CHAPTER I

INTRODUCTION
1.1 BACKGROUND

The twentieth century has witnessed large-scale conscious efforts of social change to improve the quality of life of the disadvantaged section of the population. The concept of micro-finance emerged as a result of such efforts. It was recognised that making financial services available to the poor was necessary, though not sufficient, condition for improving the quality of their lives. However, it was also observed that in spite of establishment of a large network of financial outlets, majority of the disadvantaged population had no access to formal financial systems.

Unequal economic opportunities for women are manifested most clearly in their limited access to credit. The availability of micro-credit, especially for poor women, provides them an opportunity to avail of economic independence to a certain extent. Numerous initiatives have been taken by both governments and NGOs in order to provide credit to women in India and Bangladesh. Although some of these have been very successful, there is still a huge unmet need for micro-credit in the region, particularly in the rural areas. Women hardly get any benefit from formal financial institutions. Hardly any credit other than the institutional credit has been given to poor women. In particular, banks have failed to take into account the special needs and concerns of poor rural women. Most banks apply the same rules to these women as are applied to richer borrowers in urban centres. High transaction costs, rigidity of collateral requirements and difficult procedures often restrict poor women to avail the facilities of formal financial institutions. In short, traditionally, these banking institutions believe that poor people are not 'bankable'.
Therefore, development practitioners, in different parts of the world, have called for substantial efforts to make financial services, including savings, credit, insurance and financial counseling, available to the poor people and especially to the women workers. Micro-finance is a result of such efforts. In all such efforts, women have been under watch, mainly because they are more vulnerable in the formal financial system.

The Task Force constituted by the Reserve Bank of India (RBI) came out with a working definition of micro-finance as 'provision of thrift, credit and other financial services and products of very small amounts to the poor in rural and semi-urban areas for enabling them to raise their income levels and improve living standards'. The emphasis of support under micro-finance is on the poor in 'pre-micro enterprise' stage for building up their capacities to handle larger resources (RBI, 1999).

In the absence of an appropriate micro-finance programme, women workers suffer the most. First of all, if they are denied access to banks, they are not able to keep their small savings at a safer place, besides losing some interest on such deposits. In the absence of any such arrangement, they either keep their savings 'under the ground' (in most of the cases) or with their husband. In the latter arrangement, their money is not safe as their husbands waste their money mostly on consuming alcohol. In the former case, their savings do not generate profit.

Women workers in the informal sector are more vulnerable and they are more prone to fall under the vicious cycle of poverty due to lack of capital inflow. The only way they can break out of this cycle is to
infuse some capital for increasing investment in the form of credit or to expand their capital base.

Savings is created by accumulating small amounts of cash set aside from some everyday expenditure, over a period of time. Credit is needed when a large sum is required, before the small amounts have been set aside (Rutherford, 1996). When income is not adequate for capital formation, it needs to be enhanced by increasing the investment through introduction of capital in the form of credit.

One of the biggest problems, which women workers face, is that of timely availability of credit. For example, if someone requires money to invest in her business, which would provide her employment opportunity as well as income generation, she would approach a bank. She has to visit the bank at least 3-4 times to get familiar with the process of availing a loan. At the end of it, she realises that she cannot get a loan without collateral, which is a general problem for women workers in the informal sector. They do not 'own' property either on 'paper' or in 'practice'. In most cases, husbands own properties. Thus, in the absence of any collateral, she loses the chance of getting a loan sanctioned. However, even if she gets a loan after a long struggle, the cost of funds (i.e. the loan) becomes higher due to other expenditure and loss of workdays. If she does not get the loan, she loses her days of work, which reduces her income. In addition to this, she pays 'unwanted' cost in visiting the bank so many times (in rickshaw etc.). Thus, in such cases, she loses her money as well as time, and it is a lose-lose situation for her. Moreover, delay in availability of loan defeats her purpose of taking a loan. Apart from the financial loss, she also loses faith in 'formal' credit institutions. That is the reason why many women workers prefer to take loan from moneylenders, who
make the money available ‘on-time’. Similarly, the informal microfinance institutions and NGOs provide these women, money on time, at either their doorstep or nearer to their home, which is a mutually beneficial situation.

