CHAPTER – II

MICROFINANCE AND
WOMEN’S EMPOWERMENT :
A SOCIO-HISTORICAL EXPLANATION
CHAPTER – II
MICROFINANCE AND WOMEN’S EMPOWERMENT:
A SOCIO-HISTORICAL EXPLANATION

SECTION – I: DEVELOPMENT OF MICROFINANCE

The role of microfinance has been of attracted significant interest in the recent years, both for the policy makers as well as in academic circles. The advocates of microfinance argue that access to finance can help to substantially reduce poverty (Dunford, 2006; Littlefield, Morduch & Hashemi, 2003). Access to finance may contribute to a long-lasting increase in income by means of a rise in investments in income generating activities and to a possible diversification of sources of income; it may contribute to an accumulation of assets; it may ensure a smoother consumption for all; it may reduce the vulnerability due to illness, drought and crop failures, and it may contribute to the availability of better education, health and housing facilities of the borrower. Rajase Khar D. (2004) points out that microfinance which involves income generating activities contributes to women’s empowerment. A study by Marilyn et al. (1996) shows that women’s participation in an income generating programme changed their lives economically and socially. Being microfinance beneficiaries, these women felt secured and confident in their redefined status of economic independence. They were able to contribute in household expenses and also capable of investing in productive activities. Apart from that, access to finance may also bring about in improvement of the social and economic status of women. Finally, microfinance may have positive spill-over effects such that its impact surpasses the economic and social improvement of the recipient. The positive assessment of the contribution that microfinance can make to reduce poverty has convinced many governments, NGOs, and individuals to put efforts in supporting the MFIs and their activities.

However, microfinance has also had its share of criticism and resistance. Part of the resistant criticism centres around a doubt whether access to finance may actually contribute to a substantial reduction in poverty. Critics claim that
microfinance does not reach the poorest of the poor (Scully, 2004), or that the poorest are deliberately excluded from microfinance programs (Simanowitz, 2002). First, the extreme poor often decide not to participate in microfinance programs since they lack in confidence and consider the loans to be too risky (Ciravegna, 2005). The poorest of the poor, the so-called core poor, are generally averse to borrow for investment in the future as they do not want to take upon themselves the burdens of additional hazards. They will, therefore, benefit minimally from microfinance schemes. Second, the core poor are often not accepted in group lending programs by other group members because they are seen as a bad credit risk (Hulme & Mosley, 1996; Marr, 2004). Third, staff members of microfinance institutions may prefer excluding the core poor since lending to them is seen as extremely risky (Hulme & Mosley, 1996). Fourth, the way microfinance programs are organized and set up, may lead to the exclusion of the core poor for, according to such a set up, there is the prerequisite of a certain amount of savings to be put up, before the loan could be sanctioned; a fixed minimum amount of the loan that is required to be accepted; and that a firm has to be registered before the loan can be granted to it (Kirkpatrick & Maimbo, 2002; Mosley, 2001).

The critics of microfinance, therefore, doubt whether it really does have a positive impact on women. Nevertheless many microfinance schemes have a clear focus on women. Research shows that women are more reliable and have higher pay-back ratios. Moreover, women use a more substantial part of their income for health services and education of their children (Pitt & Khandker, 1998). Thus, women play a very important role in reducing poverty within households. However, the critics argue that often women are forced to hand over the loan to the men of the households, who subsequently use the loan for their own purposes. This may lead to an additional burden for women if they are held responsible for the repayment (Goetz & Gupta, 1996).

The disagreement on the issue of the contribution microfinance to reduce poverty has triggered a large number of empirical assessments. In this respect, research has tried to address one or more of the three following questions: (1) does microfinance reach the core poor or does it predominantly improve the well-being of the better-off poor; (2) which contribution is seen as most important (improvement of
income, accumulation of assets, empowerment of women, etc.) and (3) do the benefits outweigh the costs of microfinance schemes? (Chemin, 2008; Dunford, 2006). The latter issue deals with the question as to what extent subsidies to microfinance organizations are justified. Most studies aiming at evaluating the impact of microfinance address the first of the above three issues.

Even though several assessments of the impact of microfinance on poverty reduction have been made, there is surprisingly little solid empirical evidence on this issue. One major problem with respect to investigating the impact of microfinance is how to measure its contribution to poverty reduction. Several studies measure the impact of microfinance by comparing recipients of microfinance with a control group that has no access to microfinance. In most cases, these studies apply non-randomized approaches. These approaches may be problematic, however. First, changes of the social and/or economic situation of the recipients of microfinance may not be the result of microfinance. For instance, it is well-known that relatively rich agents are less risk averse than relatively poor agents. This may induce rich agents to apply for microfinance whereas poor agents do not apply, that is, there may be a self-selection bias. In this situation, an ex-post comparison of income of the two groups may lead to the incorrect conclusion that microfinance has stimulated income. Second, in order to improve the probability of microfinance being successful, MFIs may decide to develop their activities in relatively more wealthy regions (i.e., non-random program placement). Obviously, this makes any comparison between recipients of microfinance and the control group biased (Armendáriz de Aghion & Morduch, 2005; Karlan, 2001).

The evidence from available published non-randomized microfinance impact evaluations is mixed. One of the most influential studies in this field is by Pitt and Khandker (1998) on the impact of microfinance in Bangladesh, using household survey data for 1991–92. They find that access to microfinance increases consumption expenditure, especially if loans are taken by women. Khandker (2005), in a follow-up study using panel data for 1991–92 and 1999, concludes that the extremely poor benefit more from microfinance than the moderately poor. The results of both these studies have been contested recently in a study by Roodman and Morduch (2009),
however, showing that the instrumentation strategy may have failed and that results may be driven by omitted variables and/or reverse causation problems. Chemin (2008), using the same Bangladesh surveys, applies the propensity score matching technique and finds that access to microfinance has a positive impact on expenditures, supply of labor, and school enrollment. In contrast, Copestake, Dawson, Fanning, McKay and Wright-Revolledo (2005) are less optimistic about the impact of microfinance. Based on data from a survey carried out in collaboration with a village banking program, Promuc (2002) in Peru, using a mix of evaluation methods (among which are the difference-in-difference approach and qualitative in-depth interviews) they find that it is the “better off” poor rather than the core poor who benefit most from access to microfinance. In an investigation based at rural China (2004) it was found that the participation of the poor in microfinance programme had led to positive impact like increased income, increased spending on educational and health facilities.

The evidence from studies using randomized experiments appears to be mixed; some of the results seem to suggest that effects are stronger for groups that are not typically targeted by MFIs. Coleman (1999, 2006) is one of the first to use a randomized approach while evaluating the impact of microfinance. In his study, he is able to make use of an external event, that is, a microcredit program introducing microfinance in the North eastern part of Thailand with random and unannounced delays. Based upon this quasi-experimental setting, his analysis shows that microfinance has a positive impact on the more wealthy villagers only. Karlan and Zinman (2009) studied the effects of microcredit on small business investment in Manila, the Philippines. The picture emerging from their results is rather diffused. One important result is that profits from business increased especially for male and higher-income entrepreneurs. Moreover, they found rather striking results showing that businesses substitute away from labor into education and formal insurance into informal insurance. Banerjee, Duflo, Glennerster and Kinnan (2009) evaluate the impact of the opening of MFI branches in the slums of Hyderabad. Half of the 104 slums were randomly selected for opening a new branch. They find mixed results, but on the whole the effect of introducing microfinance appears to be very moderate. Apart from these studies, several others are still in process (Roodman & Morduch,
Over the past 30 years, microfinance practitioners and policymakers have gravitated towards the view that targeting women in microcredit programmes is the most effective means to deliver wider social benefits. Providing women access to credit, it is argued, would strengthen their bargaining position within the household, and women are more likely than men to spend resources in ways that benefit the entire household (Armendariz de Aghion and Morduch, 2005; Khandker, 2003; Pitt et al., 2006). Indeed, there exists a large body of evidence which shows that, controlling for total household resources, increasing resources in the hands of female household members has a greater impact on family welfare (Thomas, 1990, 1994; Lundberg et al., 1997; Thomas et al., 2002; Duflo, 2003). And bargaining models of the household with non-cooperation or divorce as the threat-point would lead to the same prediction if women are assumed to have a stronger preference than men for family-related goods (Bergstrom, 1996; Lundberg & Pollak, 1993). However, making predictions about the potential impact of microfinance on the basis of this theory and evidence is far being from straightforward: while women may readily keep control over cash transfers, access to credit necessarily triggers a complex decision-making process – including decisions about whether to participate in a credit programme, how to invest the loan, and how to divide the proceeds of the investment – in which household members have the incentive to make strategic choices to protect their individual welfare. This complexity is also highlighted by congruent evidence that many women borrowers relinquish the use of their loans, in part or in whole, to their spouses (Goetz and Gupta, 1996; Kabeer, 2001; Rahman, 1999).

