CHAPTER - 4

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Chapter 4 focuses on review of literature which presents findings of the various researchers under sub-headings. Keeping in line the objectives of the present study, the review of current literature in microfinance is presented in three parts – (a) SHG outreach and impact (b) commercial banks in microfinance – their role and competing landscape (c) micro credit as a means of socio economic empowerment.

(a) Self Help Groups (SHGs) Outreach and Impact

Various studies have been conducted highlighting the importance and use of credit particularly in rural areas. These studies look into the problems of over dues and the causes for poor recovery. Interestingly, several studies have been conducted by social scientists, financial institutions and agencies, which highlight the positive trends and impact of Self Help Groups on empowerment, credit accessibility and the social change.

Andersen and Nina (1998) identified that there are several advantages of the group lending setup. It was found that borrowers themselves undertook the task of credit evaluation which created a peer screening effect and reduces the transaction costs as community members had much better information than banks and the peer monitoring effect induces group members to use their loans in productive ways.

Stiglitz (1990), Varain (1990), and Banerjee and Newman (1994) have developed models that illustrate the working of the peer monitoring effect and the desire to preserve valuable social ties that induces borrowers to spend extra effort if necessary to secure timely payments. Nanda (2000) identified that state intervention considerably improved the outreach of the banking system and expanded rural credit.

Nagayya (2000) maintains that an informal arrangement for credit supply to the poor through Self Help Groups is fast emerging as a promising tool for promoting income-generating enterprises. He has reviewed the initiatives taken at the national level with a view of institutional arrangements to support this programme for alleviation of poverty among the poor, with focus on women. He called for an imperative need to enlarge the coverage of Self Help Groups in advance portfolio of banks as part of their corporate
strategy, to recognize perceived benefits of Self Help Groups financing in terms of reduced default risk and transaction costs.

Ahmad (1999) through a case study on Thrift Groups in Assam highlighted that women are coming to the administration directly for their just rights and to address their grievances boldly. It proved that Self Help Groups are successful in North East India even in the midst of insurgency. Similarly Gurumoorthy (2000) maintained that Self Help Group is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes.

Self Help Group is a viable organizational setup to disburse micro credit to the rural women for the purpose of making them entrepreneur and encouraging them to enter into entrepreneurial activities. Credit needs of the rural women can be fulfilled wholesomely through the Self Help Groups.

The women led Self Help Groups have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, maintain linkages with the banks and enforce financial self discipline. Self Help Groups enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic and social and cultural spheres of life. They encourage women to take active part in the socio-economic progress of the society.

Bhatia and Bhatia (2000) through few case studies highlighted that recovery of Self Help Groups is higher than other credit extended to borrowers. Moreover, involvement of Self Help Groups had helped the bank branches in recovery of old dues. They observed that there have been perceptible changes in the living standards of the Self Help Groups members, in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and income levels as well.

V.M. Rao (2002) maintain that a review of the genesis and development of Self Help Groups in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of Self Help Groups could be treated to mutual aid in Indian village community. Self Help Groups encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggests that Self Help
Groups are sustainable to have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty.

Rakesh Malhotra (2000) in his study of 174 women beneficiaries, in Rae Bareilly of the state of Uttar Pradesh, drawn and covered randomly from four formal agencies of credit i.e. Commercial Banks, Regional Rural Banks, Primary Agriculture Credit Societies, and Agricultural Rural Development Banks revealed that less than half a per cent of female population against 3.5% of male population in the study area were clients of the banks. Furthermore, only 7.64% of the total number of cases financed and only 6.96% of the total quantum of credit extended by RFI's have gone to women. It was observed that 83% of loan cases availed by women; male members were primarily responsible for the end use of credit.

Puhazhendhi (1999) analyzed the functioning of Self Help Groups, in performance, sustainability, empowerment of women, economic impact on the members, future potentials etc. He observed that Self Help Groups in Tamil Nadu are performing well towards social change and transformation. The emerging trends are leading to positive direction of empowerment of members and promotion of micro finance.

Putnam (2000) in his studies found that Self-help groups have facilitated the formation of social capital, where people learn to work together for a common purpose in a group or organization.

From a village level investigation of Bangladesh’s Grameen Bank Larence, (2001) that centre meeting norms enable women to establish individual identities and the group interaction at regular center meetings facilitate collective identity.

