Chapter III

Dynamics of Linkages of Self-Help Groups Formed for Microcredit with Women’s Empowerment and their Health
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DYNAMICS OF LINKAGES OF SELF-HELP GROUPS FORMED FOR MICROCREDIT WITH WOMEN'S EMPOWERMENT AND THEIR HEALTH

We left the thread in the previous chapter at the concept of self-help. In this chapter we will discuss in detail this concept- its history, consequences and relevance to women empowerment. Also we will review microcredit through self-help groups as a tool of women empowerment and other impacts.

CONCEPT OF SELF HELP AND EMERGENCE OF SELF-HELP GROUPS

The meaning of the phrase ‘self-help’ is very close to what one draws from its literal meaning- to help oneself. Stretching the literal meaning to self-help groups, one should imply groups that came into existence on the understanding that they should help themselves. Practically such groups were of those people who could strike a similarity amongst them and felt that a group could give them the needed platform to reflect this unity. As Hatch and Kickbusch (1983)\(^1\) had explained, such groups have been ‘vehicles of sharing experiences, passing on useful knowledge and offering and receiving emotional and moral support. They have flourished particularly amongst those with chronic conditions or handicaps, among people experiencing life crises or with psychiatric problems and among those with disadvantaged social statuses. One of the most widely used and accepted definition of these groups is that given by Katz & Bender\(^2\) (and as cited by Stephen Lock 1986\(^3\), Nayar et. al. 2004\(^4\), which though was given by them in 1976, holds relevance even in contemporary times:

"Self-help groups are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. They are usually formed of peers who come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem and bringing about desired changes social and/or personal change. The initiators and members of such groups perceive that their needs are not, or cannot be, met by or through existing social institution. Self-help groups emphasize face-to-face social interactions and the assumption of personal responsibility by members. They often provide material assistance, as well as emotional support, they are frequently “cause”-oriented and promulgate an ideology or values through which members may attain an enhanced sense of personal identity.”

Katz also stressed that such SHGs typically start from a condition of powerlessness and that the members spontaneously (i.e. not urged by an outside authority) agree on engaging in some actions in which they personally participate. He further distinguishes between self-help and self-care. He notes in this respect that while SHGs create, and act within, a purposefully organized setting; this distinguishes them from medical self-care, which is practised by individuals alone or within a family. Riessmann and Banks (2001)⁵ opined that the ethos of relying on internal strengths permeates the whole self-help movement in its various forms: self-help books, mutual aid and even community self-help for blighted neighbourhoods. Self-help groups, according to them, follow the peer principle. Members of a mutual support group share a similar condition, whether it is raising grandchildren or being in debt, on welfare, an exoffender, diabetic, gay or disabled. Members of the group understand one another as no one else can. The therapeutic effect and understanding of being helped by and helping someone else with the same problem or issue is one of the key strengths of mutual support.

Nayar (2004) cites Page and Czuba (1999) to explain the difference between self-help and empowerment. Empowerment is described as a process through which individuals gain control over matters that concern them most. It can be defined as 'multi-dimensional social process that helps people gain control over their own lives'. In this way Nayar argues that empowerment, as a concept is much broader than self-help; while self-help is (or should be) a spontaneous reaction by the affected individuals to an undesirable situation, empowerment is by connotation a proactive externally driven process. Although involvement in self-help may enhance personal empowerment, community and organizational empowerment are enhanced through other methods (Karr et. al, 1999 cited in Nayar 2004).

Since the dawn of human civilizations the state has been viewed to take care of its citizens and hence, in many societies across the world issues as health, primary education, employment, and other parameters of well-being have been regarded as state’s responsibilities. Hence, once gets curious to know why self-help concept and self-help groups started to exist. To seek plausible answers to such queries we will have to once again peep into the history. Nayar et. al. (2004) in their article, that has critically analysed the role of self-help as an option for health care delivery in low income and less developed countries, draw up this historical background.

More than a century back, in 1902 Peter Kropotkin has written a book titled *Mutual Aid* where he did stress the importance of concepts as self-help and mutual aid, which can be strong tools to help improve situation among the human beings. This was the time when England was a very distorted one being marked by rampant diseases causing high morbidity and mortality and acute poverty. Finding state’s machinery not competent and committed enough self-help groups were being formed to ameliorate such conditions. Though it was ultimately the rational investment in water and sanitation facilities that could ultimately improve health of the people.
Nayar finds that the earliest traces of foundation of 'modern' SHGs in history are of the Alcoholic Anonymous (AA) in the US in 1935, a group that became active in a field in which existing social and health services did not provide adequate support. Stephen (1986) had mentioned two such groups- one of AA and other British Diabetic Association. While exploring the various reasons for the formation of such groups, Stephen finds factors as a more educated population, less money for health, an increase in chronic illnesses and the trend towards community participation in health. But the most important factor is stated to be the failure of the professional caregivers to meet the needs of particular groups of patients.

Nayar then traces the SHGs in 1960s when civil rights movement gave people the confidence to trust in their collective power, rather than in that of politicians or experts and empowerment became a core motive in the formation of SHGs. In this phase also one the main impetus received was the dissatisfaction at the hands of professional health providers. Of particular interest were the women groups documented to have been constituted to oppose the medicalization of birth and human reproduction and their movement to reclaim these from the male dominated medical sector (WHO 1983, Kickbusch 1989 cited in Nayar 2004). People were more specifically showing their criticism against the professionalization, fragmentation and specialization of health care institutions and were exploring options of alternative care that would be more holistic and participative for the people seeking these services. The trend was boosted up with the community development movement started up across the world but more specifically in Britain with the sharp pinching realization that poverty was becoming rampant that had spread widespread dissatisfaction among the working class of poor people, many of whom were fighting unemployment, with the upper and ruling class. The post Second World War scenario was also marked by tensions arising out of racial issues. Craig (1989 cited by Nayar 2004) commented on this situation- 'the establishment of the Community Development Project by the British government was, therefore, catalysed by the
need to resolve these growing tensions, cut spiraling welfare costs, while encouraging ‘community care’.

Thus, the self-help groups that have sprung up in US, Europe and Japan during 1970s had become a movement by mid 1980s and gained worldwide recognition and acceptance particularly under the aegis of WHO. Another strong supporter of self-help approach was West Germany who resorted to supporting self-help groups as a means to curtail the state's expenditure on health and other social services. Moeller (1983), Trojan (1989) & Richardson (1991), all cited by Nayar (2004), however, argued that though the self-help groups may complement the existing health services set-up, they can never ever be able to replace them. Other criticisms forwarded by other scholars included SHGs were confined to only minority class. They required conditions as educated middle class and availability of high tech medicine that were prerequisites for SHGs in Western cultures but were not found across all other cultures and others. Also the bureaucratisation of these groups if they are steered from outside often make these groups loose their autonomy and in the process they tend to loose their sustainability and get decomposed. The much enthusiasm of several about SHGs particularly in field of public health services was questioned by Badura et.al. (2001 as cited in Nayar 2004) – they pointed out that since SHGs obtain substantial public funds, their effects on the social and physical well being of members should be evaluated together with the cost effectiveness, this being an approach that seems to cater for only a small percentage of those who need it. The proponents of SHG approach, however, counter argue that self-help cannot be evidence based- it requires health to be seen in a more holistic manner.

In context of South Asia, SHGs are being formed in the last couple of years with greater focus on poverty alleviation. Also the women's movements also caught up with these groups and SHGs of women have been formed. These would focus on reducing poverty among their women members and more ambitiously they may also strive to bring about women empowerment of these members. This is done through
extending credit to poor women through SHGs, which can be used for their consumption or productive purposes.

Linda (2000)\(^6\) also notes a similar evolution of SHGs for micro-credit for women. From the early 1970s, women's movements in a number of countries identified credit as a major constraint on women's ability to earn an income and became increasingly interested in the degree to which poverty-focussed credit programmes and credit cooperatives were actually being used by women. SEWA in India, for example, set up credit programmes as part of a multi-pronged strategy for an organization of informal sector women workers. Since the 1970s, many women's organizations world-wide have included credit and savings, both as a way of increasing women's incomes and to bring women together to address wider gender issues. The 1980s saw the emergence of poverty-targeted micro-finance institutions like Grameen Bank and ACCION and others. Many of these programmes see themselves as empowerment-oriented. In the 1990s, a combination of evidence of high female repayment rates and the rising influence of gender lobbies within donor agencies and NGOs led to increasing emphasis on targeting women in micro-finance programmes.

A thorough review of all existing secondary sources reflecting on issues related to this claim has been examined in depth and is being discussed in the subsequent sections.

**MICROFINANCE- THE CONCEPT**

The Foundation for Development Co-operation (2000)\(^7\) dealt with the basic questions usually asked about microfinance. Its noted in the organizations web page that 'Microfinance is the provision of financial services, primarily savings and credit,'

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\(^6\) Mayoux Linda (2000), *Microfinance and the Empowerment of Women: A Review of the Key Issues*, ILO website

to poor households that do not have access to formal financial institutions. The term 'micro' implies that the size of the financial transactions is very small. Demand for microfinancial services usually comes from microentrepreneurs -- people who operate tiny businesses (microenterprises) or who, because they don't have formal 'jobs', survive by generating income for themselves in very small activities. A differentiation between microcredit and microfinance is also explained in here. Microcredit refers to the provision of credit only while Microfinance covers a broader range of financial services, encompassing microcredit but also including savings, insurance, leasing, housing, and payment and remittance services. In the 1980s, the emphasis in poverty alleviation campaigns was on the provision of loans or credit (microcredit) for income-generating activities. Now, as more is known about the poor and their needs, the value of providing a broader range of financial services (microfinance) has become better understood.

Providing microfinance services to poor clients is a very different activity than are found in the traditional banking sector and requires different operating methods. Microfinance clients are often in rural, village, peri-urban or slum areas, which lack normal banks. Instead of the client going to the bank, the microfinance provider generally goes to the client. Microfinance clients do not usually have any suitable physical assets to offer as collateral for loans, so they have had to develop substitutes. The most common form of substitute collateral has been the formation of groups of borrowers and the establishment of joint-liability procedures, where all group members effectively guarantee one another's loans.