**2.1 Poverty Reduction and Microfinance**

Poverty is often the result of low economic growth, high population growth and extremely unequal distribution of resources. The proximate determinants are unemployment and low productivity of the poor.

It is due to market failure in the formal banking system, the development and promotion of MFI s has been accepted as a promising development policy. Therefore microfinance has received attention as a tool which may reduce poverty. Economic
growth fosters when financial sector develops (Levine, 2004). The financial sector development plays an important role in poverty reduction (Jalilian & Kirk Patrick, 2005).

Poverty reduction is effective only when it increases income and creates capital. There are three different forms of capital namely: financial capital, human capital and social capital. Financial capital is the net amount of financial assets a person possesses; it is measured in monetary terms. Whereas, human capital is the stock of skills accumulated allowing someone to receive a flow of income. Human capital is amount of retained learning accumulated, i.e. the level of education attained. Social capital is defined as the “the collective value of all” social networks and the inclinations that arise from participants in these networks to do things for each other. To evaluate whether one’s wealth increases or not, it is necessary to consider all the three forms of capital.

In the early eighties, MFI’s are mainly funded with donor money under NGO status and nineties saw the startup process of commercialisation and formalisation of financial sector. Afterwards MFIs try to become independent from donor money for reaching towards financial sustainability, like the Bancosol in Bolivia and Comparatamos in Mexico which transformed themselves completely into banks (Armendariz & Szafarz, 2009). In this formalization process, modern MFIs are believed to serve a dual objective; this is both to reach the unbanked poor as well as to become self sustainable (Armendariz & Morduch, 2005; Hartarska, 2005). Consequently, an increasing number of MFI’s need external commercial funding in addition to revenues from possible lending activities once donor stop funding (de Crombrugghe et al., 2008). Increasingly, commercial banks and international investors have become interested in funding microfinance activities, as MFI seem to be an interesting way to diversify their portfolios (Krauss & Walter; Isem & Porteous, 2005).

Microcredit, which a small loan provided by MFIs, is also a financial innovation which originated in developing countries where it has successfully enabled extremely impoverished people to engage in self employment projects that allow them to generate income, begin to build wealth and exit from poverty.
Microcredit is the extension of very small loans to the entrepreneurs and to others living in poverty that are not considered bankable. These people lack collateral, steady employment and verifiable credit history and therefore cannot meet even the basic minimum qualifications to gain access to traditional credit. Microcredit basically focuses on people’s investments in income generating activities. Khandekar found that access to microfinance contributes significantly to poverty reduction and that this is especially true for poor women. More specifically the effectiveness of increasing financial capital depends on the interest rates microfinance institutions charge. When the interest rates are high, the net capital accumulations accrue to the lender rather than the borrower.

Whenever microcredit is not used to invest in an income generating activity, no additional means are generated to repay the loan. This could make the repayment difficult. It depicts that financial capital decreased whenever microcredit is used for consumption rather than investment. Here microcredit could also be looked at as micro-debt.

Pitt & Khandker (1998) carried out a survey in 1991-92 involving about 1800 households in Bangladesh and they showed for every 100 taka borrowed by a woman of the household, consumption expenditure increases by 18. For a male lender, the figure is 11. They estimated the poverty reducing effect of three MFIs in Bangladesh namely –BRAC, Grameen Bank and Bangladesh Rural Development Board. General conclusions of Pitt & Khandker (1998) and Khandker (2005) about the impact of microcredit on poverty are (1) microcredit is effective in reducing poverty, (2) this is true when borrowers were women, (3) the extremely poor benefitted most in 1998/99.

Microfinance against poverty has been recognised as one of the tools by a number of countries including India. The natural tendency of rural poor to unite for common purposes, does not necessarily fructify in harmonizing activities due to several factors such as illiteracy, lower access to resources, social conflicts etc., thereby necessitating a change agent to sow the seeds of association and provide a rallying point.

Available evidence reveals that most women who receive loans from microfinance institutions tend to be confined into low productivity, low capital
activities, despite access to credit, and often despite having equal managerial, credentials as men. In a case study of Bangladesh, Kabeer (2001) reports that while access to credit succeeded in increasing the rate at which women participated in economic activities, it failed, however to increase the range of economic activities they have access to. Lairap-Fonderson (2002), in a case study of Cameroon and Kenya, finds similar evidence. She argues that women micro-entrepreneurs are clustered within a narrow range of activities that offer virtually no opportunity for innovation or for upgrading to more lucrative ventures. This includes street vending, operating food kiosks, selling second hand clothes and unprocessed food, which are relatively low-capita, low productivity activities, but which, in addition, face strong competition from cheap imports. She concludes that microfinance fail to lift women out of the confine of such low-capital activities. In a case study of Zimbabwe, Gibbon (1995) finds that rural women business activities tend to remain at a survival level, despite assistance from MFI’s.

Bennet (1992) viewed it as an income generating activity, not merely as a tool to fulfil economic needs of women, but as a powerful instrument to enable women to determine their own lives.

Women are culturally well equipped to run their own business, due to skills developed through managing households, raising children etc. Therefore, a shift from family management to enterprise management (Harper & Vyakarnam, 1988), may be easier than a shift from paid employment to self employment.

The United Nations Millennium Summit in 2000 courageously adopted the Millennium Development Goals. The most bold and important of these goals is halving world poverty by 2015. We can only achieve this goal if we are able to make the adequate institutional, financial and policy preparations for it. An important part of this preparation is to make micro credit available to the bottom half of the world’s populations (M. Yunus, 2004). Micro finance or micro credit has been accepted by the world community as a unique intervention in reducing poverty. The impact of it goes beyond business interest. The poor needs financial services to protect, diversify and increase their source of incomes. These services not only require for business investment but also for investment in health and education and to meet various types
of cash needs. The services include loans, saving facilities, insurance, transfer payments and even micro pensions. It is also important that majority of the clients in micro finance are poor women. Access to flexible, convenient and affordable financial services empowers and equips them to extend their own choices. Micro credit programmes for women has been adopted as a strategy to alleviate poverty as well as to empower them (RESULTS 1997). There has been wide range of studies across developing nations to assess the impacts of micro credit programme upon poverty. There is no one to one correspondences between micro credit and poverty alleviation. A study of SHARE clients in India documented that three fourth of clients who participated in the programme for longer periods saw significant improvements in their economic well being and that half of the clients graduated out of poverty. Chen and Sndgrass in their study on SEWA bank found very little overall change in incidence of poverty, but substantial movement above and below poverty line. A study by NABARD in 1999 found that there had been perceptible changes in living standards of the Self Help Group (SHG) members in terms of ownership of assets, savings and borrowing capacity, income generating activities and income levels (Bhatia & Bhatia, 2002). It has also been observed that the impact of SHGs has relatively been more pronounced on social aspects than on the economic aspects (Puhazhendhi and Satyasi, 2001). However the major arguments against micro-credit is its failure to reach the poorest of the poor (Batta, 2003). In this context Mahajan (2005) noted, “Micro credit works less for the poorer client”. Hume and Mosley (1996) found that the increase in income of micro-credit borrowers is directly proportional to the initial level of income. The issues of intra group power dynamics and peer group pressures within the SHGs are also crucial (Kalpana, 2005). It has also been noted that other factors like infrastructure and enterprise creation bear immense importance (Nair, 2005). The success of SHG also depends on the process of capability building and social mobilization (Sriram, 2005). However lending through SHG is one of the major strategies adopted by the governments and non government agencies to achieve the long cherished objective of poverty alleviation in this country as reflected by the 2000 percent growth of SHG during 1999–2003 (Basu and Srivastava, 2003). The need for the creation of a new institutional set up or
introduction of a separate legal and regulatory framework has been also felt (Satish, 2005). Microfinance is a development tool for reducing poverty and it is essential for entrepreneurship development. Apart from it the there is a necessity for capacity building for entrepreneurship development. In a Rural Entrepreneurship model, where it shows other than the entrepreneurial related factors the environment related factors are equally important for entrepreneurship development.

2.2 Empowerment through Microfinance:

Several studies and researches showed that empowerment of women means gaining authority and control over the resources which shape one’s life. Power as a factor was not there in their domain earlier. Empowerment helps to increase the potential of women and gradually reduce inequality.

Many studies show that microfinance through SHGs, succeeded in empowering women but it failed to uplift the extreme poor. Moreover, without economic empowerment social empowerment is not possible. So for over-coming the barriers of inequality, exclusion etc., economic empowerment is necessary through SHGs.