The micro-finance experiences of the last three decades in the NGO sector in India and Bangladesh have shown that given a proper supportive environment and institutional support in the form of SHGs (Self-help Groups) and other models (Grameen model etc.), poor people can save. They are also ready to pay market rates of interest when the required credit is available at their doorsteps.

Lack of own savings makes them dependent on others. In the absence of any savings, their position within the household and outside becomes vulnerable. In case somebody wants to work, or is working with the family enterprise, and being part of the family enterprise she is generally not paid. In addition to this, she also looks after the household work and children, which amounts to 15-16 hours of back-breaking work. So, even if she wishes to start her own enterprise, she feels helpless. In many cases, women start up their enterprise by taking loans from the moneylenders, who generally charge high rate of interest. The average rate of interest they charge in both India and Bangladesh is about 5 per cent per month, which amounts to an exorbitant 60 per cent per annum. But these women prefer exploitation than ‘no money’.

Nidan, an NGO based in Patna, conducted study on the condition of street vendors in Patna. This study reveals that ‘most vendors do their business with little or no capital to start with. The wholesalers prefer to give goods on credit to these vendors so as to create a pool of loyal permanent customers. It enables the wholesalers to determine
prices on their own terms and gives them a chance to cheat while weighing goods to be given to the vendors as the latter are bound to buy from them only. The business of vendors is exposed to general fluctuations in the commodities market. Prices and demand fluctuation, particularly for those who deal in perishable goods, often leads to default in payment to the wholesalers. This forces the vendors to borrow from moneylenders which opens a whole new chapter of exploitation—once borrowed, indebted forever. During the course of the study, a total of 94 per cent vendors were found dependent on this informal source of credit. They operate through permanent henchmen, who even issue passbooks to the borrowers. The rate of interest on reducing balance basis works out to be an unbelievable 482 per cent per annum. Mobile vendors using pushcarts normally pay between Rs. 15 and Rs. 200 as the monthly rent for hiring these carts from the owners who also happen to be moneylenders'(NIDAN, 1998).

In the process of earning their livelihoods, women vendors fall under the trap of informal 'money-regulators'. They are not able to create assets, which can generate income without any 'indebtedness'. Wageworkers are jobless during lean seasons. For example, women agricultural workers get work for shorter periods while most of the time they have no work. Due to unavailability of 'alternative employment' their situation becomes worse. Some kind of easy credit supply can promote employment opportunities among them.

In the light of such problems faced by women workers, governments and NGOs in India and Bangladesh felt the dire need of micro-level financial services for them. It has been proved as an important tool which helps to improve their livelihoods, consolidating their position in the family and in the society at large. The seminal
effort that has been replicated across the region, and indeed the world, is the Grameen Bank, based on the concept of group lending and peer monitoring. NGO-operated micro-credit programmes in Bangladesh cater to over 10 million people with 90 per cent of borrowers being women [Haq, 2000]. It has been seen that credit alone is not a vehicle for generating income. Without substantial market incentives and infrastructure, borrowers are likely to remain in debt, as they have limited options to make profitable investments. Rural credit programmes support services that include training, savings mobilisation techniques and group formation. Approximately 2 million women were estimated to be self-employed in individual or group enterprises (UNDP, 1995).

1.2 MICRO-FINANCE IN INDIA

It was only in 1954 that the mainstream banks started spreading branch networks into the rural areas. Since then, major efforts have been taken for the spread of the cooperative banks network. Nationalisation of banks in 1969 led to a massive push in increasing the branch network in rural areas, increasing direct lending to agriculture and small industry by establishing priority sector lending. Establishing Regional Rural Banks in 1975, NABARD in 1982, and above all, initiation of the Integrated Rural Development Programme (IRDP) in 1982 have been major steps in this direction. The credit schemes had subsidised interest rates and also an outright capital subsidy. However, all these efforts could not serve the purpose of reaching the poor population with cheap credit. The bureaucratic control over the funds and unprofessional management led to the failure of these programmes. Above all, women workers of the unorganised sector were mostly left ‘untouched’ due to
their inability to arrange for collaterals. So, women workers could not get easy access to the formal credit until the efforts made by NABARD through its pilot project in Karnataka (1991-92) of linking self-help groups with formal bank, mediated through the NGO, MYRADA which produced encouraging results. The apparent success of MYRADA in building a bridge between the banks and the poor led to its institutionalisation in 1996 by the Reserve Bank of India as a normal lending activity of banks under priority sector and service area approach.