Until recently, few financial and risk-protection mechanisms were accessible to the poor. It was assumed that people living on less than US$ 1 a day were neither willing nor able to save or to contribute to insurance against the risks they faced. The poor were described as unbankable and uninsurable (Zeller & Sharma 2000 as cited by

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8 ibid
Preker et al. 2002). Microfinance aims at providing access to financial instruments for persons hitherto excluded from the conventional, formal financial system. Those excluded tend to be the worst off sections from any society – the poor and particularly women in poverty, predominantly in the informal sector, living mostly in rural areas, but also in urban slums, migrant habitations, resettlement neighbourhoods for the displaced, etc. Thus, it attempts to cover critical gaps in the formal financial systems in order to address a specific aspect of the problem of poverty – access to financial instruments - in a manner sensitive to the needs of the worst off and consistent with gender equity (Anuradha 2001). Pitt et al. 2003 in the introduction section of their article note that in recent years many of the governmental and non-governmental organizations have started the micro-credit programmes for women in the low income countries like India.

Gita (2001) has reviewed some ten case studies where she has attempted to review the gender perspectives as addressed and impacted by MFPs. This review gives quite useful insights into the various researches done on such issues. Some of the parts from her review are being included here. ‘SHGs formed for the purpose of microfinance operate on the principle of joint responsibility and liability for loans enhance accountability rather than collateral and result in a higher rate of repayment than the standard bilateral loan agreements of formal financial systems. They consist of self-selected, small and homogeneous borrower groups, jointly liable for loans, with varying degrees of participation in programme management (Bastelaer, 1999). Credit disbursement is organised on the principle of ‘social collateral,’ where

10 Rajivan Auradha (2001), Micro Credit And Women’s Empowerment: A Case Study Of SML (Share Microfinance Ltd.), UNDP
12 Sabharwal Gita (2001), From the Margin to the Mainstream Micro-Finance Programmes and Women’s Empowerment: The Bangladesh Experience, Submitted in partial fulfillment of the requirements for the degree of MSc Econ in Development Management, University of Wales
borrowers' reputation or the social networks to which they belong take the place of traditional physical or financial collateral. MFPs operate on the principle of group-based lending, commonly referred to as 'solidarity groups' (Reinke, 1998).

She indicates that group-based credit programmes promoted by NGOs allow poor people access to financial services that they have historically been denied. In this sense, they address the market failures of formal financial institutions (Khandker, 1998; Mayoux, 1998; Wood and Sharif, 1997). MFPs by extending loans for production, support a virtuous cycle of investment, savings and further investments. In fact, credit is seen as a mechanism for generating self-employment opportunities for the poor and/or improving the productivity of existing enterprises, referred to as the 'promotional' strategy by Hulme and Mosley (1996). This leads to economic empowerment, which is assumed to promote a 'virtuous spiral' of broader social and political change by women (Mayoux, 1998b; Ebdon, 1995). By making consumption credit available during periods of cyclical or unexpected crisis, MFPs also play a social protection role (Hulme and Mosley, 1996).

Further she reveals that MFPs practice financial and social intermediation for their targeted clienteles. The group-based approach has been recognized as having the capacity to empower the most vulnerable and marginalized, especially women, by creating a community-based structure that builds mutual support and trust. Such an approach allows for greater economic and social integration for the marginalized section of society, thereby directly addressing issues of vulnerability.

In the 1990s, MFPs became a symbol of institutional pluralism, as it is believed that no single type of institution is capable of meeting the credit needs of all the poor (Seibel and Parhusip, 1998; Bouman, 1995). In fact, they have expanded rapidly, as unlike formal financial services, they have demonstrated their ability to meet the credit needs of a large number of poor people. They are believed to be a more efficient and potentially self-reliant alternative to mainstream credit delivery systems,
which primarily includes lending programmes aimed at individual borrowers (Mayoux, 1998b).

However, group-based models are not without their limitations. Some researchers have recently questioned the extent to which these programmes live up to the rhetoric that surrounds them. Questions have been raised regarding the extent of outreach, the limits of their ability to enforce repayments and the intensity of empowerment effects. Reinke (1998) has questioned the efficiency of their lending schemes by arguing that the cost implications of the reliance on social capital and solidarity are substantial even for poor people, as solidarity does not come free. Further, Mayoux (1999), using data from Cameroon, suggests that these models risk increased inequalities between different groups through social exclusion of the poorest and most disadvantaged.

One set of observers (Seibel and Parhusip, 1998; Chaves and Gonzalez-Vega, 1996) have also compared group-based models with individual programs of formal financial services for linking the poor through financial intermediation. They believe that well-designed individual programs, which include intensive loan collection, savings and insurance facilities and incentives to repay may be an efficient and effective alternative, as exemplified by the Bank Rakyat, Indonesia (Hulme and Mosley, 1996).

MODELS OF MICROFINANCE

Different models for microfinance programmes have been evolved based on the mode of operation as adopted by a programme. Wilson (2002) informs about three types of models linking self-help groups to the banks. Model 1 encourages banks to form and finance self-help groups (16% of such linkages). Model 2 encourages NGOs to form groups giving small cash grants and training as an incentive and then link them to local banks (75% of such linkages). Model 3 finances NGO forming
self-help groups to intermediate loans to groups (9% of such linkages). Compared with the other two models, model 2 is opined to be the most successful model as it can reach poorer SHG group member; a greater percentage increase in net assets of members as well as a greater increase in net income are witnessed (Puhazhendi & Satyasai, 2000 cited by Wilson 2002).

Sinha (2005)\textsuperscript{14} classifies the models of microfinance delivery based on the different approaches to microfinance in India. These are Self-help Group model (SHGs) and the Grameen replication model (Grameen). Mutually aided cooperative societies can be included in the SHG category as the primary cooperatives often consist of smaller SHG type groups which are expected to be relatively autonomous. In both these models, the groups are expected to assume joint liability for loans taken by its clients but there are significant differences in service delivery. A small number of microfinance institutions (CBFIs) also follow the individual banking approach. The following table, adapted from EDA Rural Systems, 2004 given in this paper summarizes the main models as follows:

<table>
<thead>
<tr>
<th>Operational Features</th>
<th>SHG</th>
<th>Grameen</th>
<th>Individual Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>Primarily women</td>
<td>Primarily women</td>
<td>Primarily men</td>
</tr>
<tr>
<td>Groups</td>
<td>15 to 20 clients per group</td>
<td>Usually 5 clients per group (organized into centers of 4-6 groups)</td>
<td>Individual Clients</td>
</tr>
<tr>
<td>Service Focus</td>
<td>Savings and credit</td>
<td>Credit – regular cycle</td>
<td>Credit</td>
</tr>
<tr>
<td>Role of MFI staff</td>
<td>Guide and facilitate</td>
<td>Organize (groups dependent on staff)</td>
<td>Organize</td>
</tr>
<tr>
<td></td>
<td>(groups may develop autonomy)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings</td>
<td>Monthly</td>
<td>Weekly</td>
<td>Individual transactions–often daily</td>
</tr>
</tbody>
</table>

\textsuperscript{14} Sinha Frances (2005), \textit{Access, Use and Contribution of Microfinance in India: Findings from a National Study}, Economic & Political Weekly, April 23, 2005
The author in his conclusion emphasizes that of all the models, the performance of SHG model is exceptional in providing a savings-based mechanism for internal group credit to meet household needs. This mechanism also serves (though not always) to facilitate access to credit by poorer clients, who are more likely to need small amounts of credit for immediate household purposes but appear less creditworthy for larger CBFI loans. However, the analysis also highlights that in terms of accessibility, capability to provide loans as per borrower’s demand, willingness to lend without any security and flexibility of repayment, the microfinance loans still do not completely outwit the informal credit sources. Hence, though considerably reduced these informal sources continue to thrive and are even used by the microfinance clients.

The basic models of microfinance as adopted by various organizations working in the field of microfinance in India have been elaborated in detail in the Handbook of Microfinance developed by SIDBI as given below:

1. SHG Model

The community based financial institutions (CBFIs) that have adopted this model, promote their clients to form self-help groups. Constant capacity building inputs are provided by the CBFIs so that they may become independently functioning units.
These groups are neither too large (>25) nor too small (<10). A key aspect that has been noted is that men are rarely organized into SHGs; poor rural women are the usual members. Shared poverty, shared oppression and especially gender issues including the need for collective action are used as entry points rather than just savings and credit. Each such group democratically elects its leader. Regular meetings are called which help reinforce the rhetoric and philosophy of the SHGs.

Savings is usually kept as a compulsory for the members so that it may help in capital accumulation. The amount to be saved is the decision of the group, generally in accordance to the socio-economic milieu of the members. After a period of constant savings, the SHGs start to rotate the savings in form of small internal loans to the members for micro-enterprise purposes and other purposes including consumption as decided by the members. The course of action against non-savings, non-attendees to the meetings and overdue or non-payment of the loans is decided by the group itself.

SHGs showing a good track record regarding repayment of internal loans are assisted with external funds through linkages with banks and other financial intermediaries (federations, clusters, etc.). Besides the regular features of savings and credit the groups provide a forum to the members to voice their opinions and views, share experiences and ideas and initiate collective action on a wide range of social, personal and economic issues. The following diagram gives a depiction of such a set-up:
A more advanced form of SHG model is the Federated Self-help Groups. This can be understood as forming larger groups, a Federation, of many SHGs with an apex body at the top to act as an executive committee. A larger group is stated to have the ability to overcome limitations of individual SHGs viz. limitation for providing range of financial services.

Federations are usually registered under the Societies Registration Act. They have members between 1000-3000. Structurally they can be either 2 or 3 tiers. In the former individual SHGs would have a Federation above them while in the latter a layer of clusters would come between them to act as lubricants and facilitators between the upper and lower levels. The clusters are formed according to geographic locations.

