the individual and becomes situated within wider social units or communities of practice; and (3) occur through social interactions and processes between actors within a social network. A clearer picture of what we mean by social learning could enhance our ability to critically evaluate outcomes and better understand the processes through which social learning occurs. In this way, it may be possible to better facilitate the desired outcomes of social learning processes.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Discuss the process of Social learning.

13.7 CAPACITY BUILDING- COMMUNITY LEVEL

The world's microfinance industry is in the midst of unprecedented expansion and transformation. No longer simply a provider of small loans, the array of financial and non-

financial products being offered by MFIs has proliferated and now includes, for example, insurance, remittances, telecommunication services, energy, water and sanitation, and health and education services.

Underpinning this expansion and transformation is the growing relevance of partnerships. Microfinance partnerships are providing new ways for MFIs to better enable poor households to protect income and assets, increase productivity and business opportunities, insulate against risks and shocks, and improve health and education outcomes.

The long-term future of the micro-finance sector depends on MFIs being able to achieve operational, financial and institutional sustainability. The constraints and challenges vary with the different types and development stage of MFIs. Most MFIs are currently operating below operational viability and use grant funds from donors for financing up-front costs of establishing new groups and covering initial losses incurred until the lending volume builds up to a break-even level. The MFIs are generally constrained in reaching a break-even level and finally achieving sustainability, primarily due to a narrow client and product base, high operational and administrative costs for delivering credit to the poor, and their inability to mobilise requisite resources. Moreover, lack of technical manpower, operational systems, infrastructure and MIS are prevalent.

Capacity building of MFIs refers to both financial and non-financial capacity. Financial capacity building is essential for an MFI to absorb and manage increased funds for loan disbursement, an increased number of loans, clientele base, and savings, etc. Non-financial capacity building primarily focuses on institutional and human resources of an MFI - in terms of networking and partnership for training, skill development, information management systems, etc.

In a very broad sense, capacity building also involves advocacy and networking, where the viability and suitability of microfinance for poverty alleviation is demonstrated, in order to gain better acceptance and involvement from the larger civil society.

Recent analysis has shown that the impact that SHGs have on the community at large have been minor. There have been few instances of significant contributions from SHGs to education, family planning, eradication of child labour and hygiene. To interpret these

findings further it should be noted that such community problems are often large financial commitments which SHGs simply do not have the capacity to afford. Also, of the few instances where there have been significant contributions from the SHGs to the community, the SHG demonstrated a clear leadership role and rallied the support of the entire village. This demonstrates that given the opportunity, SHGs, assuming they have the capacity, can act as a director of community development. The perception of taking of a women's based organization taking a leading role for the betterment of the greater good has monumental impacts on the local community. Gender dynamics begin to balance in instances such as these.

The centrality of women to poverty reduction means that capacity building should target gender disparities in strategies to achieve the MDGs. The driving issue is no longer gender equity, per se, but inclusion in the sense of mainstreaming gender considerations into all aspects of capacity building for sustainable development. Ensuring that everyone in society (men as well as women) has access to quality education and training and career opportunities is, therefore, essential and smart public policy.

Over the past decade, much has been learned about the centrality of gender to development. The World Bank policy research report *Engendering Development through Gender Equality in Rights, Resources, and Voice* declared unambiguously that gender inequalities hinder development. It appears that ignoring gender disparities negatively affects sustainable well-being, growth, governance, and poverty reduction; that myriad policy instruments are available to promote gender equality and development effectiveness; and that gender issues must be integral components of policy analysis, design, and implementation. Organizations such as the Gender Advisory Board focused on the gender dimensions and development and highlighted the positive connections between gender-focused approaches to policies and development.

In the past decade, much of the gender-related work on targeted equity for women and focused on such issues as access to training, opportunities to conduct research, and equal opportunities to pursue other aspects of successful careers. Recently, this somewhat narrower emphasis on gender equity has been replaced by the broader issue of ensuring that everyone in society—men, as well as women—has access to quality education and training and career opportunities. The driving issue is no longer gender equity, per se, but inclusion in the sense

of mainstreaming gender considerations into all aspects of capacity building for sustainable development.

There are approximately 69,000 SHG federations in India. Different promoting institutions have different purposes for promoting the SHG federations. Some of the common purposes for promoting SHG federations include economies of scale, cost reduction, reducing default rates, providing value added services, and women empowerment. Ultimately the federation is expected to sustain SHGs facilitating withdrawal of the promoting institutions. SHG federations have contributed to the sustainability of SHGs as experienced over the past 10-15 years. In this scenario, capacity building will help them to broaden their skill and they can involve in many aspects in the society by developing their capacity.

13.8 CAPACITY BUILDING FOR POVERTY REDUCTION

The capacity building for SHGs mainly concentrate on their team building, financial literacy and economic activities. The following section explains the above said issues.

13.8.1 Capacity Building Programmes

SHG member training

The main objective of this training programme is to capacitate the SHG members and to inculcate the fundamentals of the SHG concept through systematic modular training. All the SHG members are imparted this basic training. The training consists of four modules and includes topics such as SHG concept, co ordination with PRIs, Panchayat level federation, credit rating and linkage and soft skills.

SHG Animator & Representative Training

This training is to enhance the capacity of the SHG leaders (Animator and Representative) through modular training in leadership, team building and maintenance of accounts. The Animator and one Representative from all SHGs (ie.. two persons from each SHG) are the beneficiaries of this training.

Enterprise development Training for SHG Women

Majority of the SHGs undertake economic activities as a group activity which provides them self-employment and supplemental income. Majority of the SHG women belong to the age group above 35 years. Enterprise development Training will be given to SHG members who are interested in taking up economic activities particularly in urban areas.

Panchayat Level Federation (PLF) strengthening

The Panchayat Level Federation (PLF) provides a common platform for the SHGs to share their experiences and to voice their problems. The PLF can help achieve what individual SHGs cannot by pooling in talent and resources and exploiting economies of scale both in production and marketing. They can also guide and monitor the functioning of SHGs in a Village Panchayat and also train new SHGs. Strengthening of PLFs is the key to achieve sustainability in the long run.

To make the PLF functioning more participatory and democratic, an Executive Committee will be constituted to manage the PLF. It will have a minimum size of 11 members. Building the capacity of PLF Executive Committee members is imperative. PLF Executive Committee needs to be oriented on Governance aspects, book keeping etc.

13.8.2 Impact of SHGs

With the structure and model of SHGs and SHG Bank Linkage firmly established, the nature of the impacts of SHGs has been more closely examined and evaluated. There is no doubt that there has been greater outreach of financial services to the poor through SHGs. In addition to the financial analysis of SHGs, the non-financial areas such as social security and gender dynamics are also benefitted by the SHG Movement. Indeed, poverty reduction is much less an issue of numbers but rather ideas and concepts.

The following is an analysis of the non-financial impact of SHGs.

Political

Political engagement includes active involvement by SHGs in government including local assemblies, Lok Sabha or Panchayati Rai Institutions (PRIs). One of the key benefits of SHGs is women's empowerment and this can be seen with the number of women involved in public affairs. While the number of women actually involved in politics is still very low, research has indicated that of those women that stand for election, over 70% had won their seat (APMAS, 2005). And, the female contribution to civil issues ranges from issue of ration

cards, laying of pucca roads, building of school, ensuring appointments in vacant positions in schools and health centres, recovery of river bank lands from encroachers and laying of drinking water pipes (APMAS, 2005).

SHG movement provided opportunity to women to come out from private sphere and enter into public sphere. There are number of women successfully contesting local body elections. SHG experience and the capacity building exercise they undergo in the group transformed them to contest in elections. There are examples, the women moving from SHG to Panchayat election. The case study in the Unit 7 (case 2) clearly demonstrates this. Their presence today is affecting the perception of women and their role in the political arena. They are being recognized as an important group with serious concerns. The role of SHGs is both as an inspiration and as a financier. Impoverished women develop greater language and financial skills through the SHG which provides the building blocks for higher levels of confidence to engage the world. Also, the SHG sometimes finances the campaign of its members that stand for election. SHGs not only empower its members but also wield a powerful political role as a group as well. At local village meetings, the leaders of SHGs are often invited to attend and speak. (APMAS, 2005).

Social Harmony

Broadly defined, social harmony encompasses the equality and integrity of relationships between different social groups. To frame the following analysis, SHGs typically consists of the following social groups:

- Schedule Caste (SC); • Scheduled Tribe (ST); Minorities (MN); Backward Caste (BC); and Other Caste (OC)

The composition of SHGs is sometimes exclusively one particular social group or a mix. The impact of SHGs on social harmony has also been mixed. While it has been observed that in groups with mixed membership had group leaders that came from a variety of the social groups. In the vast majority of instances, groups' leaders were almost exclusively from the dominant social groups' category. This demonstrates a lack of equality and unity across caste divisions. Given the relatively young history of SHGs, it is to be expected that their impact on bridging centuries old divisions would be slow.

Social Justice

Social justice is the presence of moral and ethical conduct in areas that are historically typified with backward and abusive customs. There have been several occurrences of SHGs resolving disputes between members and the community at large. These instances include

initiating legal action, arbitration, divorce and others. While there have long been dispute resolution mechanisms in villages in the past. But it was controlled by men. Now, there are instances of women, SHG members, being involved in resolving disputes. Whether or not the women are working for their own interests or in the case for justice varies, regardless SHGs' impact on the political arena is certainly being seen also in social justice, albeit in a slow and evolutionary process.

Community

Being a group based organization of members of similar caste and geography, the community resources that are shared by are affected by the SHG. Recent analysis has shown that the impact that SHGs have on the community at large have been minor. There have been few instances of significant contributions from SHGs to education, family planning, eradication of child labour and hygiene.

To interpret these findings further it should be noted that such community problems are often large financial commitments which SHGs simply do not have the capacity to afford. Also, of the few instances where there have been significant contributions from the SHGs to the community, the SHG demonstrated a clear leadership role and rallied the support of the entire village. This demonstrates that given the opportunity, SHGs, assuming they have the capacity, can act as a director of community development. The perception of taking of a women's based organization taking a leading role for the betterment of the greater good has monumental impacts on the local community. Gender dynamics begin to balance in instances such as these.

