

Women's Empowerment and the New World of Microcredit Evangelism

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In the development circles, microcredit has become the buzzword. Advocates of microcredit often perceive it as a panacea for poverty alleviation. Historically, microcredit programs were initiated by the women's groups and non-governmental organizations as a potential tool for women's empowerment as poor women gain greater access to financial resources. By and large, microcredit programs have remained localized, functioning within the existing savings and credit facilities. Now attempts are being made to launch microcredit programs at the global level with new hard selling of it as an anti-poverty formula.

The recent trends indicate that microcredit programs are moving away from 'development as charity' model to more profitable 'development as business'. According to a World Bank recent survey, microcredit lending will reach nearly \$ 12 billion worldwide by the end of 1997. In the case of India, not only private donors but a large number of governmental financial institutions (NABARD, SIDBI), bilateral donors (SDC, GTZ), World Bank and other international financial institutions are promoting microcredit programs on a large scale. Even the transnational banks are also jumping on the microcredit bandwagon. It will not be wrong to say that there has been a flooding of financial resources to carryout microcredit programs in India and elsewhere. Thanks to microcredit, for the first time, we will see a "partnership" between two set of diverse groups - NGOs and women's groups on one hand and multilateral financial institutions and transnational banks on the other hand. Historically, these two groups had nothing in common in terms of worldview, ideology, strategy and "clients".

The reasons for growing interest in microcredit programs by the commercial banks and financial institutions are as varied as the players in the field of microcredit. There are two types of microlenders in India and elsewhere: those whose primary goal is empowerment of the poor and those whose primary goal is profit. The former combine microcredit with health care, training, labor organizing in order to raise the standard of living of women and poor people. Thus, womens' groups and NGOs view microcredit programs as a potential tool for

empowerment of women and poor people who get greater access to financial resources to break the shackles of poverty. On the other hand, microlenders of the latter variety see microcredit as an end in itself and whose exorbitant interest rates often keep the poor trapped in a downward spiral of debt. Many commercial lenders support microcredit as a 'cheaper' alternative for poverty alleviation because it avoids 'overhead' costs of a wider development agenda which includes group organizing and mobilization, support for struggle and campaigns, access to natural resources, redistribution of wealth and resources, skill training, etc. Similarly, multilateral development banks and financial institutions are viewing microcredit as a new profitable avenue of business. Of late, the financial institutions have realized that microlending offers immense opportunities of profit making as interest rates can range from 20 to 100 percent and repayment rates are over 90 percent, far above the commercial lending. Thus, this economic logic makes the poor more attractive to banks and financial institutions, but not vice-versa.

Microcredit Summit

A global campaign to ensure that millions of the world's poorest families receive credit for self-employment was launched at the three-day Microcredit Summit in Washington, DC, during February 2-4 1997. Organized by RESULTS Educational Fund, a US-based non-governmental organization, the Summit goal was 'to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005.' The Summit was supported by a number of financial and development banks including the World Bank, International Fund for Agriculture and Development, Citicorp, MasterCard, Chase Manhattan and American Express.

Surprisingly, the registration fee for the Summit was \$200, not a small amount for many small practitioners of microcredit. The Summit was addressed by speakers such as Hillary Rodham Clinton, Muhammad Yunus (Grameen Bank), Ismail Serageldin (World Bank), President Fujimori of Peru and Her Majesty Queen Sophia of Spain. Most of the practitioners who also addressed the Summit were from large and well-known NGO's such as FINCA, Women's World Banking, Accion International, Catholic Relief Fund, and Save the Children Fund.

Hardly any one from small and grassroots organizations of the South was sitting on the panels. Whereas, International Financial Institutions, especially the World Bank and its microcredit facility, Consultative Group to Assist the Poorest (CGAP), were well represented on the various panels.

Although Summit organizers claimed that no single model of microcredit delivery was promoted during the event. But, an emphasis on scale, commercial viability, and quantitative assessment criteria was evident throughout the Summit, says Nan Dawkins Scully of Institute of Policy Studies who attended the Summit. According to her, this was not surprising given the attendees were donors and commercial financial institutions which tend to find a market-based model, in which commercial banks team up with profitable microlenders seeking increases in 'market share' as a means of reaching larger numbers of 'clients' (poor borrowers). Donors and international financial institutions increasingly promote such a model as 'best practices'.