Among the various functions that Federations undertake are:

- Enable SHGs to access and manage external funds,
• Help in promotion of newer SHGs
• Undertake capacity building of existing SHGs to strengthen them
• Facilitate inter group exchange, both financial and non-financial
• Helping in maintaining linkages among SHGs and agencies that advocate for them
• Assisting SHGs with loan recovery
• Take care of problems of SHGs- the paucity of funds and idle money through proper channelising
• Making it possible for larger savings and funds and make provisions for other financial services viz. insurance, etc.

Initially the federations were not being recognized by the commercial banks as the official representative of the SHGs thereby necessitating the NGO to act as the guarantor for the loans taken by the SHGs. Now some banks do recognize the federations.

Some good examples of this mutant of SHG model has been shown by federations promoted by DHAN Foundation, PRADAN, Chaitanya and SEWA. Chaitanya has been providing insurance services to its members after becoming a federation. MYRADA has been cited as a short-term issue based federating – to reduce the cost of the annual requirement of seed and fertilizer, bulk purchase is required. For this purpose, therefore, 40-50 SHGs come together annually and arrange the bulk purchase. The representatives of SHGs meet 2-3 times around the time of purchase and distribution of seeds and fertilizers. Once this task is over the groups do not meet. The following year the groups again meet during this time of the year and again disband. MYRADA gives this as an example of objective led organizational structuring.
2. Pure / adapted Grameen Replicator Model

The basic unit of Grameen model is a Joint Liability Group (JLG) / Solidarity Group (SG), each consisting of around 5 members. The members are poor women with not wide age differences (<10 years) who are neighbours but not relatives. Group discipline is enforced through peer pressure and is seen as a very important aspect for creating and building credit discipline in the programme. All credit/loan are given to the group and not to individual members.

An important feature of this model is that the savings component is kept compulsory, i.e., it is mandatory for every member to make a minimum amount of saving per week. This helps in generation of local resources for future funds and helps in reducing default rates, as it's their own money. Also 5% of all productive loans disburse to a group are collected as tax and deposited as group fund from which the members can access loans for consumption purpose. This is in effect a strategy to enable members access to consumption loans so that they may not divert their productive loans for fulfilling their consumption needs.

Loans provided are generally for productive purposes, however, there may be other loan categories like sanitation loans, housing loans, etc. Loan sizes are smaller the first annual year and then subsequently increase depending upon repayment pattern of the group. The repayment of loans are kept weekly – the model believes that it is good to get money as quickly as possible from the borrower- not leave it for a month or later.

This model has been adapted by SHARE. Group tax has been documented to have paid in terms of achieving 0% delinquency by SHARE. In addition it has also introduced the concept of emergency fund wherein each member pays Re. 1/ week. This fund is used to pay up outstanding loans of members who die and also provide for their funeral expenses. Upto 75% of group fund can be accessed as the
consumption loans at 0% interest. It also provides for Calamity/Contingency Fund, which is like LIC scheme to pay off the debts of a group member in case of her death (except suicide).

3. Co-operative Banking Model

This model has been developed by the organization in Gujarat called SEWA. SEWA has been registered both as a Co-operative under the State co-operative Act and as an Urban Bank with RBI.

The credit is given to individuals in urban areas and to groups in rural areas. A precondition for eligibility for taking loan is imposed on the clients in form of compulsory savings account. Such deposits usually vary between 10-25 rupees per month. The client also should become a member of the SEWA Bank by acquiring a share holding equivalent to 5% of the loan amount that has been sanctioned to her.

Savings behaviour- ability and motivation to save, of the clients are considered while processing their loan applications rather than on collateral or security. Repayment schedules are kept quite flexible- normally over a period of 36 months, and can be rescheduled as per the repayment capacity of the borrower.

The bank does not distinguish between productive and consumption loans for it believes that latter type of loans for food, health, housing etc contribute to maintenance of the borrower’s key productive asset- labour. The annual interest rate varies between 12-17.5% on a diminishing balance basis. Loans of upto Rs. 2000 require one guarantor and above this amount two. The maximum loan amount that can be availed is Rs. 25,000. In rural areas here groups are formed by SEWA, the group decided who among them would receive the loan and at what interest rate.
Besides the financial services SEWA provides some other services including basic reading and writing skills in order to understand and follow pass book entries, familiarizing them with bank procedures, etc; technical and marketing assistance; insurance; children care and legal aid.

A deviant of this model is presented by ICNW that is registered under Multi-state co-operative Societies Act and is operational in 3 states. ICNW forms solidarity of groups among women in rural areas who are neighbours. Peer pressure is used as a strategy to ensure repayment of loans. For release of loans the applicant’s poverty status, type of business, ownership of the enterprise and also residence status are considered. Initial loans are smaller while the subsequent ones are larger depending upon repayment behaviour and need of the applicant. The repayment loan period is also kept flexible and depends upon the loan size – larger for larger loans and repayment capacity of the borrower. ICNW also offers savings, insurance training, health and business development services to its clientele- it has also made efforts to promote innovative linkages between credit and family planning. ICNW has used the multiplier effect strategy- existing and older groups promote new groups, for achieving growth and sustainability.

Another deviant of this model is the enabling co-operative Networking Framework adopted by Cooperative Development Foundation (CDF). CDF is a not-for-profit institution that supports and promotes CBFIIs. The primary entities in CDF’s microfinance(co-operative) system are the women’s / men’s thrift cooperatives (WTCs and MTCs) which consist of 300 members usually from the same village. Each of these consists of smaller groups of 10-50 individuals to facilitate better monitoring of thrift and loan payments. A leader who convenes the group meetings, collects savings and monitors the repayment of loans heads each group. CDF has encouraged the members to identify more strongly with their W (M) TCs as compared to their groups for these are the primary legal entities and viable units of operation. A Governing Board is elected by the members for W(M) TCs that manages activities of
the MACS. At the higher levels a group of geographically continuous cooperatives federate to form an association. Thus, the overall structure would look like a Pyramid micro-finance figure (see following figure).

CDF promotes this model as a self-sustaining system with credit, savings, insurance and social intermediation and support services. There is no external funding whatsoever.

Initially W (M)TCs were not formally registered for they preferred to work outside the earlier Cooperative Act which was extremely restrictive in its functioning. However, after a progressive Cooperative Act was formed in 1995 that allowed for greater flexibility and autonomy in operations most of the W (M) TCs have decided to get themselves registered.
The number of MACS that can come up in a geographic area rather is a tool to induce competition and hence, the quality of services provided by it to its members will always be of high nature. To enable men and women to establish MACS CDF provides social intermediation and capacity building inputs. The CDF MACS charges 18% on loans and 12% on deposits. They provide thrift (compulsory savings), Fixed Deposits and Recurring Deposits schemes.

In arguing in support of the SHG-bank model of microfinance pioneered by the NGOs, the soothers have stated that the most successful model of microfinance in India, in terms of scale and outreach, is SHG-bank linkage, with other models such as the ‘Grameen -type’ independent microfinance institutions, lagging far behind (Srivastava & Basu 2004).

**APPROACHES TO MICRO FINANCE PROGRAMMES**

Current debates within the field of microfinance continue to draw attention to the two approaches namely minimalist and integrated approaches adopted by the CBFIs. It is important to understand the manner in which these approaches to microfinance programmes (MFPs) impact upon poverty reduction and women’s empowerment.

Over the past decade there is an undeniable trend for NGOs to get on to the microfinance bandwagon and move towards minimalism, while balancing sustainability and outreach (Dichter, 1999). This trend is referred to as the ‘new wave’ by Wood and Sharif (1997). The new wave has also introduced the concept of ‘new institutions,’ which create alternative financial systems to the formal ones, referred to as the ‘parallel systems approach’ (Edgcomb and Barton, 1998).

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CBFIs operating on the minimalist model of poverty alleviation are concerned with setting up viable, financially sustainable credit delivery mechanisms. They are said to belong to the 'Financial School of Thought'. Herein the delivery of micro-credit enables the programme to meet the operational costs of the intervention. Client participation tends to take the form of mobilization of client skills and resources to reduce lenders' transaction and information costs (Wood and Sharif, 1997). The control and management of programme delivery remains with the micro-finance institution, with a progressive movement towards diversification of financial operations. This approach emphasizes, often exclusively, on credit access, which it sees as the 'missing piece' for poverty alleviation. It assumes that credit access can unlock new economic activity and lead to income growth and employment, resulting in women’s empowerment (Wright, 1999; McKee, 1989). Herein women's empowerment is essentially conceptualized in individual economic terms, with the ultimate aim being the expansion of individual choices and capacities for self-reliance (Mayoux, 1998b, 1999b; Ebdon, 1995). The models of MFPs evolved on this approach are Grameen Bank Model, SHARE Model etc. They are generally categorized as Door Step Banking Models.

One of the overriding concerns of the minimalist approach & its models is the financial sustainability of the MFP or institution. In fact, to increase their chances of financial sustainability, NGOs streamline their activities and lower their social intermediation costs by seriously cutting back complementary services (Mayoux, 1999b; Dichter, 1999; Johnson and Roglay, 1997). Wood and Sharif (1997: 371) see this as '... pushing for a stripping away of NGOs multidimensional strategies in favour of a more streamlined focus upon micro-credit delivery.'

Several authors (Hulme and Mosley, 1996; Hashemi et al., 1996; Ebdon, 1995) have noted that most MFPs, as exemplified by Bangladesh Rural Advancement

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Committee (BRAC) are seen as progressively moving towards the minimalist agenda in their operations. They appear to be spending less time in social intermediation, group mobilization and conscientisation, leading to a diversion of organizational priorities away from the development of 'others' (i.e., women), to the development of 'selves' (i.e., the institution). For example, BRAC has reduced its original social mobilization agenda from a one-year induction period, with literacy training, to two months of awareness raising and functional education (Goetz and Sen Gupta, 1996).

