

Micro Credit And the Status Of Women In The Contxt Of Poverty Reductions In Nepal

Prakash Regmi *

INTRODUCTION

The importance of women participation in the development process of the country and the need for their advancement has been growing in many nations in recent years. Consequently numerous national and international organizations have been established and carried out the programmes varied in nature and targeted at enabling them to become aware of their situation and potential to gain relative economic independence, together with a better position in their household as well as in society itself. The provision of credit is aptly regarded as one of the potentially strongest forces to propel action towards achieving this goal.

Under prevailing conditions, women have limited or almost no control over property and poor access to institutional credit services and facilities, restricting them in their ability to generate income and improve their socio-economic status. This bitter truth is virtually a characteristic of poor women in the third world countries.

Limited access to credit is recognized as a major obstacle to the sustained development to the poor. Poor women are generally unable to access the formal financial sector due to the lack of tangible collateral with them must rely upon the much more expensive and often exploitative informal moneylender sector. Though poverty has many dimensions: social, political, economic, environmental and cultural to name just a few, savings and credit directly address to the economic dimensions of poverty. It mobilizes the resources and makes them accessible to marginalised communities such that they can tackle the practical problem they can face.

WOMEN, MICRO CREDIT AND POVERTY REDUCTION : A GLOBAL OVERVIEW

More than one billion people in the world today live in unacceptable conditions of poverty, mostly in developing countries. A great majority of them are women. In the past decade, the number of women living in poverty has increased disproportionately to the number of men living in poverty. Economic factors, the rigidity of socially ascribed gender roles

* Mr. Regmi is the almunai of this Department and currently is involved in Rural Urban Partnership Programme (HMG/UNDP/UNCHS) in Bharatpur Municipality, Chitwan, Nepal.

Table A12

Remittances From Different Regions Of Origin 1995/96

pc. of households	Remittance (in NRs)							Total amounts of remittances	
	total no.	< 500	501 - 4000	4001 - 15,000	15,001 - 100,000	above 100,000	average	Median	[in 1,000 NRs]
Nepal rural areas)	311	26,4	43,1	21,2	8,7	0,6	5,207	1,500	1,619
Kathm andu	135	3,7	31,1	48,1	14,8	2,2	14,554	6,500	1,965
Nepal other urban areas)	125	12,0	30,4	36,8	18,4	2,4	14,597	6,000	1,825
Nepal total)	571	17,9	37,5	31,0	12,3	1,4	11,224	3,000	6,409
India urban)	247	4,5	27,9	44,1	22,7	0,8	12,440	6,300	3,073
India rural)	72	27,8	33,3	27,8	11,1	0,0	6,586	2,000	474
India total)	319	9,7	28,9	40,6	20,1	0,6	10,532	6,000	3,47
Gulf states	11	9,1	54,5	0,0	18,2	18,2	38,655	2,000*	425
Other foreign countries	47	4,3	17,0	14,9	40,4	23,4	136,468	25,000	6,414
For. countries excl. India	58	5,2	24,1	12,1	36,2	22,4	117,916	20,000	6,839
Total	948	136	319	313	157	19	12,090	4,500	15,795
Women	114	33	52	21	8	0	4,501	1,200	0,513
Men	837	106	269	293	146	23	18,258	5,000	15,282
In cash only	347	10	108	150	58	12	19,891*	-	14,322*
In-kind only	228	106	102	15	6	0	2,451*	-	1,473*

* average and total values of in-kind/in-cash remittances are calculated including mixed remittances

Source : Calculated by the Author based on Nepal Living Standard Survey data base (HMG/NPC/CBS 1997b)

and women limited access to power, education, training and productive resources are all contributing elements. They are compounding by the failure to mainstream a gender perspective in all economic analysis and planning and to address the structural causes of poverty.

