

“Microcredit/Microfinance as a Poverty Alleviation Strategy: Implications for Right to Food and Livelihoods”

Tracing the History: The Right to Credit

From 1969 onwards, that is, since banks were nationalised, the rural poor have had access to institutional credit through various measures of the government including directives for expansion of rural branches, mandating credit allocations for priority sectors (like agriculture), delivering large-scale subsidy oriented credit programmes, and regulation of interest rates. Even today they form the largest proportion of microcredit providers in the country. This is evident from the table below.

Table 1 SHGs and Bank Linkage¹

<i>Bank</i>	<i>Cumulative number of SHGs provided with bank loans up to March 2001</i>	<i>Cumulative number of SHGs provided with bank loans up to March 2004</i>
Public Sector Banks	1,18,855	5,16,697
Private Sector Banks	5,391	21,725
Regional Rural Banks	84,775	4,05,998
Cooperative Banks	12,773	1,34,671
Total	2,21,794	10,79,091

Source: NABARD, cited in Ghosh 2005

However, the implementation of banking reforms in the 1990s in the interest of increasing efficiency of the banking sector had a direct and negative effect on rural credit. It was in this context that measures were adopted to promote the ‘microcredit model’ as an alternative to the ‘bank branches’ model, as a means to enhance the penetration of rural banks at minimum overheads. These banks include public and cooperative banks, and encompass all government policies and programmes, including that of NABARD. This era of liberalisation has also witnessed the entry of private players into the micro-lending arena. This includes a range of MFIs – including Section 25 companies, Non Banking Financial Corporations (NBFCs) and others – that are working in myriad ways, charging interest rates over which there is no regulation, and using recovery mechanisms that are coercive and even violent. Corporations have also increasingly begun to use SHGs as forum through which to make inroads into the rural consumer market – with all their products and services.

The phenomenon of women’s collectives took shape in the 1970s, when organisations like SEWA and Working Women’s Forum (WWF) led movements that were rooted in the struggles of economically marginalised women, wherein credit was demanded as a right that women needed to gain advancement in their status. The specific form of microcredit based SHGs was first initiated by NGOs such as Mysore Resettlement and Development Agency (MYRADA) in southern India. And it was only in the 1990s that women’s collectives and microcredit were coupled for credit delivery and bank linkage across the country for most civil society groups.

Towards the end of the 1980s, the State also adopted this strategy of forming women’s groups linked to credit as part of development strategies. One of the reasons for this strategy was because women had been established as good repayers of credit, and their creditworthiness was attractive to banks. The women’s collective ensured that peer pressure led to high repayment rates – the financial principle therein being ‘joint liability’. Therefore, risks and transactions costs for lenders were lower and they would happily forgo collateral. Moreover, linking women’s collectives with credit provisioning also showed the

¹ Premchander, S and Chidambaranatham, M (2007) : One step forward or two steps back? in www.epw.org.in/epw/uploads/articles/10411.pdf

way out for high default rates and leakages that the earlier State credit strategy targeting individual men (through the Integrated Rural Development Programme or IRDP) had been plagued with.

To the credit of the State, it did recognise women's need for credit and also acknowledged that 'mahila mandals' (women's groups) as part of community development initiatives had not done too well. All this was documented well in the report by the Committee on the Status of Women in India² (1975). Therefore, when the government did begin programmes like Development of Women and Children in Rural Areas (DWCRA) and Support to Training and Employment Programme (STEP), it included components of awareness raising, skill development and support in market linkages, in addition to mere credit provisioning in these schemes. This early emphasis on holistic credit, however, did not sustain itself.

The Scenario Today: Microfinance is 'Good Business'

The framework today has moved beyond mere 'microcredit' provisioning to a 'microfinance' framework, wherein financial products like health and risk insurance, security, housing finance and other products are part of transactions of an SHG. Women's collectives have taken on different features and different names. In fact, depending on who is the promoter and which part of the country the groups are, the names vary from SHGs to Self Help Promotion Institutions (SHPIs) Common Interest Groups (CIGs), Joint Liability Groups (JLGs) and Mutually Aided Cooperative Societies (MACS).