One of the many outcomes of the minimalist approach in MFP efforts to be financially sustainable has been an unprecedented scaling-up and expansion (Uvin, 1995), by increasing the outreach and access of credit programmes. A study of BRAC shows that over the years the need to scale-up has become more important than social intermediation and group formation, thereby, undercutting the very basis of sustainable financial institutions (Montgomery et al., 1996). This has lead MFPs to focus on the credit worthiness of borrowers, resulting in graduating away from their original target group, i.e., the core poor, towards the middle-income and upper-poor groups (Roglay, 1998; Hulme and Mosley, 1996).

Studies across Grameen Bank and BRAC suggests that this concern has at times resulted in '...assessing the credit-worthiness of the husbands of women borrowers, with women being treated as mere conduits for credit to the household' (Goetz and Sen Gupta, 1996:52). Matin (1998) and Zaman (1998) refer to this as 'mistargeting.' However, it is believed that if mistargeting is well managed, it provides a potential for organizations to cross-subsidize services to poorer users through the profits on services to better-off users.

This focus on financial sustainability has lead bank workers and peer group members to exert intense pressure on borrowers for timely repayments, rather than working to raise collective responsibility and borrower empowerment. The case of BRAC women pulling down a member's house because she was unable to pay her housing loan on time, is a reflection of the priorities that groups begin to adopt under pressure for timely repayments (Montgomery et al., 1996:154). There is also evidence to suggest that this may lead many borrowers to maintain their regular repayment schedule through a process of loan recycling and cross-financing, without having the ability to repay and in the process increasing their liability (Amin et al., 1998).

Competitive behaviour is further perpetuated by internal incentive systems that center on the achievement of prescribed loan disbursement targets (Montgomery et al., 1996). Research has pointed out that these trends negatively affect the empowerment objectives of MFPs by diluting the participatory approach.

Schmidt and Zeitinger, 1996; Bouman, 1995; McKee, 1989A and others suggest that NGOs may simply not be the right kind of institution to provide financial services, as they are better suited for the role of social intermediation in support of micro-finance. Such debates have led more recently to donor agencies exploring partnerships with existing state or quasi-state agencies. However, it needs to be recognized that there is no single institutional solution to the problems of financial exclusion and marginalisation.

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23 Silence is golden for insurance sharks in the Mail & Guardian 3 February 1995
Chapter III- Dynamics of Linkages of Self-Help Groups Formed for Microcredit With Women’s Empowerment and Their Health

The Microcredit summit in 1997 strongly advocated for institutional financial self sufficiency (IFS) as a prerequisite for any Microfinance Institution towards obtaining large amounts of funds required to reach and benefit large numbers of the poor and poorest households. There is no necessary trade-off between serving large numbers of the poorest households and the attainment of IFS by an MFI. This point has been attempted to be proven by a number of case studies presented in this paper. The paper argues that if cost effective identification of the poor and the poorest is not undertaken the effectiveness and efficiency of providing micro-finance services to them cannot be achieved. The total cost of efficient Microcredit to the poor, i.e., the appropriate interests rate was estimated between 35% to 51% of their average loans outstanding, depending on the conditions under which it is provided and on the quality of the loan portfolio.  

In contrast to the minimalist approach, the integrated approach, referred to as the ‘credit-plus approach’ (Johnson and Roglay, 1997) is grounded within the empowerment framework and attempts to deal with the structural causes of poverty through micro-finance delivery. It is a comprehensive approach aimed at providing a long-term integrated support package, in which loans are combined with social mobilization, participation, training and education, so as to maximize the income, opportunities and empowerment impacts (McKee, 1989). In other words, it incorporates financial and social development issues under its mandate. Within this framework micro-finance services are a means of responding to its constituencies’ demands based on an increased understanding of their livelihood constraints. The proponents and supporters of this line of thought are refereed to as belonging to ‘Poverty School of Thought’.

This approach goes beyond merely increasing income/consumption measures to increasing capacities and choices, and thereby decreases the vulnerability of poor people. It focuses on protection strategies: income levels are conceptualized as fluctuating above and below the poverty line, and credit is a method to reduce dramatic decreases in income (Hulme and Mosley, 1996). Unlike the minimalist approach, credit is seen as only one of the ‘missing pieces.’ As Mckee points out CBFIIs following this approach usually move on to addressing more complex and comprehensive strategies over time.

This approach believes that important interventions at the micro level need to be supported by macroeconomic policies and broad social investments to create an enabling environment for the poverty eradication process (World Development Report, 1996). Here, MFPs are not viewed as a panacea in themselves, as poverty eradication is dependent on wider economic, social and political changes, which are well beyond the reach of financial intermediation.

The integrated approach advocates the building of linkages between the organized poor and existing mainstream banks or other formal financial institutions, rather than setting up parallel systems for service delivery. It takes the view that CBFIIs need to become ‘promoters’ of financial services, by helping the poor to set up financial services managed and owned by communities, as against becoming ‘providers,’ selling financial products to the poor. However, this role of mainstreaming is more useful in countries, such as India, where financial structures are well-developed (Dichter, 1999; Edgcomb and Barton, 1998; Johnson and Roglay, 1997).

MICROFINANCE & WOMEN’S EMPOWERMENT: DYNAMICS & LINKAGES

Despite the increased discourse & serious attention to micro finance sector among various stakeholders including academics & policy making, not many empirical
studies have been carried out in India to understand the dynamics of micro finance programmes & women’s empowerment.

**Linda Mayoux (2000)** mentions that the available literature on women empowerment & micro finance presents four basic views on the link between microfinance and women's empowerment:

i. There are those who stress the availability of empirical evidences reflecting positive impact of micro-finance programmes on women empowerment;

ii. Another school of thought recognizes the limitations to empowerment and attribute such limitation to poor programme design;

iii. Others recognize the limitations of micro-finance for promoting empowerment, but see it as a key ingredient as important in themselves within a strategy to alleviate poverty; empowerment in this view needs to be addressed by other means;

iv. Then there are those who see micro-finance programmes as a waste of resources.

**Linda Mayoux** summarised the findings from a pilot project that involved distribution of information in Ethiopia, Ghana and India on women empowerment and microfinance. The project identified 3 contrasting approaches to microfinance and women’s empowerment: the financial sustainability approach, the integrated community development approach and the feminist empowerment approach. The program evaluations revealed the need to question the assumptions underlying all 3 approaches. In most programs women were noted to be benefited only minimally and did not have control over loan use. They were mostly engaged in low paid

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traditionally female jobs and thus incomes were small. Resources and time invested were further constrained by responsibility for household consumption and unpaid domestic work. Microfinance programs were even observed to cause domestic tension between spouses and loss of spousal income and support. Group repayment pressures sometimes-created pressures between women. Many women focused on personal rather than social objectives. Linda highlights that women's empowerment cannot be assumed to be an automatic outcome of micro-finance programmes, whether designed for financial sustainability or poverty targeting. More research and innovation on "conditions of delivery of micro-financial services" is needed. The author observes that cost-effective ways of integrating micro-finance with other empowerment interventions, including group development and complementary services are still lacking. Unless empowerment is an integral part of the planning process, the rapid expansion of micro-finance is unlikely to make more than a limited contribution to empowerment.

Research studies have highlighted various cases where women have pointed out that the group meetings have enabled them to get over long-standing feelings of intimidation and fear of the outside world (Kabeer, 1998; Amin et al., 1998; Hashemi et al., 1996). By providing opportunities for frequent interaction with programme staff and other members of the social network, such meetings expose women to new ideas and values. This increases their self-confidence and makes them more assertive of their rights than women who have not had similar exposure (Hashemi et al., 1996; Goetz and Sen Gupta, 1996; Ackerly, 1995).

Many researchers primarily practitioners have argued that the social aspects of credit programmes and the manner in which these aspects are organised contribute to personal empowerment of women by strengthening 'power-within.' The group-based weekly credit meetings, an aspect common to most MFPs, draw women out of their homes and give them an opportunity to be part of larger social processes. In many cases, this is the only significant group outside the family to which the
woman has ever belonged, allowing them to develop a sense of identity. More specifically, it has been noted that when women members play leadership roles, as group leaders and/or centre leaders, they experience an increased sense of self-confidence and self-worth (Ackerly, 1995).

MFPs, especially those operating from an integrated perspective involve training programmes and related activities. These provide women with opportunities to travel outside the village and expand their knowledge of the world outside the household and immediate community. The increased mobility leads to a greater sense of self-confidence, and is empowering in its own right. At the individual level they fall short of analysing the internal processes that women go through while confronting their subordinate positions.

The group-based meetings also promote social & political empowerment of women by providing an opportunity for instilling a greater sense of awareness of social and political issues. In fact, MFPs operating from an integrated approach, such as BRAC, are likely to use these meetings to raise critical consciousness (Hashemi et al., 1996), which has been recognised to promote personal empowerment (Badiwala, 1994).

In programmes where credit groups are federated at a spatially higher level, group meetings are significantly more empowering for women as they provide an enhanced status and greater bargaining power in local communities. These meetings bring together women who previously did not know each other, thereby allowing for networking and sharing of experience on a wider scale. Federations across villages, blocks and districts make the programme more visible to the outside world. In fact, the pooling of financial resources, an inevitable result of federating, enhances the economic power of the women’s collective. A woman’s association with such a ‘visible’ programme can in itself prove empowering for her. In this sense, MFPs can become a mechanism for promoting the inclusion of women into broader
social processes. However, except for anecdotal evidence, these studies fail to examine in-depth the individual, relational and collective aspects of social empowerment. Studies (Hashemi et al., 1996:641) have shown that when MFPs follow an integrated approach towards credit delivery, the scope for personal, social and political empowerment is enhanced. Participation in these MFPs leads to an increase in self-confidence and a greater sense of self-worth, which affects other dimensions of empowerment. The effect of increased intra-household bargaining power can take on an even greater significance when credit programmes are made part of larger social mobilization effort, such as consciousness-raising and functional literacy (Amin et al., 1998).