Livelihoods

Livelihoods, meaning a persons' economic activity, is an area that is vitally important to SHGs. The loans that SHG members receive are intended to improve their livelihoods so that they can receive greater and steadier cash flows. In rural areas, livelihoods range from agriculture farming, animal husbandry, dairy and various other goods and services activities. Experience has shown that SHGs have had improved livelihoods to the extent of providing the leveraging needed to start an enterprise. SHG federations have been evolved as a model that promotes sustainability of the SHGs and provides the much needed institutional base for poor women to realize their dreams and aspirations. The SHG federation model has achieved significant scale and widespread acceptance. Though not a panacea, there is great potential for the SHG federation model to address poverty. In many ways, the model is unique - the women are the owners, managers, users and beneficiaries

13.9 SUMMING UP

The Unit starts with defining capacity building programmes and differentiated the training and capacity building programmes. The unit also emphasizes the capacity building for SHGs at different levels. It is also given emphasize capacity building for SHGs to bring sustainable livelihood programmes.

13.10 GLOSSARY

Self-Help Group: A Self-Help Group (SHG) is a registered or unregistered group of micro-entrepreneurs, having homogenous social and economic background, voluntarily coming together to save small amounts regularly, to mutually agree to contribute to a common fund, to meet their emergency needs on mutual help basis.

13.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Answer to check your progress 1

1. Capacity building also referred to as Capacity Development is a conceptual approach to development that focuses on understanding the obstacles that inhibit people, governments, international organizations and non-governmental organizations from realizing their developmental goals while enhancing the abilities that will allow them to achieve measurable and sustainable results.

Answer to Check your progress 2

1. The following methodology is used for capacity building in the Project.
 - Development of modules
 - Learning by Doing
 - Learning by seeing
 - Empanelment of Resource Persons and Agencies
 - Handholding Support

Solutions to Exercise 3

social learning is a process which must: (1) demonstrate that a change in understanding has taken place in the individuals involved; (2) demonstrate that this change goes beyond the

individual and becomes situated within wider social units or communities of practice; and (3) occur through social interactions and processes between actors within a social network.

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13.13 UNIT END QUESTIONS FOR REFLECTION AND PRACTICE

1. How capacity building helpful in building livelihoods? Discuss
2. Why do you need to do capacity building at different levels? explain

UNIT 14 DRI LOANS FOR ENTERPRISE DEVELOPMENT

STRUCTURE

- 14.1 Introduction
- 14.2 Objectives
- 14.3 Economic development and enterprise promotion
- 14.4 The GEM conceptual model for economic growth
- 14.5 Role of finance in promoting entrepreneurship
- 14.6 The role of entrepreneurship in reducing poverty in developing countries
- 14.7 Differential rate of interest scheme- An RBI initiative
- 14.8 Banks on DRI loans
 - 14.8.1 Indian Bank
 - 14.8.2 Vijaya Bank
- 14.9 DRI schemes for Enterprise development
 - 14.9.1 Improving standard of life through DRI in Gumla- a case study
 - 14.9.2 Story of meena
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- 14.10 Summing Up
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- 14.12 Answers to check your progress exercises
- 14.13 References
- 14.14 Questions for reflection and practice

14.1 INTRODUCTION

Availability of finance and opportunities for economic activities play a crucial role to do enterprising activities. Liberalization of Indian economy opened up many opportunities for economic activities. During that period, reforms in financial sector and availability of loan and for small enterprising activities encouraged many to do different economic activities. One such loan is DRI loans. This Unit discusses elaborately on DRI loans with a two banks examples. There are two successful case studies to explain the process.

14.2 OBJECTIVES

After studying this Unit, you would be able to

- Discuss the role of finance and economic development in enterprise promotion;
- Define and discuss DRI loans;
- Explain the DRI loans provided by different public sector banks; and
- Examine the case studies successful entrepreneur after getting DRI loans.

14.3 ECONOMIC DEVELOPMENT AND ENTERPRISE PROMOTION

The progress of India's economic development since 1947 provides evidence that individuals do respond to incentives in their pursuit of self-survival and accumulation of wealth. Further, the nature of this response depends on the economic climate, particularly the role of the government. India's economy struggled as long as it was based in a system of government regulation with little interaction with economic forces outside the country. The economic reforms of the early 1990s set the stage for substantial improvements in the Indian economy.

The Indian economy provides a revealing contrast between how individuals react under a government-controlled environment and how they respond to a market-based environment. Evidence suggests that recent market reforms that encouraged individual enterprise have led to higher economic growth in that country.

India can generate additional economic growth by fostering entrepreneurial activity within its borders. To pursue further the entrepreneurial approach to economic growth, India must now provide opportunities for

- (1) Education directed specifically at entrepreneurial skills,
- (2) Financing of entrepreneurial efforts, and
- (3) Networking among potential entrepreneurs and their experienced counterparts.

Further, although the Indian government should establish policies supportive of entrepreneurial efforts, its role overall should be minimized so that the influence of the free market and individual self-interest can be fully realized.

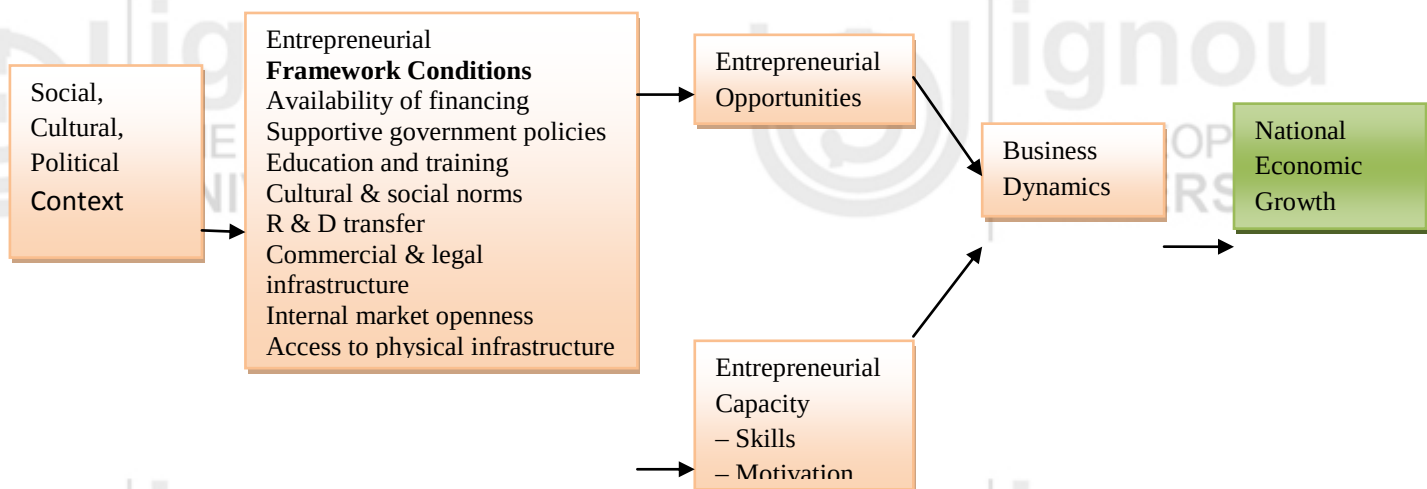
14.4 THE GEM CONCEPTUAL MODEL FOR ECONOMIC GROWTH

India can do more, however, to further advance its economic development. Indeed, one of the more recent microeconomic approaches to economic growth is the promotion of entrepreneurial activities. Entrepreneurial efforts have been found to generate a wide range of

economic benefits, including new businesses, new jobs, innovative products and services, and increased wealth for future community investment (Kayne, 1999).

Following an extensive study of entrepreneurship in 21 countries, Reynolds, Hay, Bygrave, Camp and Autio (2000) concluded that successful entrepreneurial activity is strongly associated with economic growth. Their research was subsumed under the “Global Entrepreneurship Monitor” (GEM), a joint research initiative conducted by Babson College and London Business School and supported by the Kauffman Center for Entrepreneurial Leadership. Their findings, based on surveys of the adult population of each country, in-depth interviews of experts on entrepreneurship in each country, and the use of standardized national data, supported their conceptual model depicting the role of the entrepreneurial process in a country’s economic development.

The GEM conceptual model- Figure 1



Source: Reynolds, Paul D., Michael Hay, William D. Bygrave, S. Michael Camp, and Erkkö Autio, 2000. Global Entrepreneurship Monitor: 2000 Executive Report (Kansas City, Kauffman Center for Entrepreneurial Leadership), p. 6.

The GEM Conceptual Model suggests that the social-cultural-political context within a country must foster certain “General National Framework Conditions,” which can generate not only the opportunities for entrepreneurship but also the capacity for entrepreneurship – in particular, the skills and motivation necessary to succeed. Together, the entrepreneurship opportunities, on the one hand, and the skills and motivation, on the other, lead to business

dynamics that yield creative destruction, a process in which new firms are created and older, less efficient firms are destroyed. The overall result for a country is economic growth. Of the eight “General National Framework Conditions” listed in above figure, the three that Reynolds, et al. (2000) highlighted as especially important are the availability of financing for new entrepreneurs, the need for government policies which are supportive of entrepreneurial efforts, and the opportunities for education and training in entrepreneurship.

Given India’s economic progress in recent years, the country may now be ready for the implementation of microeconomic policies that will foster entrepreneurial activities. Fortunately, in addition to the macroeconomic reforms mentioned earlier, India has taken other steps to lay the foundation for the type of economic growth that can be fostered only by entrepreneurial activities and appropriate economic policies that reflect individual rights and responsibilities.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Explain the GEM model for economic growth

2. Discuss the importance of enterprise promotion for economic development

14.5 ROLE OF FINANCE IN PROMOTING ENTREPRENEURSHIP

About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the “Vicious Cycle of Poverty”. If the people of Developing Countries have a limited capacity to invest in capital and the productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for entrepreneurs in developing countries to engage in new business ventures,

inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are either financially or environmentally sustainable. Financial assistance serves as a means to empower the poor, and provides a valuable tool to assist the economic development process. However, unavoidably, various barriers and obstacles limit the roles of financial assistance, entrepreneurship and sustainability in reducing poverty in developing countries around the world.

Economic development can be defined as “the process of improving the quality of all human lives”, (Todaro, 1994), which incorporates three equally important aspects: raising incomes and consumption; fostering self-esteem through institutions that promote human dignity and respect; and increasing people’s freedoms. This criterion has a distinct application to this particular development process. Robinson (2002: pp. 39-41), contends that “the first thing that many poor families do when their incomes rise is improve their nutrition, and send their children to school.” This is fundamental to economic development, but also, “Because financial services help the poor expand their economic activities and increase their incomes and assets, their self-confidence grows simultaneously.” And finally, “Large-scale sustainable financial assistance helps create an enabling environment for the growth of political participation and democracy.” Thus, the economics of microenterprise make it a compelling anti-poverty strategy (Rubinstein, 1993). With a loan of Rs 15000- Rs20,000, in a poor country one can start a small business; repay the loan in a year, while still owning the productive assets. Over time, a poor person can earn enough to escape poverty.