Mishra (2005) found that microfinance through SHGs are essentially an effective medium for economic, social, political and psychological empowerment. According to Sinha (2004), empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives, which involves an increase in well-being, accessing resources, increased self-confidence, enhanced self-esteem and participation in decision making and bargaining power. A study of Manimekalai and Rajeshwari (2001) shows that SHGs have helped the groups to achieve both economic and social empowerment and that the income of SHG women almost doubled after resorting to microenterprise. Apart from this, the SHGs have developed the leadership qualities, business management skills, raw material identification, marketing and diversification & modernization.

Rajasekhar D. (2000) made an analysis according to which the better participation of members in microfinance programs resulted in savings and credit operations that were conducive to women’s needs, thereby truly contributing to poverty alleviation and empowerment of women.
Both economic independence and possession of knowledge help to create a positive self image. The last component is autonomy, which in its ultimate realisation is empowerment at the level of society, for, women’s empowerment is the restructuring of gender relations both within the family and in society at large and it is society’s recognition of women’s equality with men in terms of their worth in society as independent persons (Hapke, 1992).

2.3 Women are better Clients – An Experience from Grameen Bank:

Ninety five percent of Grameen’s clients are women (Yunus, 2001). When the bank started, most borrowers were men; just 44 percent of clients were women in October 1983 (Yunus, 1983). But the situation rapidly changed over the years. In 1986 women made up about three-quarters of Grameen’s members, rising steadily through the 1990s along with overall membership growth. The bias in favour of women was reinforced by experience showing that relative to male borrowers, women had better repayment records. Also Khandker (2003) finds that a 100 percent increase in the volume of borrowing by a woman would lead to a 5 percent increase in per capita household non-food expenditure and a 1 percent increase in per capita household food expenditure, while a 100 percent increase in borrowing by men would lead to just a 2 percent increase in non-food expenditure and a negligible change in food expenditure. Thus, evidence shows that serving women turns out to have stronger impacts on households. It seems that serving women means to fulfil the dual objectives of maintaining high repayment rates and meeting social goals.

2.4 Sustainability:

Berger (1989) evaluated the impact of microcredit linkage to self employed women and according to her view credit cannot be regarded as a remedy of all problems of self employed women in the informal sector. Enhancing microentrepreneurs income, it is essential to have the required management skills and education. Orientation of technical knowledge to informal sector is also necessary. Martin (1997) in a study found the results of entrepreneurship development of Grameen & Shakti groups after microcredit linkage. According to the findings, the members who utilised the loans for additional income generating activities, their
initial income sources and ability to support weekly installment in case of any problem, acted as an important factor. It has been argued that group based business model is not always the right choice.

The success of a microfinance program depends on (i) effective outreach to the intended target group and (ii) good repayment performance.

According to Vijay Mahajan (2005), “Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming and petty trading and even those where market linkages are in place”.

2.5 Microfinance in Developing Countries:

According to E. R. Bhatt, “The informal economy in India today employs well over 90% of the Indian workforce, provides some 63% of the GDP, 55% of the savings and 47% of the exports” (Jaquette & Summerfield, 2006).

According to the Microfinance Information Exchange, there are over 1,100 MFIs around the world that provide services to 68 million clients in over 100 different countries (2008).

Microfinance in developing countries and economies in transition is characterized by microcredit loans given on the basis of per capita gross domestic product. Loan sizes range from $50 or less up to several thousand dollars, depending on the country and local financial market (Carr & Tong, 2002; Von Pischke, 1999). Sa-Dhan (2004) reported that the growth of microfinance over the last decade in India and the strong evidence that sustainable microfinance is effective tool for poverty reduction makes it an important policy imperative for the government.

In an argument by Kalpana (2005) joint liability, peer monitoring and peer pressure are the key factors of an microfinance organisation. Also the convenience of poor in the microfinance linkage has been enhanced by streamlining disbursal mechanisms and simple documentation requirements.
SECTION – II
MICROFINANCE AND WOMEN-EMPOWERMENT

2.6 Introduction:

In India women account for 60% of unpaid family workers and 98% of those engaged in domestic work (Acharya & Ghirme, 2005). Even after access to loan, women are still dependent on men due to social and cultural barriers and policy framework of government. Of late the government has recognized that the gender gap can be reduced in a significant manner through women’s participation in productive purposes. Since independence several rural development schemes have been introduced in the country to improve women’s socioeconomic conditions. But the desired results have not been achieved due to the fact that the thrust has been given only on the economic aspects without any linkage with social discrimination against poor women.

The Gross Domestic Product per capita for women in India is only 38% (Kelkar, 2005) and it is due to this fact that women are economically less active which is because of their disadvantaged social status.

Women when given access to loan, they are found more conservative in investment; however, they are the better repayers of loan because of peer pressure. This makes women better clients than men. Several studies on microfinance justified the above statements. Grameen Bank and its replications in Asia – show that women are better in repaying loans. Women are more also concerned about their families like children’s health and education than men (Blumberg, 1989). Apart from this women are the poorest of the poor in the world. The World Bank Report (1990) shows that the women are lagging behind in many key indicators of economic development. Report finds that women, when compared to men in low income countries, used to face more social, legal and economic obstacles. Thus microfinance is considered as a tool for gender empowerment.

In a report by the World Bank (1990), “Women typically work for longer hours, and when they are paid at all, will be so at lower wages”. In developing countries women are seen to work even longer hours than men and they are not paid
for productive activities neither in home nor at farm sector.

This paper focused on the various contributing factors of women empowerment and issues related to microfinance and empowerment.

The women are economically less active that has been revealed from the fact that the gross domestic product per capita of women is 38% (Kelkar, 2005).

2.7 Empowerment:

Empowerment is a social action process that promotes participation of people, organization and communities in gaining control over their lives in their community. Small loans can make good business sense amongst the women. It has been noticed that women in a particular stand gain a lot from microfinance because it gives them an independent means of generating wealth and becoming self-reliant in a society that does not offer them much scope for entrepreneurship. And since it is women who run the household, a higher standard of living for women ensures better governance and a healthier and more prosperous future for the children and consequently, a better future for the nation. The success of micro-credit initiatives has often been attributed to their particular focus on empowering women and encouraging their self-reliance through developing their own means of income.

The verb 'empower' has two major usages. First, it refers to investing someone, legally or officially, with power or authority; second, it signifies imparting or bestowing power on someone to a particular end or purpose. The noun 'empowerment' means either the action of empowering or the state of being empowered. Thus 'empowerment' denotes authorizing someone already holding an office to exercise some specific power, or offering someone certain means to achieve a given end. Empowerment is formal in the first case and informal in the second. However, in both usages, there is one common denominator – a higher authority exists that empowers.

Empowerment is a word that gives varying connotations, reflection and ramifications. Empowerment, like participation and sustainable development, is interpreted differently by divergent stakeholders. There is explicit evidence in different societies of awakening of individuals, actively taking responsibilities and decisions to exercise control over their lives, moving from withdrawal and
subservience to active involvement. Empowerment has strong political underpinnings and includes economic, social and cultural aspects as well. People also speak of economic and socio-cultural empowerment apart from political empowerment.

2.8 Dimensions of Empowerment:

<table>
<thead>
<tr>
<th>Empowerment</th>
<th>Social</th>
<th>Economic</th>
<th>Political</th>
<th>Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(like accessibility (rights &amp; accessibility)</td>
<td>(participatory &amp; access to productive resource)</td>
<td>(creating secured women’s participation)</td>
<td></td>
</tr>
</tbody>
</table>

Sen and Grown state that women’s empowerment is the transformation of the structures of subordinations, including changes in law, civil codes, property and inheritance rights, control over women’s bodies and labour and the legal social institutions that endorse male-control.

There are therefore several opinions on concept, rhetoric and practice as regards to the definition of empowerment. It is normally a process through which individuals, groups and communities become conscious of the state of poverty or exploitation or marginalization and strives to organize and influence change on the basis of their access to financial, social and natural resources. The normal way to people’s empowerment includes mobilization of local resources, engagement of diverse social groups in decision making, identification of patterns which has the prospect to fight out poverty through building consensus and accountability.

Empowerment is also seen both as means and an end. There is a strong correlation between empowerment and democracy. Democracy creates an environment to initiate or sustain empowerment process. Normally the political participation in a democratic system is reduced to queuing up in election day to cast vote and thus empowerment process is sidetracked. The dominant groups, the so called well off and power holders manipulate the development process in their favour and deprive poor sections of the society in taking part in it, which in turn inhibit the
marginalized section to be empowered. This happens even in the finest of democracies. The apparent freedom in the form of choosing their own (poor and marginalized) leaders ultimately results into strengthening the power concentration of rich. A vibrant and well responsive society enable people, regardless of class and caste hierarchy, to remain actively involved in political-economic process right from grass root community level to national level. This vibrancy and state of readiness of the people in general make the state responsible to society for its performance in general and programs at grass root level in particular. Even the poorest citizen needs to be empowered to have a modest share of benefits from the development process. Women empowerment is seen as a shift from position of powerlessness towards strategic, social, economic and political participation.