There have been a number of documented stories across the world, which highlight that MFPs have increased the economic status of women and have reduced their vulnerability. The very basis of MFPs is that it would help empower the women economically even if it has adopted the minimalist approach based financial services delivery models. Economic empowerment of women not only at individual level but also at family and other levels have been documented. It has been strongly argued by the practitioners that the pooling of financial resources, an inevitable result of federating, enhances the economic power of the women’s collective.

Economic contributions by women made possible through credit access, results in an increase in the security and welfare of the entire household. Such contributions can change the lives of women and their families, and raise the overall standard of living of the household. Evidence suggests that over time this results in more resources being spent on women’s clothing and the household’s health needs. This is more marked in cases where women retain some control over their loans (Kabeer, 1998; Pitt and Khandker, 1995). Some studies have argued that increased spending on themselves is an indication of women’s enhanced status within the household. It also reflects an empowered state of being for the woman, as it brings forth a sense of self-worth and self-esteem through a perceived self-interest. Sen (1990) describes this as a
change in women's self-perception, an aspect that is the slowest and hardest to change, as it involves a process of internal confrontation with issues dealing with their subordinate position within the household.

Studies that support the view that MFPs are economically empowering suggest that by making credit accessible, these programmes provide the means to build up productive assets over time. This creates an opportunity for women to earn independent incomes and contribute towards the household economy. It is argued that even if women's contribution to household income is low, the very fact of earning an independent income gives them an opportunity to reduce their economic dependence on men and increase their 'centrality' within the household. In fact, independent income increases their bargaining power at the household level, enhances their autonomy and may even reduce their traditional seclusion.

Concurrently, positive impact of MFPs on economic empowerment is subject of considerable debate. Cheston and Kuhn (2002)\textsuperscript{27} raised questions on accepting CBFIs as doing considerably well at their attempts of empowering women members through microfinance. Although women’s access to financial services has increased substantially in the past 10 years, their ability to benefit from this access is often still limited by the disadvantages they experience because of their gender. Some CBFIs are providing a decreasing percentage of loans to women, even as these institutions grow and offer new loan products. Others have found that on average women's loan sizes are smaller than those of men, even when they are in the same credit program, the same community, and the same lending group. Some differences in loan sizes may be a result of women's greater poverty or the limited capacity of women's businesses to absorb capital. But they can also indicate broader social discrimination against women, which limits the opportunities open to them, raising the question of whether microenterprise development programs should do more to address these

\textsuperscript{27} Cheston Susy \& Kuhn Lisa (2002), \textit{Empowering Women through Microfinance}, Research sponsored by the Women's Opportunity Fund and its funding partner, Publication sponsored by UNIFEM
issues. While it's true that no matter what approach, minimalist or integrated is adopted by MFPs, it would surely bring about the empowerment of the clients. However, the authors make the readers cautious that several studies and the experiences of a number of CBFIs have shown that simply putting financial resources in the hands of poor women is not enough to bring about empowerment and improved welfare. The authors completely support the hypothesis that microfinance does lead to empowerment of women and in some cases this may be the only input required to get women started on the road to empowerment. However, they cautious the applicability of this hypothesis in light of the power relations existing in the society that are often deep rooted. In such conditions no one intervention may be sufficient enough as the provision of credit or the provision of training will completely alter power and gender relations. The authors argue in favour of adopting a holistic approach by the MFPs that takes into account cultural, economic, and political factors affecting women's empowerment, not the approach that reduces to simple income-generating activities through revolving funds.

Gita Sabharwal (2001) also critically analyzed the impact of CBFIs working with minimalist approach vs. those following an integrated approach to women empowerment. She also makes the case in support of the integrated approach as economic empowerment alone may not be sufficient enough to lead to reversal of gender roles. Thus, the study establishes the limitations to the transformative capacities of the MFPs. This study suggests that it is simplistic to assume that merely providing women with their own financial resources will directly lead to a virtuous cycle of personal, social and political empowerment. In other words, it rejects the 'magic bullet' belief that economic empowerment, through single strategic interventions will lead to a reversal in gender relationships. However, the analysis indicates that MFPs operating from either the minimalist or the integrated approaches create empowerment-promoting conditions for women by providing opportunities for strengthening the personal, social, economic and political dimensions. Furthermore, MFPs operating from the integrated framework create
conditions that have wider social and political effects, having a positive impact on women's status.

Some critics have argued that as credit is invested in conventional women's activities, such as paddy processing and petty trading (typically home-based activities), can lead to an increase in women's productive work without proportionate increase in incomes (Hulme and Mosley, 1996). Montgomery et al. (1996:156) takes this argument further by suggesting that the use of credit 'for conventional activities, may actually strengthen the intra-domestic distribution of power by not contesting the existing sexual division of labour.' For example, in the case of paddy processing, a woman who takes credit is dependent on the husband for buying the unprocessed paddy and selling the processed paddy in the market. When the division of labour and distribution of authority over resources remains uncontested, it is not easy to conclude that there has been a positive change in the degree of women's empowerment. However, in the context of Bangladesh, Kabeer (1998) suggests that an increase in workloads should not always be viewed as negative. For many women, this increase in work is a valued transformation of the terms on which they previously worked. It is recognised as a necessary outcome of their enhanced ability to contribute to household livelihoods and the consequent mitigation of their dependency status within the household. For example, a woman commented, 'My labour has increased because we now buy more paddy, there is more paddy to boil. We couldn't afford to buy more before. Yes, it is harder work, but you can't get money without hardship' (Kabeer, 1998:31).

A woman's life circumstances, such as class, ethnicity, caste, martial status, age, health and education, have the most significant impact on the extent to which borrowing can bring about positive changes in their life (Hashemi et al., 1996; Goetz and Sen Gupta, 1996; Ackerly, 1995). For example, women borrowers who are widowed, separated and divorced are more likely to retain control over loan-use compared to young or unmarried women or new brides. Similarly, studies also reveal
that loan characteristics, such as loan amount, years of membership and nature of investment activity, are also important factors, which affect the empowerment process (Goetz and Sen Gupta, 1996; Ackerly, 1995). For example, the larger the amount of the loan, the more likely it is to be appropriated by the husband or other male members in the family. However, the conditions for micro-finance delivery can be positively influenced by the lending organization to ensure that access to credit creates an empowering environment for women (Ackerly, 1995). Schuler and Hashemi defined the woman’s level of empowerment as a function of her relative physical mobility, economic security, ability to make various purchases on her own, freedom from domination and violence within her family, political and legal awareness and participation in public protests and political campaigning.

Several studies as pointed out by Gita have highlighted the fact that analysing the impact of credit on women’s empowerment is a difficult task. The concept of empowerment is itself a multi-dimensional indicator of change, difficult to define, identify or measure. It refers to a variety of attitudes and attributes, which are likely to vary across class, time, and space (Mayoux, 1998a; Hulme, 1998; Schuler et al., 1997; Ackerely, 1995). The social, political and cultural dimensions of empowerment are inherently interconnected, qualitative and subjective, making impact assessment an even more complex and dynamic a task (Hulme, 1998; Goetz and Sen Gupta, 1996).

Concerns about analysing the impact of MFPs on various levels of empowerment has also been expressed. Researchers have highlighted that different types of empowerments have taken place at different level at different speed and intensity. While at the relational level, there is little analysis of MFPs and their impacts on the ways in which women challenge and re-negotiate their positions within the

28 Schuler S R & Hashemi S M (1994), Credit Programs, women's empowerment and contraceptive use in rural Bangladesh, Studying Family Planning, Mar-Apr; 25(2): 65-76
household. Further, there exists no documented evidence of positive actions for change taken by women collectives as a result of being personally empowered.

Earning an independent income through credit access has shown to lead to an increase in women's ability to exercise 'voice' in the household decision-making process. This is important as it is a reflection of enhanced power at the household level resulting in greater choice in household resource allocation, especially for those who were previously disenfranchised (Kabeer, 1998:47). Greater inter-spouse consultation in household matters, a reflection of 'domestic prestige' (Amin et al., 1998) and an increase in woman's importance in the eyes of the husband, in the long run challenges unequal gender relationships. The effects of a more pronounced role in decision-making gets magnified under conditions of extreme scarcity, where even small increases in income can make a significant difference to the family's well-being. However, it needs to be recognized that the relationship between economic contribution and increase in women's bargaining power is rarely linear in nature. At times, an increase in women's income may not result in an increase in the total household income. This is because men may withdraw more than their own contribution for their luxury expenditure, with women's income acting as a substitute (Rowlands, 1997). Such situations could encourage men to take less responsibility towards household welfare than before. This increases women's vulnerability and has an unsustainable impact on household well-being. For example, in ACORD-Pakwach in Uganda, some men left all the household expenditure to the women once women started acquiring funds (Mayoux, 1998b:35).

Gita also raises yet another pertinent issue regarding evaluation studies of microfinance interventions. Apart from the limitations posed by conceptualizing empowerment, credit-impact studies also pose problems of proving causality and attribution. It is difficult to attribute an empowered state to credit intervention alone, as there may be other factors in a woman's life contributing to such changes. In fact, most research studies make linear and deterministic linkages between credit
interventions and women’s empowerment, failing to consider other factors, which may have contributed to the empowered state.

In other words, most of these research studies do not explore the issue of empowerment ‘... from women's own vantage point’ (Kabeer, 1998:17). They do not take into account the ‘voices,’ aspirations and strategies of the women borrowers themselves. In fact, the indicators of empowerment do not necessarily reflect aspects of subordination that women might most seek to change, at the individual, household and community levels (Mayoux, 1998a; Hashemi et al., 1996).