However, there is no doubt that, women's poverty is most directly related to the absence of economic opportunity and autonomy, lack of access to economic resources, including credit, land ownership and inheritance, lack of access to education, and support services and minimal participation in the decision making process; credit is among the most vital elements of this combination of factors. The platform of action adopted at the Fourth World Conference on Women in Beijing in September 1995 lays down the access of women's to savings and credit mechanisms and institution as a strategic objective. It particularly encourages the efforts directed towards low income, small scale and micro scale women entrepreneurs and producers, in both the formal and informal sector including the Self-help Groups (SHGs). These recommendations from Beijing were further crystallized at the World Micro Credit Summit in Washington in February 1997, which has unleashed a range of follow up initiatives.

NEED AND ASPECT OF MICRO CREDIT

During the last few years, it has become increasingly clear that the existing formal credit delivery system in rural areas, the banks and cooperatives, has not been able to keep pace with actual demand for credit. It was also in a way unrealistic to expect the formal credit system to be fully cognizant of the social objective of providing credits to the rural poor, even more particularly to the women in poverty. Understanding the needs of this clientele had to transcend the misconception that they were the beneficiaries. It also required an intensive involvement in the grassroots, to identify potential borrowers and to follow up on utilization and repayment of the loan.

An another shortcoming of the existing credit system was the paucity of the funds and poor management of the existing funds. Absence of accountability to the clientele and the absence of ownership of end users in the formal system were additional shortcomings.

The poor, on many occasions need emergency credit, which the formal credit system and the government's poverty alleviation schemes couldn't cater to. They are then driven to local moneylenders who immense them in increased indebtedness. The poor also need loan for consumption and the banks do not entertain this.

These factors have contributed to resurgence of an alternative credit system, administered by the clientele themselves who are organised in to SHGs. The informal, micro level credit, revolving users have now been scaled up by various organizations and institutions and given a credible

identity. There is documented evidence that this system has now practiced in 43 countries. It has brought a much-needed rejuvenation in anti-poverty programmes. Micro credit has proved to be a tool to strengthen various programmes in poverty alleviation.

The credit needs of the poor are determined in the complex socio-economic milieu, which the project lending approach by banks has not been able to address. In this milieu, the dividing line between credit for consumption and credit for productive purpose is often blurred. Under the circumstances, non-formal credit agencies catering to the poor, in the form of SHGs has emerged as a viable alternative as well as a link between the formal credit system and the poor. In many instances, the poor have demonstrated their potential for self-help to secure greater economic and financial strength and many such SHGs have come into existence spontaneously or with the active involvement of voluntary development agencies. Such SHGs have been formed generally around specific issues confronting the poor on specific production activities. In many instances, they have mobilized savings among their members and used it to meet the imergent credit need of the members of the group. Democratic functioning of SHGs their sensitivity in assessing and appraising credit needs of members, their professional functioning and efficiency in recycling funds often with repayment rate nearing cent percent, are noteworthy features. Recognition by the formal credit structure of the managemetn capabilities of the poor through the SHGs and the link between the two has resulted in advantage to both the systems. Banks are saved the trouble of assessing the credit needs, transaction costs to disburse and administer loans. For the SHGs it has meant access to larger quantum of resources, better technology and resources.

MICRO CREDIT AS THE MARKET BASED SOLUTION FROM SUBSIDISED CREDIT PROVISION

From the 1950's governments and international donors subsidised credit delivery to small farmers in rural areas of many developing countries. It was assumed that poor people found great difficulty in obtaining adequate volume of credit and were charged high rates of interest by monopolistic moneylenders. Development of finance institutions such as Agriculture Development Bank, were responsible for the delivery of cheap credit to the farmers. This is the case of Small Farmers Development Programme in the context of Nepal.

These institutions attempted to supervise the uses to which loans were put, and repayment schedules were based on the expected income flow from the investment. Returns were often overestimated, e.g. calculations were based on agriculture yield for good years. As a result, loans were often not repaid. The credibility and financial viability of these subsidised credit schemes were further weakened by the use of public

money to waive outstanding and overdue loans at election time. Dependency on the fluctuating whims of governments and donors, together with poor investment decisions and low repayment rates made many of these development finance institutions unable to sustain their lending programmes. Credit provisions for poor people were transitory and limited.