Normally the people’s organizations view empowerment with sharp political focus. To them, it means social change or transformation by changing the structure particularly which stand against any change leading to improvement of the poor. Even organizations dealing with economic empowerment do not accept structural impediments in the way of accessing desired economic and political power. Rather they want to transform the existing structures to suit their objectives of attaining better access to power, governing life pattern, especially of the poor mass. The NGOs, especially in developing countries, support people and their organizations at village level with a similar approach of empowerment in the mindset.

The dynamics of people’s empowerment has its root in social movements that spanned for several decades. Theological belief used to assert (Latin America in 1960’s when theology of liberation started) liberation of the non-person’s or the marginalized, for whom society did not care a little. These are the people who were denied access to dignified human existence. The theology of liberation was normally interpreted as representing the right of the poor and to appreciate and insist upon this right. The theology of liberation with other schools of thought like Freire’s pedagogy of the oppressed, promoted the process and methodology of conscientization. Ultimately people’s awareness of their overall deprivations was instrumental for movement towards empowerment. Organizations based on this belief normally appeal to values like liberty, equality and fraternity closely resembling the ethics of French
revolution. These organizations wanted to transform societies that are inherently oppressive and coercive to the process of people’s empowerment. This kind of movements had experienced a number of set backs in past decades. These initiatives are still viewed as good prospects for posing real alternatives to the crises in economic and political arena of the countries where democracy is beyond the reach of common people.

The concept of community based organization came as an important mechanism to address the issues related to consolidation of individuals within the community leading to empowerment. Organizing community is premised on the powerlessness of the poor but they might be able to counter balance the strength of the power holders through organizing themselves in groups. Community members mutually raised their consciousness around a felt need to address the demand of their own human rights. The issues are identified by a community with the help of the community leaders or managers and around these issues the root causes of organization building exist. By that process the capability of community members to solve their own problem leading towards establishment of their rights, gradually might strengthen the empowerment process which ultimately had brought them to the process of empowerment.

The role of community based organizations in economic development has long been recognized by policy makers and practitioners in India. The community based organization is established by collective efforts of local people for the purpose of guiding development initiatives and improving local conditions. The community based organization also creates opportunities for participation at the grassroots level. In a community based model the organization helps local people to identify their needs, formulate an appropriate intervention and implement a project consummate with their objectives in order to develop the necessary self reliance and self confidence.

There are various models of community based organization in India such as SHGs, Cooperatives, Producer Companies, Federations, etc. which have been the nodal points of community based development initiatives.

Another stage in evolutionary initiatives of empowerment is participatory
research (PR) whose basic tenet is ‘knowledge is power’. It is specifically relevant for the poorest people who do not have any access to the knowledge base and the knowledge-system. PR helps them to build skill through which they can analyse their own situations and draw out plans which ultimately build up their own knowledge system. The basic assumption is that the people are the ultimate source of information as regards to the environment where they live, act and survive. This mechanism by its methods of execution challenges the monopolistic possession of knowledge system of the elites. The elites are gradually disempowered in consequence to an enhanced empowerment of the under privileged.

Community and participatory development mechanism in attaining empowerment had more far reaching consequences than the participatory research. This concept was popular as a precursor of experiences learnt in executing development projects in different parts of the world specially the developing countries. The important lesson was that without getting people involved right from planning to implementation phases with stake holders themselves doing monitoring and evaluation, the project potentialities cannot realize their full capacity. Development agencies attempt to involve people in different phases of projects, have resulted into more focus on the implementation aspect rather than on the planning components of the projects. In most of the cases, the planners have brought people in participatory mode by often asking people to do whatever they have designed or decided upon. Naturally, the people failed to take ownership of the project activities as they were overwhelmingly excluded from conceptualization and planning process before the project started. The community based organisations focused on developing people’s skill and capacity building to generate enterprising abilities or sharpening the coping mechanism to sustain livelihood in project execution once the projects were officially terminated. The normal error in professional analysis was that every one in the community was participating as project initiatives are likely to serve the needs of all. There was little understanding of the internal dynamics and differences within communities which ultimately control the extent of equity among community members and sustainability of project initiative. For the people who really matters, empowerment is not a process created and thrust upon them by external agents. The
poor and marginalized, irrespective of gender, class and caste are themselves key players for their own empowerment. The external agencies generally facilitate the community to take the responsibility of the development programs. As they interact with the environment they know what could be the best ways to select the best of interventions. The community identifies the problems, draws plans, mobilizes resources with minimum of extraneous dependence and finally implements it with the cooperation of the poorest that have an equal say in every phase of planning and implementation.

A people’s organization (PO) is always supposed to be instrumental in initiating the process of empowerment with or without support of outside agencies like NGOs. There is always a strong argument for outside support for PO’s as rural poor will remain vulnerable without organized power base and external support. There always exists a space for NGOs to act if they concentrate their effort in facilitating activities of POs. There are however certain foreseeable constraints (like, level of trust and transparencies between NGOs and POs) in creating network. It is expected that an NGO might support people in technologies, in accessing resources, in building people’s organization, solving problems without imposing decision. The motto of the PO’s is to empower the poor through their own organization, to support them but not to dictate them. The motto of empowering the poor through own organisation is to facilitate and not to dictate.

2.9 NGO and PO:

In the developing countries people themselves have acted in concerted ways through creating different forms of production and marketing cooperatives, credit unions, saving groups, etc. The effort was on creating local or community economies (sometimes called as people’s economy). The key issues involved in obtaining a modest livelihood are - redistribution of access to and control of wealth and resources, participation of people in decision-making that would affect their lives, access of the marginalized section like women to productive resources like credit etc. Quite a good number of experimentation and innovations are taking place at grass root level communities who live in different parts of the world including India. The dominant
philosophy is that the poor can not exercise their political rights until they free
themselves out of the dependence on others for their livelihood. The challenge to
attain empowerment in any form is to help people obtain modest livelihood to exercise
rights as offered by the society.

The poorest of the rural population is most vulnerable in terms of food security
in different times of the year. The pattern of livelihood security depends on the kind of
production environment within which they live. The insecurity in food availability, let
alone the question of other development indicators like education, health, housing etc.,
ranges from one month to ten months subject to different agro-ecosystems offering
scopes for myriads of production enterprises. Sometimes it happens that even in the
situations favoring good production prospect (farming to small scale enterprises) the
vulnerable section (poor, less poor and the poorest) are still left out in getting access to
productive resources. Basically it has to do with equity issues which, apart from status
of production environment, props up issues related to distribution of societal assets.
Therefore two important closely related causes stand out – (1) pattern of production
potentialities existing for the community to use and (2) the distribution of those
resources within community members. The first issue i.e. the quality of production
potentialities are the domain to be addressed by socially compatible technical inputs
likely to be provided by outside agency (NGOs or Government) with community
participation at its core for better acceptance and continuance. The related inputs
could be skill and expertise on different production items. This definitely helps
community to empower itself in terms of having control on the best possible uses of
productive inputs. The second aspect clearly deals with the much debated issue of
distribution of assets. Sometimes empowering the vulnerable suggests empowerment
of them at the cost of power holders losing control over the assets they posses. This
again may have strong political fervor leading to social upheavals. Apart from these
clearly spelt out struggles, there are definitely some intermediary strategies where
power holders do not lose much or anything at all, while the gain marginalized
subsequently. This kind of philosophical approach is fast gaining ground as it
addresses the empowerment issues without getting locked up into class conflicts
within the community.
2.10 Women’s Empowerment:

Amartya Sen (1993) explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors, including personal characteristics and social arrangements. However, the full accounting of individual freedom goes beyond the capabilities of personal living. For example, if we do not have the courage to choose to live in a particular way, even though we could live that way if we so choose, can it be said that we do have the freedom to live that way i.e. the corresponding capability?

Sen (1990) made a point that for measurement purposes one should focus on certain universally valued functioning, which relate to the basic fundamentals of survival and well-being, regardless of context. Considering the example of universally valued functioning like proper nourishment, good health and shelter, Sen asserts that if there are systematic gender differences in this very basic functioning achievement, they can be taken as an evidence of inequalities in underlying capabilities rather than differences in preferences.

According to Sinha (2004), empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives, which involves increases in well-being, accessing resources, increased self-confidence, enhanced self-esteem and participation in decision making and attainment of bargaining power.

Many studies show that microfinance through SHG, succeeded in empowering women but it failed to uplift the extreme poor. Also without economic empowerment it is not possible to bring about social empowerment, so, for overcoming the barriers of inequality, exclusion etc. economic empowerment is necessary through SHGs.