Dasgupta (2000) in his paper on informal journey through Self Help Groups observed that micro-financing through informal group approach has effected quite a few benefits viz.: (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) matching the demand and supply of credit structure and opening new market for Financial Institutions; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery; (vi) heralding a new realization of subsidyless and corruptionless credit, and (vii) remarkable empowerment of poor women. He stressed that Self Help Groups should be considered as one of the best means to counter social and financial citizenship not as an end in itself.
Datta and Raman (2000) highlighted that Self Help Groups are characterized by heterogeneity in terms of social and economic indicators. The success of Self Help Groups in terms of high repayment is mostly related to the exploitation of prevailing social ties and cohesion found among women members. Social cohesiveness among members spring not only from their diverse background of knowledge base, skills occupations and income levels, but also due to the dynamic incentive system of progressive lending to the groups on the successful completion of loan repayment. However, Self Help Groups are heavily dependent on external financial agencies for their lending operations.

Satish (2001) in his paper raised certain issues related to the functioning of Self Help Groups. He suggested that adequate care should be taken to ensure homogeneity of socio-economic status of the members, while forming Self Help Groups. The process of Self Help Group formation has to be systematic whether a Bank or an NGO forms it. He emphasized that Self Help Groups experiment has to be spread throughout rural India rather than being concentrated in a few pockets of the country. NGO's are more suited for forming and nurturing of the Self Help Groups, and therefore, it is essential to strengthen them and their resources so that they should increasingly undertake this work.

Barbara and Mahanta (2001) in their paper maintained that the Self Help Groups have helped to set up a number of micro-enterprises for income generation. Rastriya Gramin Vikas Nidhi's credit and saving programme in Assam has been found successful as its focus is exclusively on the rural poor. It adopted a credit delivery system designed specially for them with the support of a specially trained staff and a supportive policy with no political intervention at any stage in the implementation of the programme.

Puhazhendhi and Satyasai (2001) in their paper attempted to evaluate the performance of Self Help Groups with special reference to social and economic empowerment. The findings of the study revealed that the Self Help Groups as institutional arrangement could positively contribute to the economic and social empowerment of rural poor and the impact on the later was more pronounced than on the former.

Adam Ross and Paula Savanti (2005) examine how joint liability works in practice by directly interviewing clients of microfinance institutions throughout two states of India.
Through these interviews, they examined how groups screen their members, monitor behaviors and investments, and enforce repayment. The findings were analyzed in reference to the predictions from the extensive literature written on the subject of joint liability.

Savita Sankhar (2006) conducted a research on transaction costs of group micro credit in India and their affect on lending interest rates. During this analysis, focus was on the three key types of costs that a lending institution incurs when it provides a loan namely the cost of the money that it lends the cost of prudent financial practices such as provisioning for loan defaults; and the cost of transaction.

Manimekalai and Rajeshwari (2001) in their paper highlighted that the provision of micro-finance by the NGO's to women Self Help Groups has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.

Similarly, Sharma (2001) maintained that through Self Help Groups women empowerment is taking place. Their participation in the economic activities and decision-making at the household and society level is increasing and making the process of rural development participatory, democratic, sustainable and independent of subsidy, thus, macro-financing through Self Help Groups is contributing to the development of rural people in a meaningful manner.

Singh (2001) in his study in Uttar Pradesh highlighted that the Self Help Groups is now functioning in the place of moneylenders because loan could be taken at any time as and when needed for any purpose. There are no formalities involved and the transaction cost is low.

Mishra (2001) have attempted to study the size, composition, characteristics of rural self help groups, to examine their functions and the impact on generation of income and employment, to identify the major constrains and problems of the group and suggest measures for overcoming these problems. They suggested that the banks and other financial institutions and state government should come forward to help the rural poor
through the Self Help Groups and provide liberalized credit facilities at cheaper rates of interest.

The above studies simply demonstrate that Self Help Groups are playing a vital role in extending micro-finance to the rural poor. The functioning of Self Help Groups has been based on participatory mechanism and therefore the impacts of Self Help Groups on its members in terms of empowerment, accessibility to credit, socio-economic change etc. has been found positive.