While some reasons for the huge impetus received for microfinance can be traced within the country – like the failure of IRDP, high repayment ensured by combining microcredit with women's groups, etc, there were some international factors as well. In the 1980s, microcredit as a development strategy was already being propelled globally by the perceived failure of interventions initiated by development agencies. At the same time, the microfinance model of the Grameen Bank in neighbouring Bangladesh had a major impact on India. It firmly established the financial viability of the microfinance model, and thus, captured the attention of the international donor community. The deal seemed extremely attractive for dealing with the problem of 'donor withdrawal' and the reducing resource availability.

Then of course with 1991 and neo-liberal policies, the focus on credit provisioning and promotion of micro-enterprises increased. This was – and still is – seen by the dominant global community as a key strategy to address problems of 'under-development'. While earlier the focus was in reducing vulnerability, today it has become an 'industry' that should be lucrative to investors³.

SHGs are also used by various government departments to carry out their tasks⁴ from the Sarva Shiksha Abhiyan, midday meals, fair price shops, wasteland development, family planning, immunisation, water, sanitation and forestry. Women members of the SHG do not have much role as decision-makers, but are expected to monitor these programmes in an extension of their traditional role as nurturers. The focus on women here seems more as an instrumentality, rather than to further their empowerment.

A Global Analysis

A study⁵ done in 2001 uses the example of microcredit and poverty reduction to address what the author calls the political economic implications of the emerging '*Global Development Architecture*'. She argues that microcredit facilitates financial sector liberalisation and the global trade in financial services, led by institutions like the WTO, IMF, World Bank, Regional Development Banks and Bilateral and Multilateral Development Agencies. She further says that microcredit also functions as a political safety-net, containing, dampening or depoliticizing resistance at the community level to liberalisation policies and economic austerity measures. Through a critical review of the *Global Development Architecture* her article reveals how global and local political economies are being linked *via* the poverty reduction agenda.

² Govt. of India, Ministry of Education & Social Welfare, Dept. of Social Welfare, 1974

³ Dand, S (2007): Revisiting the goals of Microfinance for Development: Potential of self help group movement for transformative politics in Yojana, Govt. of India

⁴ Murthy, L (2005) : Women's Empowerment or a Debt Trap? in www.infochangeindia.org

⁵ Weber, H (2001) : The Imposition of a 'Global Development Architecture' – The Example of Microcredit, CSGR Working Paper No. 77/01

Walden Bello (2006)⁶ makes a similar inference by saying that perhaps one of the reasons there is such enthusiasm for microcredit in establishment circles these days is that it is a market-based mechanism that has enjoyed some success where other market-based programs have crashed. Structural-adjustment programs promoting trade liberalization, deregulation and privatization have brought greater poverty and inequality to most parts of the developing world over the last quarter century, and have made economic stagnation a permanent condition. Many of the same institutions that pushed and are continuing to push these failed macro programs (sometimes under new labels like "Poverty Reduction Strategy Papers"), like the World Bank, are often the same institutions pushing microcredit programs. Viewed broadly, microcredit can be seen as the safety net for millions of people destabilized by the large-scale macro-failures engendered by structural adjustment.

The Concerns

In the recent past, there is growing discomfort and dissatisfaction with SHGs as a poverty alleviation strategy. Experts have been emphasizing the need to reflect on this⁷, especially since in many countries, including India, it seems to be the only strategy for poverty programmes. Activists, practitioners, researchers and policymakers have been raising questions like the following:

- What are the ground realities for women who are a part of these SHGs?
- Does the group provide a space for women to address their livelihoods needs and poverty issues?
- Does it provide them with capacity-building and learning opportunities to demand and get their entitlements?
- What are sponsoring agencies like the state and NGOs investing back into women's groups for capacity building and education?
- What impact does the SHG phenomenon have on the discourse of empowerment, poverty and development?

Findings from the Field

Some of the aspects that have continued to concern people across the country and globally are detailed below.

