CHAPTER 7
CREDIT-PLUS FACTORS ESSENTIAL FOR SUSTAINABILITY OF INCOME GENERATING ACTIVITIES OF WOMEN

7.1 Introduction

“We realized that simply microfinance can’t achieve our ultimate goal of poverty alleviation and women’s empowerment….The need of the hour was to ensure holistic development of the poor…and that was possible only through credit plus interventions.”

C.S. Ghosh, Bandhan, India [132]

Most of the time it is assumed that microfinance refers only to provision of small loans to people for their consumption and income generation activities. However, that is a very narrow definition of microfinance. It also encompasses a gamut of financial services like credit, savings, insurance, remittance and also non-financial services like training, counselling, skill upgradation etc. Provision of a loan is only the first step. But the effective utilization of the loan and the efficient management of the aftermath post loan is the real test. This is not surprising as the word microfinance by its very definition, originally, was coined for finance provided to low-income clients who traditionally lack access to banking and related services. The loans are generally provided without any collateral. It is an economic development tool whose main objective is to assist their way out of poverty. Using terms like low income, loans without collateral and poverty implies that this is a target group who will need hand-holding atleast in the initial stages, post receiving finance, till they are able to manage on their own. And not just manage but manage in a manner that leads to sustainability of their activities. Only then will the ultimate aim of microfinance be fulfilled. Hence, it is obvious that microfinance refers to a complete package of financial and non-financial services.

In backward districts like Mewat, where sustainability of income generating activities through microfinance is the primary aim, this package of financial and non-financial factors is of paramount importance. Therefore, it is essential to understand the components of this microfinance package, besides credit. The objective here is to
identify the credit plus factors essential for sustainability of income generating activities of women in Mewat. Literature Review and the results of the primary survey were used as the basis for identifying these factors.

7.2 Identification of credit plus factors

According to David Gibbons [270], an integrated set of microfinance services, including savings, credit and insurance products, should be provided especially for the poor women who predominate among the clients of microfinance. They need savings facilities for safekeeping and to tide them over food deficits and other periodic emergencies, as well as to accumulate larger amounts of funds for the marriage of their daughters and the purchase of productive assets. Micro-credit is needed for investment in income-generating activities, so as to break out of the vicious cycle of poverty and backwardness. Life and large livestock insurance are needed so as not to burden survivors with debt, and to be able to cope with the death of a large farm animal purchased with loan funds. The unexpected death of a wife and mother, leaving a debt to an NGOMFI that may not be repayable if she was the income-earner, usually pushes an uninsured household deeper into poverty. The death of a large farm animal purchased with loan funds not only deprives an uninsured household of the expected means of repayment of the loan, but also can deprive it of access to credit in future, if it is unable to repay the loan. While the practical attitude of most poor women toward insurance (that they don’t benefit from it even if they die) is understandable, given their chronic shortage of surplus income to pay for it, continuing education by NGO-MFIs is necessary to open their minds.

A second important reason for NGO-MFIs to provide clients with an integrated set of microfinance services is that they promote the early attainment of institutional financial break-even and sustainability, without which NGO-MFIs will not be able to serve the poor for long. From the points of view of both client and institutional benefit, therefore, NGO-MFIs should offer their clients savings facilities, micro-credit and life and large farm animal insurance. To maximise their benefits, these financial services should be integrated. That is, some savings should be required before access is given to micro-credit, so as to provide funds for financial intermediation and as a cushion for loan repayment. Similarly, insurance on the life of borrowers and large farm animals should be compulsory as soon as clients can bear the premia, say after successful
repayment of their first loan on time and in full, so as to maximise the recovery of subsequent loans.

According to Jayashree Vyas [301] financial counselling should be added to the list of services. As the poor are very vulnerable, it is not sufficient for us just to provide micro-credit, but to have a series of support systems provided at the appropriate time so that they do not tend to slip back into abject poverty.

