

MICROCREDIT AS MEAN OF ECONOMIC EMPOWERMENT OF RURAL WOMEN

Results of Development Interventions in Kullu District of Himachal Pradesh



GRASSROOTS

Introduction:

There are currently 7 million self-help groups (SHGs) in India, most of them women groups, according to the statistics of National Bank of Agriculture for Rural Development (NABARD). The microcredit is the main tool, which is being used by the groups to improve their economic situation and alleviate the poverty. Society for Human Awareness & Rural Action (SHARA) and Grassroots India Trust (GIT) have organized the women in the mountain villages of Banjar tehsil of Kullu district in Himachal Pradesh. Since 2005, the organization has made remarkable progress in promoting and facilitating the microcredit among the rural women of mountains.

The Progress:

Once the SHARA shifted its working area in Kullu district in early 2005, the rural women in several panchayats were organized and mobilized to form self-help groups (SHGs). GIT started supporting the microcredit activities in early 2006 only. SHARA/GIT actually had started an institutionalization process in the villages. Under institutionalization the women addressed their impoverishment on priority and came forward to act for livelihoods development so that their economic empowerment can take place along with social upliftment. To achieve the results the SHARA/GIT went through a cumbersome process of bringing people together. After initial meetings with the women in each village, several workshops had been organized. In the interactive workshops, the following problems were identified and discussed:



- Disparity in economic status of families;
- Lack of self-reliance;
- Disinterest in democratic system;
- Less mutual cooperation and coordination;
- Lack of proper information;
- Rumors and misconceptions.

Functioning and Management of SHGs

After the formation of SHGs the women in meetings framed rules and regulations for the smooth functioning of the groups. Groups decided names of SHGs as well as monthly meeting dates. Through the defined rules the SHGs maintained full transparency and participation. The rules are illustrated in nutshell as below.

Membership: The number of members in every group would be 10-20. Members would elect the President, Vice President and Secretary. All members should be present in monthly meetings. In case a member absents in 3 consecutive meetings, her membership would be withdrawn.

Bank Account: SHGs have to open account in a scheduled or cooperative bank in Banjar, Sainj or Goshaini.

Executive Body: Executive body of group would be elected by group members in meeting through common consent. Elected persons of the group would be fully supported by group members. Time period of elected person will be 2 years from the date of election.

Borrowing Procedure: The borrower would be charged the interest rate of 12%. The borrowing incumbent should bring a written request approved by Secretary of the group. The Executive Body would give consent about the sanction of loan based on need and priority.

Record Maintenance: Responsibility of maintenance of activities would be of the Secretary and President. SHARA/GIT field staff will support the group in maintaining the records etc.

Internal Loaning: If any member wants some money, a meeting is called and request is discussed among all members and money is sanctioned with defined terms and conditions.

After perpetual efforts the SHARA/GIT succeeded in forming 50 SHGs in 360 villages. Some vital statistics showing the progress of SHGs is given in Table.1 below.

Table. 1: Status of Self-Help Groups in Banjar Tehsil, Kullu District

No	Particulars	March 31, 2005	March 31, 2006	March 31, 2007	November 2007
1.	No. of Villages	150	270	300	360
2.	No. of SHGs	20	28	30	50
3.	No. of Members	160	190	270	642
4.	No of Active Borrowers	18	25	42	70
5.	Total Savings	Rs. 62690	Rs. 99550	Rs. 151801	Rs. 205938
6.	No. of Inter-Loans Issued	18	30	49	90
7.	Amount of Loans Issued	Rs. 11620	Rs. 28500	Rs. 98560	Rs.188600
8.	Amount of Loans Outstanding	Rs. 8150	Rs. 12150	Rs. 82500	Rs. 63538
9.	Repayment of Loans	Rs. 3470	Rs. 24500	Rs. 27880	Rs.125062

From the savings the women groups collected the needy families withdrew money as per their needs. It not



only fulfilled the immediate needs of the poor families but also inculcated the self-reliance among the women who were erstwhile dependent on the male counterparts for petty needs in daily life. Nevertheless, many women initiated some economic activity at home from borrowing money. Thus the inter-loaning had been the main activity of the SHGs. A periodic data of inter-loaned amount is shown in table.

Economic Activities:

SHGs identified many income generation activities as viable ventures in the local area. SHARA/GIT arranged training of SHGs on given

trades of economic ventures. The women SHGs have made some progress in raising their economic situations. Income generation activities have so far been done by the women out of the inter-loaning money and several loans from scheduled banks. SHARA/GIT ever facilitated the SHGs in all economic processes. Status of the economic activities is shown in Table.2 below.