The gender perspective of empowerment merits attention by its own state of affairs. There are quite a good number of empirical studies which suggests that the women members of the family are always discriminated in accessing productive resources and in having control over the output. The issue of enhanced power of women in having access and control of the assets of society has been manifested through widespread and profound movements for transformation for several decades. There are some sporadic cases / instances of women getting control over their
livelihood in some parts of India. Compared to the vastness of the country the numbers of such cases are very few. In those successful cases, women have shown remarkable innovative skill in getting value from invisible economy where they work. The savings and credit program (S & C) in recent past is a significant strategy to help women assert them in the society. The creative capacities of women in general have been liberated. Plenty of case studies in developing countries substantiate it. Lack of access to credit is universally accepted as a binding constraint in the fullest utilization of locally available resources. The desired project in this regard is normally directed to the principal goal of personal self reliance by making available credit on sound commercially viable terms.

Gender discrimination in all walks of life, irrespective of class-status, is a normal phenomenon in the Indian context. Poverty further propelled this gender inequality. Women living in poverty seldom raise their voices and have little access to productive resources. This again aggravates destitution process. Poor access to credit is the principle reason leading women perpetually to the state of vulnerability. Besides various social factors, statutory hurdles in the life-provision of co-laterals come in the way of accessing credit for poor women. They are left with no alternative but to resort to moneylenders. The interest rate is quite exorbitant, sometimes even to the tune of 120% – 480% per annum.

So far we have concentrated in issues related to empowerment, now we may focus on the problems of informal credit.

2.11 Problems and Issues in Informal Credit:

1. Exorbitantly high rates of interest and arbitrary, one-sided repayment schedules.
2. Disproportionate (always advantageous to money lenders) collateral security.
3. Sexual abuse of women members of the family (mother or daughters) for violation of repayment norms.
4. Monopolistic existence of money lenders where bank is geographically far off.

With high interest and no viable income generating activities to pay it up, the only logical conclusion leads to bonded debt. Formal credit with reasonable interest would have brought them back to the mainstream of survival with dignity.
submission of collateral against any kind of loan turns out to be most detrimental for them as they have little enterprising capabilities with practically no substantial skill at disposal. There is another dimension as regards to collateral. The current property rights in India do not provide women the right to family owned land or other immovable assets. It seems therefore that women normally do not have any chance to get formal credit and likewise the formal credit institutions do not have any obligation to approach.

Issues and problems of formal banking sector:

a) Unrealistic assessment of credit needs.

b) No provision of consumption loans.

c) Insensitivity on the part of bankers to the felt needs of poor in general and women in particular.

d) Complicated application procedures, sometimes too much for unlettered people.

e) Frequent changes in policy as regards to credit procedures of banks.

f) Adherence to rules leading to long waiting period and non availability of timely credit.

g) High transaction cost for getting credit.

Technological breakthrough still could not address food security for one-fifth of world’s population as they go hungry every night. A quarter of them do not have safe drinking water facilities (UNDPs Human Development Report, 1994). The plight of women is further worsened keeping in view the uneven status within the family and the resource distribution within the community. Things are further deteriorated as even in the poorest families women are marginalized right from food distribution to workload division. Being denied access to credit, one of the most productive of resources women were pushed to the status of recipients, beneficiaries and consumers inspite of their proven efficiency and expertise in productive enterprises.
2.12 Sources of Disempowerment in Different Domains:

<table>
<thead>
<tr>
<th>Domains</th>
<th>Female Centric</th>
<th>Male Centric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Dependence on elite, dowry, poor housing, poor infrastructure, class violence, social isolations.</td>
<td>Dependence on male kin, divorce, patriarchal residence, gender divisions of labour, gender violence, norms of seclusion, limited bargaining power.</td>
</tr>
<tr>
<td>Political</td>
<td>Lack of consciousness, lack of representation, lack of organisation, lack of voting rights, limited bargaining power, anti-poor policies.</td>
<td>Male based policies.</td>
</tr>
<tr>
<td>Economic</td>
<td>Limited asset base, limited access to resources, limited employment, high interest loans, indebtedness, limited bargaining power, imperfect markets, unfair high prices, environmental degradation and exploitation.</td>
<td>Male based recruitment, limited access to loans, gender stratified markets, gender exploitation.</td>
</tr>
</tbody>
</table>

Source: Carr. et al., 1998.

2.13 Micro-Finance and Women Empowerment:

In a study by Marilyn et al. (1996), he showed that women’s participation in an income generating programme changed their lives economically and socially. Being microfinance beneficiaries, the women felt secured and gained confidence in financial independence. They were now able to contribute in the household expenses and capable of investing in productive activities.

In an impact assessment study by Rajase Khan D. (2000), microfinance programmes initiated by two NGOs, Shreyas and RASTA in the State of Kerala revealed that better participation in microfinance resulted in savings and credit operations which were conducive to women’s needs, leading actually to poverty alleviation.

Mishra (2005) found that microfinance through SHGs are essentially an
effective medium for economic, social, political and psychological empowerment.
In the worldwide microfinance movement, the higher empowering authority is the
NGO sector. Women belonging to poor families are deprived of their legitimate
economic and social rights. The NGOs aspire to help them retrieve these rights by
empowering them through microfinance programmes.

Now-a-days micro-credit has turned out to be a catchword in the development
spheres almost like a panacea for many social economic ailments. like poverty
alleviation, empowerment, etc. Not only there is a presence of different kind of micro-
credit models, there seems to be a glut of micro-credit interventions by national and
transactional banks, financial and development institutions, etc. In India, micro-credit
programs operate with two kinds of aims i.e. 1st category, where primary goal is to
facilitate empowerment whereas in the 2nd case, the end target is economic profit. The
1st category of programs takes up micro-credit with various other social sector
interventions such as in education, health, training and other inputs necessary in
enterprise, etc. Here micro-credit is a part of the process of development /
empowerment, whereas the micro-lenders for profit take up micro-credit as an end in
itself. Peoples organizations can be based on number of issues like group
organizations for water distributions, accessing farming inputs like seeds, fertilizers,
looking after education and health care services. Apart from this, groups are formed
on the basis of gender perspectives as well as on the basis of focuses of women’s
interests specific on such as, those of dowry, mother and child health, savings and
credit. These groups (also nomenclatured as self-help groups SHG – we have used
SHG as groups having broad characteristics of women groups, certainly not
specifically as defined by NABARD) can be considered as solid launching pad for
negotiating with government, political parties and other relevant outside agencies. The
SHG formation is a well accepted alternative strategy common in many societies of
developing countries including India. Traditional groups already exist over the years
and they could be revamped to its original form to secure the role of SHG. These
groups can provide an organizational frame effectively serving for the purpose to
achieve self reliance in accessing various development inputs. In essence, SHG has a
common perception of need and impulse towards collective action. They may come
into existence as discussed earlier for many purposes but the discussion here is concerned with those organized solely or with priority for credit provision. It is necessary to distinguish SHGs from the more formal or large scale voluntary groups known generically as Non Governmental Organization (NGO). The dichotomy though is not clear, the NGO’s area of operations are mainly at broader regional or societal level perception of need and a perception of encouraging self-help attitude among the poor. The main theme of interaction is that NGOs have greater capacity to deal with the government and international agencies in the form of mediatory role on behalf of SHGs. Both NGOs and SHGs are found to have comparative advantages against traditional government organizations in respect of administering poverty alleviation activities. The possible reasons are enhanced quality of physical and cultural proximity to the poor, credibility achieved over the years while dealing with the community, commitment towards changing the status quo and flexibility in operational mechanism.

The SHG activities with S&C are (1) to reach economically weak (who are otherwise resourceful on many accounts) where formal banking never reaches and (2) to provide timely credit through easily comprehensive procedure helping group members to utilize loan to avoid defaults and ensure recovery of loans. The operational mechanism is that members pull savings and lend within the group on a need basis. SHGs are normally characterized by better democracy mechanism. Other than S&C activities the group members also organize activities like literacy campaigns, running women development centres, health services, child care & education, movements against dowry and against child marriage etc.

Therefore micro-finance is not to be confined in its savings and credit operations only, but the mechanism followed to make this financial operation successful must be recognized as an essential component of it. The process throws open enormous potential of a change i.e. the process is more important for those who demand empowerment of the poor. In this study, the findings have been based upon the ambit of this understanding.

Hashemi et al. (1996) investigated whether women's access to credit has any impact on their lives, irrespective of who had the managerial control. They suggest
that women’s credit accessibility contributes significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset holdings in their own names, to increase in their exercise of purchasing power and in their political and legal awareness as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and improvement in major decision making for particular credit organization.

2.14 Why do Women need Credit?

The constraints that women normally face are in accessing productive resources for themselves and to have control over it. It is normally observed that women require credit for meeting their personal needs and mostly to meet the family needs like that of husband, siblings and other close relations. Almost 80% of the credit is normally spent towards consumption process viz., medical emergencies, food, social, obligations, education of children, etc. In spite of some proven facts like excellent repayment behaviour shown by them, only the remaining 20% of the credit is spent for economically productive activities.