The concept of “Sustainable Micro Entrepreneurship” is neither formal, nor derived, but rather a development process combining the three aspects of financial assistance, entrepreneurship and sustainability. It refers to the specific practice of “social-conscious-driven entrepreneurship”, perpetuated by a sustainable access to credit, and without bearing undesirable externalities on people or environment. Sustainable Micro Entrepreneurship is a small-scale, self-sustaining active development process initiated by the poor to help themselves break free from their poverty.

The extent to which financial assistance, entrepreneurship and sustainability are interrelated is dependent on the extent to which it addresses the economic development process. Yunus (1994), claims, “If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power.” Credit invested in an income-generating enterprise as working capital or for productive assets leads to

establishment of a new enterprise or growth of an existing one. Profit from the enterprise provides income, and a general strengthening of income sources. A variety of financial institutions, worldwide, have found ways to make lending to the poor sustainable and to build on the fact that even the poor self-employed repay their loans and seek savings opportunities. The challenge is to build capacity in the financial sector drawing on lessons from international best practices in micro, small enterprises and rural finance. However, ensuring environmental sustainability is equally important as sustaining microenterprises financially. The Sustainable Financial Markets Facility (SFMF, 2004) recognises the importance of promoting “environmentally and socially responsible lending and investment in emerging markets, thus stimulating sustainable markets/sustainable private sector activity and enhancing other sustainable initiatives in the developing world. Thus, the interrelated nature of finance, entrepreneurship and sustainable development is evident.

The extent to which financial assistance, entrepreneurship and sustainability are interdependent is becoming increasingly recognised by experts in their respective fields of work, associated with economic development. Over 500 million poor people around the world run profitable microenterprises and often cite credit as the primary constraint to business growth (IFC, 2002) thus, credit is essential for poor entrepreneurs in Developing countries. Additionally, firms supplying the finance to these entrepreneurs are equally dependent on them for business, and to expand their services to more villages or urban areas. However, this dependency belies the assumption that financial assistance can be profitable in developing countries. Robinson (2002), a prominent expert in the field of financial assistance, notes that “The formal sector has begun to realise that financing the poor can be both economically and socially profitable.”

The interrelationships and interdependency of financial assistance, entrepreneurship and sustainability in developing countries further exemplify the informal practice of “sustainable micro entrepreneurship” among the world’s poor. But although interrelated and interdependent, each of the aspects must be further explored individually to gain a greater understanding of the complexities of the connection between them. This will also aid in evaluating the case of sustainable micro entrepreneurship in reducing poverty in developing countries.

Loans in Developing Countries are made for a variety of purposes. Loans are made for housing and for “start up” loans so farmers can buy inputs to agricultural production: rice seeds, fertilizers and agricultural tools. But loans might also be used for a variety of non-crop activities such as: dairy, cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery and woodworking. Of course, funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. Credit is also issued to groups consisting of a number of borrowers for collective enterprises, such as: irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming. The potential for loan uses are virtually endless, and differ between villages and countries. And due to the fact that there is no such thing as a ‘typical’ developing country, loans provide a source of income for diverse activities chosen specifically by the borrower, to create their own life.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. How will you define vicious circle of poverty in developing countries?

14.6 THE ROLE OF ENTREPRENEURSHIP IN REDUCING POVERTY IN DEVELOPING COUNTRIES

Entrepreneurship is the active process of recognising an economic demand in an economy, and supplying the factors of production (land, labour and capital) to satisfy that demand, usually to generate a profit. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world’s population into self-employment and informal activities. But this is not necessarily negative; microenterprises contribute significantly to economic growth, social stability and equity. The sector is one of the most important vehicles through which low-income people can escape poverty. With limited skills and education to compete for formal sector jobs, these men and women find economic opportunities in microenterprises as business owners and employees. If successful,

entrepreneurship is likely to result in a small- to medium-enterprise (SME). They include a variety of firms – village handicrafts makers, small machine shops, restaurants, and computer software firms – that possess a wide range of sophistication and skills, and operate in very different markets and social environments. In most developing countries, microenterprises and small-scale enterprises account for the majority of firms and a large share of employment. Finally, it has been noted that, “SMEs constitute the most dynamic segment of many transition and developing economies. They are more innovative, faster growing, and possibly more profitable as compared to larger-sized enterprises.” Hence, the role of entrepreneurship in reducing poverty in developing countries is promising.

It has already been identified that entrepreneurship is a major contributing factor to economic growth, however, entrepreneurial ability and leadership tend to be relatively lacking in developing countries. Collier and Batty have identified five primary reasons for the shortage of entrepreneurs in developing countries. Firstly, this includes the limited profit opportunities which exist in developing countries as a result of lower per capita incomes and limited markets. Secondly, poorly developed capital markets make it difficult for potential entrepreneurs to borrow the funds needed to establish new businesses and take advantage of new investment opportunities. This ties in closely with the role of financial assistance in empowering entrepreneurship. Thirdly, poorly developed infrastructures hinder the development of new commodity and resource markets as well as inhibiting the efficient operation of existing ones. Fourthly, sometimes social, cultural and religious beliefs and attitudes attach little importance to monetary gain, restrict economic and social mobility, or assign very low status to entrepreneurs. And fifthly, an unfavourable economic and political climate might discourage the development of entrepreneurial talent and initiative. It is often argued that in light of these barriers, governments hold the key in opening doors to aspiring entrepreneurs in developing countries.

The governments of developing countries can play an important role in improving the quantity and quality of entrepreneurs in a number of ways. Collier and Batty suggest a number of policies to reduce the shortage of entrepreneurs in developing countries, such as the establishment of specialist educational institutions offering courses in business management and administration, and the establishment of specialist government agencies and departments to provide advice and assistance to local entrepreneurs about to take up a business venture are likely to aid the process. Additionally, tax relief, subsidies, investment allowances and other incentives may encourage entrepreneurial activities, similarly, the provision of credit facilities to finance appropriate new business ventures might help. And

finally, the attempted maintenance of an economic, social and political climate, which is favourable to entrepreneurs, is essential. It has also been suggested that official policies often make business difficult for micro entrepreneurs. Improved business regulations, tax regimes, licensing requirements, financial sector reform and bank supervision will promote better conditions for microenterprise development. A final optimistic suggestion, according to economic theory, implies that the income expenditure multiplier effect may also help to create chain reactions through developing economies, thus helping to break the cycle of poverty.

14.7 DIFFERENTIAL RATE OF INTEREST SCHEME – AN RBI INITIATIVE

Based on all the facts explained above on the importance of enterprise promotion for economic growth Government of India had formulated in March, 1972 a scheme for extending financial assistance at concessional rate of interest @ 4% to selected low income groups for productive endeavours initially by public sector banks and then by private sector banks.

The scheme known as Differential Rate of Interest Scheme (DRI) is now being implemented by all Scheduled Commercial Banks. Reserve Bank of India on 10th April 2008 has notified that borrowers with annual family income of Rs.18000 in rural areas and Rs.24000 in urban areas will now be eligible to avail of the facility as against the earlier annual income criteria of Rs.6400 in rural areas and Rs.7200 in urban areas, fixed by the Government of India in 1986.

1. Eligibility Criteria

- i) Family income of the borrower from all sources does not exceed Rs.18000/- in Rural area and Rs. 24000/- in Urban and Semi urban area per annum;
- ii) Land holding not to exceed 1 acre of irrigated land or 2.5 acres of non-irrigated land;
- iii) SC/ST borrowers are eligible for finance irrespective of their land holdings;
- iv) The applicant should not be assisted under any of the subsidy linked schemes of central/State Government and State owned corporation;
- v) Physically handicapped persons pursuing a gainful occupation; and

vi) Indigent students of merit going in for higher education who do not get scholarships/maintenance grants from Governmental or educational authority.

2. Institutions

Following institutions are eligible for credit under the Scheme:

- i) Orphanages and women's homes where saleable goods are made and for which no adequate and dependable source of finance e.g., endowments or regular charities exist.
- ii) Institutions of physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

3. State Corporations for Scheduled Castes and Scheduled Tribes

Banks may route credit under the scheme through State Corporations for the welfare of Scheduled Caste and Scheduled Tribes subject to the beneficiaries of the corporation meeting the eligibility criteria indicated in para 1 and other terms and conditions indicated in the scheme.

4. Quantum of Loan

- i) For House Loan Purpose: Rs 20000.00
- ii) For Others Purpose: Rs 15000.00

5. Target

- Minimum of 40% of DIR advances to SC/ST beneficiaries. 2/3rd of the advances should be routed through Rural/Semi urban branch.
- Overall target for the Bank: 1% of the total advances of the bank as on previous year.

6. Lending to Artisans under DRI

- i) Rural Branches: 10 loans per quarter per branch
- ii) Semi-Urban/Urban Branches: 5 loans per quarter per branch

7. Subsidy: NIL

8. Margin: NIL

9. Rate of Interest: 4% p.a. at Simple rate

10. Security: Hypothecation of assets created by bank loan. No collateral security is required

11. Repayment: 5 years including moratorium period

12. Moratorium period: Suitable moratorium period may be considered.

13 Selection of beneficiary: By Field Staff

14. Insurance: No insurance except for live stock. If considered necessary, the premium amount should be borne by the Bank.

15. Extend lending under DRI scheme to non-SGSY SHGs provided all the members of SHG meets individually the eligibility and other criteria under DRI lendings. The lending to SHGs will be at 4% p.a.

In this regard, the following aspects may please be noted that

- i) The scheme is extended to new non-SGSY SHGs financed (subject to satisfaction of criteria laid down as above).
- ii) To begin with, such SGSY lending at 4% is available till the Bank achieves 1% benchmark. Thereafter, the scheme will be reviewed. (Corporate Centre will revert in the matter)
- iii) Preference is given to SHGs where members are from SC/ST/Minority community, women SHGs and SHGs in districts identified by the Bank for 100% financial inclusion.
- iv) Other extant guidelines of the Bank for lending to the SHGs are satisfied.

14.8 BANKS ON DRI LOANS

Based on the guidelines proposed by RBI, banks have taken efforts to formulise certain policies in order to implement DRI scheme, let us view some of the criteria from some of the banks

14.8.1 INDIAN BANK:

Purpose / Objective

To lend at a concessional rate of interest, i.e. @ 4% p.a. for productive / self employment ventures.

