

“MICRO CREDIT A TOOL OF FINANCIAL INCLUSION AND WOMEN EMPOWERMENT”

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INTRODUCTION

Credit is an important in the lives of the rural poor in a developing economy. Faced with a weak social security system to fall back upon, landless or near-land-less rural population is forced to depend upon credit for its livelihood. The low economic growth of these countries was perceived to be due to the lack of low capital resources, especially in the rural areas. A vicious cycle of low capital, low productivity, low incomes, low savings and consequently, a weak capital base was perceived to be operating, perpetuating a permanent poverty syndrome. Therefore the main challenge before developing countries like India is to provide financial services and credit to the poor so that poor emerges out of the poverty syndrome through meaningful income generating activities. It was this understanding that led various developing countries to make credit as an integral part of their poverty alleviation programmes. The conception and implementation of such programmes more often based on the broad principles of social banking helped several developing countries including India. Social banking is described as “the elevation of the entitlements of previously disadvantaged groups to formal credit even if this may entail a weakening of the conventional banking practices” [Copestake et al1984].

In India After nationalization of commercial banks in 1969, a number of programmes have been designed specially to enlarge the flow of credit to the poor. The government (state) adopted the direct lending programmes, development of credit institutions such as Regional Rural Banks (RRBs) and Integrated Rural Development Programme (IRDP), a credit based poverty alleviation programme implemented through Commercial Banks. Later TRYSEM, DWCRA, SITRA and GKY which came into existence one of after another and viewed as independent programmes, resulting in a lack of coordination and linkages. Taking into all the strengths and weakness of above programmes, a single self-employment program SGSY on 1.4.99 which offers perfect balance -between credit and subsidy. The focus of this program is towards micro- enterprises and involvement of SHGs.

Women form a crucial part of human resource. Unless this section of population is given opportunities to prove their capabilities, the development would be imperfect. Women form a vital part of the Indian economy, who constitute 1/3rd of the labour force, and primary members contributing in the survival of the family. Women are the backbone of the agriculture sector, comprising the majority of agricultural labourers in

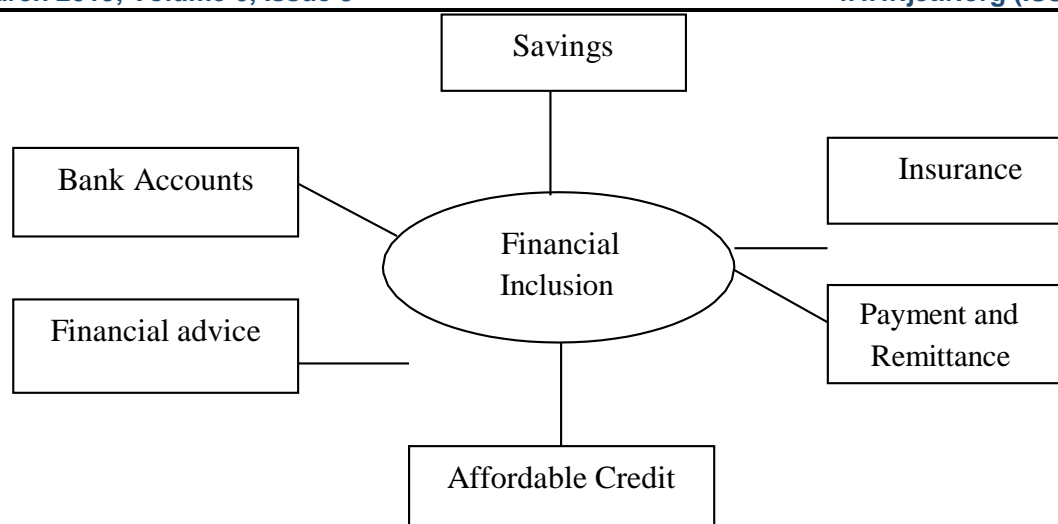
India. In order to alleviate rural poverty, easy access to micro credit for development and promotion of micro enterprises and income generation activities is imperative. Keeping in view, SHG based micro financing programs and projects have implemented in India. Government of India has also implemented rural women's development projects known as Swashakti and Swayamsiddha, which envisage SHG based micro financing for empowerment of rural poor women. In order to address issues of development, a large number of women focused schemes have been promoted. Swaran Jayanti Gram Swarozgar Yojana, Swashakti, Swayamsiddha Programme and micro financing schemes of Rashtriya Mahila Kosh were launched by the Government of India to address issues of women's economic empowerment. Sustainable socio-economic development of rural poor has been one of the top priorities of government both at Centre and at State.