NABARD's scheme was targeted towards fulfilling the credit demand-supply gap for the women workers. Credit needs of the poor, especially, women and particularly, those in the unorganised sector, have not been adequately addressed by the formal financial institutions of the country. Varied experiences in this sector had established the need for a quasi-formal credit delivery mechanism, which is client-friendly, with simple and minimal procedures, quick disbursal and flexible repayment schedules. It also envisaged that the credit should link thrift and savings with credit, and incur relatively low transaction costs, both for the borrower and the lender. With the above objectives in mind, the Government of India had established the 'Rashtriya Mahila Kosh' (National Credit Fund for Women - RMK), in 1993 (RMK, 2000).

Although the government made its effort to start the SHG movement in early 1990s with the MYRADA experiment, establishment of SEWA Bank had already laid the foundation of micro-finance movement in India. The formation of SEWA Bank by members of the Self-Employed Women's Association was the pioneering event in the
micro-finance sector in India, catering exclusively to the needs of women workers.

The Self-Employed Women’s Association under the leadership of Ela R. Bhatt was one of the first organisations to perceive that poor working women need credit on reasonable terms in order to build their stock of the necessary tools and working capital for their trade (Banerjee, 1999). Since ordinary financial institutions failed to make the effort, the association started the SEWA Mahila Sahakari Bank in 1974 with 4,000 depositors. The aims of the SEWA Bank are the same as those of the micro-credit programmes; it also has worked towards facilitating small regular savings by women without any asset and to provide them credit, especially for their income-generating activities. Though SEWA members start with a specific occupation, the Bank encourages them to try and improve the productivity of their work. For this, the Bank offers the womenfolk financial advice, helps them with market and feasibility surveys, provides them with technical training and special programme called ‘financial planning’ to help them in better planning for the future (SEWA, 1999).

1.3 MICRO-FINANCE IN BANGLADESH

Bangladesh has been described as the ‘Mecca’ of micro-finance with a remarkable variety of institutional arrangements for delivering micro-financial services to the poor. These include three nationalised commercial banks (NCBs), two development finance institutions (DFIs) and several bilateral projects in the formal public sector. This includes Grameen Bank and Palli Karma-Sahayak Foundation (PKSF) in the formal sector as public/private institutional hybrids; more than 1000 non-governmental organisation (NGOs) and 18 credit unions in the
private semi-formal sector; apart from hundreds of thousands of private (mostly disorganised) informal intermediaries (SANFI, 1998).

Bangladesh's pre-eminence in the micro-finance industry has also come along because of its spectacular achievements in getting micro-financial services out to almost 12,696,574 poor people in which the number of total active female members are 10,922,314, and is one of the biggest growing industries in Bangladesh. As of December 2002, the industry had about 9.26 million borrowers, mobilised almost Tk 11,978.04 million net savings, disbursed a total of Tk 187,339.24 million with a total outstanding of Tk 29,297.05 million (CDF, 2002).

BRAC is one of the leaders in the micro-finance sector along with the Grameen Bank and Proshika. From its modest beginning in 1972, it is now the world's largest national NGO, diverse in its operations with over 55,536 regular staff and 53,205 part-time teachers, working in villages in all the 64 districts of Bangladesh. BRAC has progressed with learning from experience and through a responsive and inductive process. Adjusting its strategy to prevailing circumstances, it does not pursue any rigid development rules (www.brac.net).

