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Access to Credit of Meitei Women with Particular Reference to the Marup System

Dr. Arambam Sophia

Assistant Professor, Department of Economics, Manipur University, India

Abstract:

This paper focuses on women's access to credit in an underdeveloped economy like Manipur. Women face restricted access to credit in underdeveloped economies, particularly because of their lack of ownership of property and other goods needed for production or for collateral purposes. The right to land in law is never implemented. Faced with such limited resources, women go to various informal sources of credit. The paper gives an account of the sources of credit of Meitei women of Manipur, particularly the predominant practice of Manipuri women, the marup system. Marups are a type of chit funds, rotating savings scheme where women pool together money and take turns to receive the pool each month. Working on institutions of mutual trust and co-operation, such schemes enable women to save and earn some interest on their money as well as facilitate access to finance in times of necessity. Despite the risks involved and high rates of interest, such schemes proliferate in Manipur and are considered to be better than taking recourse to borrowing from money lenders. The paper finds that reliance on such schemes is necessitated by poor performance of formal financial institutions in providing credit to women of Manipur. The outreach of microfinance and self-help groups that would provide women with a means to acquire credit to indulge in productive income earning activities is still low. For the majority of Manipuri women, particularly Meitei women, marups form an important source of funds for overall use. These imply lack of access to formal sources of credit of women; hence improving women's access to credit should be an important development goal.

Keywords: Informal finance, ROSCA, Credit, Savings, Marup, Meitei Women

1. Introduction

The meaning of the term 'credit' varies in different contexts. In finance, credit is the provision of resources by individuals or groups to one another with agreement for deferred payment. Credit delivery methodologies include all the practices which provide credit access to people such as through formal institutions like banking and microfinance, and through informal institutions like money-lending practices in villages, savings and loan scheme practices and traditional practices (Kshetrimayum 2012: 266).

Women, especially in developing countries often lack access to land, assets, credit, training and extension facilities and other services. Women's access to formal sources of finance is constrained in the form of legal barriers, cumbersome application procedures, relatively high opportunity and transaction costs, socio-cultural constraints or lack of secure title to property and other forms of collateral, even if they play a major role in production and marketing in the agricultural sector. They are therefore forced to depend mainly on informal sources of finance to meet their credit needs.

2. Objective

The paper highlights the various sources of credit of Meitei women of Manipur, particularly the marup system which meets credit needs for all purposes. It seeks to find out what is the main reason for dependence on this informal source of finance.

3. Methodology

The paper is limited to some primary data (from my PhD thesis on 'Women and Development in Manipur- a Case Study of Meitei Women of the Valley') to highlight the sources of credit of women of Manipur. The study is both descriptive and analytical. A sample of 400 respondents was taken from the four valley districts of Manipur, Imphal West, Imphal East, Bishnupur and Thoubal districts. Stratified random sampling method was used; strata were the four valley districts. Measures of central tendency and frequency distributions were used to generate information on women's access to credit among the Meitei women of Manipur.

4. Review of Literature

Gender differences in access to resources occur because men are more likely to be perceived as workers needing these inputs and because laws sometimes bar women from ownership of property and other goods needed for production or for collateral purposes. The right to land in law is never implemented. In India too, women were seen only as members of families or groups, as daughters, wives and mothers and not as individuals with an identity or right of their own (Kantor 2002: 287).

Women have fewer opportunities than men to get access to credit for various reasons cited above including formal institutions' refusal to accept household assets as collateral for loans, high transaction costs and negative perceptions of women desirous of loans by such institutions as not being credit-worthy, etc. Women also may lack information on how to go about securing a loan. Facing restricted access to formal credit, women have relied heavily on informal finance, not only in the face of emergencies but also for routine consumption needs. "Informal finance is perhaps most intuitively defined relative to what it is not. It is not to do with banks or micro-finance institutions (MFIs), credit unions, cooperatives, insurance companies, etc." (Aliber 2002: 2)

Borrowing from these informal sources often involves exploitative rates of interest and results in strengthening of systems of oppression (Ranadive 2002: 1). Yet the poor and women who use individual and household savings for most investments such as micro-enterprises, other business ventures in the informal sector, or for personal uses such as consumption and children's education, when such resources are insufficient, rely on informal credit sources because formal institutions require collateral, do not recognize the importance of household savings and may require literacy and credit history. Another important source of informal savings and credit are rotating savings and credit associations (ROSCAs) which is an "association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation" (Ardener 1964: 201). In its simplest form the frequency of contribution is linked to income flows and the order of rotation is determined by lot (Mayada, Bahloul and Adams 1993). It is a means to 'save and borrow' at the same time. ROSCAs through various incentives, monitoring and sanctioning mechanisms can minimize the costs of screening new borrowers by capitalizing on local information about individuals' past behaviour. Reputations and the self-selection of members help these institutions reduce adverse selection and moral hazard problems as shown by Fadiga and Fadiga Stewart (2004) in their study in Senegal. High rates of interaction, proximity and effective mechanisms such as first, second, and third-party enforcement make it easier for mutual monitoring among members to occur and helps ensure that the benefits of cooperating minimize the temptation to default. Social capital such as shared norms, networks of relationships, and trust are important factors that explain how these institutions have been able to remain sustainable (Fadiga and Fadiga-Stewart 2004: 7-8).

