THE ROLE OF MICROFINANCE GROUPS TO BUILD WOMEN'S EMPOWERMENT AND STRENGTHEN COMMUNITY RESILIENCE.

A CASE STUDY OF IZANDLA ZIYAGEZANA

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This paper looks at the role of informal microfinance groups and networks in improving community resilience. Through a case study of Izandla Ziyagezana in KwaZulu-Natal, the paper argues that local emergent, savings-led microfinance groups can play a major role in improving the adaptive and transformative capacity of low-income populations, by smoothing income and consumption, providing social networks, and empowering women in their households and communities. The poor are often the most vulnerable to disturbances, be they economic, social or environmental in nature, and the least able to respond to stresses and shocks. In the face of disturbances, informal microfinance groups create more resilient individuals, households and communities.

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THROUGH AN ANALYSIS of a women's savings-led microfinance organisation, this paper positions locally driven informal microfinance mechanisms as an option for ensuring access to savings, credit and capital-generating services. The role of the informal finance sector has direct and indirect effects on the resilience of the local community. Women are an important target group because of how labour is divided in the household and the gender disparities in how income is used. Therefore, empowering women within the household and community is an essential component to ensure the development of resilient communities.

The two dimensions of resilience – adaptability and transformability – form the crux of the argument for microfinance institutions. The structure, the investment, savings and borrowing rules, and the benefits of belonging to a microfinance group create an environment in which women can adapt to and thereby overcome challenges or stressful events – and, in the longer-term, the empowerment potential inherent in these groups enable the women to transform their lives. Individual members of these groups, their households and their communities become resilient. According to Arnoff (2011), empowerment is the process that gives power to the disempowered and increases their ability to make strategic decisions and choices. This paper's contention is that microfinance groups – through enhancing the adaptive and transformative capacities of its members – can potentially empower their female members to become involved in household decision-making and participate equally in various socio-economic spheres of their lives.

After describing how microfinance groups strengthen community resilience (by empowering poor women in particular), the paper distinguishes between savings-led and credit-led microfinance groups. The paper then looks at the case study of Izandla Ziyagezana and the benefits for its members, and examines what are resilient systems and resilient communities.

THE ROLE OF MICROFINANCE IN STRENGTHENING COMMUNITY RESILIENCE

Microfinance mechanisms help strengthen resilience, particularly at the local community level. Community resilience refers to the ability of a population to adapt to and function following a shock or disturbance (Folke et al. 2005). Individual resilience can be regarded as both a catalyst and a by-product of what transpires at the community level. The resources available (and the capacity to use them) allow individuals, households and communities to become more resilient to change (Norris et al. 2008). According to Folke et al. (2005), resilience is the process of self-organising through the adaptability and transformability of systems. Adaptability here refers to the capacity of people in a socio-ecological system to manage resilience through collective action, while transformability refers to the capacity of people within a socio-ecological system to create an entirely new system when conditions make existing systems unsustainable (Walker et al. 2004). Within various socio-ecological systems, political, social, and economic conditions interplay with the biophysical and socio-cultural. Therefore, within this context, where a variety of disturbances may cause imbalance to any community, the ability to access finance and/or capital is crucial to be able to adapt or transform under changed conditions.

The need to be able to respond effectively to challenges and/or disturbances is as important for low-income communities as for any other income group, but often the poor are at a greater risk of severe destruction and destitution, and even death. The poor are also less equipped to mobilise support following a disaster (Norris et al. 2008). In these contexts, access to microfinance has become a central development goal, and many NGOs have attempted to establish financial services accessible to the poor. Such local solutions, which respond to the local socio-economic and socio-cultural context, should be used to develop and expand future projects related to access to micro-finance.

Formal financial mechanisms, including savings, credit, insurance etc., have historically not been available to the low-income population because of the high collateral required and perceived high risk of this social group, leaving a high percentage of the population without access to financial services (Mashigo and Schoeman 2010): only about 28% of adult South Africans have access to credit (World Bank 2013). The unequal access to economic resources for the poor, especially women, is economically and socially disempowering. Furthermore, micro-lending, which was thought to be a solution to finance inequity, is highly regulated in South Africa, and does not serve the interests of the poor because of its high cost and interest rates (Mashigo and Schoeman 2010).