Leatherman [132] advocated that microfinance service providers by virtue of their long-term, trusting relationships with clients are well positioned to play a cross-sectoral role in improving access for the poor to a range of important health-related services. There are clearly significant opportunities to integrate the expertise from the microfinance and health disciplines to support the self-help efforts of poor households.

Swain and Varghese [22], in their study evaluating the impact of training with respect to Self-help groups in India, using regression adjusted matching methods found, that training strengthens members’ skills in savings and asset accumulation.

Kutty [66] advocates that synthesizing SHG program with skillfully designed training program can impart entrepreneurial qualities. According to her, skill development is the key to economic prosperity.

Gopalkrishna [64] discovered that training and exposure visits led to confidence building, skill development and enhanced income and earnings. The training of the self-help group members by the government and NGOs also restored self-importance and improved their social concern about the neighbours.

Aikaruwa, Sumari, Maleko [57] state in their study that SHGs are institutions that offer various services to their members including support to individual economic activities in terms of financial assistance, imparting knowledge and technical skills, assist individual investments both in financial and human capital, help in asset creation thus improving the living standards of the members and create social networks thus building social capital amongst the members.

Banerjee and Borhade [25], in their study, on importance of training programmes and its impact on SHG members in Pune city, state that the Training and Development function plays a significant role in energizing and empowering group members by increasing their skills through innovative and productive programmes. These programmes enable women to have more exposure in social, economic, political, educational and technical aspects. Thus private as well as government SHGs should promote training related to entrepreneurship skills, managerial skills, marketing skills
etc. for the overall upliftment of women in India. According to a study conducted by The Associated Chambers of Commerce and Industry of India [312], the Government should give adequate support to the non-governmental organizations (NGOs) and other institutions involved in providing training in skills and enterprise for women under the skills ministry or Ministry of marginal, small and medium enterprises (MSME).

Markets have been the domain of men, who have traditionally done all shopping for household items as well as selling agricultural products. However, women may directly sell minor items like eggs and vegetables either at their doorsteps to itinerant traders or through children to the market. Otherwise, they give the produce to their husbands or other male members of the family who take the produce to the market. Both Kelkar et al. [118] and Mallorie [146] reported that there is a greater acceptance for women going to markets as buyers than as sellers. There are strong social norms against women being sellers. Mallorie [146] also mentioned that the reason for the small number of women in the market is not just the strength of the idea of loss of respect for such women, but also, and perhaps even more importantly, the various types of harassment that women are subject to in public spaces. This ranges from the aggressive “male gaze” and rumour mongering, and can go up to pinching and other sexual harassment. The construction of “women’s sections” in markets as a separate area for women sellers, with their own toilet facilities, etc., will certainly help women to enter the markets as sellers. Kelkar et al. [118] report that when women depend on men to sell products in the market, it inexorably leads to lessening women’s control over income. This lessening of control often leads women to prefer sale at the doorstep to itinerant traders, though the price realized may be lower than for sales in the market. In addition, market income is inevitably reduced by men, for tea and cigarettes, and women obviously feel that, on balance, they benefit more and have better control by selling at the lower doorstep price.

Ganapathi et al [75] stated Self Help Group (SHG) plays crucial role in rural and urban areas by manufacturing and selling the products. Marketing the products made by SHG’s is an important and difficult one as the products have to be sold through the rural marketing concept to the rural people themselves. Marketing these products in the urban areas is much more difficult. The SHG have to emphasize on the quality and affordable price to enhance the sales. Therefore SHG will have to explore the ways and means of providing products and services that meet the needs of rural consumer and evolve appropriate communication strategy and market promotion. In addition the authors
mentioned some of the products which are conveniently produced and marketed by SHGs such as fibre based products, like carry bags, hand bags, decoration items etc., palm leaf products like baskets leaf mats, coconut shell products, toys made of paper, fruits, terracotta etc., embroidery products, pin lace products, cloth items, granite and marble based products, sculptures, handlooms, metal crafts like jewellery, wood based items, flower and flower products like bouquets, roof and flooring tiles, herbal medicines, clay and hollow bricks. Finally they felt that the disparity and gender bias can be minimized, if not totally eliminated with the success of SHGs in the third world countries. The success of the system of SHGs in China and Bangladesh has opened up opportunities in India as well and the main problem which the SHGs encounter is the reluctant acceptance of their products by the consumers. Hence, the study focuses its attention on consumer preference for the products of these groups. The SHGs can sustain their market only if they understand the attitude and behaviour of their customers. There is a stiff competition from other players especially in urban areas.