Exclusion of the Poorest, Marginalised and Vulnerable

A study done by Nirantar⁸ across 16 states of India shows that 43% of SHGs comprise of Backward Caste women as a majority of their members. On the other hand the Scheduled Caste (SC) and Scheduled Tribe (ST) population which has largest population living under poverty line, had majority membership in only 27% and 16% groups respectively. Only 3% groups had Muslim majority. In a country where Scheduled Castes (SC), Scheduled Tribes (ST) and Minorities (Muslims) are amongst the most vulnerable and marginalised, it is surprising that a poverty alleviation strategy has largely left them out of its fold.

A study done by Buch⁹ (2002) showed similar result in the context of the outreach of the Rashtriya Mahila Kosh (RMK), a microfinance initiative supported by the Government of India (Ministry of Women and Child Development) that was begun in the early 1990s as a 'safety net' programme. The study findings indicate that the RMK programme did not reach out to the poorest. A large proportion of the borrowers belonged to Other Backward Classes (OBCs), while the representation of Scheduled Tribes (STs) was

⁶ Bello, W (2006) : Micro Credit, Macro Issues in <http://www.thenation.com/article/microcredit-macro-issues>

⁷ Crossette, B (2003) : Experts Question Wisdom of Microcredit for Women in <http://www.womensnews.org/story/international-policyunited-nations/030302/experts-question-wisdom-micro-credit-women>

⁸ Nirantar (2007): Examining Literacy and Power within Self Help Groups (SHGs) - A Quantitative Study done across 2750 SHGs in 16 states of India

⁹ Buch (2002) : Poverty, Gender and Micro Credit - A Study of the Experience of Rashtriya Mahila Kosh (RMK), CWDS

Note for Fourth National Convention of Right to Food and Work Campaign (August 2010), prepared by Nirantar, with inputs from Komal Srivastav (BGVS), Rukmini Rao (Gramya) and Sejal Dand (Anandi)

only around 3%. The borrowers were largely from the 'upper' and 'middle' category of the poor, from high-income group (with annual income of Rs.20000 and more), with considerable landholdings.

The SHG movement in Andhra Pradesh is well acknowledged to have built social and human capital among the rural poor. However, the movement has not made such perceptible impact among the vulnerable sections such as Scheduled Tribes (ST) in the state. As per a study¹⁰ carried out by National Institute of Rural Development (NIRD) in two predominantly tribal districts, namely, Adilabad and Khammam, reveals – for want of social mobilisation and capacity building the ST SHG members could benefit neither from the interest subsidy under the state-sponsored Pavalavaddi scheme, nor from the project subsidy and institutional credit under the national self-employment programme SGSY. For want of functional literacy, entrepreneurial guidance and investment credit, all of them are not able to move out of subsistence and continue to live below poverty line.

Internationally, also it is acknowledged that it is mainly the moderately poor rather than the very poor who benefit, and not very many can claim they have permanently left the instability of poverty¹¹.

Lack of Access to Credit and Livelihoods Strengthening Initiatives

One of the areas that SHGs have claimed to make an impact is in reducing rural indebtedness and dependence of the poor on moneylenders. While in some instances, SHGs have provided women access to credit in emergencies, the rates of interest ultimately paid by the borrower continue to be very high, 24% annually at minimum. And ironically, in most of the schemes, women's own money is locked up, and they are forced to take a loan against their own savings at a higher interest¹². The Nirantar study shows that 60% of the groups in India have not been able to get loan from banks even after two years of group formation, despite the fact that more than 95% of these groups had bank accounts, and made regular savings.

At the same time, women are members in multiple groups. Back-to-back lending keeps women continuously in debt and they have to undergo the stress of repayment. It is no mere coincidence that Andhra Pradesh, oft-quoted as a 'success story' of micro-credit, is also the state with the highest number of deaths due to debts. This is the case not only in India but is a reality on the global scene as well¹³.

Looking at the point of food security, an article in 2006 pointed out that even after 8 years of borrowing, 55% of Grameen households (in Bangladesh) still aren't able to meet their basic nutritional needs. It also showed that women are using their loans to buy food rather than invest in business, which is an indication of the failure of any government initiative for food security.

