

# **MICRO FINANCE**

## **AND THE EMPOWERMENT OF POOR WOMEN<sup>1</sup>**

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The majority of the poor people in Indonesia are women. At least 6 millions of these poor people are household-heads with an average income of under Rp 10,000 a day. In order to maintain their own survival and families, they generally work for the informal sector - trade and services, agricultural sector – agricultural and industrial labor. They face problems in trying to gain access to resources including financial resources such as credit from the existing financial body. These problems include being considered unworthy, living in the outlying area, having no guarantor, being of a certain gender.

In their recent survival strategy to sustain their life, they depend on alternative financial resources such as grants provided by poverty reduction programs supported either by the government or social bodies and NGOs, borrowing money from usurers, families, colleagues and neighbours. Consequently, they become dependent on others economically, tangled to debt. In doing so, they fail to sustain their enterprise and remain snared into vicious circle.

The problems facing these women is not just a problem of lacking access to solely financial resources. It constitutes a structural problem that is caused by many other factors and constraints. Gender inequality is a main factor that brings about prolonged poverty to women. This explains why women empowerment has become a collective commitment and global agenda since the 1980s.

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<sup>1</sup> Addressed to workshop on, "Various Knowlesge and Micro Finance Resources in Indonesia", that is carried out by Gema PKM Indonesia and BWTP in Jakarta 23 August 2004.

2. Chief of Executive Board of Central for Women Resources Empowerment (PPSW), National Coordinator for Empowerment on Women Household-head (PEKKA)

There are at least five inter-related aspects to be considered in empowering women, namely: welfare, resource access, participation, critical awareness and control. Regardless of the initiatives created regarding women empowerment, it should encompass the five cases above, including the growth of the micro finance body as one of the economic resources for them.

The Center for Women Resource Development (PPSW) is one of the NGOs working for women empowerment since 1986. PPSW has already selected a model to develop supporting groups with cooperative principles and cooperative development as one of the strategies and entrance to empower poor women groups. The Cooperative is selected as the model since it holds economic and social principles that enable the five empowerment aspects mentioned above to be covered.

The preliminary steps that we have undertaken so far in facilitating poor women in a certain area includes forming a group and intensifying saving and credit activities in their groups. Each group agrees with its commitment of how much money they should save, how to manage it, and whatever stipulations they should comply with. They have to start their activity by saving, not borrowing. This is to train them by changing their mentality of spending money into that of saving, from being dependent into being self-sufficient, as well as having high responsibility and sense of belonging to the financial condition of their group. They are only allowed to borrow money for the first time after managing to save money during three months. This comes with the condition that the amount of the loan that they will borrow is at most as much as that they have saved in the time span of 10 months. This loan amount can be increasingly raised in accordance with their needs and based on a collective evaluation of their discipline to pay the installments. The interest rates, services and

profit-sharing is determined collectively after reaching a general consensus from discussions. At the end of each year, a year-end meeting will be conducted. During this meeting, profits obtained during the saving-and-credit activities for the year will be shared. The Cooperative board will also be elected based on discussion and a general consensus. Financial management is conducted transparently with complete mutual trust. At this meeting, the source of collective capital /group's capital is also acquired from a grant under the development program soft-interest loan or profit-sharing system from the associate body (supporting-body).

The developed groups are then allowed to form legal primary cooperative (cooperative with having corporate body) at the rural level in order to gain access to more extensive resources. Furthermore, these groups or primary cooperatives set up one legal secondary cooperative at the regional or national level to extend their access to the higher level with a bigger quantity.

Till now, the following have been set up: 400 self-supporting groups, 30 legal primary cooperatives, and one legal secondary cooperative serving more than 12.000 poor households in the poor areas of 10 provinces like Nanggroe Aceh Darussalam, West Java, Banten, Central Java, West Borneo, West Nusatenggara, East Nusatenggara, North Mollucas. They manage a total capital circulation of more than 1 milliard rupiah a month with the rate of return up to 98%.