Table.2: Economic Status of Income Generation Activities of SHGs (from January 2005 to June 2006)

S.No.	Microenterprise	No. of SHGs Involved	Total Sale Value (in Rs.)	Production Cost (in Rs.)	Net Profit (in Rs.)
1.	Tailoring	4	252000	63000	189000
2.	Knitting	4	198000	108800	89000
3.	Mushroom Growing	3	140000	47000	93000
4.	Beans Growing & Selling	11	216500	81000	135000
5.	Weaving	5	162000	97000	64800
6.	Medicinal Plants Cultivation & Selling	6	60000	25000	35000
7.	Bhekhali Seeds	1	6000	1000	5000
8.	Apricot Kernel	12	150000	45000	105000
9.	Eco-Tourism	6	154000	36000	118000
10.	Vermicompost	4	96000	24000	72000
<i>TOTAL</i>			<i>1434500</i>	<i>528000</i>	<i>906500</i>

Case Study of SHGs in 5 Villages:

SHGs in 5 sample villages consist of 10 members in average: 8 in Kamlamata SHG in Sainj, 10 in Durga SHG in Saran, 9 in Laxmi SHG in Sainj, 12 in Jyoti SHG in Palahch, and 10 members in Sheshnag SHG in Thativir village. Relatively low number of members seems to be working good in those villages. The communication within the group is much easier and it is easier for the small number of members to attend the monthly meetings. According to the NABARD, the optimum number of members, however, is 20, which is too high due to difficulties during the discussions and loan granting. The admission of new members in the groups is the same: new member has to pay amount of six monthly installments.

Monthly saving installments amount to Rs. 30 per member in all SHGs except in Thativir village where it is Rs.10. This Rs. 30 per month is reasonable amount because it provides every member an opportunity to increase saving. The structure of the SHGs in these villages is very simple. All the members are equal, and usually one person is responsible for the accountancy. The groups elect president and secretary every 2 years. The distribution of profits is also



proportional. Profits distribution in Durga SHG in Saran village was equal for some time, but lately has been made proportional. Each SHG conducts at least one meeting every month. Some of them (e.g. Kamlamata SHG in Sainj and Durga SHG in Saran) do meetings twice in a month.

Women from the SHGs close to Banjar belong to the same caste. Yet, the Sheshnag SHG in Thativir has upper caste members. The groups are generally homogenous. The economic status of the members is similar

but not the same. This characteristic is very important for the group cohesion, and it has an influence on the performance. These groups are very coherent.

Main activities of the SHGs are saving, inter-loaning and economic activity. The women take loans from their own savings for different purposes. They do not need to go to bank for small amounts of money. In most of the cases they borrow from SHGs as consumption loans. However, 4 members of the Jyoti SHG in Palahch took Rs. 4000 in February 2007 for the purchase of the seeds and land cultivation. The interest was 12 per cent. In this group the interest of the inter-loaning has been 24% for consumption purposes and 12%, for productive purpose. But in rest of the SHGs the interest rate is 24% regardless of the purpose of the loan. The procedure of granting a loan is same in all groups. Needy person has to give an application which is discussed during the monthly meeting, and when all members agree the loan is granted. The standard repayment term is 1 year. In all the inter-loaning cases the repayment is so far done on time, and the groups did not face any serious problem.



Bank loans are very important for the SHGs because it allow them to invest in micro-entrepreneurship projects. Kamlamata SHG in Sainj took Rs. 2500 for the purchase of cosmetics to sell in shop; Durga SHG in Saran took Rs. 100000 and divided among members with the break of Rs. 60000 for a shop, Rs. 30000 for mushroom cultivation, and rest for consumption purposes. Laxmi SHG in Sainj Rs. 20000 to improve their shops, and Sheshnag SHG in Thativir village took Rs. 10000 for shop and agriculture purpose. Women in Palahch have not taken any bank loan because they are afraid of repayment. They prefer inter-loaning within the group.

Interest rates differ from bank to bank. State Bank of India in Sainj has 6% interest rate, while Punjab National Bank in Banjar has 11.5%. It is also because the attitude of the bank officials differs. In Sainj, the bank manager is very helpful and cooperative, which makes the process much easier for the women. Unfortunately, the manager in the bank in Banjar has negative attitude. Instead of helping the members of SHGs, he puts more barriers that discourage the women from taking loans. The women who dealt with the helpful bank authorities are more enthusiastic about their projects and feel more confident about the repayment, which bring profits to both sides.

The women need help in different areas: agriculture, marketing, education and women issues. Without proper training and permanent support from outside they will not be able to improve their livelihood and social position. The relationship between performance of groups and education is very strong. In the groups where the women were educated or had some training the results are much better. Kamlamata SHG in Sainj is a very good example of efficient performance. The members of the group are around 20 years old, but already have some experience. The young girls have one thing which is missing in other groups i.e. enthusiasm and belief in success. Despite a big competition in tailoring market they manage well, and instead of consumption they think about investments that brings them with profits.

The Way Ahead:

Since the women carry most of the burden of household economy in mountain areas, the microcredit has proved promising to relieve their burden and empower them economically. Besides, the microcredit activities engage the women for getting organized and strengthen their social and political positioning in the rural society. The women in Kullu district need large amount of support from external sources in order to capitalize on their human resources. There is obvious need of expanding the women's access to microcredit and or microfinance. But the constraints and paucity of convenient and enabling sources of finance should be taken into account. So the organization desperately solicits external help to move forward and enable thousands of deserving poor women realize their dreams of self-reliance and empowerment.