Enhanced access to informal financial services, through microfinance groups, promotes access to savings and credit facilities. These types of income-support structures can improve the resilience of poor households and communities, which has positive effects on the socio-economic status of a household. Income support ensures that families are able to deal with shocks (such as death and funerals), instead of becoming a disaster and embarrassment to the family. The social networks created through membership maintain the social order and requirements of a community-based savings system and improve social capital (Mersland and Eggen 2007). This should also have a direct impact on the resilience of households and communities when faced with large-scale shocks. Through mechanisms such as micro-savings groups, economic empowerment is encouraged, and the women who partake in these groups gain human capital and are able to become decision-makers within their households (International Year of Microcredit 2005)

SAVINGS- AND CREDIT-LED MICROFINANCE GROUPS

Savings and micro-credit groups exist around the world as a strategy to alleviate poverty. Women mainly form and join these groups, which provide greater flexibility and affordability than formal financial institutions. They are also easy to access because they exist within the community where members live (Allen 2013).

Traditionally, informal microfinance groups have provided a range of services to poor households, contributing to their survival and smoothing income and consumption (Mashigo and Schoeman 2010). In South Africa, *stokvels* (in the form of savings, credit and capital-generating groups) act as economic and social instruments that provide finance for predictable (marriages, education) and unpredictable (funerals, natural disasters) events (Mashigo and Schoeman 2010).

Dynamic microfinance initiatives seem to attract a large number of the poor, especially in rural settings. These initiatives are variously known as Rotational Savings and Credit Associations (ROSCAs) or *stokvels*, Accumulated Savings and Credit Associations (ASCAs), self-help groups and solidarity groups lending to the poor (Allen 2013). A few examples of microfinance groups are briefly portrayed to show some of the history, achievements, lessons and challenges experienced by microfinance groups. While it is not possible to go into much detail on the specific cases, it is worth mentioning that women-led savings and micro-credit groups are not a new phenomenon, and have evolved in various societies, catering for particular needs.

SAVINGS-LED MICROFINANCE GROUPS (SLGS)

SLGs (or community-managed microfinance) is an alternative savings option offered to communities that often have no other access to financial services, such as banks and microfinance through formal institutions (Goss and Bill and Melinda Foundation 2010). Key features of SLGs are: 1) they are community based and use specific models, 2) members have access

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to their savings at the end of a one-year cycle, 3) members are required to contribute a specified amount, 4) the security of pooled fund is everyone's responsibility, and 5) members earn a 100% return of their contributions. SLGs are flexible, as the participants determine the constituency of the group and draw up the constitution that guides the group's activities. Some SLGs include SaveAct (South Africa), ROSCAs (Uganda) and the Savings Development Movement (Zimbabwe).

The case study of Izandla Ziyagezana also shows how the group assists its members to become resilient to risks associated with poverty, unemployment and inequality.

CREDIT-LED MICROFINANCE GROUPS

The Grameen Bank in Bangladesh is regarded as the pioneer of credit-led microfinance organisations. Credit-led organisations mainly provide credit to the very poor in their villages using a particular micro-credit model or system. This is done through: 1) clearly establishing the eligibility criteria for the selected target market, 2) giving more priority to women, and 3) gearing credit towards meeting diverse socio-economic development needs of the poor (Yunus 2007). The Grameen Bank concept is based on the assumption that if people are provided with working capital such as small loans, they will create self-employment without relying on the government. As a result, the members of the bank use the loans for business activities such as livestock and poultry farming, manufacturing, trading and shop keeping, as well as for agricultural activities.

Both the savings-led and credit-led models focus on marginalised groups. The case study of Izandla Ziyagezana, a savings-led microfinance group situated in Table Mountain in KwaZulu-Natal, shows how, when faced with unequal access to opportunities, women have devised their own way of addressing these challenges, by creating and joining savings and micro-credit schemes with the intention of building a platform to access financial services such as credit. The case study of Izandla Ziyagezana also shows how the group assists its members to become resilient to risks associated with poverty, unemployment and inequality.

IZANDLA ZIYAGEZANA

In September 2013, Khanya-aicdd conducted field research in Table Mountain, Pietermaritzburg, with the aim of using a case study to understand how a savings-led microfinance group functions and operates, as well as to recognise the elements that promote community resilience in the group. This case study was chosen because of the concentration of microfinance groups in and around Pietermaritzburg as a result of SaveAct. SaveAct targets marginalised rural women, including the unemployed and pensioners, to improve their socio-economic status through community-based savings activities.

Table Mountain, also known as Mkhambathini, is located in the province of KwaZulu-Natal near the city of Pietermaritzburg, which is the province's capital and second-largest city after Durban (www.KwaZulu-Natal.co.za). Table Mountain is affected by a number of socio-economic ills. These include high levels of poverty, unemployment, inequitable access to infrastructure and basic services such as potable water, unequal levels of development with other areas in the municipality, and a lack of access to quality housing (Mkhambathini Local Municipality 2012). There is high unemployment and limited livelihood options due to poor access to resources, and particularly financial resources. With a high number of women-headed households, women are particularly vulnerable to socio-economic insecurity.

