

Impact of Micro-Credit Programs on Eliminating Economic Hardship of Women

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It is often argued that micro-credit program interventions at the grassroots level increase the ability of the poor to deal with crises. Economists argue that micro credit program does not always bring development in the life of the grassroots' level people. Hence, policy makers view micro credits financed by the organizations are, most of the time, not allowed to the poorest (refunding problems). This paper examines the relationship between the Micro-Credit programs and elimination of economic hardship of women. Ten in-depth interviews and 50 self administrated questionnaires were distributed among the beneficiaries of BRAC in Eravur Pattu Divisional Secretariat Division in Batticaloa District in order to collect data. The study reveals that there is a strong positive relationship exists between Micro-Credit Programs and Elimination of Economic Hardship of women. That is, most of the women in Eravur Pattu involve in micro credit process in order to manage their economic hardship of the families and it resulted in improving the quality of life than existed earlier. Micro-credit loans empower the poor to seek alternative ways to improve their life styles. The in-depth interviews support that the micro credit programs should be extended to male in order to develop their quality of life. In addition recommendation and suggestions are given to strengthen the micro credit programs and to extend this program to male.

Key words: Micro credit programs, Economic Hardship, Women

1. Introduction

The microcredit program is a unique innovation of credit delivery technique to enhance income generating activities. The program extends small loans to poor people for self-employment activities thus allowing the clients to achieve a better quality of life (Hussain, 1998; Morduch, 2000; Rahman, 1995). It is the most sensational anti-poverty tool for the poorest, especially for women (Micro-credit Summit 1997). It has been quite well recognized that micro finance smoothens consumption, reduces the vulnerability of the poor and leads to increase in their income. By giving the world's poor a hand up, micro-finance can help break the vicious cycle of poverty in as little as a single generation.

Micro-Credit means small loans for people who need money for self-employment projects that generate income or for urgent family needs such as health problems and education. It is meant to help improve people's quality of life by lending them a small amount of money for a short period of time.

Micro-credit scheme provides loans at very low interest and systematic guidance to low-income women to pursue alternative income-generating activities aimed at improving their economic and social status. The program provided women with loans to improve their existing economic activity or to start a new enterprise. Such investments, was believed, would lead to social and gender equality in the country, and would enhance the elimination of poverty, which would reduce impoverishment among women.

Sri Lanka was a colonized country and since it got the independence it was fighting against eliminating poverty. Many organizations, namely government organizations, non – governmental organizations, financial sector organizations are providing micro – credits to the poor –women in order to perform self employment and through that they can earn some money and eliminate the hardship of the family. In the millennium development goals set by the UN agency it is said that the eradication of poverty and hunger.

Women have limited livelihood options in Sri Lanka. Although their main occupation was home gardening, inadequate profits and risk of crop failure made livestock rearing preferable. Except for preparation of cooked food and a few other income-generating activities such as dress making, women had few skills for self-employment activities.

Sri Lanka as being a war affected country, agencies working in Sri Lanka, are striving to their maximum to eliminate poverty. The population in Batticaloa consists of 51.75 percent women (Dept. Census and statistics, 2007) and 25,727 families are women headed households - widows, war widows, divorcee/abandon women, male headed disappeared, male headed disabled and women headed for other reasons (Care international, 2008) are comprised on this. Women's livelihoods generally include activities such as food processing, coir processing, home gardening, preparation and selling food, undertaking sub-contracted work such as beedi rolling, making incense sticks, assembling slippers, lace making, drying and processing fish, mat weaving, poultry farming, home gardening, small shops, sewing etc. in Batticaloa, where much investment is not needed and much returns on investment also not gained.

Economist, academics, and the researchers (Latifee, 2003) feels that even though there are many agencies working for the elimination of hardship through providing micro credits to the poor women, yet there a lesser contribution to the elimination of the poverty. According to Pitt et al. (2003) and Ahmed et al. (2001) there is a proven outcomes, i.e. the micro credit enriched the poor's income. Therefore, this paper examines the impact of micro-credit programs on eliminating the economic hardship of women in the context of Eravur Pattu.

The paper is structured as follows. Section Two provides the background literature. Section Three introduces relevant theories. Section Four describes data and its sources. Section Five specifies the model and results are discussed in Section Six. A conclusion is drawn in the final section.

