

Microcredit Special

A four-day Asia-Pacific Region Microcredit Summit is being held in Dhaka from today (16--19 February). We print the following article for information of our esteemed readers on the subject. We shall try to publish more articles on the subject till the conclusion of the summit.

Women and microfinance: Powerful agents of change



PHRANG ROY

THE microfinance revolution started among rural women in Bangladesh in the 1970s. The revolution had its roots in the recognition that poor people needed credit and, more importantly, that they could use loans productively and responsibly. It showed that we were wrong in believing that poverty and a lack of collateral meant that poor people were not creditworthy. This belief was simply our own social prejudice. In particular, when rural women were given the opportunity they proved that poor people were a good risk and efficient users of credit.

My own experience has led me to conclude that microfinance, with its combination of savings, loans, investment opportunities, insurance options and other financial services, combined with group solidarity, is a powerful instrument of social

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change, especially for women. Microfinance has caused a shift in values and expectations that affects women's roles in society. In Bangladesh, for example, a study of experience in an IFAD project has found that women involved in microfinance not only change the way they manage household income, they also change their own roles and the roles of others in their families and communities. Many women members of micro-finance groups no longer believe they should be dependent or that they should remain confined to the home. They are more likely to send their daughters to school.

Through their involvement in microfinance, many women become leaders, instigating change in social practices and relationships and mobilizing social action. Women's status, both in their homes and communities is improved when they are responsible for loans and for managing savings. When they generate and control their own income, women gain a level of power that means they can make decisions

independently and command more respect. Poor women often have the best credit ratings. In Bangladesh, for example, women default on loans less often than men, and credit extended to women has a much greater impact on household consumption and quality of life for children.

But, in many traditional societies, especially in South Asia and in parts of East and Central Africa, women have been excluded from the market economy. Women in East Africa are expected to do all the farm work and look after the family, while any cash income is controlled mainly by men. The pioneering women who first braved the market were criticized harshly. But today, with microfinance institutions spreading across large parts of Kenya and Uganda, it is widely accepted that rural women can play an important role in the rural economy.

It would be wrong to suggest that experience with microfinance has been universally positive. Nor can it be suggested that microfinance

alone is responsible for change. In Bangladesh, the rapid growth of the garment manufacturing industry, which employs mainly women, and the activities of women's rights advocacy groups and movements have also had an impact. Nevertheless, microfinance has drawn millions of women into commercial economic activities for the first time, enabling them to take advantage of new opportunities and develop new roles as cash income earners and economically active members of the community.

It represents a shift away from feudal patron-client relationships towards income-generating work, savings, participation in the market economy, self-confidence and new social norms.

In its early days, the microfinance revolution focused on lending. Loans were typically secured through the mutual guarantee of solidarity groups. The microcredit model pioneered by the Grameen Bank of Bangladesh was adapted in Latin America, Asia and Africa. While a minimum amount of savings was

generally required before a loan was granted, in the early days less emphasis was placed on creating flexible and voluntary savings schemes that could be directly controlled by the group members.

Not until the 1990s did we begin to fully understand the key importance of savings by poor people. Significantly, a high rate of household saving has been the cornerstone of economic progress in the high-performing Asian countries. In particular, women's savings represent a significant economic power that extends well beyond local benefits. Women who manage their savings through microfinance institutions are developing attitudes and practices that are necessary for the shift from subsistence economies to economies based on accumulation.

The ripples of women's microfinance can build into waves of transformation, leading not only to greater self-confidence and new roles for women, but also to powerful institutions able to take on complex new tasks serving the whole of

society. The women's groups intrinsic to microfinance are now extending their activities well beyond financial services. In India, for example, self-help groups of indigenous women now manage community-based projects, including the contracting of minor irrigation construction and soil conservation works. Indigenous women's groups in a village in Andhra Pradesh, India, have invested in electricity generation, substituting pongamia seed oil for diesel oil and selling the saved carbon on the international market. In North East India, self-help groups in IFAD-funded projects play an important role in peace-making in communities affected by armed conflict and insecurity.

