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PANEL 4

MICROCREDIT IN GANDHIGRAM UNIVERSITY

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“I will give you a talisman. Whenever you are in doubt ... apply the following test. Recall the face of the poorest and the weakest man you may have seen and ask yourself if the step you contemplate is going to be of any use to him Will it restore him to a control over his own life and destiny? ...Will it lead to Swaraj for the hungry and spiritually starving millions? Then you will find your doubt ... melting away”.

This was the talisman given by Gandhiji, the Father of Indian nation to those who wanted to explore new ventures. The microcredits in Gandhigram University were launched in the unflinching faith in this talisman. Since the inception of microcredits in Gandhigram University in 2001, scores of women and their families have been able to take control over their life and destiny.

Gandhigram where the university is situated itself was started in 1947 with the noble aim of achieving Gandhiji's ideal of Swaraj and Sarvodaya whose cornerstone has been the welfare of the poorest of the poor. No wonder the rural university which came into existence as an offshoot of Gandhigram has held close to its bosom the Gandhian ideals of Swaraj and Sarvodaya and has been trying to reach them through rural reconstruction activities. One of the significant rural reconstruction activities has been alleviation of poverty through microcredits.

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Poverty in the Villages

Gandhiji believed that voluntary poverty is really a blessed state. But what we see in the villages is involuntary. The villages where outreach activities of the university are carried out are mainly dependent on agriculture. As agriculture is seasonal, nearly fifty per cent of the people are under employed. They are unemployable in other skilled or semi skilled jobs as they do not have the education and training needed. When villagers are unemployed, they borrow from money lenders at a very high interest rate sometimes even at the rate of Rs.5/100/month. Inability to pay back the money makes them still poorer and at least 40 per cent of the villagers are in perpetual debt. During the past 3 years due to severe drought in the villages around Gandhigram more than 10 per cent of villagers are in absolute poverty who cannot have three meals a day.

At least fifty percent of the population is undernourished due to poor buying capacity and ignorance of optimum nutritional requirements. Five per cent of the families have been found to have more than four children. About 15 per cent of youth are school dropouts at class eight, the age at which they are not skilled in any vocation. As jobs are not available they work for very low wages in unskilled jobs.

Impact of Poverty on Women

Women in villages are poorer than men. They get lower wages than men. Poverty and tradition keep them in a subordinate position to men. They are dependent on men for the satisfaction of even their basic minimum needs. Obviously, they lack power to take decisions; suffer ill health and due to dropping out early from school they continue to remain illiterate. Most of them lack the self confidence and motivation to improve themselves. Compounding this illiteracy and ignorance keep them fatalistic in their attitude. Microcredits have been a boon to them to improve their overall status. They have helped them to be self employed producing commodities needed by the village communities using the locally available raw materials. This was exactly what Gandhiji visualized-localizing production for local consumption.



Evolution of Microcredits

Gandhian economic philosophy advocated economic planning making full utilization of manpower in the village. In 1965 when women's groups in the name of 'Madar Sangam' were started it was with the realization that the women power in the villages had not been fully utilized. Since 1965 women's groups known by the term "Madar Sangam" meaning Women's Club have been organized by the Gandhigram university in the villages surrounding Gandhigram. It was envisaged that women would contribute to raise their status through what Gandhiji said as "reliance on one's own strength body, mind and soul". Following Gandhiji's suggestion that "masses should be educated to a sense of their capacity", awareness generation and building social skills like communication and individual savings were the major focus of these "Sangams". Till 2001 saving alone was emphasized but not the credit. But since 2001, the thrust has been on microcredit. The nomenclature of these Sangams has also been changed. They are now called Self Help Groups (SHGs). The department of Adult Continuing Education and Extension of the university is involved in organizing SHGs and facilitating microcredits.

Microcredits were essentially initiated as an urgent measure to alleviate poverty primarily through economic empowerment and also through social empowerment. Needless to say Self Help Groups and microcredits have been mutual reinforces.

Just as any lasting phenomenon evolves slowly, microcredits also evolved slowly. Since July 2001, 54 women Self Help Groups and 16 men Self Help Groups each having 15-20 members have been formed in 50 villages. Initially it needed much effort to cure them of their dependency syndrome – dependency on government aid and organize them into SHGs. It was very essential that women were to be educated to the maximum use of their potential.

The System of Microcredit

The system of microcredit in Gandhigram University is woven into the concept of self help and self reliance. It is self help because first of all the system works only through Self Help Groups. One has to be necessarily a member of an SHG in order to get credit. Secondly,



there is no external dependency for credit. This is in sharp contrast with the microcredit system of the government operated through Women Development Corporations and NGOs, where the credits are given from the government funds. Here in GU credits are obtained only from their own savings. Thirdly, the enterprises that are taken up by members are such that the individuals themselves are able to undertake.

The microcredit system of Gandhigram University is based on the principle of self reliance. This is primarily so because the system that they adopt is based on the bylaws framed by members themselves. This is unlike in government programmes where each group is granted credit based on certain criteria framed by them. Each group has to have continuous bank transactions for six months and after six months they are graded by officials and only if their performance is satisfactory are they given credit.