National Resources Institute [27] said that there are two issues related to marketing that are relevant for SHGs - the marketability of the product or service provided or produced by the group, and market access. Both are complementary, and initiatives in India have attempted to address both by training SHGs in producing high quality produce for which there is a market, and by facilitating market access.

Rajendran K and R. P. Raya [217] stated that availability of raw material plays a major role in any economic activity as it ensures smooth production and helps in meeting market needs. Due to lack of knowledge and experience about the sources of raw material availability and also insufficient market orientation, the SHG micro enterprises face hardships in arranging raw materials for smooth production and also sale of finished products to generate regular cash flows for running the business smoothly. The study indicated that most of the respondents (55.3 per cent) expressed that non availability of raw material was an important problem and it remained as a third major problem in Vellore district. The lack of training orientation in production as well as marketing function affects the quality of the products produced and sales turnover. Lack of training is a problem for 254 respondents (56.44 %). It was also revealed, that for 65.5 per cent respondents, marketing their produce was the second major problem in microfinance.

Adalarasu Balraj [1], stated in his book, that Self- help group activities are implemented by the Government so as to eradicate the poverty in the rural area, because
more number of people live in that area and they lack in education, food, shelters and better economic condition. Women actively participate in SHG for their attainment of the empowerment. SHG members are the creators and they develop large number of products, some of which compete with branded/market-established products in terms of quality. However, there is a lack in advertising these products, which can be considered as an essential part for effective marketing.

The above review leads us to identify the following credit plus factors (Figure 7.1), especially in the context of self-help groups in developing economies like India:

Figure 7.1: Wheel of Credit-Plus Factors
7.3 Description of Credit Plus Factors

Training is an important element of development of SHGs. Its main objective is to bring out the latent talent and the capacity of all the SHG members through systematic modular training. Two kinds of training programmes are required mainly. First and foremost is to teach them all aspects related to the functioning and management of a Self-help group. The second one is related to skill development and setting up of microenterprises both in farm and non-farm sector to make the members employable and self-independent. The training generally commences immediately after group formation and is conducted with the help of the non-governmental organization or the federation which acts as the catalyst in formation of the groups with or without the support of the government.

Providing training and successful initiation of a microenterprise is not the end of the story. Marketing and selling of the produced articles is another area which plays a crucial role in the income levels of the women entrepreneurs due to demand fluctuations. Most of the women SHGs members face a number of problems pertaining to the marketing of their products or services. Some of these are the inability to withstand the competition from modern products, no separate market or shops for women SHGs products, perception of customers about women SHGs products, lower demand due to availability of substitute products, transportation charges, lack of information about markets, inability to advertise their products and difficulty in establishing contacts due to shyness and inhibitions.

Many a times the income generated from the business enterprise is not properly invested further in the unit and the funds are diverted for other domestic and personal purposes like construction of house, marriage etc. Herein the role of financial counselling becomes important. The women SHG members need to be educated and trained how to channelize the income and profit towards the right avenues. They need to be made aware of various modes of investment of savings for emergencies and future growth.

An important mode of preparing for emergencies is through microinsurance, which refers to the protection of low-income people against specific hazards in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. In other words, it is a set of market based insurance products and processes designed to address both life and non-life risks faced by the people at the
bottom of the socio-economic pyramid. These products are priced at rates affordable for
the intended clients, while being financially viable for sustainability of operations.