Subsidised loan programme cannot meet demand for credit. In addition, subsidised credit, being both desirable and capital constrained often reaches to the local elite who have the influence to obtain these loans offered at below market rates-rather than the poor for whom they were intended. Arrears were frequently high, as are losses to the lending banks and the subsidising agencies. Also, credit subsidies provided to borrowers at the local level tend to discourage institutional savings mobilization. This occurs because regulations often require that the interest rate charged for subsidised loans are lower than the interest rate paid on deposit, thus providing a negative spread and a disincentive for the institution to capture savings. Thus institutions providing substantial subsidised credit cannot become profitable financial intermediaries. They remain donors or government subsidised, and hence capital constrained. The result is that local demand for financial services-both credit and savings- cannot be met. Consequently, in the mid 1970s neo-classical economists identified that subsidised interest rates led to an excess demand for credit, followed by rationing of credit, thus causing distortions of the market.

As already mentioned, government involvement had another negative consequence. Loans often ended up subsidising *well off*, politically connected entrepreneurs rather than poor households and few mechanisms were in place to stem the leakage. The ultimate result was high cost and the little benefit for the intended beneficiaries.

The model of subsidised credit was subjected to steady criticism from the mid 1970's as donors and other resource allocators switched attention from state intervention to market based solutions. Policy makers were reminded that credit could also be described as debt and that the over supply of subsidised credit without realistic assessment of people's ability to repay could result in impoverishment for borrower.

At the same time the opponents of subsidised credit to justify the high interest rate charged by moneylenders used the concept of transaction costs and the notion that full information about borrowers was not available to lenders. Lending money carries with it the risk of non-repayment. In order to know who is credit worthy and who is not, and so reduce this risk, the lender screens potential borrowers. This involves gathering information on the circumstance individuals, which may not be easy to obtain. Then enforcement costs are incurred to ensure repayment. Through this process, risks are reduced though not eliminated. Where a

loan is disbursed on condition that it is used for particular purpose, supervision cost also arises.

This factor contributed to forward the view that the provision of credit should be left almost entirely to the private sector and this rationale of development of micro credit or say micro finance.

MICRO CREDIT AND THE STATUS OF WOMEN

The status of women refers to the extent to which women have control over their own lives and have access to knowledge, economic resources, decision making and political power etc. There is no single index of the status of women, which can reflect its entire dimension.

Generally in practice to analyse the women status it has been defined in terms of three sets of capabilities.

- The degree of autonomy with which women can live their lives.
- The ability to control decision making within the family.
- Their relative access to household resources such as food, education, health care etc.

In order to carry out this assessment it is necessary to have a theoretical framework regarding intra-household decision making. The latest and globally practiced framework for this is the bargaining model of the household as extended by Sen (Osmani 1995). According to this model, the relative well being of men and women depends on their relative bargaining power which in turn depends upon three factors; their *breakdown position*, their *perceived contribution* to the family and their *perceived self interest*.

Breakdown position represents the welfare of individuals in the event of breakdown of cooperation. The stronger the breakdown position of an individual, the stronger is her bargaining power and hence the better is her welfare outcome. In the usual bargaining model, breakdown position is taken to be the sole determinant of bargaining outcome. Amartya Sen has argued, however, that in the context of traditional households, the outcome will also depend on the individuals' perceived contribution to the households and their perceived self-interest.

Though women work harder and longer hours, they are not perceived to be making much contribution since much of their work doesn't make direct financial contribution to the family. This perception may be unjustified, but so long as the perception exists, women will find themselves in a weak bargaining position, and end up with a lower level of well being. Similarly their bargaining position is also weakened by their distorted perception of self-interest.

Women do not take their self-interest seriously because in the process of socialisation within the patriarchal culture, they themselves come to internalise the norms of discrimination against them.

From this model one follows that any intervention that improves the breakdown position of women or increases their perceived contribution to the household or enhance their self-interest will strengthen their bargaining power and thus improve their well being.