Target Group

Scheduled Castes/Scheduled Tribes and others engaged on a very modest scale in Agriculture and / or allied agricultural activities.

- * People who themselves collect or do elementary processing of forest products and people who themselves collect fodder in difficult areas and sell them to farmers and traders.
- * People physically engaged on a modest scale in the fields of cottage and rural industries and vocations - e.g.: cutting cloth and sewing garments, making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running wayside tea stalls, plying of manual rickshaws and cycle rickshaws, repairing of shoes sandals mainly by hand, basket making by hand etc.
- * Physically handicapped persons pursuing gainful occupation.

Eligibility

Family income not exceeding Rs.18, 000/- p.a. in rural areas and Rs.24, 000/- p.a. urban / semi urban areas.

- * Land holding does not exceed 1 acre irrigated or 2.5 acres in case of un-irrigated land.
- * SCs/STs are eligible for loan irrespective of their land holding, provided they satisfy other eligibility criteria.
- * The beneficiary largely works on his own and with such help as other members of his family.
- * The beneficiary should not have another source of finance while DRI loan exists.

Quantum of Loan

- * Maximum of Rs.15,000/- by way of terms loan and / or working capital.
- * The maximum limit for housing loans under the scheme is Rs.20,000/-
- * In the case of physically handicapped persons, a sum of Rs.5,000/- for purchase of aids, appliances and equipments may be granted, apart from the loan amount of Rs.15,000/-.

DRI through institutions

1. Orphanages and Women's homes.
2. Institutions for physically handicapped.
3. State Corporations for SC / ST.
4. State Minority Finance / Development Corporation.

Target

1% of the total advances as at the end of the previous year. 40% of the bank credit under the scheme should flow to the eligible borrowers belonging to Scheduled Castes and Scheduled Tribes. Not less than 2/3rd of the advances under the scheme are to be routed through Rural and Semi urban branches.

Repayment Period:

Maximum of 5 years. In case of housing loans, the repayment period is extendable to 7 years in hardship cases. Instalments to be fixed monthly basis or otherwise depending on income generation.

Security

Hypothecation of assets purchased out of loan.

14.8.2 VIJAYA BANK

Purpose

This scheme offers need based financial assistance to those who intend taking up any productive activity and has been tailored for persons whose income is very low. This scheme is meant for:

- a. Persons belonging to SC/STs, Adivasis engaged in agricultural operations and/ or allied activities
- b. Persons engaged in collection of forest products, fodder and selling these in markets.
- c. Persons engaged in Village and Cottage Industries on a very small scale.
- d. Indigent students aspiring to pursue higher studies.
- e. Physically handicapped persons.
- f. Institution of physically handicapped for their productive activities.
- g. Orphanages, Women's Homes where saleable goods are made.

- h. State Level Corporations working for welfare of SC/ST.
- i. Co-operative Societies, large sized multi-purpose societies organised specially for the benefit of tribal population in areas identified by Government of India.

Eligibility

Loans are granted to any person whose:

- a. Family income from all sources is not more than Rs.7,200/- p.a. in metropolitan/urban/ semi-urban areas or Rs.6,400/- p.a. in rural areas.
- b. Land holding does not exceed 1.25 acres of irrigated land or 2.5 acres of dry land. Land holding criteria does not apply to SC/ST borrowers.

Security

Hypothecation of assets created out of the loan only. Collateral security or third party guarantee should not be taken.

Amount of Loan

Composite loan upto Rs. 15,000/- & housing loan upto Rs.20,000/- .

Rate of Interest

4.00% p.a

Margin

No margin money is required to be provided by the borrower

Repayment

Repayment period for term loan is up to 5 years

Target under the Scheme

1% of the previous years advances should be granted under the scheme.

Out of total DRI advance 40% should be granted to SC/ST beneficiaries and not less than 66.66% Of the DRI advances should be routed through Rural and Semi-urban branches.

DRI Beneficiaries and DRI Advances

DRI beneficiaries are those who are given loans and advances @ 4% p.a. for individuals engaged in cottage and rural industries viz. Basket makers, blacksmiths, broom makers, carpenters, cobblers, cycle repairers, fire wood sellers, fish vendors, glass bangle sellers, handicrafts, hawkers, leather farmers, mat makers, pan shops and tobacco merchants, papad makers, potters, roadside tea stall cum eating houses, rope makers, sellers of eatable's, tailors, teri-makers, vegetable vendors, home delivery service or article and commodities of daily use, driving one's own manual rickshaw or cycle rickshaw etc. and persons belonging to SC/ST engaged on a very modest scale in agriculture and/or allied agricultural activities like dairy, poultry, goat rearing, bee keeping etc. Further, persons physically engaged in the field of cottage and rural industries and vocation such as spraying of pesticides and poor and needy students of merit going for higher education who do not get scholarships/maintenance grants from Government or educational authorities, physically handicapped persons pursuing gainful employment could also be financed under the scheme.

In addition to the individual beneficiaries mentioned above, the following institutional beneficiaries are also covered under DRI scheme.

1. Orphanages and Women's homes
2. Institutions for physically handicapped/mentally retarded
3. Co-operative Societies where the amount is lent on the same terms and conditions as are applicable to
State owned Corporations for the Welfare of SC/ST.
4. State Corporations for SCs/STs.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Explain the components of DRI loans?
-

14.9 DRI SCHEME FOR ENTERPRISE DEVELOPMENT –IMPACT STORIES

14.9.1 Improving Standard of life through DRI in Gumla – a Case Study

On discussion with the lead bank of the district regarding the schemes that can promote livelihood opportunities for the urban poor, they came to know about the DRI scheme (Differential rate of interest). This is a scheme available at all the nationalized banks which commits the banks to provide 1% of their outstanding advance amount of previous year to the poorest of the poor people of the community (often not known to most of the people). The scheme allows a maximum of Rs.20000/- loan to individuals below poverty line @ 4% differential rate of interest, i.e. Rs 4/- per Rs. 100/- in a year, and the interest is charged on the remaining principle amount to be returned. The time allowed to repay the loan is for five years.

They started this scheme in the urban and semi urban areas of Gumla. They are advantaged by the presence of humanitarian organizations like Missionaries of Charity and SITARA in the district that were approached to provide their support in this initiative. The organizations helped in identifying the needy beneficiaries in the urban/semi urban areas and organizing them in form of a committee to guide them in taking livelihood options. With their positive support and the support from the Bank of India they could start the DRI scheme with 19 beneficiaries. The initial 19 beneficiaries comprised of the families who were either occupied in rag picking, wage works in stone crushers, vegetable selling, fish selling at local markets, rickshaw pulling on rental basis, maid servants at the nearby houses etc. Most of them had the dream to expand their business and move towards a better standard of living but were not able due to primarily lack of adequate capital amounts.

With the coordinated efforts of the District Planning Office, Banks and local institutions these families were linked to the scheme with provision of loan amounts ranging from 2000/- to 7000/- as per the specific needs for their respective business. Today 3 of them are pulling their own rickshaws, 3 have improved their fish selling business and others have started

similar small business like selling of confectioneries, bangles, and fast food/tea stalls. In the second phase another 23 beneficiaries were identified and linked to the Bank and the total loan disbursed among them amounted to Rs4.5lakhs approximately. The best part of the process is that the beneficiaries have started returning the loan instalments to the bank regularly. The beneficiary committee now sits every month for a day of two to review the status of their income and returns at the Missionaries of Charity premises. They have started depositing their partial savings in a corpus fund of the committee and it has grown to Rs.2200/- over such a small period.

The replication of the scheme has started on its own having demands from all the urban areas of the district. Meanwhile other banks namely Punjab National Bank also has come forward to implement the scheme with the district administration in a big way. Another missionary organization of the district called SITARA has joined us and is working hard in identification and guiding the interested beneficiaries to link them with the scheme. The newly elected urban ward representatives are showing keen interest to come forward and support the poorest of the poor families of their areas with the scheme. Already they have organized meetings in quite a few of the wards with the elected urban representatives, beneficiaries, NGO and the bankers following which a mega loan camp of DRI was organized in the district where 200 beneficiaries were provided loans under DRI, through Punjab National Bank. 40 rickshaw pullers who were earlier pulling rickshaws on rent and were getting exploited are now having their own rickshaws. Similarly this scheme has brought smiles on many such faces who are striving for a better standard of life but needed this small support from the society.

They found that the convergence of Planning office, banks, urban representatives and credible local institutions/ organizations can take this type of schemes to a long way benefiting the poorest of the poor through providing meaningful livelihood for a better standard of life.

(Ref. Subir Kumar Das, District Facilitator, Gumla, GOI-UN Joint Programme on Convergence, Jharkhand, INDIA)

14.9.2 Story of Meena

Ms. Meena Ravi, 38 - years old woman, has education upto 8th std. A resident in a hutment at Dr. Santhosh Nagar, Egmore with her family. Her husband Mr. Ravi aged 40 is an auto

driver plying hired auto. They have three children. Eldest son is studying 9th std the second daughter is in 7th std and the third son is in 6th std in a Matriculation School. Ms. R. Meena meets all their family expenditures from the income which comes from her husband's auto driving. The DPG (an NGO) staff met Meena several times and motivated her to join group. After seeing the activities of SHGs, she herself came forward to become a SHG member. She is the first person to start an SHG with 20 members in her location (area of huts) on 13th January 2006 and she was elected as treasurer in the group. She runs her group very successfully from the beginning. Her group received best SHG award of Rs.6000/- from Sornammal Education Trust (NGO) in their Zone and got Rs.10000/- from Rs.20000/- as revolving fund from State Government. She also received best member award from DPG. Every year her group receives at least one award. Her group received Rs.300000/- from bank as 4th loan. With the amount (award money) of Rs.10000/- the group dealing in rice and are successful in running it. She also received loan of Rs.10000/- at Differential Rate of Interest (DRI) scheme from the Indian Overseas Bank and sells household items. She earns additional income for her family. Again she took a loan of Rs. 1,35,000/- from DPG & bought an auto. Her husband now runs their own auto. Her interest brought improvement in the economic status of her own & her group members. Now she has no arrears on her loan. Other groups also started performing well after looking at their success. (Ref.Author)

14.9.3 Story of Vembarasi

Mrs. Vembarasi, about 39 years old, along with her husband, is engaged in vegetable cultivation in Kameshwaram village, Nagapattinam District. Both are diligent and striving for a good and sustainable income. Mrs. Vembarasi joined the 'Sindhu' SHG in the year of 2006. Since its inception her savings with the SHG is `2700/- and she has taken `6000/- as internal credit from her SHG. The loan has helped her to carry the cultivation smoothly. But still, she needs some concrete investment to upgrade her livelihood and to purchase seeds and engine for pumping water.