Despite the overwhelming presence of financial institutions, a number of participants expressed concern that the Summit might produce negative consequences. Many feared that the Summit's rhetoric framed microcredit as a sole source or best possible solution for poverty — particularly women's poverty. NOVIB - a Dutch NGO, issued a statement stating, "the goal of the microcredit Summit to 'solve' poverty by providing credit is highly over-rated; the poorest groups in societies cannot take control over their own future - nor completely over the use of credit - without change in more structural issues like literacy, unequal power relations, employment and wages that reinforce their present position. The solution of poverty cannot be totally put on the shoulders of the poorest." (From *Novib's View on the Role of Micro-credit in Fighting Poverty*, Declaration presented at Microcredit Summit, February 1997).

Jaya Arunachalum of Working Women's Forum in India, also echoed this concern: "Addressing economic interests alone is not sufficient. Poverty is a consequence of systematic social exclusion from policy options or productive measures for the most vulnerable groups." Similarly, Oxfam's Ben Rogaly and Susan Johnson pointed to trickle-up microcredit programs implemented by small, local-level initiatives as the most likely to be successful. Despite the fact that small practitioners were not well-represented on plenaries during the Summit, a

coalition of 43 African microfinance providers issued the following statement: “Any future criteria for accessing microfinance funds needs to take into account the involvement of small, start-up organizations. We are concerned that a significant global microfinance fund set up by donors has already bypassed our nascent, indigenous organizations.” The coalition went on to say that “criteria for selection of microfinance operators should be developed through a broad-based process and popular participation.”

The Summit’s quantitative objective of reaching 100 million by 2005 needs to be debated as achieving this goal requires massive increase in the scale of microcredit programs. It seems that nothing has been learnt from past experiences that clearly show that increasing scale could result in institutions that might be too big and too removed to be effective. Further, increasing outreach to 100 million people requires a marriage between commercial banks and practitioners of microcredit. Like donors, commercial banks prefer practitioners who offer financial services only - not the credit programs which offer ‘expensive’ services such as training, education, child care, labor organizing, etc. Thus, the achievement of this goal may lead to promotion of credit at the cost of other developmental measures.

Indian Scenario

In India, a number of self-help savings and credit groups and microcredit programs have been initiated since 1980s to provide credit facilities to the poor, especially women, in both urban and rural areas. These programs stumbled upon a surprising finding: By targeting women, repayment rates came in well over 95 percent, higher than most traditional banks. Impressed by the repayment rates, banking institutions like National Bank for Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) began increasing their lending to such groups in India. However, the lending rates of SHGs to borrowers are not cheap. For example, (SIDBI) lends to NGOs at 9%; NGOs are allowed to onlend to credit groups at a rate up to 15%; and groups, in turn, are allowed to charge up to 30% to individual borrowers. Although such high-interest credit is touted as a vehicle for poverty alleviation wherein the poor use the funds to undertake commercial ventures, various studies have also

found that the loans are often used by poor people to meet their daily consumption needs rather than creating productive assets.

Now on a much larger scale, microcredit institutions are being established in India, with liberal grants, in the form of seed money, from international donor agencies like Ford Foundation, UNDP and Swiss Agency for Development and Cooperation (SDC). This seed money, in turn, will attract additional capital from the corporate sector and financial institutions. Loans are to be provided to borrowers through a network of subsidiary lending institutions. In order to assure investors a good rate of economic return, these corporate entities will lend at market rates. This market based approach has evoked sharp criticism from many researchers who argue that this approach may keep the poor on the treadmill of debt or bypass them altogether in favour of those who can afford credit at market rates.

As the numbers of microlenders in India multiply, a proper regulatory framework under which these entities should function must be developed to ensure that those involved in microcredit come under close public scrutiny. Otherwise, these new entities may simply earn legitimacy and end up as an exploitative form of organized money lending with no public accountability.