A ROSCA known as upato is also found in Tanzania. These associations are found throughout the world, not only in the Third World but also in the US, especially, within newer immigrant communities and in countries like Italy, England and Canada (Ali Mari Tripp 2006). In Egypt also such ROSCAs called gam'iyas are common (Mayada et al. 1993: 5). Chit funds are the Indian equivalent to the ROSCA (Rao 2007).

5. Marup System in Manipur

Marup literally means 'friendship' in Manipuri. Marups are indigenous unorganized rotating savings groups/schemes where women take turns monthly to receive the joint pool, thus enabling each woman to meet urgent expenditures or effect personal savings. The institution lies outside the formal banking system, but the women adapt to traditions of mutual trust and co-operation to put into effect this financial flow. Even the committee set up by the Ministry of Rural Development under the Swarnjayanti Gram Swarozgar Yojana (SGSY) was impressed with the functioning of the marup system (Dasgupta 2009:21).

There are various forms of marup, like durable goods marup, furniture marup, monthly share taking of money marup. In a monthly share taking of money marup, for example, 20 people join a marup of Rs 1000 each and take turns to receive money from the pool monthly ($20 \times 1000 = 20000$). For instance, if I get the 20000 in the 5th turn, I get 20000 plus interest paid by the four people who got the money in the first four turns, the amount of interest being decided by the agent. For instance the interest might be Rs 200 per month, in which case I get Rs 200 X 4 less any share of the agent, as my share of interest. After getting the money in my turn, in subsequent turns, I have to pay Rs 200 per month as interest in addition to contributing Rs 1000 per month, that is, I have to pay Rs 1200 per month till all people have got their share. There are various ways of deciding the list of members. A lottery each month will decide who gets the money that month, or, a lottery is called in the beginning and a list of the members is drawn up, the first member on the list will get the first share. The list may also be decided on the collective decision of the members and the agent. People in dire need of credit (borrowers) will opt for placement in the beginning months, while those who are interested in earning interest (savers) will opt for placement in the ending months. The first share is usually taken by the agent.

The agent's gain is that each time a member collects, he/she may get a share of the interest, that is, in each turn she might get Rs 200, or she might get a person's share that is, Rs 1000 per month, which show how much she is gaining, implying high cost of marup. The agent gets such money for undertaking the task of collecting money from members for the marup and for the risk of making up if any member defaults on payment. The high participation of Meitei Manipuri women in marup despite its high cost displays their faith in the institution.

Tender money is another form of marup. For instance 64 people join and contribute 1000 per month to the fund. Each month there is a type of auction. Any number of people can bid for the money, but money is given to the lowest bidder. There can be more than one person receiving money in each month. That way the marup would be over in less than 64 months. A person who has got the bid however low it may be cannot get any further money in the subsequent auctions. Those who hold out till the end get Rs 64000 by contributing much less than that.

“The marup system of Manipur is an important and effective socio-economic organization which provides security to every individual at every stage of his or her life” (Nixon 2011:11).

“The marup system is an expression of the faith of the Meitei people in the collective spirit and the women, being in the forefront of the traditional economic set-up, benefit as much or even more from it as the men” (Chaki-Sircar 1984: 47-50).

Marup is believed to have started in the 17th century during the reign of King Khagemba as singlup where each household in a particular area needed to contribute firewood for the cremation of the death. The concept of co-operative savings and loan system evolved around 1960 when money marup developed out of people's need to cope with credit. It is a means to overcome poverty without having to undergo the long process of availing facilities provided by formal banks (Kshetrimayum 2012: 273-274).

Women resort to such informal systems of finance because of their lack of access to formal credit, hence, as Fletschner (2008: 682) notes: Policies and programs that improve women's access to formal credit would lead to more efficient allocation of resources and increased production.

6. Women of Manipur's access to credit

Category	Primary	Secondary	Tertiary	Unemployed	Total
Respondents with bank accounts/savings	3.3	12.1	51.6	18.2	36
Respondents who borrowed money from private individuals like money lenders, friends, etc.	76.7	57.6	50.8	27.3	54.5
Respondents engaged in marup	76.7	78.8	88.9	72.7	84.5
Respondents who had taken bank loans	3.3	6.1	26.2	0	18
Respondents who tried to obtain a loan and had failed	0	12.1	1.6	18.2	4

Table 1: Access to Credit and Control over Income (Percentage)

Source: Personal Survey

The table above show how few women (36%) had savings in banks. Hence, many women still either were unable to save other than living a hand to mouth existence, or did not have access to or are unaware of the advantages of entrusting their savings to formal institutions like banks, etc. But most of the respondents are engaged in marup and had also borrowed from money-lenders etc.

Just a few respondents (18%) had taken loans from banks in their own names. They were 3.3% of primary sector respondents, 6.1% of secondary respondents, and 26.2% of tertiary sector respondents. Some (4%) of the total respondents; 12.1% in the secondary sector, 1.6% in the tertiary sector, and 18.2% in the unemployed group, had tried to obtain a loan and had failed.