Swashakti and Swayamsiddha Projects are the two major projects which emphasis on formation of Women SHGs and their strengthening, bank linkages and convergence of ongoing development programmes. Though, these projects are being implemented by Central and various state governments, involving a large number of stakeholders, the performance and functioning of these projects is being affected by several socio-cultural and administrative factors. In this situation, these programmes need special focus for their review and examining the emerging problems, constraints and challenges for evolving out effective strategies to resolve them and also ensure effective and efficient functioning of micro credit programmes in India which aim empowering rural women. Against this backdrop, the present study purports to review the implementation of Swayamsiddha and Swashakti projects in the selected states and examining the functioning of these programmes as well as assessing their impact on socio-economic status of rural women.

Coming to the Karnataka, between 1984 and 1985, MYRADA, a non- governmental organization engaged in rural development, promoted genesis of the first SHGs, referred as Credit Management Groups, with a focus on the management of credit. In 1990s, IFAD, with world bank collaboration and in partnership with the Government of India and six state governments, including Karnataka, launched a similar programme titled Swashakti. This experience encouraged Karnataka to launch a state-wide programme called Sthree Shakthi (Women's Power), based on the SHG strategy. It is obvious that, the SHG concept was planned and implemented as a superior strategy for lending Micro Credit, eradication of poverty and development of women in the state.

FINANCIAL INCLUSION AND MICRO CREDIT

Policies of the current phase of financial liberalization had an immediate, direct, and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector lending and preferential lending to the poor in particular. The current Phase of financial liberalization popularized the concept of financial inclusion in India as a channel to "provide thrift, credit and other financial services and products of very small amounts to the poor enabling them to raise their income levels and improve living standards".



Source – Report of the committee on financial inclusion

“Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”

The essence of financial inclusion is lying in the statement that "the future lies with those companies who see the poor as their customers", stated by C K Prahalad in his book "Fortune at the Bottom of the Pyramid". It is trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life), etc.

Micro finance and micro credit have been recognized for their significant role in poverty reduction by creating self-employment opportunities, supplementing agricultural income, linking agricultural households to local markets through the sale and exchange of products and providing a source of employment for household members where wage employment is scarce as well as empowerment of women gender.

The characteristic features of micro-credit operations are small loans to poor households in rural and urban areas for income generation through self-employment. Micro-credit institutions may also provide facilities for savings and other financial services. Micro-credit, as discussed in the international literature, is associated with the following recurring empirical features:

- The formation of borrower groups
- Borrowers from among the rural and urban poor, predominantly women
- very small loans
- No collateral
- Loans for income-generation through market-based self-employment, and
- Privatization, generally through the mechanism of NGO control over disbursement and the determination of

the terms and conditions attached to each loan.

Microfinance in India has grown at close to 100 percent per annum over the past 5 years to reach around 30 million client accounts today. The microfinance industry has grown so large that the 30 million credit accounts serviced by it now exceeds the 18-19 million credit accounts of the Regional Rural Banks by around 50 percent. Whatever perception one has of its operations, the industry now represents a significant part of the national financial system.

MICRO CREDIT EMPOWERMENT OF WOMEN

Women empowerment is the buzzword now-a-days. No country can afford development without considering women who constitute about half of its stock of human resource. However, development has bypassed women in India despite worshiping and paying respect to women in mythology and historical texts. Gender disparities vary vastly across cultural, geographical and historical context. India is a large country with vast economic and socio-cultural diversity in its varied regions. The development issues related to women in a large country like India will not only be inappropriate but sometimes even misleading.

In the words of Gandhiji, “a woman is the companion of man gifted with equal mental capacities. She has the right to participate in all walks of life along with men. She has the same right of freedom and liberty as men’s. She is entitled a supreme place in her own sphere of activity as men’s. By sheer force of a vicious custom even the most ignorant and worthless men have been enjoying superiority over women which they do not deserve and ought not to have” It is this perceived gender inequality and urge to remove it and ‘Empower’ women that have constituted the motive force for the formation of ‘Self Help Groups’ and empowerment by means of modest income generation activities.