Microinsurance has been recognized as a useful tool in the process of
development. As many low-income people do not have access to adequate risk-
management tools, they are vulnerable to fall back into poverty in times of hardship. In
addition, microinsurance makes it possible for people to take more risks. Those
involved in farming activities are in a better position to grow crops which give high
yields in good years, and bad yields in year of drought when they are insured against a
bad harvest (resulting from drought). Without the insurance however, they will be
inclined to be more cautious and do the opposite; since they have to safeguard a
minimal level of income for themselves and their families, crops will be grown which
are more drought resistant, but which have a much lower yield in good weather
conditions.

The ultimate aim of microinsurance is to enable the poor to mitigate their
material risks through the insurance market in order to reduce vulnerability, thereby
increasing their welfare. It can mitigate the most material risks of a poor client in a way
that is affordable and appropriate to the low-income market. It may also stimulate the
provision of other services that are important to the poor, e.g. credit services or health
services, as there will be more predictable income flows to providers, which in turn
ensures viability of the provision of such services to the low income market.

Currently there is a dearth of micro-insurance products in the market, which can
cater to the needs of the SHG members, as they require composite insurance product,
which take care of their health, assets and life risk. Hence it is desirable to evolve a
suitable insurance product/s. Insurance companies both in the public and private domain
should formulate suitable insurance packages which can suit the needs of poor keeping
in mind the financial viability and sustainability.

Microfinance providers also need to take an interest in aspects such as child care
support services and health care. Households often pay the costs of illness by using
current income and savings, reducing consumption, borrowing money or selling assets
[134, 157, 244]. Borrowing and selling assets result in additional costs, such as very
high interest rates and asset devaluation (e.g., livestock sold at low prices), sacrificing
future income streams [124, 134]. These financing and coping mechanisms may have
lasting effects on the ability of households to withstand future shocks, creating a cycle
of compromised health, economic vulnerability and poverty [134, 307]. As a result, the
households may remain in debt for a considerable time and their chances of ever coming out of poverty may further diminish. Therefore, it is imperative for microfinance providers to participate in finding solutions to health and other issues encountered by the loan recipients and their households.

It is evident that a combination of microfinance support services at the right time will ensure that the poor do not fall back into extreme poverty. The following Figure 7.2 as conceptualised by SEWA [301] clearly reflects this proposition:

![Figure 7.2: Moving out of the vicious cycle of Poverty](image)

Initially a poor woman has negative equity, in other words debt (point 1). She can move upwards out of negative equity (2) by accumulating savings. However, because of her vulnerability compounded due to illiteracy she is likely to fall back into debt (3), and requires insurance and emergency loans, along with her accumulated savings, to guard against such a scenario. Further savings, and increasingly loans for business investment, can then enable the woman to build positive equity as she moves from point 2 towards point 5. On the way, the woman continues to be vulnerable to shocks and emergencies, which could push her back to point 4, requiring an on-going need for her accumulated savings, insurance and emergency loans. In this way, poor women can gradually move out of the vicious cycle of poverty. Throughout this
process, financial advice and guidance are required to be made available to these women through the ‘hand holders’, to show them ways of increasing their assets and incomes as well as enhancing their abilities to manage their limited resources efficiently and effectively. This kind of an integrated approach would help in looking at the overall financial flows of a poor household along with the livelihood or the enterprise aspect.

Poor women, especially, have a variety of financial needs, which they seek to address through diverse types of financial provision. Rural microfinance, nowadays, therefore covers a range of different products with various features. It is evident that composite well-designed microfinance products are the need of the day. An important aspect with respect to designing of the composite microfinance products is that they fulfil the needs of the target market. Well-designed financial products are essential to significantly improve the livelihoods and fulfil the aspirations of women and their families. Therefore, correct designing of microfinance products is imperative if positive results are to be achieved.

Useful innovations in product design that result in making products that are more adapted to needs and more likely to benefit clients and are also financially sustainable are needed. One of the ways that this can be achieved is through participatory market research to develop appropriate products. This basically means involvement of target groups in product development. The target group is not just a source of information but also a source of ideas and solutions. Participatory market research employs methods known as qualitative research methods, i.e. focus groups, interviews or workshop formats. Participatory research employs these methods in a way that encourages participants to express their own views, even where they go beyond the original research question.