In GU a system of their own has been evolved by the members of the 54 women's group by themselves through the democratic process of mutual consensus unlike that of government or NGOs wherein there are preestablished criteria. The systematized procedure of microcredit in GU is as follows:

The office bearers of Self Help Groups, mainly the Secretaries collect the savings from each member of the group for the particular month and on 10th of every month they come to Gandhigram with their savings. The savings of all the 54 groups are put together. Along with these savings the amount paid by the borrowers as capital and interest is also added. Approximately an amount to Rs.50000/- is collected every month by way of savings, part of loan borrowed and the interest. The interest is at the rate of Rs.2/100/month. On the same day, credits are sanctioned to the needy as per the bylaws. Who will be given credit and how much will be given are decided by all the 54 representatives based on the necessity, the past loan repayment behaviour and the total savings of the particular group. Credits are given to the needy individuals and not to the group. Unity is best exemplified in the process of sanctioning credit.



The microcredit system of GU reflects in more than one sense Gandhiji's ideals of self respect, self reliance and self realization. Getting loan does not make them feel disrespectful as the credit obtained by them is from their own savings. They feel proud and dignified that they could save such a huge amount. Mallayee, a member of SHG once remarked, "but for the SHG I could not have seen this big money (Rs.500)". They are happy as savings also bring them an interest of 18 percent (Rs.1.5/100/month). Yet another advantage is that the interest on loan borrowed by borrowers also goes into the common pool.

The groups have decided not to have bank transaction but to continue the system that they have evolved. They feel that self reliance is more rewarding. The members of SHGs are very clear about their responsibilities as people who get credits and who grant credits.

The special characteristics of these microcredits include benefit for the poorest of the poor (who cannot get loan from banks); immediate availability of loan, simplified procedures, low transaction cost, small size of repayment and transparency in dealings and total development orientation.

Use of Microcredits

So far 240 women among the 55 groups have been benefited by microcredits. Microcredits have been used by the borrowers for productive purposes i.e for starting microenterprises, educational expenses of children, medical expenses and for paying off money lenders who charge an interest upto Rs.3/100/month.

The productive uses for which the microcredits have been used include buying sewing machine and starting tailoring shops, buying wet grinder for selling ground batter, selling fabrics, readymade garments, spice powder, eatables, vermi compost, handicrafts, handmade paper, herbal plants, buying milch animals and for farm operations. Many groups have taken up selling of products of village industries produced in Gandhigram and some have started preparing their own products like incense sticks and cleaning products.



Impact of Microcredits

An impact study done in the month of June 2004 by the Department of ACE&E has shown that the income level of the 190 families which took loan for microenterprises has risen on an average from no income to Rs.500. Individual earnings due to microcredit vary from Rs.600 per month to Rs.2500 per month. There is the example of Arokiamma who is from a schedule caste and an illiterate and is now earning Rs.2500 a month selling spice powder. She got a loan Rs.1000 for this microenterprise. Shanti Mary of Appanampatty and Ramuthai of Chatrapatty got loan for milch animals and earn about Rs.1000/- month. Selvi of Ratnagiri has opened a small shop in her village which enables her to earn Rs. 1000/- month. These names are but a few among the many women who have increased their income.

All borrowers are self employed. They have been able to fulfill Gandhiji's ideal that "Every body should be able to get sufficient work to enable him to make the two ends meet. And this ideal can be universally realized only if the means of production are of elementary necessity". They have been producing what the rural community needs. At least ten of them have been able to create permanent assets like house, land, milch animals and gold jewels. They are in a better position than earlier times. Microcredits have enabled them to spend on the education of children and to have three meals a day.

The impact study has also shown that social empowerment of women has been the other major impact of microcredit on women. Nearly 750 members of SHGs, who lived a restricted life in their villages and who had not the courage to take part in public activities are now actively participating in the programmes for the welfare of their community. Seventy percent of members of SHGs have now become better aware of money transaction and civic responsibilities. They take part in civic activities more often and now have enhanced self prestige. They are now more self confident and self reliant. There are atleast not less than 55 women leaders from among these women. They are instrumental in mobilizing other women for public causes, families being benefited by government's welfare programmes, and men forming SHGs among themselves. There are 14 men SHGs now in these villages.



Microcredits have brought women of all castes and classes together. Communal amity has improved in all the villages now after the SHGs have been formed. Needless to say, untouchability is practically non-existent among group members. Members of SHGs have controlled consumption of alcohol in their own families and to a certain extent in their communities. They have through nonviolent means of negotiation and persuasion, deterred selling of alcohol in their villages. In all the villages where SHGs have been formed children's clubs have also been formed. Women's groups and children's groups join hands in cleaning the village and improving the overall sanitation of individual and community. SHG members are very much aware of consumer protection, legal aid, government's welfare schemes, reproductive and child health and all such necessary aspects through nonformal adult education. SHGs have greatly improved the status of women in their own eyes and in the eyes of others. Husbands who did not approve of their wives joining SHGs are now very happy as wives bring income to the family through microenterprises.

Conclusion

At a time when Indian villages are affected by the adverse impact of globalization, there is a silver lining in the form of the parallel influences, namely Self Help Groups and microcredits. The success of microcredits in not only improving the economic condition of rural families but improving the total condition of men, women and children in the village has proved that Gandhiji's ideal of self-reliance is the viable mantra of rural development in India.