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Overview of Micro Finance for Women in India

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ABSTRACT

Micro finance is the supply of loans, savings, and other basic financial services to the poor. People living in poverty, like everyone else, need a diverse range of financial instruments to run their businesses, build assets, stabilize consumption, and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings, pensions, insurance, and money transfer services. The poor rarely access services through the formal financial sector.

Introduction

To most, micro finance means providing very poor families with very small loans to help them engage in productive activities or grow their very small businesses. Like us, many poor people need and use financial services all the time. They save and borrow, invest in home repairs and improvements and meet occasional and domestic expenses such as food and school fees. However, there are some 500 million low income entrepreneurs in the world and about 5% have access to financial services. Indeed, the financial services available to the poor often have serious limitations in terms of cost, risk and convenience. As a result, over time, micro finance has come to include a broader range of services (credit, savings, insurance, etc.) as the industry has come to realize that the poor and the very poor who lack access to traditional formal financial institutions require a variety of financial products.

Meaning

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of micro finance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

Micro financing is not a new concept. Small microcredit operations have existed since the mid 1700s. Although most modern microfinance institutions operate in developing countries, the rate of payment default for loans is surprisingly low - more than 90% of loans are repaid.

1. Like conventional banking operations, microfinance institutions must charge their lenders interests on loans. While these interest rates are generally lower than those offered by normal banks, some opponents of this concept condemn microfinance operations for making profits off of the poor. It is a tool for empowerment of the poorest; the higher the income and better the asset position of the borrower, the lower the incremental benefit from further equal doses of micro-credit is likely to be.
1. Delivery is normally through Self Help Groups (SHGs).
2. Because micro credit is aimed at the poorest, micro-finance lending technology needs to mimic the informal lenders rather than the formal sector lending. It has to a) provide for seasonality (b) allow repayment flexibility (c) eschew bureaucratic and legal formalities (d) fix a ceiling on loan sizes.
3. It is a tool for empowerment of the poorest; the higher the income and better the asset position of the borrower, the lower the incremental benefit from further equal doses of micro-credit is likely to be.

Micro finance approach

Micro finance approach is based on certain proven truths which are not always recognised. These are:

- That the poor are bankable; successful initiatives in micro finance demonstrate that there need not be a trade off between reaching the poor and profitability - micro finance constitutes a statement that the borrowers are not 'weaker sections' in need of charity, but can be treated as responsible people on business terms for mutual profit -
- That almost all poor households need to save, have the inherent capacity to save small amounts regularly and are willing to save provided they are motivated and facilitated to do so -
- 'Peer pressure' in groups helps in improving recoveries.

Micro finance help the poor

Micro finance brings the power of credit to the grassroots by way of loans to the poor, without requirement of collateral or previous credit record. Experience shows that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change. Poverty is multi-dimensional, and by providing access to financial services, microfinance plays an important role in the fight against the many aspects of poverty. Access to credit allows poor people to take advantage of economic opportunities - for their homes, their domestic environments and their communities. For instance, income generation from a business helps not only the business activity expand but also contributes to household income and its attendant benefits on food security, children's education, etc. Moreover, for women who, in many contexts, are secluded from public space, transacting with formal institutions can also build confidence and empowerment.

Women can make micro-credit succeed in India:

India has to understand that micro-finance is workable and sustainable anywhere where there is poverty. And to make it successful, it needs to emphasise and mobilise the role of women in each rural and poor household,' the chief architect of Bangladesh's Grameen Bank told a conference organised by the Federation of Indian Chambers of Commerce and Industry (FICCI). 'India and Bangladesh have no major difference in poverty. If micro-finance or micro-credit is successful in Bangladesh, it can be successful in India as well,' Yunus emphasised. 'The Grameen Bank and the work that we do is not something extraordinary and neither is it a model. It is a rather simple way of solving the complex problems of poverty,' the 66-year-old economist said. 'Bangladesh is very close to achieving the UN millennium development goal of eradicating poverty. And we have been able to successfully reach 80 percent poor households .'India has a long way to go, but it can come out with excellent results only if it catches the pace,' he reiterated.

Women's Role in Economy

All over the world, the significant of women entry into the workforce over the past three decades has produced profound transformations in the organisation of families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing. Women have always actively participated in their local economies. In Africa, for example,

women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers.

This is a small example of the importance of women's work in society. It does not illustrate the real extent of women's contribution, especially in developing countries, not only to the labour force, but also their role as a significant income-source for the family.

For instance, in Africa all tasks related to a family's support are the responsibility of women. Due to cultural and traditional aspects, a woman's presence has been a question of survival of her family. Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfil the multiple demands of the household and the marketplace.

Women's Micro-enterprises

Considering the entrepreneurial environment, women's activities are very interesting as they offer a great source of knowledge and innovation. For example: there is no single type of female micro-entrepreneur, they differ in social background, educational level, experience and age. Another interesting factor is their strong social coherence that allows them to maintain strong communications-channels at all levels. One important element, and perhaps the only characteristic that men will never have, is the possibility to transfer "motherhood skills" to job. These include fostering of other people's development through guiding, monitoring, and sharing information. Women are experienced in balancing claims, in organising and pacing, and in handling difficulties. In general terms, female-led micro-enterprises tend to be associated with activities that provide part-time employment. They are small in size and have loose, informal structures, require very little start-up capital, and little or no formal education. On the other hand, many women entrepreneurs in the developing world remain illiterate and live in poor rural communities.

Businesswomen in developing and countries share the following general characteristics:

- o They are concentrated in market sectors that have low barriers to entry and low levels of outside communication (transfer to other markets).
- o They focus on trade, services, and light manufacturing activities.
- o Their businesses are smaller than others, employing less than five employees.
- o The owners have relatively little previous working experience.
- o They use traditional technologies.
- o Most employees are family-related
- o They are often home based.
- o Business growth strategies are affected by household responsibilities.
- o Owners tend to have lower levels of education and literacy.
- o Women start their enterprises with less professional work experience and knowledge of their sector than their male counterparts.

How to increase and support women's participation in micro-finance activities?

Both governments and donors should explore ways of developing innovative credit programmes using intermediary channels or institutions closer to the target groups such as co-operatives, women's group associations and other grassroots organisations. Savings and credit programmes should be designed in a way not to exclude women from participating. Additionally, there is a need to examine the impact of structural adjustment policies on men and women at the family level as well as within various sub-sectors of the labour market and within the small enterprise sector itself.

In general terms, in order to facilitate the participation of women in micro and small enterprise, donors should:

- * Encourage micro enterprise programmes to develop specific strategies for recruiting women as clients from within their existing target groups.
- * Encourage micro enterprise programmes to expand their target groups to include the sizes and types of enterprise activities in which women engage and/or experiment with assistance strategies, business and technical assistance needs of these types of enterprises.
- · Consider expanding support to a broader range of organisations, especially poverty-focused organisations active in rural areas. Support for these organisations should include technical assistance and training in programme planning, management and in developing teams of female staff to assist clients in business planning and management.

Conclusions

Traditionally women have been marginalised. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase at the same time the quality of life of the women micro-entrepreneur and also of her family. The key issue for successful micro finance program focused on women should consider them in a broader context, as a family nucleus, that is vital for societal improvement and progress.

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