A study of the RMK¹⁴ revealed that the enterprises promoted for livelihoods strengthening are traditional informal activities of service and trading. Moreover, they maintain the traditional sexual division of labour, whether in productive or reproductive roles. Thus, simply micro credit as an instrument is not enough. And income generation alone is not enough for getting women out of poverty and subordination. The study points out that delivery of micro credit would be meaningful only if it is timely and sustained. The lives of the poor are unpredictable and full of risks. And not enough investment is made, whether financial or social, to deal with these issues.

¹⁰ NIRD (2008) : Assistance to Scheduled Tribe (ST) households under SGSY

¹¹ Bello, W (2006) : Micro Credit, Macro Issues in <http://www.thenation.com/article/microcredit-macro-issues>

¹² Murthy, L (2005) : Women's Empowerment or a Debt Trap? in www.infochangeindia.org

¹³ Crossette, B (2003) : Experts Question Wisdom of Microcredit for Women in <http://www.womensnews.org/story/international-policyunited-nations/030302/experts-question-wisdom-micro-credit-women>

¹⁴ Buch (2002) : Poverty, Gender and Micro Credit - A Study of the Experience of Rashtriya Mahila Kosh (RMK), CWDS

Focus Purely on Financial Efficiency

Women in SHGs claim that the groups that they are a part of lead a savings-driven mechanical existence, where little discussion actually happened around decisions or around working together on a collective agenda. Data also shows that there was very limited opportunity to take up social issues within the groups. 64% of the groups formed under government programmes had not taken up any social issue or those related to entitlements¹⁵.

Moreover, the Nirantar studies documented that¹⁶ even senior functionaries in a programme like Velugu¹⁷ are aware that an economic definition, and the adoption of mere economic indicators, is unrealistic but necessary given the scope and limited time frame of the programme: "Others can follow up on those social aspects. We must not lose focus; else we will not have results to show at the end of such a tight programme."

Extent and Nature of Capacity Building Limited

47% groups formed under government programmes had not received any kind of capacity building input for the last two years. Even when groups received capacity building inputs, the overwhelming focus was on group and finances related management. Only 6% groups formed under government programmes had received inputs on gender issues and only 19% had received inputs on income generation and livelihoods¹⁸.

Buch¹⁹ (2002) also raised the issue of lack of capacity-building inputs by the implementing agencies in the RMK fold. Or sometimes, it is a case of the NGO's agenda for capacity building not being in tune with the vision for women's empowerment. Only 16% of the borrowers had received any training. According to the study, this resulted in a situation wherein neither the goal of poverty alleviation and enterprise development is served, nor is the objective of women's empowerment met.

Literacy a Key Determinant of Access to Credit, Capacity Building and Leadership

61% of SHG members were non literate according to the Nirantar study. The 39% literacy rate of women in SHGs is even lower than the 47% National Literacy Rate for rural women. However, there were very limited efforts on the part of sponsoring agencies to provide literacy opportunities to SHG members. Out of 45 NGOs who participated in the study only 3 had undertaken concrete efforts to provide literacy skills to SHG members.

Gendered Construction of the 'Good Woman' within a Neo-liberal Paradigm

The SHG discourse is constructing new dimensions of the 'good woman'. Paradoxically, the 'good woman' also bears a greater burden of work through her involvement in SHGs, with all the symbols of outward and upward mobility as well as the responsibility to keep those symbols intact. Further, this image privileges the income provision tasks, as credit inflow is viewed as a tangible inflow over the reproductive and care economy that is the traditional domain of women. This means that women's work, especially their unpaid work continues to stay out of the ambit of the discourse on poverty alleviation.

¹⁵ Nirantar (2007): Examining Literacy and Power within Self Help Groups (SHGs) - A Quantitative Study done across 2750 SHGs in 16 states of India

¹⁶ Nirantar (2007) : Examining Empowerment, Poverty Alleviation, Education within Self Help Groups (SHGs) - A Qualitative Study that examined 4 government programmes SGSY, DWCRA, Swashakti and Velugu; and 2 NGO programmes Peace (Andhra Pradesh) and Anandi (Gujarat)

¹⁷ At the time of the Nirantar study the programme was called Velugu. It has now been renamed 'Indira Kranti Patham'

¹⁸ Nirantar (2007): Examining Literacy and Power within Self Help Groups (SHGs) - A Quantitative Study done across 2750 SHGs in 16 states of India