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Smoking the peace pipe

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The Pakistan Social Forum arrived in Mumbai with the intention that each delegate connect with at least one Indian, "each one, meet one." In the end, the response was so overwhelming, "each one of us has made at least 10 friends." Connecting with fellow progressive activists, they found unity in demands-- the key issues both sides agreed on were free movement of labour, de-nuclearisation of the subcontinent, and cuts in military expenditures.

NAEEM MOHAIEMEN back from Mumbai

ON the last evening of the World Social Forum, I was standing in the Azad Maidan, surveying the crowds and getting ready for the evening's concert. That moment of reverie was interrupted by two eager young men who suddenly came forward and began to introduce themselves. "Good evening sir," said the first person, "I am Francisco D'Sa, from the Citizens Peace Committee of Rawalpindi." After a few minutes of talking, he said, "Oh, we are hoping to meet with as many Indians as possible while we are here. We are trying to promote peace between our two countries." After the usual exchange of cards, he quickly moved on to the next nearby delegate on the field.

It was the third time that day we had been approached by a Pakistani delegate. Earlier in the afternoon, the camera crew from Free Speech TV had been buttonholed by Naseem Shakeel, an elected representative from Sialkot. This feisty lady from Pakistan insisted that they take an on-camera interview of her, and I was quickly enlisted to translate her Urdu. Launching into a speech about 'India Pakistan bhai bhai', she was soon surrounded by Indian and Pakistani delegates who kept breaking into applause. In fact, through the week, the most enthusiastic delegates were the Pakistanis and Palestinians. Lacking access to international forums and venues, they seemed to be on a mission to meet as many people as possible at the WSF. The Pakistanis in particular, regardless of NGO affiliation, were singularly focused on their message of peace and reconciliation.

The WSF meet coincided with a major thawing of relations between the two nations. Besides the famous embrace at SAARC (dubbed 'Bravehearts' by India Today), there was Musharraf's key announcement that terrorist camps targeting Kashmir would not be allowed to operate inside Pakistan. A majority of Pakistanis are "moderates" said the General, only extremists were "wrongly interpreting Islam." Maintaining this momentum, the external affairs ministry began moving forward with technical talks to set up bus links between Srinagar and Muzaffarabad as well as rail links between Sindh and Rajasthan. Finally, because money and trade speak louder than anything else, the most significant developments have been the moves towards SAFTA (South Asian Free Trade Agreement). Pakistan upped the ante by saying they would push for "MFN-plus" trade status with India, suggesting that even within a region-wide free trade zone, India and Pakistan would be special partners.

The Indian press also played a positive role in détente efforts. Criticizing Vaipayee's statement that this was his "last effort" to make peace, the centrist Times of India wrote, "The idea of a last effort carries an echo of the Mahabharata. It was when Lord Krishna's last effort failed that the great war became inevitable. But the Mahabharata attaches no glory to war. Rather it teaches us that war is futile, for no one wins in the end."

The WSF organisers, while focused on global goals, were also aware that the meet was an opportunity to demonstrate the thaw in relations. Emboldened by Delhi-Islamabad statements, 1,700 Pakistani delegates registered for the WSF meet in Mumbai. In the end, only 502 delegates were given visas, but even this was a major victory by past standards. Organisers claimed

this was the single largest Pakistani delegation to India in the last fifty years. Certainly the Pakistanis made their presence felt, speaking at events and enthusiastically going out to meet people. The Pakistan Social Forum arrived in Mumbai with the intention that each delegate connect with at least one Indian, "each one, meet one." In the end, the response was so overwhelming, "each one of us has made at least 10 friends." Connecting with fellow progressive activists, they found unity in demands-- the key issues both sides agreed on were free movement of labour, de-nuclearisation of the subcontinent, and cuts in military expenditures.

The issue of Kashmir continued to be a sensitive subject, even at the WSF. On my first day at the Media Centre, a Kashmiri activist was passing out flyers about attacks against Pandits by the Muslim majority. Later in the week, the fiery leader of the Jammu & Kashmir Liberation Front, Yasin Malik, spoke at one of the smaller panels. When an audience member began protesting the treatment of Pandits by militants, Malik's supporters were clearly embarrassed and irritated. A more conciliatory and realistic tone was struck by reformed Kashmiri militant Firdous Syed. For eight years Firdous was an underground militant, but in 1996 he became disillusioned with the gun and came "overground." Today, he is part of a group seeking to build cultural links between Kashmiri Muslims and Pandits. At a three-hour seminar at the WSF, Syed and other Kashmiri heavyweights Professor Geelani, Sajjad Lone and santoor player Bhajan Sopori talked about the ancient linkages between Muslims, Hindus, Dogras and Buddhists in Kashmir. In fact, there were no communal riots there during Partition, which inspired Gandhi to say that Kashmir was a ray of hope in the darkness of Partition.