Several studies have also been undertaken relating to the working of Self Help Groups in India. The Self Help Group movement has witnessed tremendous growth that brought about one of the world’s largest and fastest-growing networks for micro-finance. In 2007, some 40 million households were organized in more than 2.8 million Self Help Groups that borrowed more than US$1 billion of credit from banks in 2006/7 alone (Reserve Bank of India 2008).

Cumulative credit disbursed to Self Help Groups amounted to some USD 4.5 billion (or about 10% of total rural credit) in India (Garikipati, 2008). Ahlin and Jiang (2008) identified that India’s Self Help Group movement has many of the elements, such as “saver graduation” and a built-in tendency towards membership expansion, that have been identified as key to make micro-finance sustainable. Indeed, a large and growing literature discusses Self Help Groups’ evolution, their role in the broader financial system (Basu and Srivastava 2005, Sinha 2006, Shah (2007) and recent innovative practices (Nair, 2005). Despite considerable interest in promoting Self Help Groups that spawned many tools to help with implementation, evidence on economic impacts has been very limited.

Lucie Gadenne and Veena Vasudevan (2007) studied the credit behaviour of Self-help group (Self Help Group) members over time. The authors find that surveyed Self Help Group members use their loans for consumption purposes, indicating Self Help Group livelihood may not be effective in inducing members to spend more of their loans on productive assets. They found that members value the saving component of Self Help Group membership, but at the same time, continue to use alternative savings options such as banks and chit funds.
A survey in one of the first Self Help Group-districts finds that, at a qualitative level, Self Help Groups helped reduce vulnerability to drought, encouraged entrepreneurial behavior and livelihood diversification, and improved social capital (Garikipati, 2008). Positive empowerment impacts on Self Help Group participants are also found from a larger five-state sample (Swain and Wallentin, 2008). Studies of the Andhra Pradesh project considered here support the general conclusion of a significant and positive impact on social empowerment but are less clear on economic impacts. One study concludes that, while the project had a positive impact on risk coping, some aspects of female empowerment, and non-food expenditure, a lasting impact on livelihood activities is unlikely (Lastarria-Cornhiel and Shimamura 2008). Similarly, after three years of implementation, Self Help Group participants had improved their nutrition and social empowerment but there were no significant impact on economic outcomes such as income or asset accumulation (Deininger and Liu 2009).

Studies by Feigenberg, Field and Pande (2011) with regard to the experimental variation in the frequency of repayment meetings across first time micro-finance borrower groups show that more frequent interaction among group members builds social capital and improves their financial outcomes. They measured social capital using a lottery which they designed to elicit social preferences in a field setting. They found that Lottery participants who belonged to groups which met more frequently exhibited greater cooperation when offered the choice of adding other group members to the lottery. It was found that microfinance clients who met more frequently were less likely to default in subsequent loan cycles.

Jeremy Shapiro (2010) in his study of members of a microfinance cooperative in Ahmedabad established that individuals are more patient when making savings choices for others or in groups. Also consistent with this model, he finds that the effect is pronounced in larger groups.

**Commercial Banks and the Competitive Landscape**

Studies on the role of commercial banks in microfinance by Baydas, Douglas, Liza Valenzuela (1997) were supported by U.S. Agency for International Development. The studies were concerned about the means banks need to expand services to micro
enterprises on a sustainable basis. These studies revealed that banks had to find a cost-effective organizational form to serve the microfinance clientele and also develop appropriate governance structure for former financial NGOs evolving into banks. Rhyne and Christen (1999) proved that commercial banks have competitive advantages as compared to other players in microfinance Bolivia, Chile, Paraguay, Bangladesh and Uganda.

Bell, Harper and Mandivenga (2002) undertook a study of two commercial banks in Zimbabwe and Kenya that made a decision to start microfinance operations. They were able to establish that these banks relied heavily on donor funded technical assistance to overcome resistance and obstacles in their microfinance operations. Bindu Ananth (2005) in her study on financing Microfinance established that capital constraint is an issue impeding scaling up of microfinance in India. Based on an analysis of traditional financing models and ICICI Bank’s experience in India, she analysed the ‘partnership model’ of financing microfinance institutions (Microfinance Institutions). This model is unique in that it combines both debt as well as mezzanine finance to the Microfinance Institution in a manner that lets it increase outreach rapidly, while unlocking large amounts of wholesale funds available in the Indian commercial banking sector.