¹⁹ Buch (2002) : Poverty, Gender and Micro Credit - A Study of the Experience of Rashtriya Mahila Kosh (RMK), CWDS

Research shows that women's stereotypical and traditional gender roles continue to be reinforced through the microcredit phenomenon²⁰. In the context of women's food security, intra-household inequities are an area that should be critically examined. A study done of the Grameen microfinance programme reflected that though household consumption of food was enhanced, both in quantity and quality, after women joined the microcredit group, the findings also pointed to the fact that women still either ate last, after the men in the family or children had finished eating, and also that if there was not enough food then they ate leftovers or nothing at all even in situations of hunger and starvation²¹.

Areas for Reflection

Increasingly, it is being felt that within the neo-liberal paradigm the SHG phenomenon has played a significant role in the shifting discourse on 'empowerment' and 'development'. At the same time several institutional players like micro finance institutions (MFIs), banks, corporate bodies, donor agencies, have 'instrumentally' used the savings and labour of women and SHGs, and pushed forward the agenda of 'self-sustainability' and 'financial sustainability' at their cost. In short, the agenda for justice and equity has been considerably marginalized and it is time to change this. Some of the areas that need to be reflected on are described below.

The Microcredit, Development and Poverty Discourse in a Neo-Liberal World

The view of feminist groups and academicians is clearly that microcredit is also just another name for debt, and the danger lies in minimalist microfinance programs instrumentalising women, adding to her already heavy burden of work & ultimately serving neither to alleviate poverty nor empower women²².

The myth that micro-credit will empower women or enable poverty alleviation has been propagated by international agencies to draw people into a market economy based on cash or credit. It is also a 'win-win' scheme promoted by a State that is increasingly withdrawing from its development and welfare responsibilities. The micro-credit approach implies that it is people's own responsibility to lift themselves out of poverty – an impossible goal within the current neo-liberal paradigm. The 'success stories' are disproportionately publicised, and the immense non-economic inputs and support structures required to lift SHGs out of the quagmire of financial transactions, are not highlighted as much.

There is a fundamental issue of why subsidy as a right (for instance agricultural subsidy) is being taken away and credit given as a burden. Moreover, the cash orientation of micro-credit is located in an analysis of exploitative usury arrangements²³, rather than being located in an analysis of the breakdown of food security or mutuality of village systems. We find that women often approached the moneylender for food security, market access or crisis expenditure, and these needs are now being met by SHGs, without addressing fundamental questions such as: why is there food insecurity; why do producers not have market access; why do only girls' families have to spend on dowry?

Thus, basic issues of women's subordination and poverty are not addressed. With the emphasis on lending, non-monetary initiatives of saving and co-operation such as grain banks, seed banks etc are not promoted with equal zeal. Instead of mere access, we need to speak about entitlement. Questions of land rights, purchase of assets, controlling assets, poor health, lack of education, low social status or

²⁰ Swain, R B & Wallentin, F Y (2007) : Empowering women through Microfinance in UNDP's 'Poverty in Focus', Uppsala University

²¹ Alami, A N (2010) : Microfinance as a 'Progressive' Gender and Development Policy: The Bangladesh Experience in <http://athiqahnuralami.wordpress.com/2010/01/21/microfinance-as-a-progressive-gender-and-development-policy-the-bangladesh-experience-part-1/>

²² Dand, S (2007): Revisiting the goals of Microfinance for Development: Potential of self help group movement for transformative politics in Yojana, Govt. of India

²³ Murthy, L (2005) : Women's Empowerment or a Debt Trap? in www.infochangeindia.org

discrimination²⁴ are crucial issues that need to be addressed. The State needs to frame and implement supportive policies and programmes to ensure equitable land distribution, greater access and ownership of common property resources for SC, ST and other poor women, and promotion of food sovereignty which allows for farmers to grow food of their choice and communities to eat locally grown culturally acceptable food.

The Group as a Space for Women to Address Right to Food and Livelihoods

However, the core of the self help group's strategy was not merely visualized to be a financial mechanism to provide a means of savings and credit but lay in the experience it provided women of self-worth, building confidence in their own abilities & a space for critical reflection, collective action to negotiate social, economic, political power embedded in society. The objective of these groups should be to create enabling conditions that can strengthen women's food and livelihoods security.

