

ODE TO COMBAT POVERTY THROUGH MICROFINANCE EDUCATION: A CERTIFICATE PROGRAM

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The Department of Commerce, Dr. B.R. Ambedkar Open University proposes to offer a "Certificate Program in microfinance" through distance education mode in collaboration with a Society for Elimination of Rural Poverty (SERP) to improve functional abilities of Self Help Group (SHG) members and community resource persons. In order to launch the certificate program, a research on the educational needs of SHG members has been conducted.

Microfinance is a provision of small loans to the poorest sections of the society who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee. In India, micro credit has worked largely through self-help groups, predominated by women. A Self-Help Group (SHG) is a group of about 10 to 20 people, usually women, from a similar class and region, who come together to form savings and credit organization. They use seed money from the Government and pool financial resources to make small interest bearing loans to their members to help pay for important needs. However, microfinance education and skill building of rural poor are big challenges to alleviate poverty. In view of the first Millennium Development Goal (MDG) of reducing poverty by half by 2015 and second MDG of achieving universal primary education by 2015, the microfinance education through distance education mode is one of the ideal routes to alleviate poverty. Microfinance is a very young and growing sector in the financial market. In contrast to the formal financial sector, it provides small loans (usually from Rs. 500 to Rs. 50,000) to assist the poor both financially and socially. Primarily microfinance aims to target the rural and urban poor who own micro-business activities that work in agriculture, dairy, poultry, grocery, tailoring, broom making, pottery, rice trade, paddy trade, carpentry, provision store, tiffin shop, flour mill, cloth show room, sheep/goat/buffalo rearing and other related small business activities. As such microfinance practitioners and various social development agencies have adopted microfinance as an effective tool to fight poverty and empower women. The core belief is that the poor can come out of poverty through building their own institutions. The involvement of various public, private institutions and other Non-Governmental Organizations (NGOs) shows the value, scope and growth in this sector. At international level, Dr. Mohammed Yunus of Chittagong University popularized

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the microfinance system by establishing Grameen Bank (GB) in 1976. The most important feature of GB is its recovery rate, which is as high as 98% (IIBF, 2009).

Pilot study with Society for Elimination of Rural Poverty (SERP) reveals that there are over 2 million SHGs in India and over 900.000 (0.9 million) SHGs in Andhra Pradesh State. It means Andhra Pradesh State alone has about half of SHGs organized in India. Each group has around 10 to 20 members. SERP has been set up by the State Government of Andhra Pradesh, as a sensitive support structure to facilitate social mobilization of rural poor women in the form of SHGs. As such SHGs are normally promoted by Government agencies, Banks, NGOs, Individual rural volunteers, etc.

The resources of SHGs come from the thrift by the members, bank loan, Community Investment Fund (CIF), interest earned on internal lending and revolving fund assistance provided by the State Government. The savings coupled with the bank finance have been used for internal lending among the members at an interest rate ranging from 12% to 24% per annum. The interest charged by the banks to SHGs is in the range of 8% to 12% per annum. The interesting point is that the SHGs in Andhra Pradesh State are getting bank loan at an effective rate of interest of 3% per annum as the State Government is re-imbursing to SHGs the interest charged by the banks over and above 3% for prompt repayment (NABARD, 2009a). The total volume of micro-credit has dramatically increased from Rs. 173 crores in 2000-01 to Rs. 13,674,37 in 2007-08. Illiterate and unskilled women engage in small business activities. Most of the members of SHGs are in Below Poverty Line (BPL) and lack knowledge about operations of small business activities. Further the members are currently facing challenges in equipping themselves for commencement and management of small business activities to earn livelihoods.

Education and literacy have an important place in the process of empowerment of society. According to SERP around 56% members of SHGs were literate, that is they could read and write. Most of the members of SHGs are uneducated. Due to inherent constraints of the conventional education system, open distance education is the only alternative to provide knowledge by delivering education in a multiplicity of networks to meet the needs of Self-Help Groups and community resource persons using appropriate technology. In this direction, the Department of Commerce, Dr.B.R.Ambedkar Open

University proposes to offer a “Certificate Program in microfinance” through distance education mode in collaboration with a Society for Elimination of Rural Poverty (SERP) to improve functional abilities of Self Help Group (SHG) members and community resource persons. It is proposed to deliver education through community centers by using mobile study centers. The purpose of this program is to arm the members of SHGs and community resource persons with knowledge by making microfinance education access to learning for development and to devise new ways to excel in their small business plans.

Hence the researcher is interested to study and analyze the needs assessment to launch a certificate program in microfinance education. The objectives of the study are: (1) to find out whether all members of SHGs, community resource persons and other poor individuals are accessible to microfinance services; (2) to examine the SHGs operating models and to study their learning needs for commencement and management of small business activities; (3) to study the perceptions of micro-credit users pertaining to their utilization and usefulness of micro loans; (4) to identify the content requirement of learning and distance education didactic methods required for learning to occur.