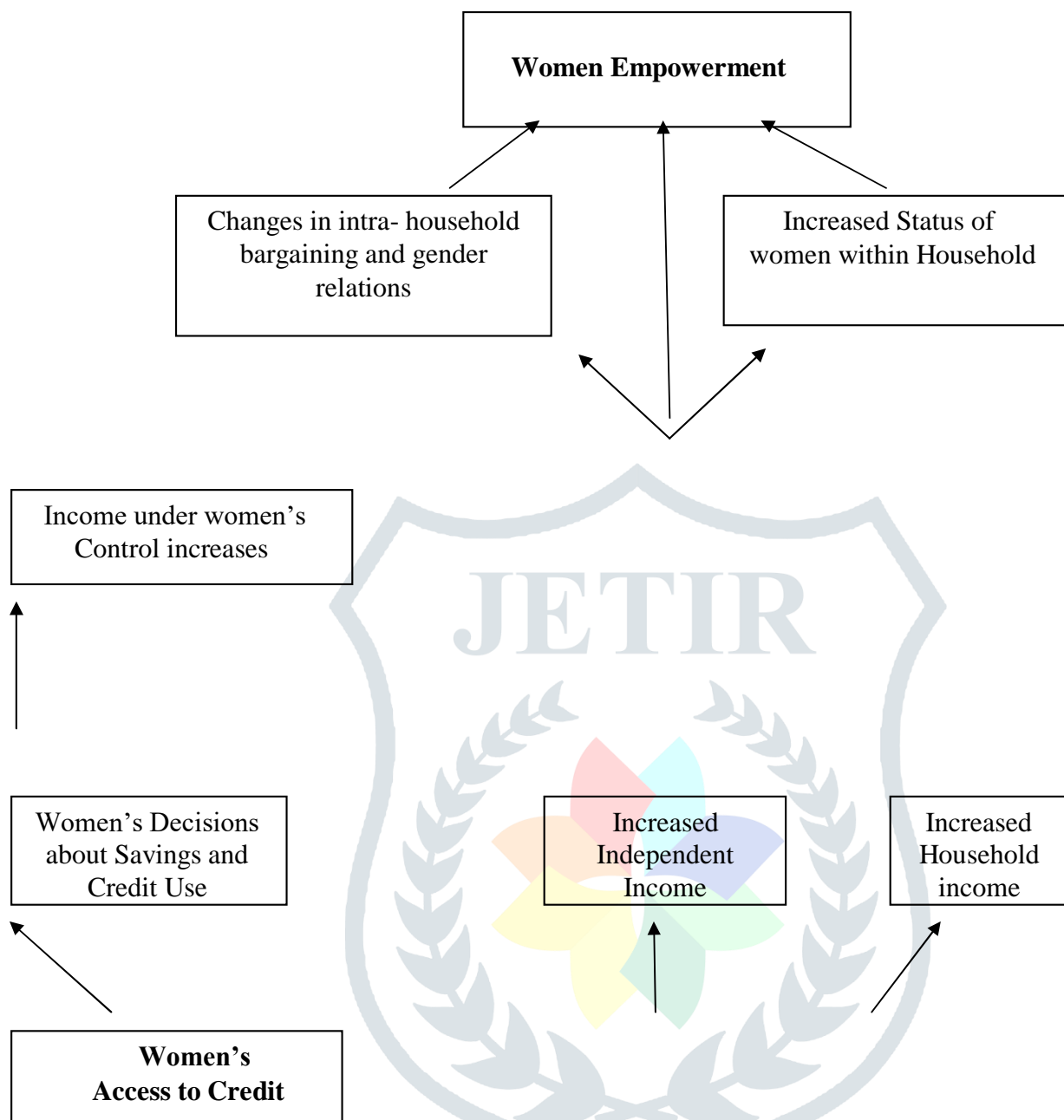
Different Aspects of Women Empowerment

Cultural	Respect of rights of indigenous and traditional people
	Participation in local resource management
	Inclusion of indigenous knowledge
Legal	Awareness of rights
	Decentralization
	Mainstreaming Gender perspectives
	Decision making
Political	Gender justice,
	Elimination of all forms of gender discrimination

Economic	Poverty Eradication Microcredit Women and Economy Globalization Women and Agriculture Women and Industry Support Services
Social	Education Health Nutrition Drinking water Sanitation Housing and Shelter Environment

Microcredit is now accepted as a potential tool for poverty alleviation and socio- economic empowerment of the rural poor, particularly women in developing countries.

Microcredit has become a powerful tool in helping women transform their lives, the lives of their families and that of their communities .Microcredit is about much more than mere access to credit.

Women access to Credit & Empowerment

Various studies on micro credit and Pre & Post membership of SHG analysis identified that micro credit transformed the SHG members in terms of mobility, recognition in family and in community, interaction with outsiders, literacy and income levels, Asset creation abilities, confidence and skills etc., Apart from the individual development micro credit also signified the economic and social changes like accessibility to credit, health services, vaccination, sanitation, concern for their views in family and society, decision making abilities and participation in community development programs etc.,

Awareness of various social issues has also being created among women. They are now being made familiar with various developmental schemes of several departments, which benefit women. The women members are taking active role in decision-making process at the family level and in the communities. Women have also developed saving habits and thus, they are saving for the emergency purposes. Majority of the women members have received basic training regarding social issues, development programmes and starting income generating activities. However, the amount of change is limited especially with regard to intervention to reduce domestic violence and participation in political affairs.

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