**Microfinance In India**

Indian state has been conceptualised as a ‘Welfare State’ implying that state understands providing good life to all its citizens as its responsibility. Hence, the state machinery would take steps to ensure reduction of poverty; improvement in the health status of its people; ensuring equality on grounds of gender, caste, creed and class. Also recognizing the fact that Indian population largely inhabits the rural areas, special measures have been undertaken to ensure proper development of these. The focus on poverty and finance was articulated most famously in the 1954 Reserve Bank of India (RBI) report on the All-India Rural Credit Survey of 1951-52 (RBI, 1954 cited by Srivastava & Basu 200429). One of the steps was based on the acceptance of the fact that credit for the rural farmers and other type of workers is critical for their development. This motivated the establishment of a vast network of rural cooperative credit banks during 1950s and their nationalization in 1969.

Inspite of such a large-scale proliferation of bank branches in rural areas in India, the poor households in these areas still have very little access to formal finance. The high

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level of dependence of the informal sector on non-institutional sources continued despite a rapid growth of banking network in India in the last five decades. Despite such phenomenal expansion of the outreach of the formal banking structure, that includes an impressively large network of more than 150,000 retail outlets, the All India Debt and Investment Survey (GoI) 1981, indicated a large share of 38% non-institutional agencies (informal sector) in the outstanding cash dues of the rural households. It was also seen that households in the lower asset groups were more dependent on the non-institutional credit agencies. The main hurdle faced by banks in financing the very poor seemed to be the comparatively high transaction cost in reaching out to a large number of people who required very small doses of credit at frequent intervals. The same held true of the costs involved in providing savings facilities to the small, scattered savers in the rural areas. Feelings were mutual among the very small savers and borrowers in the rural areas as well, as they tended to view banking as an institutional set up for the elite; even if they tried to reach the bank branch the long distances and loss of earnings on being away from work while visiting bank branch were hurdles and they were never sure whether they would get any service or not if they did approach the branch. The levels of mutual inconvenience and discomfort made the poor look at banking as an almost inaccessible service, and the banks felt that banking with the very poor was not a ‘bankable’ proposition on the non-institutional credit agencies. (NABARD 2002)

Srivastava & Basu (2004) while exploring the development of India’s financial sector noted that with the increase in the bank branches in rural areas, the share of banks in rural households debt was as low as 2.4 percent in 1971. After nationalization of rural banks, their share increased to about 29 percent in 1981 to touch around 61.2 percent in 1991. The share of moneylenders showed a corresponding decline during these decades. However, the RFAS (2003), World Bank – NCAER Survey on rural access to finance (the Rural Finance Access Survey- RFAS, 2003), indicated that rural

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banks serve primarily the needs of the richer rural borrowers. The survey indicated that 70 percent of the rural poor do not have a bank account and 87 percent have no access to credit from a formal source. Informal sector lenders remain a strong presence in rural India, delivering finance to the poor. The RFAS also finds that 48 percent of landless and marginal farmers borrowed from an informal source at least once in the past 12 months, at rates averaging 48 percent per year. The authors also highlight the glaring regional differences in the distribution of financial services, both in terms of the volume of transactions and branch density. The client’s in India’s economically weaker regions having a disproportionately lower level of financial services. The mere presence of rural bank branches was not found to be a factor sufficient enough to ensure increased access to rural poor. Once again the factors as serving rural poor considered as high risk and being a high cost proposition explain the lack of enthusiasm among rural banks to attempt serving this poorer section of Indian society. The situation is revealed to be made further difficult owing to the existing ‘financial climate’ that is generally not conducive to lending in general and rural banking in particular. Moreover, rural commercial banks do not offer flexible products and services that can meet the income and expenditure patterns of small rural borrowers. The rural borrowers generally have irregular sources of income and would require small loan amounts, which they can pay backing small installments. Also such borrowers also seek insurance (life, health, crop), which banks do not generally offer.

The authors further note that in India, during the last decade particularly, many approaches delivering finance to poor have been evolved- thrift, credit and other financial products and services. They find of these various approaches, the microfinance approaches pioneered by the NGO sector and now even supported by state where the SHGs formed are linked up with the formal bank at local level- the SHG-Bank Linkage. The growth of these SHG-Bank Linkages has been spectacular during 1990s, touching a figure close to 800,000 in 2003 compared to just 33,000 in 1999. However, the reach of these to some 12 million women and their households
stands modest in light of the fact that this is actually less than even 5 percent of India’s rural poor.

Kim Wilson (2002)\textsuperscript{31} in this respect cited Ashe (2002) - India represents the largest microfinance initiative across the world, with over 1,000,000 SHGs with 17,000,000 member. However, the magnitude of work yet to be done in this nation of 1.1 billion people is still staggering.

Wilson (2002) calls the microfinance happening in India as a ‘New microfinance’ which is much more innovative and promising than the ‘old microfinance’ that happened in the west. According to him the old microfinance was characterized by complex rules, new practices for the client and credit power. Whereas new microfinance is marked by its simplicity, traditional practices and thrift power. The old microfinance aims for an institution to sustain itself through a push towards profit. The new microfinance aims for groups to sustain themselves through the pull of social benefits. He argues in favour of new microfinance as is being implemented in India which links traditional wisdom rooted in the self-help model – and refined by pioneering NGOs, such as MYRADA- with financial power of a network of 150,000 bank branches.

He identifies around four key players in this new microfinance in India. The First players are the NGO personnel/ bank staff or other volunteers who would organize women into small groups and motivate them to save very small amounts of money as less as Rs. 5 per month. The collected money is then give to some member (s) requiring small amounts of loan for a variety of purposes. The promoters also help group members in proper recording of their saving and loan details. After having reached stability and at the stage when groups are able to perform a variety of group activities, the promoters link them to local banks where they receive group loans.

The author opines promoters to be doing a good job since they would form groups of the poorest of the women. The third key player is NABARD (the National Bank for Rural Development). NABARD lends to commercial banks at the interest of 7.5%; this refinancing releases banks from mobilizing their own deposits to lend to untested groups of women. This refinancing program, piloted by NABARD in 1992, is one of the several programmes in India. As per the author, NABARD was refinancing loans generated by 17,085 bank branches throughout the country, yielding a branch penetration of 11%. NABARD partners with 444 banks and a network of 2,155 NGOs and independent agents. The fourth player is the Panchayati Raj Institutions. The author writes that women members do start to take part in local level panchayat elections and they are able to attract political rights and economic resources into their villages.

Shriram (2005) lists the major state initiatives in India during 1990s that have enabled poor access financial services. Major institutional initiatives include the bank linkage programme under the overall guidance and supervision of NABARD, the setting up of Rashtriya Mahila Kosh to re-finance microfinance activities of NGOs and the establishment of SIDBI Foundation for Microcredit (SFMC) as a financer of microfinance institutions (CBFIs). On the policy front, RBI has come out with directives on various aspects of microfinance provision. Significant among them are the ones that classify lending to SHGs as part of priority sector targets and exempt non-profit organizations engaged in microfinance business from registering as non-banking financial companies (NBFCs). As a result commercial banks (mainly in public sector), regional rural banks (RRBs) and cooperative banks have emerged as important channels of microfinance provision. There have been fiscal initiatives too. Assistance under central government schemes like Swarn Jayanti Gram Swarojgar Yojana (SGSY) and Swa-Shakti (a central government scheme exclusively targeting women) are routed through SHGs.

Shriram M S (2005), Microfinance and the State: Exploring Areas and Structures of Collaboration, Economic & Political Weekly, April 23, 2005
Sriram like Wilson and Srivastava & Basu points to the failure of public sector banks to reach the poor people. Against the target of 10 percent of the net bank credit, the achievement was only 7 percent in 2003. This indicates that while the banks have been able to reach the priority sector target in overall terms, their inability to penetrate the weaker sections or make small loans is still inadequate. SHG- bank linkage is opined to be one of the most successful programmes supported by the state in the microfinance sector. Around seven lakh were linked to banks and around five lakh were refinanced by NABARD in 2003. Cumulative disbursement of loans to these SHGs stood at Rs. 2,048 crore. However, like Srivastava & Basu, the author indicates that it is skewed in favour of the southern states.

There are some other critics that have questioned the much enthusiasm with microfinance applicability in development. Like Rao (1997) commented-multilateral development banks, in an era of budget cuts and disbursement reduction, are embracing microcredit as an opportunity for them to move away from the capital-intensive “development as charity” model to the potentially more profitable “development as business”. He traces the momentum of microfinance beginning somewhere in 1980s when suddenly a few NGOs accidentally stumbled over the finding that women self help groups have been giving an outstanding performance with respect to repayment rates- well over 95 percent, higher than most traditional banks. Suddenly almost everyone was on this microfinance bandwagon. NABARD and SIDBI started to increase their lending to SHGs. SIDBI lent to NGOs at 9%; NGOs were allowed to on lend to SHGs at a rate of 15% and the SHGs could charge as high as 30% interest rates. Although such high-interest credit is touted as a vehicle for poverty alleviation wherein the poor use the funds to undertake commercial ventures, various studies have found that the loans are largely used by the poor people to meet their daily consumption needs.

33 Rao K V (1997), Micro-Credit: Just a Band-Aid to Hide a Gushing Wound? India Network Archives
The author stresses the need to distinguish such micro-lenders whose main motive is profit from those whose main goal is empowerment. In this context he clarifies that while one cites examples of success achieved by SEWA, one must note that this was not an overnight kind of success. It could become possible only because SEWA combined low-interest microloans with labour advocacy on behalf of women employed in the informal sector with provision of health care, training and other services, thereby, raising the wages, education and standard of living for the women it serves.