The study is a descriptive research design. Primary data were collected through the survey method using focus groups. A structured interview schedule was used during the focus groups interviews. This technique was used for collecting information on human perceptions and opinions. The interview schedule was pre-tested with the staff members working in SERP to test whether the questions indicated were closely related to variables that this study sought to measure.

The target population was all members of Self-Help Groups and community resource persons in Andhra Pradesh State. To select the respondents, random sampling method was used. 18 members from 9 SHGs (2 from each group) and 9 members from community resource persons were selected by using random sampling technique. The selected members were invited for a round table meeting with the researcher. During the meeting, the groups were interviewed using the interview schedule and the researcher took notes on the members’ responses and reactions to the questions. Based on the responses of respondents, the researcher has analyzed the data and draw inferences.

Focus group opinion on impact of micro-credit

The focus group was asked to rate the impact of micro credit on their working of SHGs and improvement in the living standards of the members families. The ratings on each aspect/statement were classified into 5 groups by providing scores to ratings, namely 1=Strongly disagree; 2=Slightly disagree; 3=Disagree; 4=Agree; 5=Strongly agree. The impact of micro credit on living standards of the members of SHGs is exhibited in the following table.

The rate of interest of micro credit is reasonable	Strongly disagree 1 2 3	Strongly agree ← 4 5√
The income has increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
The savings has increased	Strongly disagree 1 2 3	Strongly agree ← 4 5√
Better access to children education	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Better access to healthcare	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Better financial situation of the family	Strongly disagree 1 2 3	Strongly agree ← 4 5√
The role of women in decision making process has increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Small business activities have increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Household assets have increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Income generating activities have increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Employment opportunities/ Working opportunities have increased	Strongly disagree 1 2 3	Strongly agree ← 4√ 5
Improvement in the living standard of the family	Strongly disagree 1 2 3	Strongly agree ← 4 5√

Table 1. Degree of satisfaction or agreement level (on a scale of 1 – 5*) of SHGs leaders who attended the focus group meeting

* Rating scale: 1 represents the lowest of satisfaction or high disagreement. 5 represents the highest level of satisfaction or high agreement.

The opinions of focus group are shown with a tick (√) mark on the rating score. Table 1 shows that the focus group expressed all statements either “Agree” or “Strongly agree”. It means almost all members of SHGs are benefited with the micro-credit scheme.

Microfinance education through Open Distance Learning

Education has an important place in the process of empowerment of society. Most of the members of SHGs are uneducated. Due to inherent constraints of the conventional education system, open distance education is the only alternative to accommodate growing population and to meet the needs of the society. It operates on the premise that knowledge is the key to individual freedom and cultural, social and economic development. Self-Help Groups want knowledge about operations of small business organizations that connects with their lives. Inspired by the success of Open Universities, open learning is now growing rapidly in other areas. As such distance education provides knowledge to empower members of SHGs to gain control of their learning and addresses the barriers to development by delivering education in a multiplicity of networks to meet the needs of members of Self-Help Groups using appropriate technology. In this direction, the Department of Commerce, Dr. B.R. Ambedkar Open University proposes to offer a “Certificate Program in Microfinance” through open distance learning in collaboration with a Society for Elimination of Rural Poverty (SERP) to arm the members of SHGs and community resource persons with knowledge by making microfinance education access to learning for development and to devise new ways to excel in their small business plans. The other purposes of this program are: (1) to create more productive labor force; (2) to provide training at required levels; (3) to provide wide spread employment which reduces poverty; and (4) to improve functional abilities of Self Help Group (SHG) members and community resource persons. It is proposed to deliver education through community centers by using mobile study centers.

In view of low literacy rate of women in Andhra Pradesh, there is a need to explore a suitable strategy to impart education to the people who are not accessible to it. The major task is to identify the areas where the Self-Help Groups in Andhra Pradesh are facing problems to improve their working opportunities and income. The guiding question in

this context therefore is: how do members/leaders of SHGs, respond to proposed microfinance education for SHGs within the context of high level percentage of uneducated members in SHGs. The areas of research questions are:

- Is the proposed programme beneficial to the members of SHGs/leaders/community resource persons?
- What are the training needs of the members?
- What are the most appropriate methods of teaching-learning to take place?
- Can the programme be adequately taught using the distance learning mode with the support of ICTs?

The participants expressed the view that there were cases where the poor illiterate women members in SHGs could not understand the bank linkage program and apprehended a debt trap ahead for them. As a result, such SHGs have been under rated as far as loan consideration is concerned and hence education through Open University system would be highly useful for them.

Average literacy status of SHGs in Warangal District of Andhra Pradesh

In rural Andhra Pradesh girls and women are largely excluded from education due to various reasons, such as: (1) less support from their families; (2) arrangement of early marriage; (3) after marriage lack of support from their husbands; (4) lack of accessibility of formal education; (5) lack of financial support, etc. In this study the focus group responded that many members of SHGs are not fully literate and are not able to read and write. As the information ascertained from the focus group, the ground situation of average literacy among members of SHGs situated in Warangal District of Andhra Pradesh reveals that many members (75%) of SHGs are not fully literate and are not able to read and write. Thus the handicap of literacy/education became hurdle for achieving many desired results. Therefore, to achieve an objective of inclusive growth, it is right time to pay much greater attention to micro finance education through ODL system focusing on

the needs of SHG members.