The Rural Development Programme (RDP) is one of BRAC's core programmes. Through village organisations, BRAC organises the poor and provides them with credit, training, and other necessary support. Since its inception in 1976, RDP has organised over 3.53 million poor landless people into 113,756 village organisations, each having 30-40 members. While BRAC believes that micro-credit is an important tool to use in breaking the cycle of poverty, it also places equal importance on training its members in income-generating activities and facilitating linkages with the consumer markets in Bangladesh. RDP has also designed a Social Development Programme with a view to increasing
the VO (Voluntary Organisation) members' awareness of their rights, enabling them to protect against acts of injustice, discrimination, and violence against women and seek justice through the appropriate channels (BRAC, 1999).

Through years of experience, BRAC has learned that credit can be a valuable input to better the lives of the poor. The aim of BRAC's Savings and Credit Programme is to help create a financial base for the VO members, through savings mobilisation and credit, in order to cater to various income-generating activities. While BRAC first experimented with credit in 1974, it was through the Rural Credit and Training Programme (RCTP) launched in 1979, that credit became an important programme component. Savings opportunities with BRAC provide its members with funds for consumption and other investments (BRAC, 1999).

Micro-finance has been used as an important tool for the promotion of livelihoods, both in India and Bangladesh. There are several micro-finance institutions and NGOs which are running micro-finance programmes. While in case of Bangladesh, the government has been very supportive and NGOs and MFIs were provided assistance in promoting the programmes, the Government of India is still not clear as to how to regulate the micro-finance programmes. However, in India also, several NGOs and MFIs are running the programme successfully and it has been proven as an important tool for creation of more employment and making women self-reliant.

A review of literature also suggests that economic activities help women in improving their condition in the family as well as in the society. Sustainable economic activity is necessary for women workers
and thus the financial services play a vital role in improving their livelihoods.

1.4 OBJECTIVES OF THE STUDY

It is interesting to understand how programmes like micro-finance help women in improving their livelihoods opportunities. Out of the various methods of reaching out to the poor through various programmes, micro-finance is considered to be one of the most important tools in the current years.

Again, women workers in the informal sector have remained invisible to the eyes of policy makers as well as researchers. More than 90 per cent of the workforce is employed in the informal sector, both in India and Bangladesh, but the ratio of research or publication in favour of these workers is comparatively very less.

Both the organisations selected for the proposed study are well-known for their work among women workers and both are pioneers in the field of micro-finance. While BRAC was founded in the backdrop of country's reconstruction and rehabilitation effort after independence, SEWA was founded to unionise the self-employed women for their rights. Later on, both these organisations felt the dire need of financial services for these poor women and thus started micro-finance programme. Thus the study will help us to understand the commonalities and differences of both these interventions. As a result of this, an overall picture about micro-finance interventions in the promotion of livelihoods, both in India and Bangladesh can be drawn.

The key objectives of the present study are:

(a) To understand the links between women livelihoods and micro-finance with reference to:
(i) increase in income;
(ii) increase in number of days of employment;
(iii) diversification of employment; and
(iv) providing employment in difficult times.

(b) To understand the scope of micro-finance interventions in improvement of livelihood with other support programmes and services such as capacity-building trainings and market linkages.

(c) To understand how micro-finance programme needs to be developed towards better livelihoods.

(d) To examine how different situations and requirements in two countries change the course of intervention.

1.5 HYPOTHESES

- Women workers associated with micro-finance programme earn more than those operating independently.
- These women workers are able to build fixed assets, and improve their livelihood security.
- Micro-finance programme increases paid and unpaid employment opportunities for them.
- Micro-finance also improves the transactional relationship of the enterprise by enhancing their ability to buy productive inputs in the most advantageous markets and, similarly, to sell their products on better terms.
- Micro-finance interventions contribute to the diversification of employment opportunities.
1.6 RESEARCH METHODOLOGY

The methodology followed in the study was descriptive and analytical. In the beginning, information was gathered in order to have better understanding of the issues involved in the proposed study. First, a good understanding of the micro-financial institutions involved, its objectives, structure, and methods of operation were required. Second, the economic, social and political setting in which micro-financial services are provided was examined and comprehended. Finally, it was helpful to carry out detailed case studies of some of the clients, with the aim of gaining a better understanding of the problems and opportunities that they get and the ways in which micro-finance services are helping in their daily life. All such information was gathered separately from the places where the SEWA and BRAC are working. At the end, a comparison has been made between both these interventions and their impact. To get a clear picture of the interventions, urban programme of SEWA Bank in Ahmedabad and BRAC in Dhaka has been examined in detail.