Economists have written extensively on the tradeoffs that result from the combination of (i) customers’ lack of assets which can serve as collateral (ii) banks’ lack of cost-effective monitoring and information gathering mechanisms. The combination has spawned much interesting work on the theory of contracts (Armendáriz and Morduch, 2010), particularly in the context of lending. While important, the focus ignores a broader set of challenges given by high transactions costs. These costs are of limited theoretical interest, but they can make all the difference to how the banks function and who they serve - and whether banks are even viable. Bauchet and Morduch (2010) analyze differences between the MIX dataset and the larger database of the Micro credit Summit Campaign, a microfinance advocacy organization that promotes social change.

Cull (2009) observed that commercial banks initially were deterred from entering the microfinance niche by the small scale of the transactions that define it, but that the
commercialization of microfinance has started to change that mindset. A growing number of commercial banks are downscaling their operations, opening up services to poorer segments of the population, and competition is emerging as a result. Increased competition could change the industry in a number of ways, some for the better and others less favorably. There are plausible explanations for both a positive and negative relationship. If microfinance institutions facing greater competition from commercial banks attempt to compensate by shifting their loan portfolios away from segments of the population that are perceived as being more costly to serve – i.e. the relatively poor and women – competition may hinder outreach. However, competition could support the financial self-sufficiency of micro banks if the benefits of agglomeration effects and a stronger regulatory environment outweigh negative spillovers, and could lead to deeper outreach. Greater competition, as indicated by greater bank penetration in the overall economy, is associated with deeper outreach by the microfinance institutions, suggesting that competition pushes micro banks toward poorer markets, as reflected by smaller average loans sizes and greater outreach to women

Sudipto Basu’s (2005) study on securitization and the challenges faced in microfinance discusses a key shift in commercial banks' lending approach, from lending to an entire organisation to lending against specific assets. In addition, this paper details the benefits of this new approach and explains key concepts involved in the lending paradigm shift.

Erica Field and Rohini Pande (2007) in their study found that in stark contrast to bank debt contracts, most microfinance contracts require that repayments start nearly immediately after loan disbursement and occur weekly thereafter. Even though economic theory suggests that a more flexible repayment schedule would benefit clients and potentially improve their repayment capacity, microfinance practitioners argue that the fiscal discipline imposed by frequent repayment is critical to preventing loan default. They evidence used from Microfinance Institution client behavior in West Bengal, shows that changing repayment schedules from weekly to monthly does not affect default or client retention rates.

Karuna (2007) in her study on competition in microfinance found that increased microfinance competition has brought with it a number of positives. It has also led to
concerns about unethical competitive practices, reckless lending by Microfinance Institutions without suitable assessment of clients' credit absorption capacities and multiple memberships leading to over-indebtedness and defaults. The analysis, estimated the extent of multiple borrowing between Microfinance Institution clients in a competitive state in India, and found that multiple borrowers equal or better repayment records than their single borrowing peers in the same villages.

When analyzing competition between microfinance institutions, Armendariz and Morduch (2010) argue that competition can undermine the “dynamic incentives” that are so critical to achieving high loan repayment rates – i.e. customers may be less willing to repay loans if they know that other reliable loan sources are available. Studies by Xavier Gine and Dean Karlan (2011) showed that change from group liability to individual liability did not affect the loan repayment and in fact banks saw an increase in outreach as more customers attracted by the individual liability option sought loans from the banks.

In an ongoing research study (2011-12) in Ghana, Dean Karlan, Edward Kutsoati, Margaret McConnell, Margaret McMillan and Christopher Udri found that when clients of a rural bank in Eastern Ghana were asked about their saving goals, and some were given the opportunity to open separate parallel savings account labeled education, business, housing, they found that accounts labeled education had a higher percentage of savings than others proving that banks are playing a vital role in promotion of micro savings thereby leading to borrower welfare.

Apart from Banks financing Microfinance institutions, many Microfinance institutions have started obtaining equity financing. Michael Chasnow and Doug Johnson (2010) have researched the recent rise in equity investment in Indian microfinance and describe the process of obtaining equity financing and working with investors in detail. They also describe two new alternative methods of financing for Microfinance Institutions – portfolio buyouts and securitisation.
Micro Credit and Socio Economic Empowerment

The review of literature on micro-credit provides an understanding on how it has enabled delivery of financial services at a scale through appropriate mechanisms thereby reaching out to the poor. According to Yunus, Muhammad (1999) “Microcredit views each person as a potential entrepreneur and turns on the tiny economic engines of a rejected portion of society.”