When some one arranged for a **DRI** loan through the local Indian Overseas Bank Branch, she heard of the news through the SHG and applied for a loan of `5000/-. She did not have to wait even for a week to obtain the loan. But, when she went to the bank she was told that she would get a loan of `10000/-. In addition, she also took a loan of `5000/- from her SHG. As soon as she received the **loans** she purchased seeds, such as snake guard, brinjal, tomato,

ladies finger and green leaves. She also purchased a new engine for pumping out water from a pond. She extended the cultivation to the land which had not been utilized due to money problem. This purchase of the water engine helped her to get enough water for her vegetable cultivation and now she receives more income.

She has three children, of them two are girls and the other a boy. All children are studying. Her husband takes the vegetables to the nearby 'Uzhavar Market' (Farmers market) daily. She is repaying the loan amount from the profit she receives by selling the vegetables. Seeing her prompt repayment and her fruitful cultivation, the bank manager is very impressed and has offered to provide the subsequent loan to her. Mrs. Vembarasi says, “from the income I allocate `50/- per day for loan repayment and `50 for my family expenses and `50 for savings”. This discipline makes her to repay the amount promptly and she is always happy. She thanks DPG and IOB who have guided, supported and facilitated her in getting this vital loan for her. And she is prompt in everything, and finds success on her part and also satisfies the bankers. (ref.Author)

14.10 SUMMING UP

In this Unit, we have learnt the importance of economic development for enterprise promotion. There are internationally developed model called The GEM conceptual model for economic growth. The diagram of the model is given in this Unit along with explanation. Not only economic development developing accessible finance facilities also contribute for enterprise development. There are significant evidence of the contribution of entrepreneurship to reduce poverty in developing countries. Finally DRI loans discussed with the Indian Bank and Vijaya Bank examples.

14.11 GLOSSARY

National Cooperative Agriculture & Rural Development Banks’ Federation Ltd: It is the apex level organization of Agriculture & Rural Development Banks of the sector. The Federation was set up in 1960 & is administered under the Multi-State Cooperative Societies Act, 2002. The long term cooperative credit structure consists of the State Cooperative Agriculture & Rural Development Banks (SCARDBs) and Primary Cooperative Agriculture & Rural Development Banks (PCARDBs) which are affiliated to the SCARDBs. The total No. of SCARDB’s are 19; of which 10 have Federal Structure, 7 have Unitary Structure and 2 have Mixed Structure (i.e. operating through PCARDBs as well as its own branches).

14.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. The GEM Conceptual Model suggests that the social-cultural-political context within a country must foster certain “General National Framework Conditions,” which can generate not only the opportunities for entrepreneurship but also the capacity for entrepreneurship – in particular, the skills and motivation necessary to succeed. Together, the entrepreneurship opportunities, on the one hand, and the skills and motivation, on the other, lead to business dynamics that yield creative destruction, a process in which new firms are created and older, less efficient firms are destroyed. The overall result for a country is economic growth.

Given India’s economic progress in recent years, the country may now be ready for the implementation of microeconomic policies that will foster entrepreneurial activities. Fortunately, in addition to the macroeconomic reforms mentioned earlier, India has taken other steps to lay the foundation for the type of economic growth that can be fostered only by entrepreneurial activities and appropriate economic policies that reflect individual rights and responsibilities.

2. The importance of Enterprises to longer-term economic stability derives from their size and structure which, under adequate conditions i.e. well developed factors market, allow them the flexibility and ability to weather adverse economic conditions. Enterprises are more labor-intensive than larger firms and, therefore, have lower capital costs associated with the creation of jobs. Consequently, Enterprises play an important role in fostering income stability, growth, and employment. Modern economies operate as complex networks of firms in which a firm’s competitive position depends, in part, on the efficiency of its suppliers. Therefore business concern’s competitiveness affects the competitive position of the economy as a whole. In addition, Enterprises improve the efficiency of domestic markets and make productive use of scarce resources, such as capital, facilitating long-term economic growth.

Check Your Progress Exercise 2

1. About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the “Vicious Cycle of Poverty”. If the people of Developing Countries have a limited capacity to invest in capital, productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders

the ability for entrepreneurs in Developing Countries to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustainable. Financial assistance serves as a means to empower the poor, and provides a valuable tool to assist the economic development process. However, unavoidably, various barriers and obstacles limit the roles of financial assistance, entrepreneurship and sustainability in reducing poverty in Developing Countries around the world.

Check Your Progress Exercise 3

1. Based on all the facts explained above on the importance of enterprise promotion for economic growth Government of India had formulated in March, 1972 a scheme for extending financial assistance at concessional rate of interest @ 4% to selected low income groups for productive endeavours initially by public sector banks and then by private sector banks. The scheme known as Differential Rate of Interest Scheme (DRI) is now being implemented by all Scheduled Commercial Banks. Reserve Bank of India on 10th April 2008 has notified that borrowers with annual family income of Rs.18000 in rural areas and Rs.24000 in urban areas will now be eligible to avail of the facility as against the earlier annual income criteria of Rs.6400 in rural areas and Rs.7200 in urban areas, fixed by the Government of India in 1986.

1. Eligibility Criteria

- i) Family income of the borrower from all sources does not exceed Rs.18000/- in Rural area and Rs. 24000/- in Urban and Semi urban area per annum;
- ii) Land holding not to exceed 1 acre of irrigated land or 2.5 acres of non-irrigated land;
- iii) SC/ST borrowers are eligible for finance irrespective of their land holdings;
- iv) The applicant should not be assisted under any of the subsidy linked schemes of central/State Government and State owned corporation;
- v) Physically handicapped persons pursuing a gainful occupation; and
- vi) Indigent students of merit going in for higher education who do not get scholarships/maintenance grants from Governmental or educational authority.

2. Institutions

Following institutions are eligible for credit under the Scheme:

- i) Orphanages and women's homes where saleable goods are made and for which no adequate and dependable source of finance e.g., endowments or regular charities exist.
- ii) Institutions of physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

3. State Corporations for Scheduled Castes and Scheduled Tribes

Banks may route credit under the scheme through State Corporations for the welfare of Scheduled Caste and Scheduled Tribes subject to the beneficiaries of the corporation meeting the eligibility criteria indicated in para 1 and other terms and conditions indicated in the scheme.

4. Quantum of Loan

- i) For House Loan Purpose: Rs 20000.00
- ii) For Others Purpose: Rs 15000.00

5. Target

- Minimum of 40% of DIR advances to SC/ST beneficiaries. 2/3rd of the advances should be routed through Rural/Semi urban branch.
- Overall target for the Bank: 1% of the total advances of the bank as on previous year.

6. Lending to Artisans under DRI

- i) Rural Branches: 10 loans per quarter per branch
- ii) Semi-Urban/Urban Branches: 5 loans per quarter per branch

7. Subsidy: NIL

8. Margin: NIL

9. Rate of Interest: 4% p.a. at Simple rate

10. Security: Hypothecation of assets created by bank loan. No collateral security is required

11. Repayment: 5 years including moratorium period

12. Moratorium period: Suitable moratorium period may be considered.

13 Selection of beneficiary: By Field Staff

14. Insurance: No insurance except for live stock. If considered necessary, the premium amount should be borne by the Bank.

15. Extend lending under DRI scheme to non-SGSY SHGs provided all the members of SHG meets individually the eligibility and other criteria under DRI lendings. The lending to SHGs will be at 4% p.a.

In this regard, the following aspects may please be noted that

- i) The scheme is extended to new non-SGSY SHGs financed (subject to satisfaction of criteria laid down as above).
- ii) To begin with, such SGSY lending at 4% is available till the Bank achieves 1% benchmark. Thereafter, the scheme will be reviewed. (Corporate Centre will revert in the matter)
- iii) Preference is given to SHGs where members are from SC/ST/Minority community, women SHGs and SHGs in districts identified by the Bank for 100% financial inclusion.
- iv) Other extant guidelines of the Bank for lending to the SHGs are satisfied.

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14.14 QUESTIONS FOR REFLECTION AND PRACTICE

1. Discuss the DRI loans and its impact on entrepreneurial activities with help of suitable examples.

UNIT 15 AFFIRMATIVE ACTION

Structure

15.1 Introduction

15.2 Objectives

15.3 Why affirmative action needed fro India

15.4 Empowering Women

15.5 National Policy for Empowerment of Women, 2001

15.6 Steps taken by government of India with regard to bring holistic development on women

15.6.1 Schemes for the development and promotion of women entrepreneur s

15.7 Gender Budgeting

15.8 Women and Economy

15.9 Economic supports from banks through RBI

15.10 Summing Up

15.11 Glossary

15.12 Answers to Check Your Progress Exercise

15.13 references

15.14 Questions fro reflection and Practice

15.1INTRODUCTION

The country's half of the population is women. So, uplift of the nation is not possible without equal rights and development of the women. For this, the women will have to be given scope for becoming self- reliant by educating them side by side with the males and their overall empowerment will have to be ensured. There are various development approaches and policies to bring women on par with men. Affirmative action is one such strategy to provide necessary support to women to bring holistic development.

15.2 OBJECTIVES

After studying this Unit, you would be able to

- Discuss the need for affirmative action;
 - Analyse the various measures taken by the government of India; and
 - List the schemes related to women and entrepreneurship.
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15.3 WHY AFFIRMATIVE ACTION NEEDED FOR WOMEN IN INDIA

We have already discussed elaborately on status and position of women in Unit 1 of MGS-003. Since the beginning of the UN Decade for Women, women activists and scholars have systematically brought to light the oppression, exploitation and marginalization of Indian women in all walks of life. The benchmark of this exercise was the Status of Women in India Report of 1974¹. But one of the Constitution of India's objectives is the attainment of equality of status for women. This is implicitly stated in the directive principles of state policy, the preamble and the fundamental rights. The 1974 Government of India Status of Women in India Report defines status as the relative position of persons in a social system or sub-system which is distinguishable from that of others through its rights and obligations. Each status position is expressed in terms of a role. Since each individual occupies a number of distinct status within a society, he/she performs a variety of roles. It is imperative to make a distinction between the ideal role behaviour/expected role behaviour and actual role behaviour. The divergence between these leads to a change in the role perception of individuals. Status is realized through roles. This brings into focus the rights and opportunities provided to women by the states and socio-cultural institutions to perform these roles, which may not necessarily reinforce each other. Processes of change are responsible for divergence between the expected and the actual role behaviour.²

¹ Sriltha Batliwala, et.al., **Status of Rural Women in Karnataka**, Bangalore: National Institute of Advanced Studies, 1998.

