

### The role of micro-credit in improving agricultural development

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**Abstract:** Rural women are among those major groups at society who previously were considered less by planners, due to specific reasons in the past. And this problem is more observable at developing countries. While, by looking at women's history of economic and social life, we can find that this great group, continuously have played basic role in forming economic condition of country. This great group consistent with men have had active role at areas of social-economic activities and always have had major part on economic production of society. Nowadays, supporting family supervisor women is adopted by universal society, as politic, economic a social concern and nearly all countries applied related approaches, and however these efforts have resulted in failure, in so many cases .

[Mohammadreza Ghaffari, Khatereh siyar and Abbas Emami. **The role of micro-credit in improving agricultural development.** Academia Arena, 2011;3(4):23-27] (ISSN 1553-992X). <http://www.sciencepub.net>.

**Keywords:** micro-credit, in improving agricultural development

#### Introduction:

If rural women can work through receiving credits , loan and others finance facilities at favorite jobs and live through earned income (as it called "self-reliance and independence") , so undoubtedly we would see changes in social, economic and cultural relations of village.

Here, Basic issue is that if changes happened following of these events in villages, have positive aspects or negative? Naturally, every change in institutions and social phenomena has both positive and negative dimensions. (Farghdan, 2001)

Being high and low of each one is depended on various conditions and terms so it is varied from one society to another society. In Iranian rural societies, cultural and social context is such that, consequences of these phenomena maybe being different and sometimes contradictory. However these actions caused that women stand in good economic condition and also gain self reliance and rely themselves with no help from husbands, but dominant cultural space on villages may create some disorders. At most of villages in Iran, patriarchal with all features dominate and women's financial self reliance may not being pleasant for some human and rural groups. When women gain financial independence in villages, impacts and social and cultural consequences would emerge. (Chabokru and etal, 2005)

Increasing Suffrage, lack of relying on vast patriarchal families, increasing cultural acknowledgment, relation with newer institutions, having intellectual independence, making decision for marrying, occupation, emigration and etc are those rights that they gain. gaining aforementioned rights by women in context of cultural and social framework followed some changes that maybe lead to disfunctions and even create disorders and

abnormalities at traditional , familial and kinship relations that dominated on villages (Fakhraee 2002)

#### Micro-credits:

The major beneficiaries of micro-credit programs are rural women and low-income groups who use the micro-credits to improve their social and economic status. Bowman (1997) gives a short but clear definition of micro-credit in his book, which is as follows:

"Small, short, collateral-free"; In other words micro-credit means providing small loans without any thing as security for low income people and they'll pay back the loan in a short period of time. (Arab Mazar and Motamed, 2005)

For the past two decades, micro-credit has been one of the solutions considered in order to expedite investment process and strengthen the financial bases in rural and deprived areas. Empowerment and poverty eradication in deprived communities through improving productivity are all results of micro-credit. Micro-credit has proven its value in development as an effective tool in struggling poverty and hunger. It has the ability to change and improve people's lives, especially people in need.

In micro-credit programs there are some other parts like small saving accounts and deposits; that's why they are presented as a credit-saving program (Moazami and et al, 2005).

The two terms in "micro-credit" refer to two fundamental concepts that it is dealing with. The first term "micro" refers to inefficiency of classical economists' development methods. Focus on the term "micro" implies revising the market's economical recommendation in rural development. Small and micro-scale activities are the ones done within the local markets with goal of providing livelihood for

households and with least link to the national and international economy. The second term “credit” refers to rural circumstances and lack of official sources which is a critical problem for them. By designing a micro-credit plan, the system is trying to provide credit sources for poor families and increase efficiency of rural market. In micro-credit system, production is mostly local and industrial, therefore economic surplus in these programs is relatively low. Micro-credit system is widely applied in countries that their national economic program is not capable of creating job and income generating opportunities for the majority of society. (Najafi, 2006)

### **Micro-credit characteristics:**

#### **1- Empowerment**

Empowerment is one of the major goals of micro-credit and it's considered as a proper index to evaluate it. Creating self-reliance and self-confidence in people, empowerment is one of the important factors to deal with poverty. It also creates social capacity.

Empowerment plans include:

1. Forming financial groups and creating social capacity
2. Education as a supplementary factor of credit-saving
3. Assigning management of credit plans to members

#### **2- Stability**

Stability is a fundamental characteristic for a comprehensive development program and leads to continuance of the program and makes credit-saving plans different from others.

Stability indicators:

- reduce dependence on external financial resources
- reduce trading expenses
- cut the loan subsidies (Banihashem, 1999)

#### **3- creating and expanding income generating activities**

A study conducted by World Bank about micro financial institutions highlights three most frequent goals:

1. Creating employment opportunities for members
2. Increasing vulnerable groups' income and productivities
3. Reduce family's dependence on agriculture in droughts' prone areas

#### **The role of micro-credits in poverty eradication:**

The first application of micro-credit was about 20 years ago with the establishment of Grumman Bank in Bangladesh. This bank, providing credit for the poor (particularly women as 94% of its clients are them), has managed to increase income and economic welfare. Now the program is running in most parts of world especially Asia, Africa and Latin America. One interesting point is that unlike prior perceptions, the poor covered by micro-credit programs has been very successful in paying back their loans.

In the countries that credits are provided in a proper financial manner, not only it has increased production and income but also it has encouraged poor to save a part of their income. These savings can be an important support for the institutes providing micro-credits and can be a financial base for more loans and all these result in institutes' financial dependence.

With the new way of micro-credit payments, in addition to covering poor's financial needs, a combination of other services and facilities are available for them; such as saving accounts, educational services, and cooperation possibilities (Goetz and Sengupta, 2003).