Rao vehemently criticizes the World Bank’s microlending program launched in 2000 as Consultative Group to Assist the Poorest (CGAP) for its narrow focus. CGAP called on countries to revise their usury laws as well as to completely privatise their microlending institutions, removing all subsidies for banks which service the poor. The author argues that such steps would force banks such as the Grameen Bank of Bangladesh, which relied on subsidies for almost two decades before becoming financially viable. CGAP also recommends stronger laws for collaterals, which definitely builds a stronger safety net for banks but does exclude the very poor clients. He also questions microfinance’s projection as a poverty alleviation tool in the environment of macroeconomic policies of liberalization and globalisation that have destroyed formal sector jobs; drastic cuts in social sector spending under the rubric of World Bank-imposed structural adjustment programmes coupled with the absence of any social safety net has further aggravated poverty for the world’s poor. Rao does support microcredit offering micro solutions as the only best alternative in such situations and appreciates the role it could play in poverty alleviation. However, he stresses that any developmental strategy will require far more than the ‘band-aid’ of microcredit on the gaping wound of poverty and unemployment.
At the same time World Bank researchers (Pradeep & Priya)\(^{34}\) do make a strong case for scaling up the microfinance activities. The paper recognizes the need to improve on in some key areas if this movement is to be continued and scaled-up. The main concern is to ponder the strategy that would ensure high quality groups to be promoted and maintained with adequate attention to financial sustainability of SHG lending. The weak governance and management structures of many of the CBFIs and lack of adequate internal controls and financial discipline are issues, which need to be addressed. Secondly an enabling policy, legal and regulatory environment is urgently needed, particularly for the growth of CBFIs. Further a clear targeting of the clients is urgently required. Often the CBFIs would drift from their social goals in pursuit of richer clients with larger loans that would lead to greater financial profits. Thus a balance is required between these two goals of CBFIs.

For serving the diverse needs of the poor appropriate products and services and good staffing policies are required. Large regional differences exist in the distribution of the financial services both in terms of the volume of transactions and branch density, with clients in India’s economically weaker regions having a disproportionately lower level of financial access. This leads to poor households in the economically weaker regions with practically starved financial access. The geographic concentration also would have to be overcome through appropriate efforts in this direction.

The proliferation of vast network of rural bank network alone has remained insufficient to deliver finance to poor owing to a combination of factors affecting both banks and their clients. Rural banks often hesitate from lending to poor households as this is perceived to be a high-risk and high cost proposition. The uncertainly surrounding the income patterns oft these households coupled with their

lack to produce any collaterals explains the high risk factor. Moreover the poor households are considered as 'bad clients' as they most often like to borrow for their everyday consumption smoothening rather than investment purposes. The high costs are to be incurred in dealing with such clients due to small loan sizes, high frequency of transactions required, large geographical spread and heterogeneity of borrowers.

The situation further gets too complicated since Government's policies are not at all conducive to lending in general and rural banking in particular. The paper also accepts that though it would be an ideal situation to slowly graduate the microfinance clients to formal banking systems, the market as of today does not present an array of such formal lenders. The paper concludes that over a longer term efforts to promote microfinance should go hand in hand with efforts to make the formal sector better at 'banking the poor' and government can play a critical role in this context.

Many research studies have become available during the last few years that have evaluated impact of MFPs on women empowerment and other developmental aspects in various parts of India. Reviews from some of these studies have been given below.

A study undertaken by International Planned Parenthood Federation in Karnataka presents a few case studies of the women members with respect to their empowerment. The study was done in one of the poorest districts of the state-Bellary, where most of the population is living below poverty line. FPAI has become operational in the area in association with National Agricultural Bank for Rural Development. Formation of SHGs was adopted as the major strategy to achieve the goal. A total of 18 SHGs benefiting 136 individuals and their families were formed and promoted. The study included two SHGS- Jai Bharti and Dandakalander- each with 19 members in the Mincheri village. The group loans were generated through

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35 Saldanha Jean O, Women Show the Way, International Planned Parenthood Federation, Karnataka

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revolving individual member's compulsory savings of Rs. 50 per individual. The amount so collected gets deposited in the name of the group in the bank and if after a year, the amount reaches a threshold then bank grants a loan for income-generation activities.

The study found that micro financial activities through SHGs increased women's self confidence & mobility levels mobility—can go to meet govt officials, attend camps in other village on their own. The author uses a few case studies to show the positive changes in women member's viz. loans taken for buying buffalo and other milching cattle that added on to the family's income and raised the status of the woman in her family, economic contribution from woman able to significantly reduce instances of her being verbally and physically abused by her husband, financial power was also found to translate into involvement in decision making and control money in her hands. Author says financial independence extended women's capabilities to secure benefits and improvements in the village. Instances as rescuing victim of dowry harassment, stopping remarriage of a man, confrontation of the village teacher and re-establishment of the village Anganwadi, ensuring girls attending far situated school, etc have been cited. The benefits also extend to the field of women's health as been able to prevent unwanted pregnancies, breaking up of myths and misconceptions like that for leucorrhoea, deliveries being conducted with hygiene—like cutting the umbilical cord with a clean new blade, taking immediate action if complication, increased use of contraceptive use increased though tubectomies far exceed vasectomies and also sexual health- AIDS awareness programmes.

A critical appraisal of this article would clearly indicate that the author has used the terms as self-confidence and involving in decision making quite loosely. The duration after which the found positive changes occur has not been dealt with—i.e. how old should be the group when these changes occurred. The impact whether same for all members remains unaddressed and therefore, the question whether these case studies could be regarded as reflective of all members cannot be deducted. When financial
independence yields positive results for other spin offs as education and health has not been indicated

IFAD\textsuperscript{36} supported Tamil Nadu project- women found that their membership increased their self-esteem and helped them deal with intra-family injustices and inequities and even with domestic violence. IFAD microcredit projects in Maharashtra and Mewat (Haryana) in are indicated to have been successful in terms of reducing poverty among women members through making them entrepreneurs.

Similarly Nair (2003)\textsuperscript{37} conducted a study among women in slums of Karnataka where ADB has been implementing project to improve the condition of women in these areas. The basic strategy is through formation of self-help groups. The training, savings, and access to credit facilities have helped increase the incomes and confidence of poor women in some slum areas in Karnataka. Of equal importance, the Project has increased awareness on health, sanitation, and improved community participation.

A case study on a microfinance organization called \textbf{SHARE Microfinance Ltd} was conducted for UNDP by Anuradha Rajivan\textsuperscript{38}. The study did explore the basic issue – to what extent can m-Fin be seen as a tool not only for income poverty alleviation, but also for women’s empowerment? As per her review of types of m-finance organizations/ NGOs working in India, there are of three types:

\begin{itemize}
  \item Those which utilize \textit{m-Credit as an entry point} or as a complementary activity, recognizing that it is harder to mobilize people and sustain interest around other issues in poverty situations
\end{itemize}

\textsuperscript{36} IFAD Asia, Empowering Asian Women through Women’s Group
\textsuperscript{37} Nair Omana (2003), Development Taking Charge, Asian Development Bank
\textsuperscript{38} Rajivan Anuradha (2001), Micro Credit And Women’s Empowerment: A Case Study Of SML. (Share Microfinance Ltd.), UNDP
Those, which are primarily concerned with poverty alleviation and use m-finance as their main tool. SHARE in AP and the nation-wide centrally sponsored SGSY scheme comes under this category.

There are approaches where the relative strengths of the government, NGOs and banks are sought to be combined under an umbrella organization promoting multi-purpose SHGs where m-Fin is one of the inputs, along with systematic training and capacity building in virtually any subject of concern and interest to the members.

Share registered as Share Microfinance Limited started off its operations in Andhra Pradesh in two districts in 1992 through formation of small groups for microfinancial services. The main thrust of the programme has been poverty reduction. Women’s empowerment has been seen as a side outcome of poverty reduction at the household level, when the credit inputs to the household are routed exclusively through women. Internal discussions developed the understanding within SML that ‘empty tummies cannot be interested in empowerment’. SML is said to believe that providing continuous credit access to poor women will help them take their families out of poverty, which, in turn, will also bring them recognition and a voice at home and outside.

The study finds that those women members; households who have been in groups for a minimum of three years experience poverty reduction as an impact of SML activities. An evaluation conducted by Gibbons 2001\(^3\) showed impressive poverty reduction among 76.8% of SML’s mature clients, with as many as 38% moving into the ‘non-poorn’ category from ‘very poor’ or ‘moderately poor’.

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Among the other major changes identified among women members as an impact of group membership, the first change to grab the attention of an observer is indicated to be much increased self-confidence among participating women. This was in sharp contrast with non-member women and women who have newly joined as members. Members who are in their third or later cycle of loans were particularly found very articulative, not at all hesitant while talking to strangers, can confidently face audiences, take questions from others, like to be well groomed, etc. There is also a discernible increase in ambition on their own behalf and on behalf of their children.

Particularly women with atleast two years or more of group membership were indicated to have control over personal expenditures. Women’s money also helped improve the diet patterns in the household with more women reporting eating vegetables, taking food with the family members as opposed to eating it in last earlier and girl children getting more to eat.

Gender issues and women’s empowerment were not seen as areas where men were pitted against women. Rather, the study documents women having interpreted it as one of expanding spaces and choices for themselves and getting recognition and respect within and outside the household. The men seemed happy with this as the women were bringing in money, which benefited the household. The earlier hesitation of men to allow their wives to become group members was not noticeable anymore; instead more of them now motivate them to take membership of groups. While domestic violence did continue to exist, women’s financial independence and togetherness appeared to have helped in coping with it better. The frequency and intensity of violent episodes perhaps had also gone down as men acknowledged and appreciated the economic value of their wives.

In activities like household work, childcare, maintenance, etc., by and large no reduction of load for women was seen; women were continuing as before. Most women replied that they were used to the work, they had not though about sharing
or that the husband did not know how to cook. By and large, the idea of expecting systematic work sharing (not just one-off help on an exceptional day) in this sphere had not occurred to them. Physical mobility by and large is described to be not a major issue in Andhra Pradesh as found in the Northern India.

SML’s activities have been analysed to be of little help in increasing access of women to public resources as education. These group loans could help in housing activities also only to a little extent. Regarding health most members did not have accessibility to government health services and were more relying on home remedies. Most women and men, regardless of group membership, were aware of their voting rights and wanted to be in electoral rolls. Everyone voted with the possible exception of some migrants. Group interactions were also noted to weaken and make caste barriers insignificant on the basis that across all castes the women members shared one basic common feature that they were all poor and needed credit from the group. Infact cases of marriages without dowry and on equal expenditure were happening among children of SML members.