The Self-Employed Women’s Association (SEWA) in India has always consulted members on product development. Indeed, it originated in a participatory survey of women workers in the informal sector [237]. The Grameen Bank also underwent a four-year reassessment and redesign based on extensive client research, which significantly increased its outreach and sustainability [63]. ICICI Bank in our country conducts participatory market research and also funds in-depth research on the needs of microfinance clients through the Centre for Microfinance Research in Chennai [155].

A critical part of ensuring that good product design and consumer protection principles become a reality is to promote financial literacy, so that clients are able to
make an informed input into product development, know their rights, and understand the information provided. Financial literacy programmes will go a long way towards ensuring this. SEWA training uses visual methods to explain its products and how to choose among them for various purposes. The training covers an introduction to financial planning, daily money management practices, borrowing and loan management, planning for future events, insurance and risk management, and making a financial plan [73]. In addition financial literacy training for men should also be considered as that could contribute significantly to changing men’s attitudes and behaviour. If such training were a condition of access to loans, it is more likely that men would attend such courses rather than generic gender training.

Ultimately the poor do need resources for consumption, education and health – and unless we look at this as a whole, we might lose sight of the ultimate goal.

7.4 Validation of Credit Plus Factors

7.4.1 Methodology used

It is logical to assume that the credit-plus factors will more or less be the same for all kinds of target groups irrespective of geographical location. Nevertheless, for further validation that these were also relevant for a backward area like Mewat, a primary survey was conducted for a sample of 150 women SHG respondents (the questions were part of the primary survey mentioned in the previous chapter).

With the help of the primary survey conducted in Mewat, we also decided to check the current situation with respect to these credit-plus factors. Questions 24 to 30 in second part of the questionnaire (refer Appendix 1) pertained to improvement in credit, training and new skills learnt post joining the SHG, as these factors are assumed to be integral to any microfinance program. The respondents were also asked as to what other support besides finance was required for successfully running income generation activities. The responses further substantiated the credit-plus factors which emerged from the literature review.

7.4.2 Findings and Discussion

During the primary survey, the respondents were asked as to whether there was an improvement in credit post joining the SHG. 93% answered in the affirmative and said that SHG was the main source of credit provider. This is also substantiated by the
primary survey result which showed that 92% of the respondents have availed loans from the group, 61% from the MDA and only 40.7% have availed bank loans.

Table 7.1: Primary Survey Responses

<table>
<thead>
<tr>
<th>Post joining SHG</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in credit</td>
<td>93.30%</td>
<td>6.70%</td>
</tr>
<tr>
<td>Training</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>New Skills</td>
<td>52%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Table 7.2: Primary Survey Results

<table>
<thead>
<tr>
<th>Number of respondents who have availed bank loans</th>
<th>40.70%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents who have availed SHG loans</td>
<td>92%</td>
</tr>
<tr>
<td>Number of respondents who have availed loans from MDA</td>
<td>61.30%</td>
</tr>
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</table>

As regards training post joining the SHG, 78% of the respondents replied in the affirmative but their understanding of training in most cases refers to training on how to operate and manage a self-help group – choosing a group head, secretary, maintaining accounts and book-keeping. The training is restricted to the extent of management of a self-help group only. Hardly any training is provided for setting up and managing microenterprises. The focus on income generating activities is almost negligible.

With respect to learning of new skills after joining a self-help group, 52% said that some workshops were held initially to teach skills like tailoring, pickle and papad. But nothing has been done in the last 4 years. A number of respondents assumed that training and learning of new skills meant the same thing. It was a challenge to explain the difference and get the correct response in view of the illiterate nature of the majority of respondents.

The respondents were more forthcoming when asked about the additional support required besides a loan. This was an open-ended question. The respondents were unanimous in saying that learning of new skills was most essential but accessibility of venue of skill teaching was a major issue. Due to household responsibilities the women could not travel to places far-off from their villages to attend the training and teaching sessions. These should be held in and around the villages to ensure good attendance and feasibility.
The other major point was requirement of marketing and selling support for the goods produced. They were unable to sell the goods produced locally due to low demand and hence, production was low. Most of them had no choice but to travel to Delhi and Gurgaon to sell their wares which was time consuming and not lucrative due to the addition of transportation cost. Infact, due to the low return on income generating activities, many self-help group members who were earlier engaged in economic activities had dropped the activities after sometime.