The strategies to counter the problems relating to savings & credit scheme for women, need innovation and experimentation attuned to specific local requirements. Insensitivity of the existing credit delivery mechanism to respond to specific credit need of women necessitate the demand of alternative strategy for accessing credit. Formation of women’s groups is a good counter mechanism to fill up the gaps created by formal credit institutions.

In India women are the most vulnerable groups despite their contribution in every village production activities, starting from farming to small scale enterprises in addition to reproductive roles. Their roles in economy thus become invisible. Nevertheless their skills and experience in running enterprises cannot be less emphasized.

Empowerment is understood to be a process or a set of processes that result in the expansion of women’s agency, i.e., their ability to make choices affecting their lives and situations (Malhotra & Schuler, 2005). For instance, the processes
surrounding the buying and selling of products and assets, the use of women’s work 
time and use of credit.

2.15 Women and Food Security:

Empowering women is one of top most priority in Millennium Development 
Goals. This is because it is widely recognised that empowerment is not only good for 
the women concerned but there are other developmental externalities associated with 
it. For instance, empowered women are more likely to bargain for better health 
services and educational facilities for their children. They are also more likely to raise 
their voice against social and cultural asymmetries and help build more equitable 
communities. It is not surprising then that there are more and more schemes with the 
specific objective of empowering women. Given the scarcity of resources, however, it 
becomes imperative that the impact of these schemes is measured against some 
benchmark. It is in this context that a method that helps assessors to measure 
empowerment becomes necessary.

India is one among the 86 nations (43 in Africa, 23 in Asia, 9 in Latin America 
and the Caribbean, 7 in Oceania and 3 in Europe) who have been termed as low 
income food-deficit countries. The main consequences of poverty are persistent food 
insecurity amongst women and their families. In rural areas, almost all poor 
households need help because they have no reserves to fall back on when faced with 
insufficient and dwindling assets, poor harvests, price rise and lack of income. And 
the number of landless rural people and the near landless, those with too little land to 
support them, are growing. Women suffer disproportionately from hunger and 
malnutrition, but they also contribute disproportionately to reducing it. Women grow a 
large share of the world’s food for domestic consumption, and when they have income 
they tend to spend more of it on food for the household than men do. This means that 
a woman’s direct access to cash or production – or lack of it – has a direct bearing on 
how much the family has to eat.

Thus the problem of food insecurity demands attention through promoting 
equity in the access to and control of productive resources enhancing women’s 
participation in decision and policy making processes at all levels, promoting actions
to reduce rural women’s workload and improve their opportunities for paid employment and income.

Credit is an essential resource the poor are always deprived of. Is informal credit system a viable solution? Have NGOs been successful in promoting credit mechanism which makes women face the above challenges? Growing burden on women in terms of food availability, family survival seems to demand an alternative mechanism which favours gender-sensitive endeavors. A credit mechanism in empowerment mode always favours education which can become instrumental in playing a major role to improve the status of women, the nutrition of their families, etc. There is a direct correlation between increased income for women and improvement in household food security. Women’s participation in decision making is fundamental to their role in development and contribution to food security.

In India the experimentation on letting women to avail credit are going on for quite a significant period of time with different modes of success and failure. The insufficiency of clearly understandable documents relating to stories of their success where women living in poverty have found micro-credit as a tool for own transformation and to empower women with a voice to reckon with, were the precursor reasons for undertaking the present study.

Marilyn’s reports suggested (1996) that the best way of achieving women’s empowerment is to organise, them under a common group with the support of income generation program. Women have gained confidence and financial independence as a consequence of microfinance linkage.

An analysis by Rajasekhar D. (2000) revealed that microfinance programmes are truly conducive to women’s needs. They can now save and utilise the credit.

2.16 Government Initiatives for Women Empowerment:

Government of India has also taken initiatives to empower women. The Ninth Plan Document (1997–2000) had also given emphasis on the participation of people in the planning process and the promotion of Self Help Groups. Women empowerment was one of the primary objectives of the Ninth Plan. Threefold strategies adopted in the Tenth Plan (2002–2007) were:
i) Social Empowerment: Creating an environment through different affirmative developmental policies and programmes for women’s development besides providing them easy and equal access to the entire basic minimum services so as to enable them to realize their full potentials.

ii) Economic Empowerment: Ensuring provision of training, employment and income generating activities with forward and backward linkages, having the objective of making women economically independent and self-reliant. An increase in the rate of female work participation was also recommended.

iii) Gender Justice: Gender discrimination should be eradicated to solve the issue. The kinds of problem which entrepreneurs in India usually face:

   a) Starting up business is not easy for rural women.
   b) Discrimination against women.
   c) Marketing of goods.

Rural entrepreneurs prefer to stay in rural area and contribute to the creation of local resources. Entrepreneurship in rural areas is basically community based that are faced by hurdles created by the following factors:

i) Government policies – licensing, taxes and tariff.

ii) Marketing of goods becomes difficult day by day due to escalating cost of transport, storage and advertising.

iii) Access to information on prices and limited technology.

iv) Lack of awareness on processing technology.

In rural areas, the enterprise comprises of production, marketing and development. It is from the production center, products being developed and the said produced goods to be sold in the market. Then it depends on prices and quality. Here the basis of development is marketing of produced goods and by selling the product the enterprise has to be stabilized financially.

Entrepreneurship development can be considered as a possible approach to economic empowerment of women. Women can play successfully the role of an entrepreneur as well as a worker. It is because the woman as an entrepreneur has control over assets as well as possesses the freedom to take decisions on her own.
2.17 Micro-Finance Development and Regulation Bill 2007:

The debate over real and imagined conflicts between social and commercial objectives of microfinance is passed upon the fact that this sector provides financial services to the rural and the urban poor who were thought unbankable. An urge for making financial inclusion effective and to sustain its growth to serve the poor, it poses new challenges:

i) Improving the quality and efficiency of service delivery by the organisations providing microfinancial services.

ii) Professional management becomes very important because this sector offers insurance, pensions and remittance products.

iii) Rapid urbanisation poses new challenges and opportunities. In this aspect more MFIs should be geared up to meet the needs of expanding this sector in the urban areas.

iv) Focusing on Management Information Systems and appraisal skills and also need to offer individual based lending.

Keeping in view of the above mentioned challenges, the Finance Minister introduced Micro Financial Sector Development and Regulation Bill 2007, in Lok Sabha on 20th March, 2007. The Micro Financial Sector (Development & Regulation) Bill 2007 would provide a legal framework for entities engaged in microfinance and facilitate the flow of financial services to the unbanked population in the country. The Bill has two broad objectives:

i) To promote and regulate the micro finance sector.

ii) To permit micro finance organizations to collect deposits from eligible clients.

2.18 Micro-Finance Organization (MFO):

According to the Bill, an MFO is an organisation which caters microfinancial services and includes societies, trusts and cooperative societies (except cooperative banks, agricultural cooperative societies and co-operative societies engaged in industrial activity or sale of any goods and services). The definition of MFO excludes SHGs and groups of SHGs. The services that an MFO may provide to an eligible client include financial assistance which cannot exceed
i) Rs. 50000/- in aggregate per individual for small and tiny enterprise, agriculture and allied activities,

ii) Rs. 1.5 lakh in aggregate per individual for housing purposes. These services may include pension services and insurance and other services as specified by NABARD.

An eligible client is defined as any SHG member or any group formed to provide microfinance services to certain categories of people. The categories include:

i) any farmer owning a maximum of 2 hectares of agricultural land,

ii) agricultural cultivators such as oral lessees and share croppers,

iii) artisans and microentrepreneurs,

iv) women,

v) landless and migrant labourers.

The bill designates NABARD as regulator but NABARD is already a key participant in this sector.

**2.19 Concluding Remarks:**

Empowerment is a continuous process which has no definite end point. In the SHG Bank linkage, the provision of credit and access to services through SHG programmes increases the availability of choices for women, thereby empowering them to some extent.

SHG programmes require a bottom up development with the support of the NGOs; which could play a key role in facilitating networks and necessary infrastructure.

The group is promoted as a catalytic institution, which, over the time empower women and use their collective strength (Purushothaman 1998 : 273). The collective strength enables women to overcome and challenge prevailing social norms (Anand 2002 ; Purushothaman 1998). Viswanath (1993) found among Gram Vikash members that before the SHGs came to the villages, women would rarely congregate as such congregation was not considered as normal behaviour. As resources were distributed through SHG activities, hey became a legitimate space of congregation and members
often met to chat, sing songs and socialize. By this way the SHGs transformed social norms.

Empowerment as we understand is a process of change by which individuals or groups with little or no power gain the power and ability to make choices that affect their lives.