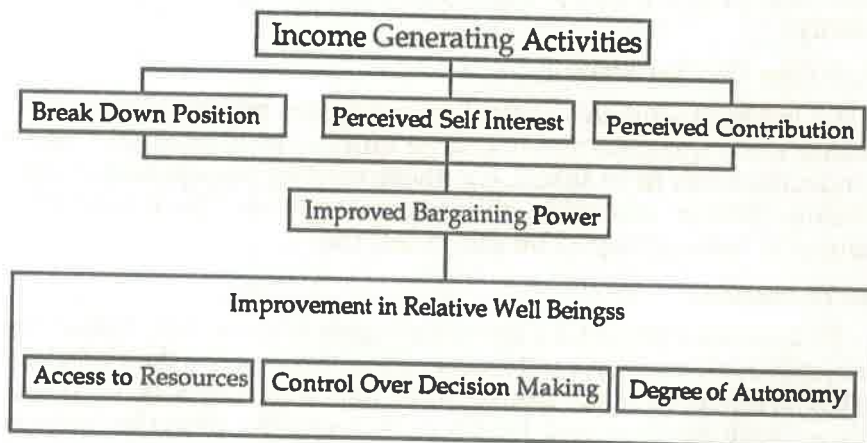
Thus if micro credit is regarded as a tool to improve the status of women, then the credit is precisely such an intervention, the income earning activities made possible by credit should strengthen all three determinants of women's bargaining power and thereby improve their relative well being. The causal pathway are depicted in the flow chart as follows :

Indirect Test

The impact on women's bargaining power

The test can be comprised the number of questions in the questionnaire on three determinants of bargaining power viz. Breakdown Position, Perceived Contribution and Perceived self-interest.

Flow Chart



Generally the indicators are used to measure breakdown position

- a) Land owned by wife in her own name;
- b) Wife with non land assests;
- c) She can support if or is left alone.

Similarly perceived contribution is generally measured in terms of work load and in terms of overall income and welfare of the family.

To measure perceived self-interest is a little bit complicated. It is a qualitative aspect and generally measured by asking how they felt about the fact that women generally receive a smaller share of household resources such as food, health care and education. The normal case in most of the project is the dummy which is insignificant.

Direct Tests

The Impact on Women's Power Exercising

Women's well being is generally measured by three sets of capabilities. viz.

- a) Women's autonomy
- b) Their control over decision making
- c) Their relative access to resources

Autonomy

Autonomy is measured by women's ability to spend family income freely. In the case of case study of Micro Credit Project for Women (MCPW) in Mangalapur VDC of Chitwan by author, it was found no impact on this variable, however in interaction between project participation and household income generation, positive impact had been guessed. This implies that project participation alone is not enough to improve women's autonomy.

Controls Over Decision Making

An index of women's control over decision making was constructed by asking them question about a large number of household matters on which decision has to be taken, e.g. those relating to expenditure on food, healthcare, children education, children marriage etc. Involvement in project has found to have no impact on this index too.

Access To resources

To assess the impact on women's access to resources, both subjective and objective information can be used. First, they were asked whether they felt that women in their households had equal access to household resources such as food and health care. Secondly, objective information was collected on consumption food and personal effects by husband and wife. In case of my study overall involvement with project was found to have a positive impact on women's relative access to resources by both subjective and objective criteria with the exception of personal effects.

CONCLUSION

Poverty is a multidimensional concept. World Bank defines poverty as inability to attain a minimal standard of living. In general household income and expenditure per capita including production have been used as

a measure of standard of living. This measure has been supplemented by others like nutrition, life expectancy, under five mortalities and school enrollment rates. In short five critical dimensions can represent poverty situation:

- Economic status : measured by land ownership, housing, non-land ownership etc.
- Human resource status : measured by health of members and education of members.
- Living Environment : measured by water use and sanitation
- Routine vulnerability : represented by vulnerable marital status, female headed and crisis.
- Coping capacity : represented by crisis coping, capacity to raise emergency credit.

Gender issue plays vital role in poverty alleviation and in developmental strategy. Community development, as defined by the United Nations, is a process of change by which the efforts of people themselves are united with those of government authorities to improve the economic, social and cultural conditions of their communities to integrate them into the life of the nation and to enable them to contribute fully to national progress.