Firdous was particularly mournful about the way 'Hindus had been rendered invisible by the Kashmir conflict. He pointed out that his own son had been started by a Diwali firecracker, because it was hardly celebrated in the valley anymore. Speaking to the Times, he said, "another child pointed to a woman in a sari and asked her mother what the garment was." Firdous, who was the founder of Muslim Janbaz Force (Kashmir's second largest militant group), had harsh words for his former sponsors in Pakistan: "Pakistan has been trying to impress on the ordinary Kashmiri that what they were doing was for Kashmir. In fact, they were trying to settle scores using Kashmir as the cannon."

Leaving aside the Kashmir issue, the general objective at WSF has been to make "Indian friends." Like the people who approached us at Azad Maidan, the Pakistani delegates have been singularly focused in this objective. At the common person level, they have found the Indian side to be equally welcoming-- proving once again that the subcontinent's inter-nation tensions are created from the top down by politicians. Enthusiastically describing the common man response, Nausheen Siddiqui told Mid Day newspaper, "Yesterday I was hailing a cab from Goregaon while a couple standing by noticed 'Pakistan' written on my badge and decided to take me and my friend out for dinner. Such stuff gives you a lump in the throat."

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Emerging women microentrepreneurs in Bangladesh

PARVEEN MAHMUD

IN Bangladesh women constitute about half of the population, the majority of them are underprivileged, under-nourished, illiterate and poor. In their lifetime, they experience two fold realities: one determined by a culture and tradition that tends to keep them inside family homesteads and the other shaped by increasing poverty that forces them outside into wage employment for economic survival. According to the 1999/00 labour force survey (LFS) the labour force of Bangladesh was estimated at 60m. More than 20m are women. There are not enough employment opportunities for women. Therefore, economic activities through self-employment became essential for potential working women. There has arisen a new class: the women micro-entrepreneurs. Though there has been substantial participation of women in the off-house activities, yet Bangladesh women still have not been able to impose a controlling authority in mainstream production.

Evolution of microfinance

Conceptually, microcredit can be described as collateral-free small loans offered to poor households to generate self-employment in income generating activities based on group lending methodology. The loan term is usually for one year. Saving programs play an integral part of the credit program. Microcredit, broadly known as microfinance has evolved in Bangladesh over the past 20 years as an important sector of development. In wider terms it includes micro insurance, microenterprise etc. Delivering microcredit to the poor and poorest still is basically a Non Government Organization- Microfinance Institution's (NGO-MFIs) activity. More than 90 per cent of borrowers are women. About 13m poor people are under microcredit program (MCP) coverage. Besides NGO-MFI, Government initiatives through formal sector banks, are providing services to target poor people. On the other hand, a range of support groups spawned. Growth of NGO-MFIs has led to the establishment of two new institutions in Bangladesh: Palli Karma-Sayahak Foundation (PKSF), and the Credit and Development Forum (CDF). The two institutions are extending very useful support to MFIs MCP. PKSF is an apex financing organization providing credit and institutional development funding to NGO-MFIs, while CDF is a network of NGO-MFIs. It provides need-based training and customised service to its member NGO-MFIs.

Stylised facts of microenterprise

The types of microenterprises operated by women are of the following categories: (i) traditional, (2) non-traditional, (iii) household or family trade.

Generally, MEs under microcredit programme of NGO-MFIs are the expansion of IGAs to graduated or progressive borrowers. Usually, ME borrowers are involved with IGAs through regular MCPs for a minimum period of three years. Often, the extension of IGAs emerges as ME. To some extent, credit needs of the marginally poor or "missing middle" are also taken care of under MCP of NGO-MFIs. The "missing middle" are credit-starved people escaping the target range between microcredit and formal banking services.