2. Literature Review

An impressive literature exists on the effectiveness of micro-credit or micro financing programs on improving the economic situation of women (Fernando, 1997; Mayoux,

1999; Ahmed et al., 2001; Amin et al., 2001; Pitt et al., 2003; Izugbara, 2004). For example, Pitt et al. (2003) found that women's participation in micro-credit programs did increase their standard of living. Ahmed et al. (2001) caution that despite the success of micro-credit, it can also affect the emotional well-being of women because it actually creates tension, anxiety and stress among women involved in micro-credit programs.

An evaluation study on, **Center for Home gardening and Rural Development (CARD), Philippines** suggest that it has succeeded in reaching very low-income households, generating self-employment and significantly increasing their income.

In PRSP (Poverty Reduction Strategy Paper) of Pakistan, microcredit is indicated as an important tool for creating employment opportunities for poor. Due to the higher demand for microfinance, the branch network of existing Micro Financing Institutions (MFIs) is expanding together with entry of the new banks and Nongovernmental Organizations (NGOs) in this sector.

Research conducted by the Consultative Group for the Poor in **Indonesia**, found that microcredit borrowers increased their incomes by 12.9 percent compared to 3.0 percent by the incomes of non-clients. In another study conducted by Freedom from Hunger, its clients in **Ghana** were found to have increased their incomes by US \$36 per annum compared to US \$18 per annum for non-clients. Beneficiaries of microcredit were not only able to increase their earnings, but also to diversify their income.

3. Materials and Methods

The current study concerns the women's who are the beneficiaries of BRAC micro credit scheme in Eravur Pattu, Batticaloa District. A total of 50 out of 1500 BRAC beneficiaries women considered for this study and administrated questionnaires and ten women were interviewed. An interview guide with open-ended questions guided the interviews, and the goal was to capture women's stories, perception and the experiences with investing the loans obtained and making repayments. Verbal consent was obtained to participate in the interview and to have the discussions. In addition to the interviews, the author visited the women who involved in the self employment.

The interviews were held in places that allowed for privacy and confidentiality of discussions.

These were mainly at the residence of the presidents of the groups and occasionally in the classrooms of public schools. These places were primarily the choice of the participants. Interviews lasted for an average of 30 minutes. All interviews were transcribed, and content analysis used to analyze the data. The interviews centered on women's perceptions and experiences regarding provision of loans as capital to start new economic activities or improve on existing ones. We also explored the impact of this on social and gender inequalities. Specifically we sought information on social and economic outcomes of the women's participation in government-sponsored micro-credit groups and lessons to be learnt from such a program. Finally, the discussions addressed women's opinions about how to improve the repayment strategy.

4. Findings

Characteristics of respondents

Most of the women we interviewed were of childbearing age i.e. between the age limit of 20 to 40 (see Table 1). Only nine of the women were above 50 years; 18 had primary education, 22 had secondary education, and 10 had education up to O/L. All the women had children. In terms of their marital status, 10 percent were widowed, 6 percent were separated and 84 percent were married. All the women were economically active prior to receiving the loans, it was noted that they had the habit of saving in the same institution, so the loans were intended to improve their economic activities, and/or to allow them to venture into new economic self employment activities. 28 percent of women lived in nuclear families and 72 percent were living with their parents together. Prior to receiving the loan, every single woman was self employed or had the basic requirement for starting up the self employment activity. The micro financing institutions were satisfied with these prior arrangements and approved the credits to the women in this area.

Background characteristics of respondents

Table 1

Variables	No. of Respondents	Percent
Age		
Above 50 years	09	18
40–50 years	05	10
30- 40 years	24	48
20- 30 years	12	24
Education		
Primary	18	36
Secondary	22	44
GCE O/L	10	20
GCE A/L	-	-
Marital Status		
Married	42	84
Widow	5	10
Separated	3	06
Family Structure		
Nuclear family	14	28
Extended family	36	72
Loan obtained		
Home gardening	23	46
Poultry farm	12	24
Preparation of food	10	20
Carpentry	05	10

Institutionalization of Micro-Credit System

In this micro credit system the beneficiaries are formed into groups each of which consist of 5 members and out of which one will be the president for that team. Eight smaller groups then form into a bigger group which will consist of 40 members. In the acceptance of the capacity to perform and pay the repayment the members are taken into the group. The president would be a responsible person to collect the repayment and in case of not paying the repayment the other members of the group and the president were responsible to collect the repayment or they all should share the amount and pay it to the animator of the institution.