Thus, UNDP concluded that primarily credit-for-income-generation based model of small women’s groups, well oriented in receiving and repaying loans, closely supervised with trained staff, does lead to significant, first level improvements in the individual lives of members and their households, in contrast with non-members/new members. Thus, the whole picture of the impact of pure microfinance activities on different aspects of women’s lives emerges to be quite positive. The analysis has been done by various levels as well and by different types of empowerment. However, the enthusiasm of the evaluation forgets to analyze the findings in light of the basic profile of the individual members. For example the various income categories even in these poor women categories may have given different dimensions to the overall picture. The attempt to link up the transformative changes by years of membership is an appreciable one though it would need much further research.
Another good case study on Dhan Foundation was conducted by HUDCO in 2001. Dhan Foundation operates its micro finance programme in viz. Tamil Nadu, Andhra Pradesh and Karnataka and in Pondicherry. Dhan's micro finance programme is named as Kalanjiam Community Banking Programme. The basic philosophy of Dhan Foundation is building institutions, which is regarded to have led to evolving of people's organisation thus forming 20 registered federations of SHGs, federated at block level. A strong bias in Dhan was recorded to be towards the fact that economic strength is considered the basis of social, political and psychological power in society. Thus, micro finance services are considered as an essential tool of addressing poverty alleviation. Empowerment has been interpreted for Dhan as the process by which the women and community gain control over social and economic conditions; over democratic participation in their communities and over their own stories. Dhan, thus, believes that social change will evolve over a period of time with economic strengthening and thus views economic empowerment as the beginning of the social change. Dhan, hence, adopted the economic entry approach.

The Kalanjiam programme is cited to have achieved significant coverage - it was covering 33,000 families in 1999-2000 and in 2001 there were more than a lakh Kalanjiam members. Also the high 98 percent repayment rates have been taken as a positive quantitative indicator giving ground for upscaling the programme. The poor women are indicated to be feeling a sense of achievement owing to this Kalanjiam movement. The control over resources as cash and other assets has increased. Many women could start some small businesses as petty shops, land cultivation, dairy activity, Small trading activity, flower selling and rope making etc but such activities were not found on large scale and mostly were collective activity for men and women. The women's role in decision making and their bargaining power have improved to some extent. Dependence on moneylenders reduced to a great extent though still a few cases of women taking loans from moneylenders were reported.
Most women had become bold and assertive and much more articulative. Their self-confidence had certainly been improved. Women, however, continue to work tirelessly for almost 14 hours and they did not feel that they were working more than men. Their incomes were still regarded as supplementary. Several instances where men had objected to non-wage work of women taking the responsibilities in Kalanjiam and spending time for that. Hence, this was one issue, which was highlighted to be of concern and to be sorted out.

Physical mobility of the women due to attending Kalanjiam meetings and acquiring training did increase significantly. This has enabled the exposure to the different villages and cities to the women.

Though most Kalanjiam members appreciate the importance of education, they were not found to be making much effort to educate their own daughters. Awareness and accessibility to health services was analysed to be same across members and non-members and some improved cases were more area specific. Federations have been instrumental in bargaining for and getting home loans sanctioned from banks, which has enabled women to own properties in their name.

The study emphasizes that the structure of Community Banking Programme moving from SHG to Cluster Development Association and to Federation has evolved as support structure for women for information and experience sharing and also a space to share emotional issues. The class and caste barriers have loosened. Women, as a collective strength, have participated successfully in elimination of arrack distillation and opium cultivation amidst the threat of men. Increased visibility and recognition is noticed as Gram Sabha’s are inviting the SHGs to the meeting. Attitude of local administration has changed towards women. However, participation in such meetings does not ensure contribution in decision-making, which may come when women start occupying political space. Women are also getting started to participate
in panchayat elections. Domestic violence is not eliminated, though there is a moderate decline.

Dhan foundation itself is aware of the shortcomings of this economic entry approach, which fails to target the reproductive roles of women and challenge the gender-based inequalities. The economic entry approach, consequently, is indifferent to women's strategic gender needs in reproduction, which is one of the rights for women to have control on their own bodies. Gender sensitisation of men on these issues was thus recognized to be also important.

Self-help groups as a solution for health care delivery in the developing nations has been increasingly proposed during the last decade. However, the studies that can provide empirical support to this proposition from South Asia are mainly those, which are run under the large and well-established organizations as BRAC (Bangladesh Rural Advancement Committee), SEWA and Grameen Bank. Examples of child health care services by BRAC and 'barefoot doctors by SEWA are cited to prove this success. Hadi is noted to argue that its the involvement in the activities of the self-help groups that have resulted into health benefits for the members of self-help groups and their families like the improved childcare and increased contraceptive use (as noted by Nayar et. al 2004).

A few studies conducted by Schuler and Hashemi in villages of Bangladesh have also stressed the positive correlation between Grameen Bank's membership and contraceptive use by women and fertility transition. In one of these studies the researcher concluded that women are able to achieve their fertility goals by participating in programs that decrease their social isolation and their economic dependence on men. Another stressed that credit programs modelled on the

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Chapter III- Dynamics of Linkages of Self-Help Groups Formed for Microcredit With Women’s Empowerment and Their Health

Grameen Bank strengthen women’s economic roles and promote women’s empowerment, thereby accelerating a fertility transition⁽⁴¹⁾.

UNDP with support from UNAIDS organized a workshop on ‘Microfinance and HIV/AIDS’ in Malaysia in 1999⁽⁴²⁾ to reflect on the current situation of HIV/AIDS epidemic in the world and determine how microfinance programmes can or might respond to the financial requirements of HIV/AIDS affected households. The HIV/AIDS crisis was analyzed to have engulfed almost 50 percent of the world’s population inhabiting Asia and the Pacific regions. Its clutches were more tightening on the poor households; infact it was stated that ‘Poverty is the single most important variable contributing to the spread of HIV/AIDS’. This point was made on the basis of statistics on health expenditure done by HIV/AIDS patients and their families and loss of an earning member for the household in case of death of the patient. All statistics were analyzed to prove the point that HIV/AIDS seriously drain on the household’s economic resources making the capacities of the households to respond to such situation week. Several scholars like Donahue, 1998; Williamson, 1998 and others were quoted to have stressed the need for the early coping mechanism for the poor households before the slow and silent progress of the infection actually hits them hard.

It was with this background that everyone started looking at microfinance as the probable solution. Microfinance was recognized as the emerging potential tool for poverty alleviation. Along with this another fact stressed and highlighted was that microfinance’s outreach among the poor is growing in the crisis region of Asia-Pacific and it has enabled the poor households particularly the women in income generation activities. It was generally recognized at the workshop that most poor households are already engaged in some income generation activities before they are

⁽⁴²⁾ UNDP (1999), Micro Finance and HIV/AIDS Workshop, organized with support of the Joint United Nations Programme on HIV/AIDS (UNAIDS), 15-18 September 1999 at Penang Malaysia
affected by HIV/AIDS. A prerequisite of microfinance is adequate cash-based market activity for a critical mass of microenterprise clients. The further discussions at the workshop used examples from a number of experiences shared by the participating MFIs like the Working Women’s Forum (WWF) from India, FINCA from Uganda, Cambodia Community Building (CCB) from Cambodia, Shakti Foundation, CARD from Malaysia and others to give support to support the positive role being played by microfinance with respect of HIV/AIDS patients. While most of these CBFIs have been following the integrated approach/ micro credit plus approach, a few were also only the pure microcredit/ finance organizations. The workshop concluded with stress on the positive and a desirable role of CBFIs in building up the early coping mechanisms of HIV/AIDS patients. Microfinance was viewed as a solid platform for the HIV/AIDS patients where they get to strengthen their economic base and get prepared for later worst illness phase. The economic base so developed was also opined to help the patient’s family members in striving through the phase. Although all participants clearly recognized that microfinance is not a panacea and still the larger issues of meeting the expenses during the later stages of illness of HV/AIDS patients must be met by the state. Nevertheless, the desirable close working of NGOs working for HIV/AIDS and CBFIs was reemphasized.

Only a few isolated and rather scattered pieces of research establishing positive correlation between microfinance and health can be found and in respect of India such literature is almost non-existent. In an answer to the positive correlation being stressed by such international organizations, the arguments presented in the paper by Nayar et. al. are particularly noteworthy and does give a critical view to this entire rosy picture.

Nayar clarified that no examples could be found where the position of self-help group members has improved to such an extent that they were capable of taking major decisions at community level in terms of resource allocation, service provision.
or influencing major policy changes in health. Also the success stories, only a few as on date, that have been cited to show a positive role of self-help groups are of those large organizations that incorporate self help activities as just one component. Such studies have often been criticized for not taking into account sources of bias like choice based sampling and self-selection into programs.

The authors further compared the role of SHGs in context of Europe, which is an individualistic society, and South Asia, which is a hierarchical society. They argue that SHGs may complement existing social and health services but cannot be instrumentalized to improve health outcomes while reducing health expenditure. In South Asia they feel that SHG approach would have a limited help as SHG are not sustainable and are not effective when they are steered from outside. They conclude that SHGs are suitable for individualistic societies with developed health care systems but they cannot help much in context of hierarchical societies with unmet demand for regulated health care. The authors quote two prerequisites for functioning of SHGs- one is a basic enabling environment such as a stable social structure and secondly a functioning basic health care system offering minimum standard of quality. The SHGs activities cannot be assumed to be a consequence of self-help in health. The authors do accept SHGs can help achieve some degree of synergy between health care providers and users but cannot be prescribed to partially replace government health services in low-income countries.

Having done the above discussed thorough review on various concepts, theories, experiences and empirical findings of self-help, microfinance, self-help groups and women empowerment and role of microfinance in development sector particularly health, we are now prepared to move on to analysing the primary data from the present research study. In the last chapter we will be discussing the findings from the present research in light of these reviews.