There are innovative experiences from across the country on how this can be done. SHGs mobilized and strengthened by ANANDI in Gujarat have taken on the issues of drought and drinking water crisis, and as a group they put pressure on local governance and officials to address these problems by promotion of approaches that will reduce the women's drudgery, like deepening of wells, rainwater harvesting. Some of these groups have also undertaken implementation of watershed programmes as part of engaging with management and governance of a government scheme for livelihoods security. Another innovation tried by the ANANDI supported groups has been in developing fodder and grain banks for seasonal food insecurity, in an area where 75% of the families food insecure for six months or more in a year²⁵. Other groups have undertaken employment and enterprise development, and strengthening of technical skills for livelihoods diversification.

In Andhra Pradesh, Deccan Development Society (DDS) has facilitated SHGs to take control of common lands. The SHGs developed the common lands by using social forestry schemes earning regular income and creating fodder and food for themselves. DDS has also facilitated the SHGs to lease in land from local landlords and earn better incomes as well as create food security for themselves. More importantly, this has been a step enabling them to work collectively and later access buying their own land to farm collectively.

Yet another significant intervention by DDS has been enabling 100 women farmers in 32 villages to invest in land development and create village food banks. This is a sustainable system because the women share the grain as needed at a low cost and reinvest their money in agriculture in the following season. This has led to reduced fallow land, created employment, gained recognition for women as farmers and reached out to the poorest of the poor in the village. This programme had been undertaken with a linkage with Jawahar Rozgar Yojana (JRY) innovative programme. This goes to show if facilitated strategically, and by drawing upon other government resources, a lot can be done to support women's food and livelihoods security.

In DDS, some of the strong SHG leaders not only challenge agriculture scientists on farming issues but have shared their thinking at national and international fora with peasant organizations working to promote food sovereignty. The core of these initiatives is availability of land. There is a need to move forward from the notion of food security (which can also result from dumping of imported cheap grains) to food sovereignty which allows for farmers to grow food of their choice and communities to eat locally grown culturally acceptable food.

²⁴ Crossette, B (2003) : Experts Question Wisdom of Microcredit for Women in <http://www.womensenews.org/story/international-policyunited-nations/030302/experts-question-wisdom-micro-credit-women>

²⁵ Chakraborty, S and Dand, S (2006) : Food insecurity in Gujarat: A study of two rural populations in Economic and Political Weekly, 2248-2259, Vol 41

The Criticality of Investing in Women

The learnings from the above and other experiences are that clearly sustained and substantial investments are required over a period of time. A study by Kabeer²⁶ (2005) reflects that while access to financial services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does not "automatically" empower women, or improve the conditions of their poverty. For SHG programs, the results seem to indicate that the minimalist microfinance approach is not sufficient.

Concerns raised by Nirantar and others can be addressed if capacity-building, education and literacy also become key elements of the inputs provided to women in SHGs. Given the dismal situation of investments that are currently being made in these areas, there will need to be a change in the way SHG policies and programmes are envisaged and implemented, and greater human, financial and institutional investments will have to be made in women belonging to SHGs. Experience shows that this will have direct and indirect outcomes.

Additional services like training, awareness raising workshops and other activities over and above microfinance programs that merely focus on financial services are an important determinant of the degree of the impact of capacity-building on livelihoods strengthening and on the empowerment process of women²⁷. Examples from the Indira Kranti Patham programme (Andhra Pradesh) indicate that it is long-term sustained and substantive inputs that can make a difference to women's status and enable them to address issues concerning themselves. In recent years, the huge investments made by the IKP have resulted in the fact that women in SHGs have been enabled to address and resolve more than 20000 cases of violence in their homes and villages. This has paved the way for women to become stronger players in demanding their rights related to food and livelihoods.

The Way Forward

Some of the issues raised in this paper are not only experienced in the field, but are well documented in research as well as policy documents. The Eleventh Five Year Plan itself raises these issues and recommends a High Level Committee for looking into the policy and programme framework for SHGs as a strategy for poverty alleviation and empowerment (see Annexure 1).