An ME can be individual or family based, supported by one or two family members. An ME becomes full-time employment for graduated borrowers over a period of time. With scaling up non family members are employed. MEs tend to generate employment to 1-10 others, including the owner and help to stimulate growth-oriented economy.

Features: At the initial stage, in ME, there is likely to be very little investment in fixed assets. Inventory investment is minimal. And, the ME is operated on a cash basis only. Revenue earnings from ME are not distinct from any other kind of income of the individual or what household earns. The range of loan for microenterprise are Tk20,000-Tk200,000. As graduated borrowers

move on and gains confidence in handling loans their average loan size increases. Presently, with higher loan size, greater interest is observed in forming male groups. Also with scaling up, loan disbursement is drifting towards individual, instead of group based lending approach. There is flexibility in loan terms from the conventional one year to three years. A flexible repayment period adjusted with cash flows has been introduced. Installment repayment period have been extended from weekly to fortnightly, monthly, and quarterly payments. There is a trend to delink the savings program from the credit program. With scaling-up, ME emerges distinctly with an existence separate from that of the owner. The business may be incorporated or

for the family or household. In some NGO-MFIs it is customary, if the trade license is under the husband's name, for the loan to be transferred in his name as well. But, the wife or the whole family takes active role in upkeeping the extended business, e.g. BRAC's MELA.

Sector of work: An important element facilitating the overseeing of an ME is that the technologies or processes used are often relatively simple. Businesses in which this is true include, food processing, tailoring, hot gram (chanachur) production, grocery stores, poultry farm, cow rearing, sweetmeat shop, restaurants etc. Required skills for these kind of MEs can be picked up through observation, being associated with on the job training by an older family member or

Impact of microfinance interventions

In an impoverished country like Bangladesh, poverty alleviation through economic growth, as well as employment generation in mass scale is heavily dependent on the development and expansion of MEs. Self-employment and the creation of new employment through MEs help to reduce disguised unemployment and under employment in the farm sector, creating employment for the hard-core poor. With increased family income for the poor, the income disparity in the society reduces to certain extent. Rising rural income prevents migration of the rural poor to urban centres in search of jobs and reduces further burden on the already strained urban infrastructure. Instead the micro-entrepreneurs and their families are able to explore utilization of local resources in rural areas. As a result they help in creating a market for local products in villages and towns with new income and products. This is not limited to program participants, since indirect spillover, second-order effects spread through the entire locality due to an increase in economic activity.

Focal issues for microenterprise Microfinance has evolved as an important sector of development. Until recently, the objective centered on graduation of clients from poor to non-poor status. But presently many program women are moving up the scale and they need an environment to flourish. "Poor people are like bonsai trees. They could have grown into giant trees if they had been supported by the right environment for growth" (Yunus, 2003). If remedial measures are taken for impediments, MEs may trigger economic breakthrough and maintain a virtuous circle of rural growth in motion.

Business Development Service (BDS) Derived demand for Business Development Services (BDS) are emerging. The initiative to provide such services are progressing slowly from felt needs. Broadly speaking, the major BDS needs of MEs are credit, training, information, technology, marketing and consultancy. As IGAs scale up in the long run for sustainable development, it is imperative that business development services are made available to micro-entrepreneurs. BDS needs and demands vary by size of the enterprise and by sector.



Poultry farming with microcredit: ASA landless women group.

core poor. Often, NGO-MFI target criteria excludes them. Transactions through banks can be a problem for beginners, especially for rural producers that have access to only the most rudimentary banking facilities.

Marketing: There are several barriers to marketing that hinder ME's extent of income generation. There is lack of institutional support in marketing. There is no facility for preservation of raw materials and finished goods. Quite a large number of microenterprises are currently supported by GOs, NGOs, donors and international agencies in Bangladesh through financial, technical and marketing assistance.

Training: Education has a direct and long-term positive impact on quality of life. Opportunities in education and employment for women would bring long term benefit to society. There is a substantial scope for quality building through formal training on women business leadership development, financial management, marketing and entrepreneurship development. Government programs/projects generally include a training component. On the other hand, NGO-MFIs impart training as a regular feature on business, production planning, and credit management before credit disbursement. The existing training arrangements for female micro-entrepreneurship development are inadequate and have much scope for quantitative and qualitative improvement.