Established with the assistance of SaveAct in 2008, Izandla Ziyagezana is primarily savings-led but has a component of credit. Its constitution stipulates the number of group members, the minimum and maximum amount to save, the interest rate and the rules of participation. Members must pay a minimum of R50 and a maximum of R250 per month. This decision is based on the belief that every participant can afford an amount within this range, as most of them receive social grants from the state. In fact, women in this locality have little or no income, and mainly use their social grants to participate in the group. Members cannot borrow more than three times what they have saved. This rule is based on the rationale that credit can create great risk for the borrowers and the group as a whole, as borrowers might not be able to repay their loans. This is also based on SaveAct's savings methodology, which promotes the culture of savings over credit, by teaching people to save before taking credit (Nonjeke-Dlanjwa 2013). It is important to note that the interest charged is 10%, and the group determines the rate. Furthermore, even though the monthly payment towards one's loan is compulsory, the terms of payment are more flexible than in the formal sector.

SaveAct offers the members of Izandla Ziyagezana various training opportunities. Some of the training relates to improved financial management, life skills, debt control, leadership and enterprise development (www.saveact.org.za). The research found that training needs are on-going, and some members still struggle to make *sustainable* investments. Members spend a large portion of their capital and dividends on items such as groceries and blankets, which have short-term benefits. Nevertheless, the main aim behind the training is to equip the women with skills and knowledge of how they can (better) manage and invest their finances.

These groups empower women, who are generally a marginalised segment of the population, to become independent and not rely on their male counterparts for survival, even and especially in abusive situations.

A microfinance group such as Izandla Ziyagezana (like the Bangladesh Grameen Bank described earlier) prioritises the participation of women, thereby heightening its empowerment potential. These groups empower women, who are generally a marginalised segment of the population, to become independent and not rely on their male counterparts for survival, even and especially in abusive situations. However, when implementing similar models that focus on women, understanding the particular and peculiar gender dynamics within households and communities is important, in order to ensure such initiatives do not cause conflicts and create more vulnerability for women.

BENEFITS TO MEMBERS

Izandla Ziyagezana offers several benefits for the women who participate. The savings and credit facilities enable women to manage shocks that are not budgeted for, such as ill health and funerals. The women can also use the money for planned seasonal needs, such as buying blankets or crops for farming, or even for accumulating assets such as houses – both types of responses aptly reflect the resilience dimensions of adaptability and transformability (Folke et al. 2005). Many women prefer this collective saving method to formal banking institutions, not only because the costs are lower than in the formal banking sector but also because of the sense of belonging associated with such a group. The women who participated in Izandla Ziyagezana also gained in confidence and improved self-esteem, while some have even taken up leadership roles within the group.

These advantages of belonging to a microfinance group are a means to empowering and strengthening the resilience of the communities within which these organisations are located.

STRENGTHENING THE RESILIENCE OF COMMUNITIES

Microfinance groups are a valuable system for empowering poor women, especially in areas such as Table Mountain, which contains many female-headed households surviving off minimal social grants. These women need to become socially and economically empowered, so that they can continue to provide for their families. However, in such a context, any stress or shock can cause greater vulnerability and risk. Therefore, it is crucial to enable women within such communities to create more resilient social systems in order to withstand certain stressful events.

A microfinance mechanism has the power to enhance household and community resilience through empowering those involved to become agents of change within their locality. The members of Izandla Ziyagezana have been able to adapt to and transform aspects of their lives and become agents of change in their households and communities because:

1. Members have the autonomy or power to make decisions about how to invest their money, access loans and spend their savings at the end of every one-year cycle. They are not compelled to use formal systems, which do not suit their needs or circumstances, and are also less inclined to take exploitative, expensive and often exorbitant loans from moneylenders.
2. As the members themselves develop the constitution, the women have the power to decide who should participate and how much they should contribute or borrow from the group.
3. Members self-organise. For instance, even though SaveAct provides support for members during its establishment, the group is responsible for making sure that a replacement member is found for every member that leaves the group.
4. Through the training support provided by SaveAct, the women learn about different ways of handling money and become more disciplined and conscious about debt control. As they participate, they are able to devise means to mitigate against shocks and stresses.
5. Women are able to draw on social capital, create social networks based on cooperation and build trust, which is a useful resource for their social development. For example, during the September 2013 fieldwork, at a monthly group meeting, all members were invited to another member's home to partake in wedding preparations underway at her home and a meal.
6. The savings and micro-credit groups assist the women to create and strengthen their assets. Some of the women have used their savings to start enterprises, such as chicken breeding or food gardens, and to improve their houses. Some women had previously started businesses, which did not survive because of a lack of skills, capacity and financial support. However, being involved in the savings and micro-credit group has instilled the interest to restart those businesses. They also receive support through the training conducted by SaveAct, such as financial management and starting of business enterprises. Upskilling usually forms a key component of this type of network and allows women to develop their business and other skills.