² Indian Council of Social Sciences, **Status of Women in India: A Synopsis of the Report of the National Committee on the Status Women (1971-74)**, New Delhi: Allied Publishers Pvt. Ltd., 1975.

The role played by economic, social, cultural and political institutions in reinforcing subordination was highlighted in the Status of Women in India Report 1974. But constant efforts were taken by the women's movement to highlight the plight of women. The Government of India has taken many efforts like the national perspective plan for women, a national commission for women, women targeted programmes and many laws related to women empowerment. Efforts have also been taken to collect gender sensitized data in the census and national sample surveys.

But the constant efforts of government agencies and other players have not given fruitful results. Some insights into why this was the case was provided by feminist critiques of state-led development strategies and even NGO grassroot interventions, which generally failed to make any significant dent on the status of women. The approaches used in most programmes targeted women. The welfare, poverty alleviation, and managerial approaches, for example, did not address the underlying structural factors which perpetuated the oppression and exploitation of poor women.³ They failed to distinguish between condition and position of women.⁴ They failed to distinguish between condition and position of women.⁵ According to Young's theory condition is a material state like wages, nutrition, access to education, access to health etc. But position is the social, economic and legal status of women as compared with men. Young further argued that most development initiatives concentrate on the condition of women and not on the position of women.

Maxine Moluneux made a similar distinction between women's 'practical' and 'strategic' interests. While women's practical needs of food, health, water, fuel, child care, education, improved technology etc have to be met, they cannot be an end in themselves; mobilizing and organizing women to fulfill their long term strategic interests is essential.⁶ This involves "analysis of women's subordination and... the formulation of an alternative,

³ C.Moser, "Gender Planning in the Third World: Meeting Practical and Strategic Gender Needs", **World Development**, Vol.17, No.11, 1989.

⁴ Kate Young, **Gender and Development: A Relational Approach**, Oxford: Oxford University Press, 1988.

⁵ Kate Young, **Gender and Development: A Relational Approach**, Oxford: Oxford University Press, 1988.

⁶ Srilatha Batliwala, et.al., **Status of Rural Women in Karnataka**, Bangalore: National Institute of Advanced Studies, 1998.

more satisfactory set of arrangements to those that exist... such as the abolition of the sexual division of labour, the alleviation of the burden of domestic labour and child care, the removal of institutionalized forms of discrimination, the establishment of political equality, freedom of choice over child bearing and ... measures against male violence and control over women.⁷ “Amartya Sen classified the inequality as follows:

1. Survival inequality
2. Natality inequality
3. Unequal facilities
4. Ownership inequality
5. Unequal sharing of household benefits and chores
6. Domestic violence and physical victimization.

He further argued that inequality between women and men can appear in many different forms. It has many faces. For example, Japan has no particular gender bias in nutrition or health care or school education, but men do seem to have considerable relative advantage in securing high leadership position in administration or business.⁸ Not only in theoretical perspectives, the existing data also shows the differences in different fields and sectors. To bring the gender equality and equity in all areas and sectors and making women and men to have equal access and control over resources, there is a need for affirmative action.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Discuss the status of women.

⁷ Maxine Molyneux, “Mobilization without Emancipation? Women’s Interests, the State and Revolution in Nicaragua”, **Feminist Studies**, 1985.

⁸ Amartya Sen, **The Argumentative Indian writings in Indian Culture, History and Identity**, London: Penguin House, 2005.

2. Why is Affirmative Action needed for women in India?

15.4 EMPOWERING WOMEN

As we have already seen in the Course MGSE-013, there are frameworks and field level activities to empower women in the area of socio, economic and political. With regard economic empowerment, it is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways which recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information.

There are different areas where gender responsive public policies are necessary.

Public Financial Management

Ultimately, a country's success in empowering women will depend on a multi-faceted and responsive approach to its public policy management and implementation, including its macro-economic, financial and trade policies. Public financial management (PFM) covers a country's entire budget cycle from strategic planning to audit oversight. To support women's economic empowerment, it is essential to incorporate a gender equality perspective into PFM systems. Gender-responsive PFM ensures that resources are efficiently allocated based on identified needs, and revenues and expenditures are structured to benefit both women and men. For example, in the Philippines, a minimum of 5% of national and local government budgets is expected to be allocated to activities supporting gender equality. The Department of Environment and Natural Resources has been able to mobilise the funds needed to address organisational concerns and to ensure capacity for research, design and monitoring of gender equality projects in the department.

Social protection

Social protection enhances the capacity of poor and vulnerable people to escape from poverty and to better manage risks and shocks. Social protection measures include social insurance, cash transfers and minimum labour standards. Public works schemes such as the Productive Safety Net Programme in Ethiopia can help to reduce gender inequalities in the household, in the labour market and at community level.

Trade policies

Opening up trade opportunities so that they benefit women remains a challenge. Trade liberalisation and the changing characteristics of economic activity have created benefits for women but to a lesser degree than for men. Reasons for this are women's limited access to resources and institutional and societal factors, determined to a large extent by informal institutions. Gender equality focused donor investments in trade support and in building trade policy capability are relatively low. One overlooked group is informal cross-border traders - the majority of whom are women. They lack legal frameworks and face challenging, hostile working environments, including poor transportation, complicated customs procedures and the lack of safe and cheap accommodation. Ironically, because women are more persistent in enduring harassment by border officials, they actually seem to cope with the challenges of informal cross-border trade better than men.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What are the components of gender responsive policy?

15.5 NATIONAL POLICY FOR EMPOWERMENT OF WOMEN, 2001

The National Policy for Empowerment of Women, 2001 (NPEW) was formulated as the blueprint for the future, with the express goal of addressing women's felt needs and bringing about their advancement, development and empowerment. The NPEW laid down detailed prescriptions to, inter alia, address discrimination against women, strengthen existing

institutions which includes the legal system, and provide better access to healthcare and other services, equal opportunities for women's participation in decision-making and mainstreaming gender concerns in the development process.

The key functions of the National Mission are:

- Economic empowerment of women;
- Convergence of women centric Government Schemes;
- Ensure that violence against women is eliminated progressively;
- Ensure social empowerment of women with particular emphasis on health and education;
- Oversee gender mainstreaming of programmes, policies, institutional arrangements and processes of participating Ministries, institutions and organizations; and
- Undertake awareness generation as well as advocacy activity to fuel the demand for benefits under various schemes and programmes and create, if required, structures at district, tehsil and village level with the involvement of Panchayats for their fulfilment.

Towards Empowerment of Women- Government of India initiatives of affirmative action

- Setting up of the National Commission for women by an act of parliament in 1990 to safeguard the rights and legal entitlements of women;
- The 73rd and 74th constitutional amendments of 1993 provide for reservation of seats for women in the local bodies of Panchayats and Municipalities;
- India's ratification of convention on Elimination of All forms of Discrimination against women (CEDAW) in 1993 to secure equal rights to women; and
- Upgradation of Department of Women and Child Development to a Ministry under the independent charge of Minister of state for Women and Child Development with effect from 30th January, 2006.

15.6 STEPS TAKEN BY INDIAN GOVERNMENT WITH REGARD TO BRING HOLISTIC DEVELOPMENT ON WOMEN

The 73rd and 74th Constitutional Amendment Acts of 1993 mark historic events in the empowerment of Indian women as they ensure one-third of total seats for women in all elected offices of local bodies in rural areas and urban areas. It has been widely accepted that the goals of human development are closely intertwined with development and empowerment of women, who, as an independent group, constitute about 48.2% of the total population of India. Women constitute a valuable human resource and their socio-economic development is

imperative for sustainable growth of the economy. Our laws, development policies, plans and programmes are aimed at women's advancement in different spheres.

In the rural areas, above one million women are going to emerge as leaders/decision makers at the grassroots level and enter public life through the existing 0.25 million bodies. Of these, about 75,000 will be the chairpersons of local institutions at the village, block and district levels, as per the Act. The fact that women's rights need to be safeguarded in every country of the world cannot be overemphasised.

In its capacity as the nodal Ministry, the Ministry of Women and Child Development seeks to promote the social and economic empowerment of women through policies and programmes cutting across sectors, mainstreaming gender concerns, creating awareness about their rights and facilitating institutional and legislative support for enabling them to develop to their full potential. Towards this end, the Ministry has been engaged in review of existing gender specific laws to remove gender bias, bringing new legislations aimed at gender justice and implementing Schemes / programmes.

The report on the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) released by the government mentioned the steps taken by it to contain the negative impact of restructuring of the economy that India has embarked upon. It enumerates the steps that have been taken to protect women. The Government of India made a special effort to increase its support to social sectors and started a number of schemes aimed at the poor, particularly poor women, and women in the informal sector. These include Rashtriya Mahila Kosh and Mahila Samakhya programmes.

The Integrated Child Development Programme (ICDS) run by the government is the largest in the world. Government figures show that ICDS has brought down infant mortality rate (IMR) from 55.1 in 1970 to 28.2 in 1992 and in case of female babies from 131 in 1978 to 80 in 1992. Life expectancy of women has risen sharply according to the report and stands at 58.1 years which is higher than that for men at 57.7 years. Statistically speaking, at the beginning of the century, women were not expected to survive beyond 23.96 years. They have, however, still to catch up on the literacy rate which now stands at 39.29 per cent for women as opposed to 64 per cent for men. Keeping in line with the government's policy on equal opportunity, there are 65 women in senior positions in the Indian Foreign Service. It is commendable that despite various hurdles the government has managed to ensure equal career opportunities for women. The National Literacy Mission through the Total Literacy Campaigns (TLCs) has played a key role in raising awareness on issues of gender equity. The

National Perspective Plan for Women (1988-2000) was drawn up as an important strategy to change social attitudes.

The government has taken a number of steps and enacted a number of legislations to protect and safeguard women and ensure that their rights are not abused. One such measure is the Maternity Benefits Act, 1961. Before the enactment of this law, the grant of maternity leave and cash benefits were included in the Factories Act, 1948, Mines Act 1952 and Bidi and Cigar Workers (Conditions of Employment) Act, 1966 amongst others. Under the Central Service (Leave) Rules 1972, "female government employees are at present entitled to maternity leave for a period of 135 days from the date of commencement. During such period the employee is paid leave salary equal to the pay drawn immediately before proceeding on leave". But laws, unless enforced, tend to be ignored and abused.