As activists concerned with the right to food and livelihoods security for the poorest and most marginalized groups we cannot ignore the impact that the SHG phenomenon has on the lives of the women and communities we work with²⁸. From 2007 to 2009, over 3000 groups and individuals from across the country got together to develop and formulate a Charter for SHGs that should guide policy and programme directions in future. This Charter is given below.

The Charter for SHGs

1. Micro credit can only be one intervention for empowerment and poverty alleviation programmes. The State must increase spending on core sectors such as health, education and food security.
2. SHGs should address equity issues within the household like violence and the burden of work on women.

²⁶ Kabeer, N (2005) : Is Microfinance a `Magic Bullet` for Women`s Empowerment?

²⁷ Swain, R B & Wallentin, F Y (2007) : Empowering women through Microfinance in UNDP's `Poverty in Focus`, Uppsala University

²⁸ A session on 'Microcredit' was organized by Nirantar at the Third Convention on the Right to Food (Gaya, 2007). A brief report and concerns that emerged from that session are given in Annexure 2.

3. Government programmes should not engage women only in gender stereotypical 'caring' and 'nurturing' roles like mobilising for girls' enrolment in schools, cooking of midday meals, etc. Politicians should not use SHGs as vote banks.
4. Promoting agencies must take responsibility for the outcome and performance of SHGs. Social indicators have to be included in monitoring.
5. Adequate investment in capacity-building – including literacy – should be made.
6. Instead of being 'target-driven' promoting agencies must provide sufficient time and resources to SHGs.
7. The State must resist the temptation of using the labour and time of SHG members to meet its programme targets without remunerating them.
8. Livelihoods interventions should be context-based, viable and innovative, with a focus on enhancing women's access to and control over land, water and forest resources.
9. There must be a cap on interest rates. The burden of high interest rates cannot be transferred onto poor women.
10. Banks must contribute a part of their turnover to a capacity-building fund for SHGs.
11. The State must make available data related to investment and impact of SHG programmes.

Session Objectives

Given this context, this session at the Right to Food and Work Convention has been envisaged with the following objectives:

- To reflect on microcredit within the current poverty and development discourse
- To cull out experiences where SHGs have addressed food and livelihoods issues, and to understand strategies that have worked or not worked therein
- To draw up a set of recommendations that have implications for SHG policy and programme in the context of right to food and livelihood security

Annexure 1

Extract from the Eleventh Plan Document: Self-help Groups (SHGs)

While strengthening SHG initiatives, policies and schemes the Eleventh Plan will simultaneously increase women's awareness, bargaining power, literacy, health, vocational, and entrepreneurial skills. It will prioritize training, capacity-building inputs, and the creation of backward-forward linkages, which are essential to generate sustainable livelihood opportunities.

Given the scale of the phenomenon, there is a need to review the SHG interventions and ground realities to determine how SHGs may better serve the interests of poor women, and suggest changes required in overall SHG policy frameworks. The Eleventh Plan recognizes the importance of this issue and proposes a HLC (High Level Committee) to conduct a review of SHG related policies and programmes.

Source: 'Towards Women's Agency and Child Rights', Eleventh Five Year Plan document, Government of India (2008), www.planningcommission.nic.in

Annexure 2
Brief Report on Session on Microcredit from Third Convention on Right to Food
(Gaya, 2007)

A total of 36 persons were present at the workshop from 9 states of India – Bihar, Jharkhand, West Bengal, Assam, Chhattisgarh, Orissa, Gujarat, Rajasthan and Tamil Nadu – and one representative from Bangladesh.