When a women need to be empowered she needs several resources, such as human and social material. Access to capital as financial resource is one of the dimension of the complex and ever changing process. Also control over capital is another important factor.

SECTION – III
GENDER SENSITIVITY AND SUSTAINABILITY
ISSUES IN MICROFINANCE

2.20 Introduction:

Gender equality is an essential component of economic growth, enabling women to become more effective economic actors. Often Women have not only proved to be better repayers of loans, but also better savers than men, and more willing to form effective groups to collect savings and decrease costs of many small loans. Women, like men, who are confident, make good livelihood and household decisions, have control over resources and can use larger loans effectively to increase their incomes and are considered potentially very good long-term clients. They can accumulate substantial savings that could be ranged into insurance and other financial products. They can also pay for services that benefit them. It is widely assumed that microfinance will have a positive impact on women’s livelihood in (i) leading to higher income for women that will help them to perform better their reproductive role and act as brokers of the health, nutritional and educational status for other household members, (ii) increasing women’s employment in micro-enterprises and in improving the productivity of women’s income generating activities and (iii) enhancing their self-confidence and status within the family as independent producers and providers of valuable cash resources to the household economy (Dichter, 1999). It is expected to raise women’s ‘material’ empowerment, their ‘cognitive’ empowerment (through encouraging them to recognize their skills or their capacity to acquire skills), their
‘perceptual’ empowerment (through generating awareness of how others treat them), and ‘relational’ empowerment (through altering gender relations within the family and society). An individual’s cognitive breakthrough comes with recognition of constraints for what they are and recognition that they need not be accepted as inevitable (Meenai, 2003; Zaman, 1999; Chen & Mahmud, 1995).

Women’s use of financial services can increase their income and economic security, enhance their independence, reduce the vulnerability of their families, and stimulate local economies. Making financial services available to women clients, without adopting those services to the special constraints and coping strategies that arise from women’s multiple social roles, often lead to the loss of the opportunity to achieve both significant outreach and economic and social empowerment. This might enable women to start their economic activities, acquiring assets by investing the money borrowed.

Critics of microfinance doubt whether it has a positive impact on women. Many microfinance schemes have a clear focus on women. Research shows that women are more reliable and have higher pay-back ratios. Moreover, women use a more substantial part of their income for health and education of their children (Pitt & Khandker, 1998). Thus, women play a very important role in reducing poverty within households. However, critics argue that often women are forced to hand over the loan to men, who subsequently use the loan for their own purposes. This may lead to an additional burden for women if they are held responsible for the repayment (Goetz & Gupta, 1996).

The work by Boserup (1989) was among the first to highlight the contribution of women to productive work. In the early 1980s, the trickle down theory at the household level, which assumes that higher incomes for men translate into higher incomes for the family, was questioned. Karl (1997) pointed out as early as 1980 that it is women’s income that goes towards family food and basic needs, the man’s income goes for assets, relative luxuries and liquor.

### 2.21 Why Women are focused as Potential Clients by MFIs?

It is against this backdrop that micro-credit for women, routed through self-
help groups (SHGs) of women, came to be recognised as a viable strategy; not only for promotion of women’s enterprises, but as a strategy for poverty reduction and women’s empowerment in general. Women’s SHGs have become effective channels of credit for enterprise. Thus, the government banks and wholesale financing organisations now work with NGOs who promote groups and / or provide finance to them.

Micro-credit activities by their very nature involve women, and become a typical medium through which micro-credit reaches poor families. These women’s groups, which may have 10–20 members in the case of SHGs (or larger numbers, between 40 and 300 women in the case of co-operatives), help women in networking and developing collective power. Women save money every week, fortnight, or month, and their accumulated savings are rotated as credit among the women members or kept in a savings account in a bank. Credit providers then link with the groups, and use the group savings as security against the loans (Premchander, 2003).

In India, banks have been one of the credit providers involved in disbursing microfinance through women’s groups, providing credit against the women’s savings in a ratio of 1:1 or more. This bank linkage model has proven successful through such projects as those of ‘MYRADA’ in Karnataka and Tamilnadu. An alternative model, one of credit and other financial services delivered through NGOs operating as micro-finance providers (henceforth termed as NGO-MFIs in this paper) was seen as a successful model in the mid-1990s and experienced substantial growth at the hands of government and international funding agencies.

In India, the government has adopted and upscaled both the bank linkage and MFI models for micro-finance on a massive scale. Cumulatively 114,775 (94,645 with National Bank refinance) SHGs were linked to banks and bank loans amounting to Rs.195 crore were disbursed as on March 2000 (NABARD, 2001). In microfinance women are the potential clients, especially those who are extremely poor. It considers women as safe borrowers in informal sector and women make up a large segment of informal sector businesses. The three potential advantages for serving women:

i) Women are more conservative in their investment strategies.

ii) Providing resources to women may deliver stronger development impacts.
iii) Women in low income countries face greater social, legal and economic obstacles relative to the male.

There are many studies in support of first argument. The G3 document shows that women are repaying the loans. According to a study by Kevane and Wydick (2001), a group lending institution in Guatemala, female borrowing groups did not misuse the funds in the least than those of the male borrowing groups. When given access to loan, women are often more conservative in their investment and they are better repayers of loan because of peer pressure. This makes the women better clients than men. Also, women are easier to manage and mobilize and are less argumentative (Deshmukh-Ranadive 2004; Fernandez 1998).

2.22 India’s Rural Financial System:

India has a long history of rural credit institutions. The rural cooperatives were initiated in 1904 to be a major source of rural finance. These were unable to cope with the steep increase in rural credit requirements caused by the advent of green-revolution in the 1960s. Privately owned commercial banks also played only a very nominal role in rural finance, both in matters of outreach and share. This ostensibly led to the nationalization of 14 major commercial banks in 1969 which were then compelled to open rural branches. This marked the beginning of the state intervention which became a constant feature in India’s rural financial system.

Intervention was justified mainly on grounds of market-failure, which was also the reason for making credit an integral component of the state’s numerous poverty-alleviation schemes. Handing out credit was largely preferred over other politically sensitive measures like land redistribution and implementation of tenancy laws. State intervention in the banking sector, mainly driven by short-term political gains, resulted in policies for bank branching, directed credit, frequent loan waivers, subsidies, and the refinancing of loss-making institutions. Although these policies resulted in expansion of commercial banks into rural areas and significant lending to rural population, they also contributed to erosion in borrower discipline and a weakened financial sector (Meyer & Nagarajan, 2000).

During the 1970s, two major initiatives with significant bearing on the rural
financial system were launched. First, the Regional Rural Banks (RRBs) were established in 1975 as a subsidiary of the public-sector commercial banks to the service of the rural poor, so far excluded from formal credit. This resulted in widening of the geographical spread and functional reach of banks in rural areas and vastly improved access of rural poor to formal credit (Chavan & Ramakumar, 2002). The average population covered by a bank branch declined from 65,000 in 1969 to 12,800 in 2003 (Basu & Srivastava, 2005).

Second, the Integrated Rural Development Program was launched in 1978 (this was replaced by the Swarnajayanti Gram Swarozagar Yojana (SGSY) in 1999). This was a credit based poverty-alleviation program implemented through the commercial banks targeted at households with income below the poverty line. The program is estimated to have reached about 51 million people since its inception but came under severe criticism mainly on account of large proportion of non-performing loans (Narasimham Committee, 1991). Loans to the priority sectors (agriculture and cottage industry) were frequently waived, especially during the times of elections and this did not help matters since subsequent borrowers expected loan waivers and did not repay even where they could (Mahajan & Ramola, 1996).

In order to rationalize the provision of rural financial services, the National Bank for Agriculture and Rural Development (NABARD) was formed in 1982. This is an apex refinancing institution for cooperatives, RRBs, and rural banks were mandated to coordinate and build their institutional capacities (Meyer & Nagarajan, 2000). Although its creation provided the rural financial system with a clear institutional structure, it did little to mitigate the inherent weakness that had crept into the system. The loan recovery rate measured as a percentage of loans collected to total amount due was 50–60% throughout the 1980s to mid-1990s (NABARD, 1999). By early 1990s, it became apparent that refinancing of a large number of loss-making units within the extensive state rural banking apparatus could not continue and that monitoring and enforcing repayments could not be sustained in a centralized setting.

2.23 Contributing Factors for Women’s Empowerment:

There exists a large body of evidence which shows that, controlling of entire
household resources, increasing resources in the hands of female household members has a greater impact on family welfare (Thomas et al., 2002; Duflo, 2003). The bargaining models of the household with non-cooperation as the threat-point would lead to the same prediction that women are assumed to have a stronger preference than men for family-related goods (Bergstrom, 1996; Lundberg & Pollak, 1993). However, making predictions about the potential impact of microfinance on the basis of this theory and evidence is far from straightforward: while women may readily keep control over cash transfers, access to credit necessarily triggers a complex decision-making process – including decisions about whether to participate in a credit programme, how to invest the loan, and how to divide the proceeds of the investment in which household members have the incentive to make strategic choices to protect their individual welfare. This complexity is also highlighted by congruent evidence that many women borrowers relinquish the use of their loans, in part or in whole, to their spouses (Goetz & Gupta, 1996; Kabeer, 2001; Ngo, 2008; Rahman, 1999).