Questions related to self confidence of women were asked, such as: traveling alone to nearest town/district, handling certain amount of money, addressing community problems. The focus group responded that there is a significant improvement in their self confidence level to travel and to handle money and to address social problems after joining SHGs. Further they mentioned that around 80 to 85% of SHGs availed Bank-linked loans and 60 – 70% of the members have shown significant improvement in their life styles and they were out of financial crisis aspects.

Focus group opinion on education to members of SHGs

The discussion relating to microfinance education and the members awareness about concepts of microfinance and SHG federations and their management, the focus group felt that microfinance education was necessary as the members of SHGs do not have complete understanding about many aspects, such as: (1) organization of SHG meetings; (2) procedure of SHG-Bank linkage program; (3) interest calculations on bank and other loans; (4) procedure of maintaining members loan accounts; (5) procedure of assessment of SHGs; (6) auditing of loan accounts, etc.

Further, they mentioned that it was generally noticed that by joining a SHG, many members had improved their financial status but not communication and professional skills despite a few trainings received on various aspects pertaining to formation and functioning of SHGs. Finally they suggested that the SHGs need to be educated/trained in the following areas.

1. Concept of microfinance and SHGs: to know concept of microfinance and micro-credit loans linked to SHGs and to raise their awareness towards sustainable growth that it contributes to community development and alleviation of poverty;
2. Communication: to improve their skills in communication to address social problems barriers to community development;
3. Savings: importance of savings and opening bank account;

4. Accounting: to record and maintain the loan transactions and small business transactions, calculation of interest on loans and auditing the books of accounts;
5. Technical knowledge – to know the procedure pertaining to SHG-Bank Linkage Program (SBLP) and preparation of Micro Credit Plan (MCP);
6. Timely repayment and repeat loaning system;
7. Management: to improve their skills pertaining to human development management of SHGs and management of small business organizations;
8. Technical know-how: to develop their technical know-how in respect of new income generating activities and small business organizations; and
9. Marketing: to learn the important marketing skills to market their business products.

Suggestions

ODL system encompasses many different ways of delivering education and training to learners. ODL is a resource based instructional methodology; its effectiveness depends heavily on quality of learning resources that are used and on the appropriateness of the delivery media. The ODL system is an alternative learning approach in view of its system of flexibility with regard to eligibility for admission and flexibility with regard to learning.

In view of ODL's inherent characteristics, the members of SHGs can be educated by grouping 4 or 5 SHGs in to one Self-Help Study Group (SHSG) in their villages. These may be known as Community Self-Help Group Centers (CSHGC). Counsellors may be arranged to counsel them. In addition, classes may be organized through ICTs to enhance their knowledge. This method of arrangement obviously could be ODL system through community study centers. The contact-cum-counselling classes may be conducted by organizing a mobile study centre with the help of counsellors.

The development of a more knowledge-based and service-oriented economy leads to important changes in the organization of work and the structure of skills needed. New jobs tend to demand new and higher levels of skills, customer-

oriented communication, problem solving and entrepreneurial skills. The emergence of more flexible work organizations is clearly linked to the development of technology. One of the new challenges for education is that high-level skills are needed not only by elite, but by the population in general UNESCO (2002). Therefore, the microfinance education through ODL enhances the esteem and self confidence in members to undertake business/social activities. There is a need to explore new methods of education through ODL system. Newer methods of learning and counselling combining ICTs equip the learners with basic life skill, reading, writing and simple arithmetic environmental science, health and hygiene and social interpersonal skills. This method of approach allows to people to acquire knowledge in all respects. Hence, the author felt that ODL system is the plat-form to try many new models of education and learning that would help the poor uneducated adults to educate themselves with the appropriate ICTs support. Thus the education would help the members of SHGs/all the poor to travel from despair to hope, poverty to self sufficiency, and build their confidence for bright future. However, graduation of members of SHGs and community resource persons from the credit groups to the livelihood groups through ODL system is a challenge for Open Distance Education Institutions.

Conclusion

The microfinance sector has covered a long journey from micro saving to micro credit and then to micro enterprises and now entering into the field of microfinance education. In this framework of research, the study found out (1) the increasing access to micro financial services; (2) operating models of SHGs and their learning needs for commencement and management of small business activities; (3) utilization of SHGs members loans for development; (4) microfinance education to members of SHGs and their learning needs through distance education mode by using appropriate technology. The responses of focus group suggest that the members of SHGs need microfinance education to the development of management skills, communication skills,

marketing skills, and maintenance of loan accounts. The study suggested that the microfinance education through ODL can offer solutions aimed at supporting SHG members.

This study would contribute in spreading the importance of microfinance education through Open Distance Learning (ODL) system and will develop to carry out research and sharing of research outcomes between educational institutions/countries.

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