15.6.1 Schemes for the development and promotion of women entrepreneurs

According to the Third All India Census of Small Scale Industries conducted in 2001-02 and subsequent estimates made, only 10.11% of the Micro and Small Enterprises in India are owned by women while 9.46% of the MSE enterprises are managed by women. Currently (2006-07) their estimated number is 12.99 lakh women managed enterprise and 12.15 lakh women managed enterprise.

In order to encourage more and more women enterprises in the MSE sector, several schemes have been formulated by this Ministry and some more are in the process of being finalized, targeted only at the development of women enterprises in India.

1. TRADE RELATED ENTREPRENEURSHIP ASSISTANCE AND DEVELOPMENT SCHEME FOR WOMEN (TREAD)

With a view to encourage women in setting up their own ventures, government implements a Scheme, namely, "Trade Related Entrepreneurship Assistance and Development (TREAD) during the 11th Plan. The scheme envisages economic empowerment of women through the development of their entrepreneurial skills in nonfarm activities. There are three major components of the scheme;

(i) Government of India (GoI) grant upto 30% of the total project cost to the Non-Government Organisations (NGOs) for promoting entrepreneurship among women. The remaining 70% of the project cost is financed by the lending agency as loan for undertaking activities as envisaged in the project.

(ii) Government of India grant upto Rs.1 lakh per programme to training institutions / NGOs for imparting training to the women entrepreneurs, subject to these institutions/NGOs bring

their share to the extent of minimum 25% of GoI grant and 10% in case of NER. (iii) Need-based GoI grants upto Rs.5 lakh to National Entrepreneurship Development Institutions and any other institutions of repute for undertaking field surveys, research studies, evaluation studies, designing of training modules etc.

2. MICRO & SMALL ENTERPRISES CLUSTER DEVELOPMENT PROGRAMME (MSE-CDP)

a) Existing Clusters:

A cluster is defined as a group of enterprises, ideally having 100 members, producing same/similar products/services. While 100 members could be the minimum per cluster, depending on the density of population and other factors, even 200-300 could be a good target group for undertaking diagnostic study and the subsequent soft interventions in a cluster. However, in difficult and backward regions the target numbers could come down to 50 or less but it should not be too small as a lot of government expenditure is made per cluster. The Cluster Development Programme (CDP) being implemented envisages diagnostic study of identified clusters of traditional skill-based MSEs to identify appropriate technologies and their providers and to facilitate adoption of available technology meeting the specific needs of the end users. The Cluster Development aims at enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation etc. The scheme provides assistance for capacity building, common facilities, marketing etc. the delivery, assimilation and diffusion of the identified technology from its producers to the recipient user/cluster of small enterprises.

This scheme has been subsumed in the MSME-Cluster Development Programme. All the features of IID Scheme have been retained. To create physical infrastructure exclusively for women enterprises central grant of 40% of the project cost subject to a maximum of Rs.2 crore is available. The Ministry of MSME is making efforts to enhance the quantum of grant to 80% in a project of Rs.10 crore.

3. CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES

The Scheme was launched in August 2000 to ensure better flow of credit to micro and small enterprises by minimizing the risk perception of financial institutions and banks in lending without collateral security. Under the scheme, guarantee cover is provided to collateral free credit facility extended by member lending institutions (MLIs) to the new as well as existing micro and small enterprises on loans up to Rs.50 lakh. The guarantee cover available is up to

75% of the loans extended. The extent of guarantee cover is 80% for (i) micro enterprises for loans up to Rs.5 lakh; (ii) MSEs operated and/or owned by women; and (iii) all loans in the North-East Region. The lending institutions availing guarantee from the Trust have to pay one time guarantee fee of 1.5% and service charges of 0.75% per annum of the credit facility sanctioned. For loans up to Rs.5 lakh, the one time guarantee fee is 1% and service charges are 0.5% per annum of the credit facility sanctioned.

4. SUPPORT FOR ENTREPRENEURIAL AND MANAGERIAL DEVELOPMENT

MSME-DIs regularly organize a number of Entrepreneurship Skill Development Programme (ESDPs)/ Entrepreneurship Development Programme (EDPs)/ Management Development Programmes (MDPs) to train the potential entrepreneurs in improving their techno/managerial knowledge and skill with a view to facilitating them to start MSEs in various fields. Many of the programmes are tailor made for the target group for SC, ST, OBC Women, Minorities and other weaker sections and exclusively for women also. These programmes are also called “Out-reach Programmes” as they are conducted in rural / less developed areas.

The Government of India devised special programs to increase employment and income-generating activities for women in rural areas.

(i) Swarna Jayanti Gram Swarozgar Yojana and Swarna Jayanti Sekhari Rozgar Yojana were introduced by government to provide reservations for women and encouraging them to start their ventures.

(ii) ‘Women in agriculture’ scheme was introduced to train women farmers having small and marginal holdings in agriculture and allied activities.

(iii) To generate more employment opportunities for women KVIC took special measures in remote areas.

(iv) Women co-operatives schemes were formed to help women in agro-based industries like dairy farming, poultry, animal husbandry, horticulture etc. with full financial support from the Government.

(v) Several other schemes like Integrated Rural Development Programs (IRDP), Training of Rural youth for Self-employment (TRYSEM) etc. were started to alleviate poverty. 30-40% reservation is provided to women under these schemes.

(vi) New schemes named Women Development Corporations were introduced by government to help women entrepreneurs in arranging credit and marketing facilities.

State Industrial and Development Bank of India (SIDBI) has introduced following schemes to assist the women entrepreneurs. These schemes are:

- (i) Mahila Udyam Nidhi
- (ii) Micro Cordite Scheme for Women
- (iii) Mahila Vikas Nidhi
- (iv) Women Entrepreneurial Development Programmes
- (v) Marketing Development Fund for Women

Consortium of Women entrepreneurs of India provides a platform to assist the women entrepreneurs to develop new, creative and innovative techniques of production, finance and marketing.

There are different bodies such as NGOs, voluntary organizations, Self-help groups, institutions and individual enterprises from rural and urban areas which collectively help the women entrepreneurs in their activities.

Training programmes to support economic development:

The following training schemes especially for the self-employment of women are introduced by government:

- (i) Support for Training and Employment Programme of Women (STEP).
- (ii) Development of Women and Children in Rural Areas (DWCRA).
- (iii) Small Industry Service Institutes (SISIs)
- (iv) State Financial Corporations
- (v) National Small Industries Corporations
- (vi) District Industrial Centres (DICs)

Mahila Vikas Nidhi

SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas. Under Mahila Vikas Nidhi grants loan to women are given to start their venture in the field like spinning, weaving, knitting, embroidery products, block printing, handlooms handicrafts, bamboo products etc.

Rashtriya Mahila Kosh

In 1993, Rashtriya Mahila Kosh was set up to grant micro credit to poor women at reasonable rates of interest with very low transaction costs and simple procedures.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Discuss the main features of National Policy for Empowerment of Women.

15.7 GENDER BUDGETING

Gender Budgeting is one of the affirmative action. Planning Commission, Government of India, has stated that, "the concepts of Women Component Plan and Gender Budgeting are not complementary but often contradictory and the world over countries have moved to using Gender Responsive Budgeting as a tool for gender mainstreaming and ensuring gender equity" and has clarified that, "Women Component Plan should no longer be used as a strategy either at the Centre or at the State level. In its place as already initiated by the Ministry of Finance and Ministry of Women and Child Development, we should adopt Gender Responsive Budgeting or Gender Budgeting only".

Gender responsive budgeting or gender budgeting is a methodology to assist Government to integrate a gender perspective into the budget as a key plan for public expenditure. The national budget impacts women's life in several ways. It can, for example directly promote women's development when funds are allocated for programmes that address women's economic, social and other needs. This can be done both through funding of mainstream programs that are delivered in a way that is sensitive to women's situation and through funding of women targeted schemes. The can also reduce the opportunities for empowerment of women if there are budgetary cuts. Gender budgeting is refers to the process of conceiving, planning, approving, executing, monitoring, analysing and auditing budgets in a gender sensitive way. It involves analysis of the impact of actual expenditure and revenue (usually of Govt) on women and girls compared to men and boys. It helps government to decide how policies need to be made, adjusted and reprioritised. It is a tool for effective policy implementation where one can check whether the allocation are in line with policy commitments and are having the desired impact.

The ministry of finance as an agency with primary responsibility for the budget has also recognised the potential of gender budgeting. The ministry of finance mandated all the ministries to establish gender budgeting cells by January 2005 and asked 18 ministries and departments to submit a report highlighting budgetary allocations for women. The first Gender Budget Statement (GBS) appeared in the union budget 2005-2006 and included 10 demands for grants. In 2006-2007 the GBS covered 24 demands for grant. At the time of

writing, gender budget cells have been established in more than 50 departments and capacity building of the cells has taken place.

15.8 WOMEN AND ECONOMY

As per the 'National Policy for the Empowerment of Women', women's perspectives will be included in designing and implementing macro-economic and social policies by institutionalizing their participation in such processes. Their contribution to socio-economic development as producers and workers will be recognized in the formal and informal sectors (including home based workers) and appropriate policies relating to employment and to her working conditions will be drawn up. Such measures could include:

- Reinterpretation and redefinition of conventional concepts of work wherever necessary e.g. in the Census records, to reflect women's contribution as producers and workers.
- Preparation of satellite and national accounts.
- Development of appropriate methodologies to empower women.

Micro Credit

In order to enhance women's access to credit for consumption and production, the establishment of new and strengthening of existing micro-credit mechanisms and micro-finance institution will be undertaken so that the outreach of credit is enhanced. Other supportive measures would be taken to ensure adequate flow of credit through extant financial institutions and banks, so that all women below poverty line have easy access to credit.

15.9 ECONOMIC SUPPORT FROM BANKS THROUGH RBI

From the Rural Planning and Credit department of RBI, a decision was taken on Strengthening of credit delivery to women particularly in Tiny and SSI sector, as per those records, RBI's commitment on Women development is seen as follows.

The strategy for increasing women's access to the formal financial sector should be a long term goal with flexibility to adapt to local needs and situations. This will help build up an effective and efficient financial intervention. Besides, attitudinal change of society and removal of unequal inheritance laws and practices could enable women to exercise property" rights and have a better standing in the society. The following action points are required to be

taken up by banks in order to reach potential women entrepreneurs and encourage them to avail credit and credit plus services from banks:-

(1) Redefining of Banks' policies / Long term plans

Banks should redefine its policies by taking into account women's requirements in a focused and integrated manner. Banks should have a Charter for women which must be published. They should prepare long term plans and within that area plans with a view to outreach credit to women. To start with, banks should earmark at least 2 per cent of their net bank credit for women and raise it to 5 per cent in 5 years time. For this purpose, they may take into account credit extended to women directly for smaller projects; credit under different schemes of banks/Government sponsored schemes and credit to companies where majority of the promoters shares are held by women; partnership firms where majority partners are women and proprietary concerns where proprietors are women. Banks must ensure that the benefits under various poverty alleviation and employment promotion schemes go to the women in the prescribed ratio.