Growing Influence of Donors and World Bank

In recent years, there has been a sudden spurt of interest in microcredit among developmental banks and financial institutions. Many developmental banks are promoting microcredit as a 'win-win' option, wherein investors profit handsomely while the poor gain access to financial resources. However, this thinking is not just narrowly focussed but more importantly, it totally undermines the role and significance of public policy through measures such as social sector spending and other developmental initiatives which contribute in the the eradication of poverty. It needs to be emphasized that microcredit is not a substitute to social sector spending and anti-poverty programs. How beneficial is credit if cuts in social services continue to exacerbate women's poverty and increase their total labor hours? One is not arguing that the credit has no role in alleviating poverty but what can women do with credit if they do not have child care, education, training, and health services?

In this context, the role of the World Bank in promoting microcredit needs to be discussed and debated. In 1995, the World Bank launched its own microlending arm, CGAP, with the goal of 'systematically increasing resources in microfinance.' The Bank's President, James Wolfensohn, announced this program at the 1995 Fourth World Conference on Women in Beijing. CGAP appears to be narrowly focussed on microlending as an end in itself. A recent report prepared by the Washington, DC-based Institute for Policy Studies, found that 46 percent of CGAP's expenditures in its first year of operation was spent on policy reforms which may benefit lenders but end up hurting poor borrowers, particularly women. For example, CGAP views microlending as unviable in the presence of usury laws - laws which provide ceilings on interest rates. Thus, its first dictate at a conference in Mali was to get government officials to repeal their nation's usury laws. CGAP also calls on countries to completely privatize their microlending institutions, removing all subsidies for banks which service the poor. CGAP also advocates stronger debt collection laws -specifically collateral laws - which will result in a safer environment for bankers but which could exclude the poorest, and poor women in particular, from access to small loans.

Keeping the CGAP framework in view, the World Bank has recently financed a project in India called Rural Women's Development and Empowerment Project. The entire focus and emphasis of this project is to launch credit programs through the establishment of self-help groups in India. Thus, women's empowerment is only seen in terms of economic development with narrow focus on credit and income-generation programs. One is surprised to know that many women's groups and experts who were involved in the formulation of this project also echo this view. One expects that a project with such a progressive title, "Empowerment", should include developmental components other than credit. For instance, in the case of rural women's empowerment, women's control and ownership over land can play a very important role in not only economic welfare but, more importantly, in terms of social and political empowerment as land is a symbol of political power and social status in rural India. Further, It is not realized by the World Bank and women's groups that self-employment is the last choice for poor women in India. Perhaps, the Bank is not interested in a process of women's empowerment that may be too political and requires various other strategies. Therefore, it seems that the Bank and

women's groups, which will be involved in this project, have agreed to adopt a “soft” approach towards women's empowerment by promoting the credit programs and self-employment activities.

Microcredit in the new global setting

Furthermore, microcredit has to be seen in the context of an increasingly exploitative global order as macro economic policies of liberalization and globalization are destroying formal sector jobs, social sector spending is decreasing in real terms, and unemployment is increasing. In this scenario, the last option left for poor is self-employment, which microcredit aims to promote. With the support of credit, many poor women are involved in income generation activities of producing consumer and household goods. But the odds are stacked against the self-employed in the market, as they do not enjoy any market protection. Besides, they have to compete with the goods made by big business and transnational corporations. How can poor women compete with the transnationals and big business houses which not only have a strong financial clout but also spend millions every year on advertising, brand selling and marketing. Thus, these women are placed at an extremely disadvantage position in the market. To make this situation advantageous to women groups require radical changes in macro economic policies which can be achieved through other interventions in macro economic regime. There are very few examples of microcredit programs where macro interventions for more favourable economic policies for poor women have been sought.

One is not undermining the valuable role of microcredit in poverty alleviation. But any developmental strategy will require far more than the ‘band-aid’ of microcredit on the gaping wound of poverty and unemployment. Otherwise, microcredit programs, at best, can lead to just micro solutions. Perhaps, advocates of microcredit heed the warning of U.N. researcher Linda Mayoux, “Microcredit’s success is dependent on, rather than a substitute for, wider changes in the development agenda.”

References

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