By having access to financial resources, especially short-term loans, members were able to change their lived reality in some way to adapt to immediate shocks or challenges. The savings component of the mechanism allows women to access resources in the long-term for the use of, for example, venturing into profitable livelihood strategies. Microfinance groups not only strengthen community resilience but also women in their individual capacities become more resilient.

RESILIENT SYSTEMS AND RESILIENT COMMUNITIES

Savings and micro-credit groups play an important role in women's lives and in building resilient systems and resilient communities. While certain characteristics could be regarded as limitations from the members' perspective, through the 'lens' of resilience, they become positive features that help to build and strengthen the resilience of both the finance groups and the communities within which they are located. One feature that extends the life of and strengthens these structures is the setting of a minimum and maximum monthly contribution. This rule could be seen as exclusionary by women who are unable to participate because they cannot save a minimum of R50 per month (incidentally this amount is determined by the group). However, the setting of a minimum contribution provides the necessary assurance to the group that members will be able to contribute towards their savings, improve the capital of the group and be able to service their debts over a specific timeframe.

Similarly, the conditionality attached to loans drives the sustainability of a microfinance group. As mentioned, the group sets the interest rate at 10%, which borrowers may perceive as expensive, although the terms of repayment are more flexible than in the formal sector. However, this condition encourages its members not only to save more and borrow less, but also to pay back the loans efficiently, so that they do not incur more debt. It also gives the group some security over their money and, perhaps most importantly, in the longer term, the money lent is returned to the group and its members in the form of capital and dividends.

Another requirement is that members are only allowed to borrow what they have saved. For instance, if a person has saved R250, they can only borrow up to R250. Although this means that, occasionally, members resort to moneylenders to address their immediate financial needs, in the long term, this requirement encourages the payment of monthly contributions with the view to extracting a loan in the future. It also increases the capital of the group and builds a more sustainable organisation in the process.

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The condition that members can only access credit between defined time periods builds resilience into the microfinance group. Borrowing is not allowed during a certain period, which is usually towards the end of the year when money is about to be divided. While this may create problems for those members who want to borrow money during this period, it is an important measure that gives members enough time to settle their debts before the capital and dividends are shared out.

The constitution of microfinance groups such as Izandla Ziyagezana emerges and evolves from the group itself, and its regulations are meant to protect, not exclude or exploit, group members. The structure and method of operation enhance the longevity and sustainability, and hence resilience, of the group and, by extension, the community.

CONCLUSION

The most vulnerable households, especially in poor areas, are often led by women. High poverty and unemployment exacerbate the vulnerability of these households to a range of potential risks and disasters. Therefore, empowering women within the household and community is an essential component of building resilient communities. A resilient community is one that is able to respond to economic, natural and other shocks and disturbances, through adaptability and transformability. Local emergent microfinance groups can build the adaptive and transformative capacities of their members, through developing skills, strengthening assets, improving decision-making and creating social networks. The way in which these groups are structured and how they operate (the members agree on the rules of participation, the minimum and maximum monthly contribution etc.) enhance the sustainability and resilience of the group and the community. Through such initiatives, many individuals, households and communities have been capacitated to respond effectively following shocks and disturbances.

The Izandla Ziyagezana case study illustrates that even rural women who survive off meagre social grants are able to withstand and be resilient towards some of the shocks they experience. They are able to self-organise and become agents of change in situations that directly affect their lived realities. An external player, SaveAct, contributed to the success of Izandla Ziyagezana, offering a variety of skills and leadership training. However, most importantly SaveAct allowed locally defined solutions to emerge, in the image of a traditional ROSCA/*stokvel*. This is an important lesson for other external players[1], such as the state[2], NGOs and the private sector[3], all of which have a role to play in development of microfinance initiatives.

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NOTES

[1] The large pool of microfinance institutions in South Africa include the National Stokvels Association of South Africa, SEF, Kuyasa Fund, Beehive Finance, SACCO and Indlu Finance, WDB Micro Finance Group, Phakamani Foundation, Tetla, Marang Financial Services and SACCOL.

[2] The South African state's role in defining the regulatory framework for microfinance institutions and justifications for using public funds in these initiatives are as yet unclear (Lapenu 2000).

[3] The first initiative involving the formal sector was establishing collective Saving Societies accounts for the members of microfinance groups (Calvin and Coetzee 2010).