Change in the attitudes of people is as important as the material achievement through community development during the initial stages of development. The identification, encouragement and training of local leadership should be a basic objective in any programme. Therefore, greater reliance as the participation of women and youths in community projects invigorates development programmes, establish them on a wide basis and scenes their long-range expansions. People get involved in programme planning and its execution by then are organised into a farmers' organisations, youth club or women association.

Finally, we can conclude that recent evolution of micro finance where the NGOs are also the part of the system is the market based solution of providing credit rather than state intervention credit programme of the past where the interest rates were subsidised by the government. The fundamental rationale behind micro finance is- poor household demands access to credit, not cheap credit, and that many are able to repay loans at real interest rate above 30 percent per year or more.

The popularity of micro credit has increased after the innovation of Grammen Bank philosophy in Bangladesh. This system of micro finance is generally been considered as a sustainable programme because of high repayment rate. But the effectiveness of micro credit on poverty alleviation, the qualitative aspect, should also be considered.

Quite often, micro credit advocates tend to consider poverty as a cash flow problem and seek its solution in narrow economic terms. Poverty particularly that of women cannot be explained in terms of cash flow

problem as it has strong linkages with inequitable distribution of wealth, unequal power relations at home and outside, anti-poor macro economic policies. Any strategy for poverty removal with main emphasis on micro credit and income generation programmes in informal sector is not going to be effective in the long run. Women economic empowerment is much more than credit and income generation programmes. Furthermore, by promoting micro credit as a win: win option wherein investors profit handsomely, while the poor gain access to financial resources, the advocates totally undermine the role and significance of public policy through measures such as social sector spending and other developmental initiatives which are very essential for poverty removal.

Though one can discuss about the pros and cons of any subject so can do in the micro credit, one cannot deny the role of micro credit for poverty reduction. It has played the significant role for establishing the access to resources, particularly that of women in poverty. A country like ours cannot expect to mobilise the resources for the optimisation of benefits by excluding women from development model. For this micro credit is the vital tool but it is not only the solution. A multi prolonged strategy with a systematic relationship between income promoting activities and social and institutional development activities should be considered to uplift the poor women. Micro credit is a most effective tool but cannot be considered as the panacea of poverty alleviation.

SELECTED REFERENCES

- Acharya, Meena (1994) *The Statistical Profile of Nepalese Women*, IIDS Kathmandu, Nepal.
- Bhattachan K.B. and Chaitanya Misra (1997) (ed.) *Developmental Practices in Nepal*, Central Department of Sociology and Anthropology, T.U., Kathmandu, Nepal.
- Canadian Center for International Studies and Cooperation (1999), *Women's Empowerment through Micro Finance*, Occasional Paper No. 2, CCIS, Kathmandu, Nepal.
- Dahal, Dev Raj and K.K Guru Gharana (1996) (ed.), *Development Strategy for Nepal*, NEFAS, Kathmandu, Nepal.
- Guru Gharana, K.K (1997) *Poverty and Poverty Reduction Agenda in Nepal* UNDP, Kathmandu, Nepal.
- Integrated Institute for Development Studies (1997) *Improving Access of Women to Formal Credit Facilities in Nepal*, IIDS, Kathmandu, Nepal

Regmi : Micro Credit And the Status Of Women/195

Johnson, Susan and Ben Rogally (1997) *Micro Finance and Poverty Reduction*, OXFAM, U.K.

Ojha, Ek Raj and Karl E. Weber (1992) *Production Credit for Rural Women : An Impact of PCRW Around Gajuri, Nepal*, AIT, Bangkok.

Osmani, L.N. Khan (1995), *Credit and Relative Well Being of Women, The Experience of Grameen Bank Bangladesh*, Bangalades.

Swiss Agency for International Development and Cooperation (1997), *Micro Credit-Macro Returns; Socio Economic Empowerment of Women Living in Poverty*, New Delhi, India.

Wood, Geoffrey D. and Iffath A. Sharif(ed) (1997) *Who Needs Credit; Poverty and Finance in Bangladesh*, Dhaka University Press Limited, Bangladesh.

World Bank (1998), *World Development Report-1998*, World Bank, New York.