Information: On the district level, there are no organizations that can be contacted for market information. In Bangladesh, there is no single organization that organizes or maintains any market information on the items that women micro-entrepreneurs handle. There are sunk costs involved in acquiring, adapting and assimilating new technology, in learning about and then plugging into urban and overseas marketing networks. Public or nongovernmental assistance with information gathering can lessen entry barriers of MEs.

Management: ME needs management assistance to improve the administrative capacity and increase productive activity and capacity in quality as well as in volume. The majority of microentrepreneurs lack the training for running their businesses and expanding because of their low levels of formal education. They lack the basic book-keeping, vocational and technological knowledge. Weak management leads to high rates of closures and "start ups". The microentrepreneurs are good at producing the goods and services mainly for local markets. Most microentrepreneurs get hands-on training or on-the-job training. Lack of good training in production skills affect the quality of product they are trying to trade.

Macro-economic situation

Local Governments have important leadership, administrative, and catalytic roles to play in developing rural industry in partnership with the private sector and NGO-MFIs. As MEs are active in rural sectors in local markets, local government must be strengthened for proper administrative support. Local Governments in Bangladesh are extremely weak and ineffective in promoting development, as a result, these capabilities and local government structures need to be improved for revamping. Appropriate supporting policies should be instrumental in encouraging the microfinance sector. Enabling policies shall help the germination of small and medium enterprises out of today's microenterprises.

Corporate Social Responsibility (CSR)

The manifold problems of women cannot be overcome only by small IGAs, ME and credit support. A package program consisting of leadership and managerial development, of rights and laws, of education, credit, income, health and reproductive issues seems to be appropriate for removing these problems and for stepping up women's positions in the society. As donor funds are drying up, NGO-MFIs and community organizations in Bangladesh are finding it difficult to carry on their social development programs (SDPs). Multinational companies (MNCs) as well as local business enterprises in developing countries are undertaking CSR in varying degrees in local business operations to address such issues. In order to carry on SDPs, MNCs and national business enterprises can find out a road map in a coordinated way to facilitate the social-needy based programs. The Philippines Business for Social Progress (PBSP) is an example of the umbrella model. PBSP was a means by which the Philippines business community could rationalize and coordinate its funding and technical support to socio-economic projects and programmes across the country. For sustainable development within a country, shared responsibilities between the government and big corporate houses along with NGO partnerships can supplement government efforts to fight against poverty.

Awareness and attitude

Lack of quality, hygienic practices, attractive packaging, uniformity and adherence to specifications are hindrances to capture urban and export market, though in local, rural and peri-urban markets it is manageable. Entrepreneurs are not motivated to be quality conscious due to lack of awareness of these issues. So, microentrepreneurs are weak in negotiating prices and do not have much bargaining power as their products are not up to the required standards. Though individually, small MEs do not have an environmental effect, but collectively it might. There is a lack of consciousness about environmental degradation, health, hygiene and personal safety risks. NGO-MFIs should take the initiative to inform the borrowers about health and environmental hazards involved with their specific economic activities.

Product innovation

The real challenge for the future of women MEs lies in meeting the need for innovation and diversification in delivery methods and the introduction of new MCP products. It is expected that women should be out of the poverty trap. They should be able to combat the risks on non repayment due to shock or disaster when income and consumption for them decline suddenly. Because of lack of innovative micro insurance microcredit borrowers are still likely to be adversely affected by floods, which occur on a regular basis in

Bangladesh. The need for designing special programs to address the needs of the very poor remains. Efforts should be taken to provide for financial products in affordable terms for start ups and scaling ups for target as well as non target "missing middles".

Government policy measures

The realisation has gradually dawned on all concerned that a society cannot afford to waste half of its potential human resources. This increasing awareness has led to the adoption of national policies to facilitate a development process involving women in all spheres, focusing mainly on micro-entrepreneurship development. A distinction between IGAs and MEs needs to be made for devising necessary support programmes.

Strengthening local government

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Conclusion

Entrepreneurial qualities are same for men and women to succeed as entrepreneurs. Economic and social environment, educational process, family background and community priorities all play a role in the making of the entrepreneur. Compared to men, women have to put in more labour and to combat social obstacles to succeed and continue with their ventures by keeping pace with their personal, family and social life.

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