Mewat area has many functional SHGs but it has been found during survey that most of these SHGs are not using their potential in the absence of effective training. In the absence of capacity building training and marketing expenditure by the government, products manufactured by SHGs are not categorised as marketable. As a result there is a high drop-out rate for SHGs and those surviving have become merely a saving-lending activity. A way out is their involvement in rural marketing as second-level channel partners by manufacturers. The members of these SHGs can be roped in as selling agents/distributors of popular products to serve Bottom of Pyramid customers and at the same time making SHGs economically functioning.

Irrespective of the level of income, an interesting fact which emerged was that these women are good money managers. If given complete autonomy, they were capable of allocating expenditure and ensuring regular savings. However, the dominance of the men in their households did not allow these women to exercise their own judgement. Cooperation from husband and family members for those involved in income generating activities is especially low. If these women along with the male members of their family are properly counselled about channelizing income and savings into right avenues for further growth, it could make a major difference to their livelihood status.

Also, concepts such as microinsurance are completely alien to the people of Mewat. The present position of insurance is very poor here. A number of them were not even aware about insurance and only 37% had an insurance policy which was not even in their name. All the policies were life insurance policies. There was zero awareness about other kinds of insurance policies. Most of the policies were in the names of their husbands or sons. Therefore, there is a serious need to introduce microinsurance products which cater for health, crops, assets and accidents besides life, for the security and sustainability of these people. Desire for better education, child care development
and support and greater participation in decision making were other factors that emerged.

The credit-plus factors which emerged from the responses of the primary survey are shown in the following Figure 7.3:

![Credit-plus support factors diagram](image)

**Figure 7.3: Credit-Plus support Factors advocated by the respondents**

The opinions expressed by the respondents were based on their experiences, understanding and knowledge gained from their surroundings. In case of those women who were involved in income generation activities, it was based on their experiences of running the micro-enterprises and the challenges and constraints faced on a daily basis. Some problems were specific to the kind of business being done. For example, for the respondents involved in dairy business, irregular and inadequate supply of milk from the suppliers was a major issue.

In case of housewives, the responses were based on their experiences in performing household activities in their family. In their case it was more a desire to get a working opportunity in order to improve their livelihood status which pertains to education, food availability and good housing.
7.5 Conclusion

Most of the government schemes focus on women’s welfare in the form of financial assistance or other hand-outs. This is the government’s definition of empowerment, which has come to mean some sort of assistance in cash or kind. But for most women in India, the money they get goes to the family. The idea that women, especially in rural areas need skills and education is still not taken into account while framing policy. There is no point having vocational education classes in towns and cities as the bulk of women out of the economic circuit are in the rural villages. There are many self-help groups working in the villages but again, there is not enough emphasis on teaching women to be economically independent, teaching them skills to earn on a sustainable basis thereby liberating themselves from a life of dependency. An economically independent woman is likely to ensure education and better nutrition for her children. Therefore, the focus should shift from the so-called empowerment schemes for women’s welfare to helping women stand on their own two feet. There is an old adage ‘Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime’. Teaching him to fish enables him to eat every day. This is what the women need, more so in rural India.

Hence, though credit will remain the most important factor in the lives of the rural poor, the importance of the credit-plus factors cannot be overlooked. It is clear that mere provision of credit cannot assure development. Today, microfinance has become a ‘credit plus’ approach which implies that along with credit, other inputs like skill development, literacy, health care, social awareness, support services, etc. are also essential for the holistic development of disadvantaged women. Self-Help Groups of rural women will have to be made sustainable through backward linkages to credit and technology and forward linkages with organized markets. It means concerted efforts are needed for an integrated approach to make microfinance an effective tool.