Key Discussion Points

- Subhalakshmi of Nirantar presenter the findings from the two studies conducted by Nirantar across 2750 SHGs in 16 states of India. The key points highlighted were – exclusion of Dalits, Adivasis and Muslims, lack of capacity building in groups, emergence of only literate women in positions of leadership, limited financial agenda of SHGs and instrumentalist use of SHGs and the women in them by banks, corporations, micro finance institutions (MFIs) and the state. (See Annexure I and II for Executive Summaries of the studies)
- Experience of Tamil Nadu – 25000 PDS shops have been given out to SHGs, in the effort to promote it as an ‘enterprise’. However, it has not worked because the ‘enterprise’ is totally unviable and the state has used this as an excuse to trash the entire PDS, and tried to withdraw entirely. What makes the matter worse is that the women are not paid the remuneration that used to be paid to other licensees of PDS shops.
- Similarly, in West Bengal, SGSY groups have been asked to run Midday Meal. Subsequently what has happened is that the vested interests of Panchayat leaders, MDM Coordinators, VECs (Village Education Committees) and Head Masters has led to an increase in the levels of corruption in the MDMS – siphoning off foodgrain, not cooking according to the menu, poor quality of meals, etc. In the words of a representative from Paschim Bengal Khet Mazdoor Samiti – “The women have moved from being ‘gharwali’ (homemaker) to being ‘chor’ (thief) and the blame for the corruption, irregularities and failure of the scheme has been put on them.” Moreover, remuneration is not regular nor is it adequate.
- Friends from Orissa also shared similar experiences, saying that the PDS has become even more corrupt since they have been given out to SHGs because on the ground, it is the contractors who have so to say ‘retailed’ out the PDS shops to SHGs and then exploit them and use them, and ultimately blame them for the failure of the system.
- Group members also discussed the various ways in which banks exploit SHGs for their own gains and coerce for repayment.
- Participants also shared experiences of how they have seen corporate interests (like Hindustan Lever, Amway, etc) use SHGs for the sale of their products in the rural market
- One major area of discussion was the issue of high interest rates charged from the women for borrowing. While they make their savings @ 6% interest p.a., they borrow @ 24-40% interest p.a.
- Participants also discussed how political mobilisation through SHGs is also happening and although this could be a positive thing, there is a lot of exploitation and coercion, and tokenistic use of women and SHGs in this.
- Friends from Tamil Nadu said that the way SHGs are being promoted today leaves no space for taking up sociopolitical issues, rights based issues. They spoke about the experience of attending a high profile meeting of 7000 SHG members in which he felt there was no agency on part of the women. He compared this experience with a meeting of 35 politically aware women who made demands from the state and got them. He said that the SHG forum could be used for mobilisation on rights based issues, but this is hardly done.
- A detailed discussion took place on the Micro Finance (Development and Regulation) Bill that has been tabled on March 20 2007 in Lok Sabha. Some of the major points of critique were (See Annexure III and IV for detailed critique) –
 - There is no mention of ‘poor’ or ‘women’ in the Bill, although they form the backbone of the micro finance sector with their meager savings, time, energies and labour.
 - There is no capping of interest rates. It is expected that the poor, who have no bargaining power, would be able to negotiate interest rates in the market.

Note for Fourth National Convention of Right to Food and Work Campaign (August 2010), prepared by Nirantar, with inputs from Komal Srivastav (BGVS), Rukmini Rao (Gramya) and Sejal Dand (Anandi)

- Large MFIs have been excluded from regulation while societies, trusts, cooperatives, SHGs and SHG federations are sought to be regulated.
- NABARD has been identified as the regulatory body, which is unsuitable since as a promoter of micro finance there would be a conflict of interest.
- Sharmishtha from BGVS announced that they are organising a two-day workshop on April 14-15 2007 at Bhopal on the issue of SHGs and the Micro Finance Bill and invited everyone to attend it.

Emerging Concerns

1. The policy guiding SHGs today reflects state's withdrawal from social sector spending and reducing accountability.
2. This phenomenon has severe implications on the lives, livelihoods and food security of the poor and marginalised, especially women.
3. There is a need to consciously rethink SHG policy and programme design since directly or indirectly we all mobilising people's collectives, many of which are SHGs.
4. Immediate action needs to be taken against the Micro Finance (MF) Bill that has been tabled in Parliament²⁹.
5. All groups present made a commitment to take forward discussions on these issues at various forums within their organisations, states and regions.

²⁹ A collective memorandum was submitted by many groups and individuals to the Parliamentary Standing Committee on the MF Bill in 2007, which you can read here - http://www.nirantar.net/rat/critique_of_bill.pdf