#### **Discussion and results:**

In the new system of advanced agricultural economy, the value of women's work that previously was unpaid labor now must be paid in cash. Except for agriculture which is rural women's main work field they have rarely participated in tow other fields of economy. The most important issue of women's social and political participation is to take part in planning, decision making, implementation of decisions, and evaluation of results. Generally they have had a little share in such processes. Although in recent years rural women have participated more in villages' management, social and cultural organizations, and cooperative institutions' management; but having a lower level of literacy, education, income and social status than urban women they still have the smaller share of administrative and official jobs. Some barriers to women's participation which can be categorized in 3 groups of personal, familial, and social include: low literacy level, large volume of work both inside and outside of home for many reasons including seasonal migration of men and the great diversity of rural women's activities(nursing, housekeeping, agriculture, handicrafts, livestock,...), malnutrition, low health indicator, Patriarchal structure of society, father or husbands disagreement with a woman's participation in social and economic activities for various reasons like cultural reasons or unwilling to lose the labor force at home, negative attitudes towards women's abilities, gender discrimination, family's poverty, superstitious beliefs, misleading customs like fatalism, low access of women to credit and facilities,

inaccessibility of extension services, men-orientated social activities and participation plans, deficiency of professionals needed to educate rural women, problems of access to health services and social facilities, low income of rural women compared with men, lack of non-governmental organizations dealing with rural women's problems, few women managers in rural area. (Rahimi, 2001)

Nowadays, micro-credit and micro-financing have changed people's lives; it has brought back life to poorest and richest communities of the world. So we can easily observe a great increase in people's access to general financial services. Facilitating the access of families to financial services, they begin to invest on educational expenses, healthcare, healthy nourishment, trading, and housing based on their priorities. Overall in many countries financial plans mostly focus on women. Women, provided with financial facilities, will receive a loan, guarantee to pay it back, keep their saving account and also they'll have insurance coverage. Micro-financial plans have an important message for families and communities. Many studies have proven that women's access to mentioned facilities may improve their conditions in family and society; it also helps them feel more self-confident and makes them aware of their own abilities. Thus providing micro-credit services for the poor in society is a powerful tool to reduce poverty and so that they are able to create assets, earn more money and become less vulnerable against the economic pressure. Of about 1.3 billion poor in the world there are 900 million poor women, this obviously shows that poverty has a feminine face. According to UN's development fund, 10% of world's income and less than 10% of world's assets belongs to women. While a majority of them never possess the capital needed for their activities, women still play an important role in the economic development of country. Therefore women draw the micro-credit policy maker's attention more than others. Choosing women as the main target of micro-credit plans is an effective strategy to eradicate poverty; because their income will upgrade the family welfare; furthermore earning money improves their social status. In some countries this choice is influenced by society's attitude and culture (Araghzadeh, 2002).

For instance founder of Grumman Bank of Bangladesh, Mohammad Yunes, has stated that: "women have plans for themselves, their children, and their family life; they always have an overlook while men just look for fun" to explain why 94% of their clients are women.

Women's access to micro-credits have shown that their income benefit to improve their family and provide livelihood. In addition to all these another reason of women being the target of micro-credit plans

is that women have higher loan recovery rates. Totally, expanding women's access to micro-credits may lead to many useful results which in economy is mentioned as "virtuous spiral"; because their access to micro-credits results in family welfare and in a broader point it'll improve community's welfare and shall be increased welfare this process is repeated.

In researches that conducted by Nanda (2004) became clear that women participation in credits programs had positive effects on their demand about health care. Fiona Steele and et al (2008) in researches that conducted as called " influences of credits programs on empowering women at Bangladesh , found that women who joined to credits programs , have participated in more educational programs and have married with more educated men and also they have saved more and they had more cash .

Shahnaj and Chaudhury(2009) in research as "credits and its role on empowering women " concluded that there is meaningful relation between attending in credits programs and empowering women , at economical dimensions .

Maybe the main challenges that threaten credits associations , is lack of necessary emphasizes on social dimensions and on reinforcing their basics , that practically cause that this social foundations lose its efficiency soon and practically changed to unsuccessful institution .

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Ellen and her Colleagues (2009) used approach called it "credits and education at Bolivia, Ghana, Honduras, Mali and Thailand". This approach looks for empowering women through financial services with education. In this approach, women get familiar with importance of credits through education and extension and also familiar with ways to access it through establishing different groups.

Ruhal Amin and others (2010) found that those who joined credit funds had more ability rather than those who didn't.

Jameela (2010) presented that credit programs has shown lot of affects on empowering women so that has increased their social, politic and economic ability.

Thus it is obvious that credits programs and its educational and empowering programs can be affective on social, humane and economic development or rural society, if it be associated with proper and gradual practices and base on reciprocal communications principles and apply opinion of local

society.

A study conducted by Chabokru et al (1384) shows the crucial importance of micro-credits for farmers who do not possess physical financial assets (land, building, livestock, well...) and work in agricultural sector because of environmental conditions (such as living in a village) or because it's their ancestral occupation.

So today, women's participation in sustainable economic, social, and cultural development in rural areas is not optional but an essential matter. Those communities that have not seriously considered the necessity of participation faced failures and delayed community's development, welfare and security process. In any community, village, or social group, broad participation of every women in decision-making and any other matter related to national or local development programs, is a key variable in social sciences and in the last few decades, it has interested many scholars of socio-economic and especially cultural issues, and is considered as one of the most fundamental democratic rights of women in a society. As we know in a popular participation, all people are given the opportunity to participate in planning and decision making for their society and for their own future. When in practice women feel that they can be involved in planning, policy making and deciding or solving problems in the society certainly they'll feel more solidarity and become more interested in social, economic, and cultural development programs.

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3/24/2011