In relation to women empowerment, the extension of micro finance by this strategy has opened up a way for the poor women group to: (i). **Promote welfare;** since they can borrow some money at any time with a simple procedure, low interest, and they will gain profit-sharing. In addition, they can also use the loans to create petty trade/small business, pay their children's school fees, as well as meet the urgent daily needs. They can also avoid borrowing from usurers. (ii). **Open**

**access to resources;** By establishing groups and cooperatives, their existence becomes accredited and they also possess an access to information and various resources like finance, education, and training through many types of programs extended in their regions. (iii). **Participate actively in many kinds of activities;** In their group, they can create a sense of togetherness and collectiveness, learn to be a decision maker and to build organization. Gradually, they can build up their self-confidence and involve themselves actively in many kinds of activities in their region. (iv). **Open to critical awareness;** A group applying open and democratic principles will become a training center to its members to view each problem critically and express what they aspire to. Moreover, their collective awareness of their equal position and existence in the community is increasingly formed in accordance with the rise of their self-confidence. (v). **Possess self-control and many kinds of living aspects in the community;** They can collectively control the process of decision making and resources allocation in the community, since they have been accustomed to doing it in their group.

In addition, these groups have also brought about positive social impact in the community as they also save part of their profits to finance social activities such as children's school fees, charity to old women who are inactive anymore, casualties etc.

The largest challenge that they encounter by this strategy is the slow and limited movement. Individuals and collective enterprises that they create are too small with very limited marketing space. Moreover, the women are still up against social and cultural handicaps that still impede them to build enterprises. For example, the managing board has to carry on double burdens. The general limited

capability of women from a low education background and even illiterate conditions become serious obstacles.

Nevertheless, after following the process of this activity, we confess that this strategy constitutes one of the most effective approaches to empower poor women and to contribute to the process of sustainable poverty reduction.

MICRO FINANCE BODY  
CONCERNING WITH EMPOWERMENT OF POOR WOMENT

WHY DO THEY NEED IT?

- ACCESS TO FINANCIAL RESOURCESS IS CLOSED
- THE LOAN THAT THEY CAN BORROW IS TOO SMALL AND UNWORTHY
- THEY LIVE IN THE OUTLYING AREA
- RELATED TO GENDER ISSUE

WHERE IS THE FINANCIAL RESOURCES OBTAINED FROM RECENTLY?

- GRANT OBTAINED FROM POVERTY REDUCTION PROGRAM
- PROGRAMS FROM NGOS
- LOAN SHARKS/MONEY-LENDERS
- RELATIVES AND NEIGHBOURHOOD

WHAT ARE THE IMPACTS?

- DEPENDENCE
- UNSUSTAINABILITY
- TRAPPED INTO VICIOUS CIRCLE OF DEBT
- POVERTY

WHERE DO THRY START FROM?

- GROWING SELF-SUPPORTING GROUPS
- ESTABLISHING CREDIT AND SAVING ACTIVITY

- DEVELOPING CREDIT AND SAVING ACTIVITY TO BE LEGAL COOPERATIVE
- EXTENDING COOPERATIVE MEMBERS
- PROMOTING SECONDARY COOPERATIVE TO THE HIGHER LEVEL

#### EXISTING EXAMPLE?

- MORE THAN 400 SELF-SUPPORTING GROUPS
- 30 LEGALLY PRIMARY COOPERATIVES
- ONE LEGALLY SECONDARY COOPERATIVE
- SOURCE OF CAPITAL, BASIC SAVING, OBLIGATORY SAVING, OTHER LOANS.
- ADMINISTRATIVE COST SYSTEM, INTEREST AND PROFIT SHARING

#### EMPOWERMENT?

- WELFARE
- ACCESS TO RESOURCES
- PARTICIPATION
- CRITICAL AWARENESS
- CONTROL

#### STRENGTH?

- BELONGED TO< MANAGED< AND CONTROLLED BY POOR WOMEN GROUPS
- TOOL OF EMPOWERMENT FOR THEM
- PROFIT IS UTILIZED COLLECTIVELY

- RATE OF RETURN UP TO 98%

#### CHALLENGES?

- SLOW GROWTH
- NOT YET ABLE TO ACCESS MARKET INTEREST
- GENDER ISSUE
- VULNERABLE