After completing these preliminary observations, a sample survey was carried out between both the client members of micro-finance programme and non-client members, who have been members of the organisation but have never been associated with the micro-finance programme. Although SEWA is a membership-based organisation, all members need not necessarily be the depositor at SEWA Bank. So it is easier to find member and non-member category associated with SEWA but not with the SEWA Bank. In case of BRAC, each beneficiary under urban programme is associated with micro-finance programme. Therefore, women workers from urban slums who are not associated
with BRAC were interviewed to analyse the non-member perspective. It was necessary to find out the impact on both the clients and non-clients to understand the difference between both these categories. The survey was conducted among 75 members who were associated with the micro-finance programme and 25 women workers who were not associated with the micro-finance programme. The survey was conducted on the basis of a questionnaire which was developed after the preliminary observations and understanding of the programme as stated above.

At SEWA Bank, the sample for survey was selected randomly on the basis of the list of members associated with the Bank and those not associated with the Bank, provided by the organisations. At Dhaka, client list was provided by BRAC and non-client list was prepared from the same locality by the researcher and the sample was selected randomly. However, it was ensured that the sample chosen for survey represented all categories of work and trade in which women were involved. Like the client samples, the non-client samples also consisted of economically active women, over the age of 18 years and engaged in one or more of a similar range of informal sector activities. Broad economic activities among which the samples were chosen are: hawking and vending, home-based production, and selling labour or services such as working in the garment factories.

1.6.1 Data Analysis: Data collected on the basis of sample survey was coded and analysed on the Statistical Package for Social Science (SPSS). It is a relatively straightforward data analysis package, which helps in analysing the data quite well.
Chapter 1: Introduction

It sets the background of the study and poses the problem related to the topic of study as well as defines the methodology. It also describes the methodology of the study, illustrating details of field study, its scope, objectives and shortcomings.

Chapter 2: Review of Literature

This chapter deals with the different books and other reading materials which were referred to, during the study.

Chapter 3: Socio-economic Status of Women Workers in the Informal Sector in India and Bangladesh and the Issues of Livelihoods.

This chapter deals with the conceptual issues related to the informal sector which consists of women workers in India and Bangladesh and it also discusses the socio-economic status of women workers. It will help in understanding the theoretical issues as well as practical situation related to women workers.

Chapter 4: Micro-finance Intervention by SEWA and its Impact on Livelihoods of Women Workers: Analysis of Case Study.

This chapter deals with the explanation of the micro-finance intervention by SEWA and also analyse the survey which was conducted both at Ahmedabad in India and also attempts to see its impact on the livelihoods of women workers. The micro-finance interventions by SEWA Bank have been written in two parts. The first part is based on the secondary data and available literature, both
internal and external. It tries to analyse the micro-finance programme of the Bank and its features. It helps to understand various programmes of SEWA as well as the evolution and growth of SEWA Bank’s micro-finance programme. The second part is based on a primary data based on interview of SEWA members both that are associated with SEWA Bank and those who are not associated with the Bank, though they are members of SEWA Union and associated with SEWA’s other programmes. This is helpful in understanding the micro-finance programme and its impact on women members who are associated with the programme and on those who are not associated with the programme.


First part of this chapter deals with the micro-finance interventions by BRAC and it has been written on the basis of secondary sources, which tries to analyse the micro-finance programme and its features. It also attempts to analyse the questionnaires based on a primary level survey with the BRAC beneficiaries as well as non-beneficiaries, which was conducted at Dhaka city to understand the impact of the programme on their livelihoods. The secondary sources help in tracing the evolution of BRAC and its various programmes as well in understanding the socio-economic context in which it is working.

Chapter 6: Conclusion

This chapter attempts to compare and contrast the intervention of both organisations in the backdrop of different social, political and economic scenario of these two countries and also tries to discuss the
impact of micro-finance programme. It also attempts to put forward some suggestions, which may be beneficial for improving the micro-finance programmes of both the organisations, especially, with member's perspective.