The loan allowed participants to engage in livelihood activities. Women are obtaining the micro credit and are repaying the loan amount at the specified date – once a week with a saving component. The repayment would begin from the next week of the loan payment. The amount paid would contain repayment of the credit and a saving component.

Economic Activities of Women

Discussions with the women state that 46 percent of women are engaged in small scale home gardening, 24 percent in poultry farming 20 percent are preparing food and 10 percent are utilizing the credit on carpentry works. All these are said to be managed and maintained by the women beneficiaries, yet their spouses and their sons are also doing the same economic activities in order to earn their income. Women shared that they (husband and wife / mother and son/son in law) both work together in the livelihood activity. In the extended families their parents and parents in law were also involving in the livelihood activity.

“I am 40 years old, and I am preparing string hoppers and sell and with the help of this micro credit I bought vessels and I could do the business well. I have a coin box and I save there. Every week I am repaying them. It is an easier one than obtaining a loan in Banks where they ask for the

documents and guarantors” (Preparing string hoppers lady, Age 51)

Even though the credit was used as mentioned above, there were other interesting points too. 6 women said that they bought gold jewelries, 2 women said that their loan was partly financed to their husband to buy water pumps, 2 said they put up the boundary walls, 2 said that they built boundary fencing and 4 said to redeem the pawning and the rest said that they supported their husband’s agricultural and carpentry work and activities. The man in the family work mostly in the agricultural sector since the women had the house hold chores and looking after the children.

“I am a housewife and I obtained a loan of Rs.15, 000/- initially and after repaying the amount now I got Rs.20,000/- as loan at the second time. I utilized this money for building wall around our premises in order to protect the home gardening”

Repayment Methods

The lending institutions expected the borrowers (women) to start repaying their loan after the first week of the credit given. The loan should be repaid to the institution within 60 weeks. The repayment amount will be depending on the amount of credit obtained by the beneficiaries.

The repayment system was also so easy for the women. That is they need not to travel a long place to repay. The Bangladesh Rural Advancement Committee (BRAC), animator visits the president’s house and the beneficiaries will be gathered there and they will reiterate the oaths in the credit book and they will pay the repayment and savings to the person. Once she collected then she will travel to other place to collect the repayment. This will enhance the method of repayment unless like in the formal financial system the beneficiary needs not to waste a longer period to repay, need not to travel a long way, need not to get some one’s assistance to look after the children. Everything will be at their feet. This enables the beneficiaries to pay easier.

Informal system of Repayment

It was observed that the micro credit was obtained from the institution and then the money was given to the husband or to the son/son in law where they say the both parties were working for earning income. Every week on the specified day the beneficiary took money from her husband or from the son or daughter and paying the repayment. But it was noted that the money was not spent on consumption of goods but it was a fulfilling a real need of the beneficiaries.

Impact on Women's Lives

Women play an important agency in eliminating the economic hardship in this system. They obtain loans and make use of this money in order to invest it in some way or the other. They invest it on jewelries means it was an investment on the property. This could be used in later stage to convert into a liquidity form of money.

The women who shared that the credit was used for building of a boundary wall or fencing means that they secure their premises from the domestic animal. It was again an investment in support of their livelihood.

As the women play an important role, they were given an important place in the family set up. They involve in the decision making process of what to buy and not with this money. Their considerations were also valued in the decision making process.

5. Conclusion and Recommendation

The study revealed that the micro credit led to the elimination the economic hardship of women. It was an easy way for the women to obtain a loan facility from an informal method. Even though the micro credit was meant for the livelihood activities of women yet, it helped the beneficiaries' family to eliminate the poverty by providing a support in fulfilling the need.

The micro credit institutionalization was functioning in a planned and corporative manner where the repayment could not be avoided and it was an easy way for the women to obtain the loan and repay the loan. And the visit every week to the

president's house or the school would encourage them to move around the places and sharing the knowledge.

For the recommendation women came with other suggestions that were incorporating the men also would lead the loan amount to be a higher, since they are the bread winners of the family. And since, the perception that man will work hard would bring the man to get more money for investment through the micro credit.

A very few types of livelihood activities were designed for this micro credit scheme. Other than the traditional ones as mentioned above, some other forms also could be incorporated into the prevailing system, namely money lenders.

The micro credit programme should lead to macro credit programme where the women can be allowed a bigger amount of money in order to acquire a piece of land, buying an auto or even a water pump.

A further study on this system would lead to analyse the power relationships of institution and the beneficiaries and possible invention of the livelihood activities of women other than the traditional livelihood activities.

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