(2) Setting up women cells

(i) Women's cells should be set up at the banks' head office as well as in their regional offices where information, counseling/guidance and other credit related services for women entrepreneurs are readily available. The cell at the head office should function under the Executive Director of the Bank. The cell should preferably be handled by women officers/staff and act as data collecting center for information about women entrepreneurs and for monitoring the status of applications received and extent of credit disbursed. The cell should also disseminate information to women entrepreneurs about various credit related schemes and facilities available with the bank particularly for self employment.

(ii) At the branch level, or clusters of branches in rural areas, the bank should have a desk visibly placed in order to provide women with relevant information and guide/assist them in making loan applications etc. As far as possible the desk should be handled by a well trained lady staff member particularly in rural areas.

(iii) Special attention should be given to women in every branch. One officer in each branch should be designated exclusively for dealing with cases of flow of credit to women. Banks should have a target for covering at least 20 women per branch for lending and 20 for training.

(3) Simplification of procedural formalities

The application forms, appraisal standards and other procedural requirements for extending finance to women entrepreneurs should be simplified as far as possible. Banks should ensure

that the managerial staff assists women entrepreneurs in understanding the banks' procedural formalities in a simple manner. They should also give assistance in the preparation of project reports and completion of other paper work.

(4) Orientation of Bank officers/staff on gender concerns/credit requirements of women

(i) Banks should take appropriate measures to ensure that the branch level functionaries do not have traditional bias of preferring men to women in financing. For this purpose the bank staff should be oriented through short term training programmes in which a special component on gender concerns can be incorporated.

(ii) Banks should also organize workshops of two-three days duration for its branch managers/staff on different aspects of handling credit requirements of women. Banks should also invite members of Non- Government Organisations (NGOs) or women social workers to these workshops for active interaction so that the problems are faced by the women entrepreneurs could be better understood by bank staff in an informal manner.

(5) Publicity campaign for creating awareness about credit facilities

(i) Banks should launch Awareness Programmes/Publicity Campaigns about schemes available for women. Attractive publicity material such as posters, charts, can be specially designed in a simple manner so that women are able to understand it easily. The publicity material should be available in different languages and should be widely distributed particularly in rural and semi-urban areas. Gender concerns should also be addressed through publicity material viz. slogans on hoardings/bus shelters etc.

(ii) For the large numbers of illiterate and semi-literate women, particularly in the rural and semi-urban areas, the banks should make efforts to inform them through audio-visual methods/slides and charts about the different schemes under which finance is available. Banks should establish contact with the Village panchayats to seek their assistance in dissemination/distribution of information material to women in the village and for delivery of credit to identified women.

(iii) Banks can also explore the possibility of using the local radio and the television network for disseminating information to women in the farthest corners of the country.

(iv) Banks should interact with schools/colleges/universities for publicizing schemes and programmes for women.

(v) In the present computer age, banks should make use of creating web- sites through which wider publicity could be given about various schemes/credit facilities available with the bank for women entrepreneurs. This would help all sections of the society to have easy access to such information particularly the young, educated urban women who are using computers.

(6) Entrepreneurship Development Programmes/Training facilities for Women

- (i) Banks should organize entrepreneurship development programmes exclusively for women entrepreneurs. For this purpose the banks can contact various Entrepreneurship Development Institutes in the country and develop appropriate programmes for women in the urban and rural areas.
- (ii) Banks should finance training courses for women, particularly in the area of information technology.
- (iii) There is a need for more training institutes particularly in the rural areas to cater to the training requirements/skill upgradation of rural women (iv) During school/college vacations banks should involve teachers/students in training programmes for women (v) Government organizations should give preference to purchase of goods made by women entrepreneurs

(7) Specialised branches for women

- (i) Banks should make concerted efforts to open specialized branches in identified areas for financing women entrepreneurs on the lines of 881 branches or Agricultural Finance branches. The specialized branches should cater exclusively and at least predominantly to the requirements of women entrepreneurs in an integrated manner. Apart from the other banking functions, these branches could act as a Centre for women which offers inter alia, facilities like a small library, credit related counselling and guidance services and information about various schemes. The branch should be fully computerized and may also collect information about schemes/programmes available for women in other banks and organizations so that women coming to one branch can have access to information about schemes in other banks as well.

- (ii) Over the next one year, at least one specialized branch for women would “be opened in every district of the country. RBI will proportionally allocate the numbers of such branches to be opened by each bank.

- (8) Motivational strategies to enthuse bank officials/staff Banks should use motivational strategies to enthuse their managers/staff to achieve targets for women. Their work in this area should be given appropriate recognition. Banks can give annual awards to the 3 best performing branches in achieving targets plus providing credit related services to women.

(9) Monitoring system

A monitoring system should be in place for submitting regular reports on the credit flow to women. It should be an item on the calendar for Review being submitted to the Board of Directors of the bank. RBI should also monitor and give suitable directions to banks from time to time.

(10) Data collection

Separate data about credit flow to women is not presently available. Data should be generated by banks and quarterly reports submitted to RBI who should process the information and create a separate data base for women. Data for women should be collected separately for amounts advanced through micro-credit, credit to small scale industries and credit to medium/large industries. RBI should also assess the extent of financial assistance given to women in the last 2-3 years, latest by September, 2000.

(11) Strengthening of existing schemes

(i) There should be greater interaction between NABARD/SIDBI and banks. Existing schemes and programmes being implemented by them should be further strengthened both in terms of coverage as well as volume of credit. Other facilities offered under these schemes eg. Training/orientation should also get more attention.

(ii) There is no direct alliance between SIDBI and banks. SIDBI should explore the possibility of having a tie-up with banks for women's schemes. (12) Increasing the limit for non-obtention of collateral security

(i) Banks insistence on collateral/securities is a major impediment in borrowing by women. Banks should therefore implement the recent measures taken by Government / RBI for increasing the limit for not asking collateral security from Rs.1 lakh to Rs.5 lakh. Banks may also consider whether loans beyond Rs.5 lakhs i.e. at least upto Rs.10 lakhs could be offered without collateral.

(ii) Banks should encourage women entrepreneurs to avail loans on liberal terms like minimum margin money. The promoters' contribution could be lowered from 25 per cent to 10-15 per cent.

Involving NGOs/SHGs/Women's Cooperatives

(i) Non-government organizations (NGOs) are playing a crucial role in reaching out to women even in the remotest regions. A large number of well known NGOs are operating throughout the country. In many areas smaller NGOs are also working at the grass roots level. Banks can establish contacts with the local NGOs and liaise with them to identify the needs of women and give credit related information and guidance services.

(ii) Financial institutions viz. NABARD and SIDBI are already involving the Women's self help groups for reaching out to women entrepreneurs. Banks can also take initiative in working out viable strategies to work with more Self Help Groups (SHGs) and women's cooperatives and fix a yearly target for lending to SHGs.

- 14) Mahila Rural Co-operative Banks Mahila Rural Cooperative Banks on the lines of Mahila Urban Cooperative banks should be set up for assisting women in the semi-urban and rural areas. RBI may issue licenses for such banks liberally.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What is gender budgeting.

15.10 SUMMING UP

This Unit covers the need for affirmative action. This is traced with the help of defining status and position. Not only discusses the need for affirmative action, the Unit listed the measures taken by the government of India in this regard. Since the entire course is on financial inclusion, this Unit specifically analyse the need for taking affirmative action to make women financially inclusive.

15.11 GLOSSARY

National Crime Records Bureau: As per the recommendation of National Police Commission, the Government of India created national crime records bureau at the centre. Bureau will be under the Ministry of Home Affairs.

15.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. The 1974 Government of India Status of Women in India Report defines status as the relative position of persons in a social system or sub-system which is distinguishable from that of others through its rights and obligations. Each status position is expressed in terms of a role. Since each individual occupies a number of distinct status within a society, he/she performs a variety of roles. It is imperative to make a distinction between the ideal role behaviour/expected role behaviour and actual role behaviour. The divergence between these leads to a change in the role perception of individuals. Status is realized through roles. This brings into focus the rights and opportunities

provided to women by the states and socio-cultural institutions to perform these roles, which may not necessarily reinforce each other.

2. To bring the gender equality and equity in all areas and sectors and making women and men to have equal access and control over resources, there is a need for affirmative action.

Check Your Progress Exercise 2

1. Public Finance policy, Social Protection and Trade Policy

Check your Progress Exercise 3

1. The key functions of the National Mission are:

- Economic empowerment of women;
- Convergence of women centric Government Schemes;
- Ensure that violence against women is eliminated progressively;
- Ensure social empowerment of women with particular emphasis on health and education;
- Oversee gender mainstreaming of programmes, policies, institutional arrangements and processes of participating Ministries, institutions and organizations; and
- Undertake awareness generation as well as advocacy activity to fuel the demand for benefits under various schemes and programmes and create, if required, structures at district, tehsil and village level with the involvement of Panchayats for their fulfilment.

Check Your Progress Exercise 4

1. Gender responsive budgeting or gender budgeting is a methodology to assist Government to integrate a gender perspective into the budget as a key plan for public expenditure. The national budget impacts women's life in several ways. It can, for example directly promote women's development when funds are allocated for programmes that address women's economic, social and other needs. This can be done both through funding of mainstream programs that are delivered in a way that is sensitive to women's situation and through funding of women targeted schemes. The can also reduce the opportunities for empowerment of women if there are budgetary cuts. Gender budgeting is refers to the process of conceiving, planning, approving, executing, monitoring, analysing and auditing budgets in a gender sensitive way. It involves analysis of the impact of actual expenditure and revenue (usually of Govt) on women and girls compared to men and boys. It helps government to decide how

policies need to be made, adjusted and reprioritised. It is a tool for effective policy implementation where one can check whether the allocation are in line with policy commitments and are having the desired impact.

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15.14 QUESTIONS FOR REFLECTION AND PRACTICE

1. Discuss the schemes and programmes of government of India related to women and entrepreneurship. How these programme beneficial to make women financially inclusive?
2. What are the steps taken by RBI for development of Women?