A review of women studies would reveal that the women’s empowerment or bringing women into mainstream of socio-economic progress is a continuous process. Also it needs to be understood that women’s sustainable development need a range of assets and capabilities. This will increase their well being as well as security and self-confidence. In this aspect assets means resources like

i) Physical resources (land, forest, water).
ii) Human resources (people, labour, skills).
iii) Intellectual resources (knowledge, information, idea).
iv) Financial resources (money or access to money).

Women’s sustainable development depends upon the above mentioned resources. Well being of women can be increased if and only if the above mentioned resources can be utilised properly. A woman micro entrepreneur can be successful if her capabilities can be understood. We can make a classification need for women. The classification of capabilities that women might have :

i) human capabilities / good entrepreneurs,
ii) political capability,
iii) social capabilities.
Human capabilities mean good health, education etc. and social capabilities reflect social belongingness, leadership, trust, identifying values and capacity to organise.

Political capability is the capacity to represent oneself or one’s group to others, having information access and to be able to participate in the political aspects. It is well known that patriarchy and traditional issues like class, caste, hierarchy, and religious discriminations are the major barriers of women empowerment.

Gender gap can be reduced by increasing educational opportunities for women. Todaro (2004) showed that more educated mother will result to multiplier effects on quality of nation’s human resources and important impact on breaking the vicious cycle of poverty.

Education is one of the most important factors of women’s empowerment. Women’s education increases their productivity in farm and factories and also improves child-health and nutrition. Though the opportunity cost of educating girls can be high, because they serve long hours of unpaid work in the home, such as cleaning of the house and utensils, cooking food, collecting wood for fuel and many other responsibilities. Compared to this, the male / brothers do not have to take upon themselves any of these responsibilities.

2.24 Limitations and Problems of Women Entrepreneurs:

The limitations of women micro entrepreneurs in the present Indian economic context are due to the following:

i) Asset holdings are limited to women.

ii) Women have limited access to resources.

iii) Employment is limited.

iv) High interest loans.

v) Bargaining power of women is limited.

vi) Markets are imperfect and high priced.

vii) Exploitation of women’s labor and male biased recruitments.

The social domain which causes the problems to a woman entrepreneur are:

i) Poor infrastructure and social isolation.
ii) Mobility factors.

iii) Gender division of labour and limited bargaining power.

**Table 2.1: Gender Based Obstacles in Microfinance & Microenterprise**

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Household</th>
<th>Wider Community / National Context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Women lack access to banks / financial services in own right.</td>
<td>Men’s control over cash income. Men’s expenditure patterns.</td>
<td>Perception of men as controller’s of money / loans.</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Women undertake activities which produce low returns; women have a heavy domestic work load.</td>
<td>Gendered division of labour, unequal access and control of land, labour and inputs. Unequal control of joint household produce and income stream from this.</td>
<td>Women underpaid for equal work. Women locked in low paid jobs. Stereotypes of appropriate roles of women in the economy. Women lack access to markets for inputs and outputs if mobility constrained due to social norms.</td>
</tr>
<tr>
<td><strong>Social/ Cultural</strong></td>
<td>Women not literate or educated; education of girl children not prioritised.</td>
<td>limited role for women in household decision making; polygamy results in conflicts / competition and discrimination between wives. Violence towards women.</td>
<td>Banks and financial institutions do not view women as a potential market. Women’s mobility constrained by social norms.</td>
</tr>
<tr>
<td>Individual</td>
<td>Household</td>
<td>Wider Community / National Context</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
<td>-----------------------------------</td>
<td></td>
</tr>
<tr>
<td>Political/Legal</td>
<td>Women lack confidence to claim political and legal rights</td>
<td>Women lack in legal rights to jointly owned household assets</td>
<td>Women’s legal rights to household assets not defined in law or useful for collateral. Women lack in political positions to establish appropriate laws. Women lack in legal rights to land both traditional and formal.</td>
</tr>
</tbody>
</table>

**Source:** Johnson (N. Y.).

The above matrix tells about the different kinds of constraints which women face in different areas. If the constraints are identified properly then strategies can be developed to address the issues. Also, women’s ability to access different facilities depends upon their relationship with their family members according to social norms.

**2.25 Initiatives for Gender Equality at the International and National Level:**

The first international conference took place in Mexico City in 1975; the main focus was to address gender inequality. The Global Conference of Women’s empowerment held in the year 1998, focused on empowerment. The world conference on women held at Beijing in 1995 declared that women were the main focus of the poverty alleviation. In India, the Government has taken initiatives and women are considered as first priority in various development programmes. The reasons for targeting women:

i) Women contribute one half of the segment of the Indian population.

ii) Women are vital and productive workers in India’s international economy.

The concept of women’s empowerment was introduced at the International Women’s Conference in 1985 at Nairobi. In it Women’s empowerment was defined as redistribution of social power and control of resources favouring women.
Microfinance could enhance women’s bargaining power within one’s own household. Increasing women’s bargaining power might ensure greater control over household decisions and resources purchased / sold or used for productive purposes. Violent acts against women within their households might be reduced by the formation of groups and credit linkage. Kabeer (2001) in his study revealed that micro-finance in Bangladesh reduced violence against women. He argues that (i) men are less likely to share their loans with women than women are likely to share loans with men, (2) loans given to women are more likely to benefit the whole family than loans given to men, (3) loans given to men have little impact on intra-household gender inequalities. In Bangladesh the organisation like BRAC (one of the largest microlender) provides lessons on new productive activities, simultaneously they deliver lessons on legal and social rights and basic health practices.

2.26 Sustainability Issues:
Sustainability in microfinance depends on three important factors:
i) Group sustainability,
ii) Institutional sustainability,
iii) Financial sustainability.

The group sustainability basically depends upon the member’s active participation and also maintaining financial and organisational discipline in the group. Group sustainability means skill acquisition where the groups are capable of managing their savings, internal lending, book keeping and financial linkages without the support of organisation. Also, the members must be able to resolve internal and external problems associated with the groups. Periodic rotation of leadership, regularity of meetings and transparency in accounts are the most important parts of sustainability. Sustainability of a group in the finance sector depends on repayment of the loan. The financial sustainability can be assessed through the ability of groups to meet its costs through mobilising the resources.

Also, the group’s sustainability depends upon the kind of understanding the member’s share within the group. Group based lending depends on the peer pressure mechanism. Members are responsible to monitor each other and which act as a social
collateral. The organisational sustainability of SHGs depends upon the following factors:

i) **Group Management** : which comprises of leadership, meetings and decision making;

ii) **Resolving** : The capacity of SHG members increased to avoid conflict and the dropout rates of group members.

### 2.27 Conclusion:

Microcredit programs, an increasingly common intervention against poverty, generally target poor rural women. The basic argument behind lending out to women is that they are good credit risks, are less likely to misuse the loan, and are more likely to share the benefits with others in their household, especially their children. In addition to the economic benefits, it is argued that women’s increasing role in the household economy will lead to their empowerment. During the past few decades, microcredit has enjoyed tremendous growth and women continue to be the major beneficiaries. Impact evaluation studies routinely find that lending to women benefits their households. However, a number of them also find that this may not empower the women concerned. In the impoverished settings in which microfinance projects operate, kinship ties and marriage play an important role in providing individuals with legitimate claims over household and community resources, together with vital access to insurance networks in times of crisis. Hence, as argued by Kabeer (1998), cooperation and jointness of decision-making may be more desirable for women than autonomous control over resources. This perspective has important implications regarding our understanding of the empowering potential of microfinance programmes. If new economic opportunities lie outside the traditional realm of the female spouse and exit options for women are severely limited, then she may be better off ignoring them to preserve her social ties within the community. For these reasons, an intervention that requires the cooperation of both the spouses and ensures that the male spouses do not lose out, may be more successful at achieving wider social impacts than interventions that focus on women's autonomous spheres only. In the context of microfinance, this reasoning suggests that women who receive
complementary business training in an activity which requires their husbands' cooperation, are more likely to benefit from access to credit than those who receive training in an autonomous productive activity that they can undertake independently within the household.

After this long theoretical discussion the researcher will concentrate on examining the entrepreneurship characteristics of women’s empowerment in reality and the social status and political awareness of the SHG members following the microfinance linkage. In the next section the researcher will focus on the microfinance status in India with a special reference to the history of SHG bank linkage programme launched by the NABARD in the year 1992.