Sl no	Interest per month	Primary	Secondary	Tertiary	Unemployed	Total
1.	1-5%	60.9	52.6	70.3	66.7	65.1
2.	6-10%	34.8	47.4	25	33.3	31.2
3.	More than 10%	4.3	0	4.7	0	3.7
	Total	100	100	100	100	100

Table 2: Interest paid per month for those who took loan from private money lenders etc. (Percentage)

Source: Personal Survey

The interest paid per month was around 1-5% per month for 65.1% of the respondents who had borrowed money from private money lenders. It was around 6-10% per month for 31.2% of these respondents. Hence we see that, not having any easy access to credit, women had to resort to borrowing from friends and private money lenders, who charged exorbitant rates of interests.

Of the total respondents, 20% considered that the most important problem connected with the process of taking a loan from formal sources was that it was time consuming, 18.5% considered lack of connections/influence as the most important problem, 15% did not even know how to secure bank loan, 4.5% found insistence on collateral to be a problem and 30.5% had no idea about anything to do with bank loans.

Categories	Primary	Secondary	Tertiary	Unemployed	Total
Engaged in Marup Activity	76.7	78.8	88.9	72.7	84.5
Percentage who contributed all their income to household needs	73.3	60.6	34.1	9.1	43
Reasons for Joining marup					
To help in own expenses	17.4	7.7	15.2	0	13.6

To save for unforeseen contingencies/future	43.5	50	35.7	25	38.5
To maintain household expenses	8.7	11.5	9.8	37.5	11.2
To save for future education of children	13	26.9	31.2	37.5	28.4
To save for children's marriage	17.4	0	2.7	0	4.1
Others	0	3.8	5.4	0	4.1

Table 3: Marup Activity (Percentage)

Source: Personal Survey

Though the women found access to institutional sources of credit difficult, most (84.5%) of the respondents were engaged in the marup system, mainly because of its easy accessibility. Of those who joined marups, reasons for joining were, to save for unforeseen contingencies/future(38.5%), to save for future education of children(28.4%), to help in own expenses (13.6%), to maintain household expenses(11.2%), to save for children's marriage(4.1%), and other reasons(4.1%). Of all respondents engaged in marup activity, to save for unforeseen contingencies /future was the major reason in primary sector (43.5%), secondary sector (50%), and tertiary sector (35.7%). A high percentage of women in each sector contributed all their income to household needs.

With the income from marup, women indulge in activities which are beneficial to the household. Hence a larger share of entitlements accruing to females would result in greater household investment, which is desirable from a human development perspective as it increases the avenues available to children and increase household wellbeing.

Further, my study found that 87% of the respondents do not have title to property. Of the primary sector, (96.7 %), secondary sector, 90.9% and tertiary sector, 83.3% had no land in their name. Of total respondents 70.5% believed that they will not demand share even if necessity arises. Of this, 33.3% gave 'it is not the custom for women to demand share' as the main reason for their not wanting to demand share, even if necessity arises.

Hence we see that women still do not have access to property and women have been socialized to believe that it is the norm that brothers/men should inherit familial property, and that it is not right or good for the sisters/women to demand their share of familial property. This is an impediment when women try to obtain credit from formal institutions. The excessive dependence on the marup system implies constraints in accessing credit from formal sources.

The main drawbacks of informal credit institutions are that they are not dependable, often have a high cost, and offer limited capital. Participation in these institutions does not link women to the mainstream financial system, perpetuating the marginalization of women's economic activities (ILO 2000: 4).

In such instance, the coming up of self -help groups and micro financing options is a good phenomenon. But the savings of SHGs with banks in Manipur as on 31.3.2012 is just 1.4% of that of the total savings of the North East SHGs with banks. Assam's share was 64.6% (NABARD 2012).

7. Conclusion

Women, particularly Meitei women of Manipur mainly rely on informal sources of credit like moneylenders, relatives, friends, etc., but such sources charge exorbitant rates of interest. They thus depend actively on the marup system which is based on mutual trust and co-operation and is extremely popular. Their high participation displays their faith in the system, but this dependence on marup despite its high cost signifies that women usually have difficulty in obtaining credit from formal financial institutions and that there are constraints in their access to formal sources of credit. Some of them do not even know how obtain credit from formal sources. This suggests that women face financial exclusion in the form of lack of access to formal credit for consumption and investment purposes. One reason for such exclusion may be their lack of collateral to offer, for most women do not have property in their names, and hence they cannot give land documents as security for the loan, which are often required.

Emerging area of microfinance which is useful for productive purposes has still low outreach in Manipur compared to other states of the North-East. Its outreach should be expanded. It is essential to empower women so that they may utilize major shares of institutional financing. Policies and programs that improve women's access to credit would in turn lead to more efficient allocation of resources and increased production. Further, a larger share of entitlements accruing to women would result in greater household investment, which is desirable from a human development perspective as it increases the avenues available to children and increases household wellbeing.

Financial inclusion of women which would imply delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income women should be facilitated.

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