Fisher and Sriram, (2002) in their research suggested that micro-credit can be successful when it combines outreach and sustainability. The micro credit movement has brought about women’s empowerment in India has brought about social change Kamdar (2005) Basak & Kamdar (2005). High repayment rates have proved that poor are bankable. Experiences from countries such as Bolivia and Zimbabwe proved that incomes of micro-credit clients increased after joining the programme and they were able to maintain consumption levels despite rising food costs Hashemi (2004). Some studies in Bangladesh of the clients of BRAC (Bangladesh Rural Advancement Committee) showed that clients who were part of the micro credit programme for more than four years had witnessed significant rise in their household incomes and assets. Clients of SHARE (Society for Helping Awakening Rural poor through Education) in India who were associated with the micro credit programme saw remarkable improvement in their economic well being. Morduch (1999) argues that micro credit is based on principles of peer selection, peer review and dynamic incentives

Barnes, Carolyn. Gayle Morris and Gary Gaile (1998) in a study in Uganda, found that although no findings were reported on the level of poverty between client and non-client households, total expenditures on education, business and household assets, remittances to rural households, and agricultural inputs were used a proxy indicator of the relative poverty or wealth level of client and non-client households. Client households on average spent 35% more than non-client households. Borrower households spend 38% more on education than non-client households and have an average an extra year of education.

Ghatak (1999) found that group lending provides a distinct advantage over individual lending as it improves repayment rates, allowing lower interest rates and raising social welfare.
Namboodiri & Shiyani (2001:408) observed strengths of Self Help Group lending. Siebel & Dave (2001) found that the effectiveness of group lending in Self Help Groups resulted in lesser number of non performing loans. Puhazhendhi & Satya Sai (2001) in their research study found that Self Help Groups have been instrumental in economic and social empowerment of the rural poor. A study on productive loans in urban slums in Mumbai by Kamdar (2005) proved that credit was the initial constraint in starting self employment business. When the availability of credit was complemented by specialized services of technical assistance, business training and peer support it resulted in expansion in the scale of business and made repayment of loans easier. This provided the incentive to take successive loans. The World Bank –NCAER Rural Financial Access Survey (2003) in twelve districts of Andhra Pradesh highlighted a positive relationship between poor households and Self Help Group membership. Kamdar (2005) established in her study that loans for productive purposes helps in stabilizing and augmenting incomes of beneficiaries. Akhand Tiwari et.al (2008) conducted a research on how small borrowers understand their loans and the financial liability implicated therein. They provide an explanation of how Microfinance Institution clients understand their loan contract and the implications for policy. The authors find that small borrowers are able to identify the size and duration of the loan and their weekly installment on their loan. Daniel Radcliffe (2008) in his study found that despite recent rapid growth of the microfinance sector in India, there still exists a large transparency deficit due to ad hoc accounting and reporting procedures by Microfinance Institutions and the regulatory environment that permits these practices. It attempts to identify areas where regulatory interventions most effectively narrow the transparency gap, which would entail small administrative cost to the Microfinance Institutions while minimising supervisory cost to the regulator. However, Rutherford (2000) contended that Micro credit did little to reduce poverty and supported low paying (self-paid) jobs that trapped individuals into poverty. Micro credit as observed by Hulme (2003) did not produce desired results when borrowers suffer from lack of skill and knowledge, poor decision making abilities and
inability to repay loans. The role of Micro credit as a tool to foster economic and social empowerment among women has been a subject of research over the years. Successful efforts to empower poor people will mean increasing their freedom of choice and action in different contexts which include access to information, inclusion and participation, Deepa (2002).

There is no single definition of women’s empowerment in the literature. Empowerment is variously conceptualized as a process, an end-state, and a capacity Kabeer, (2001); Malhotra (2002) Alsop et al., (2005); Martinez (2006). It is generally accepted however that efforts to measure women’s empowerment need to consider micro/macro, individual/collective, different spheres economic, political, social, different temporal scales and must be sensitive to social context.

The majority of efforts to measure women’s economic empowerment programmes focus primarily on quantitative outcomes - such as increased access to credit or increased business revenue. Mayoux, (2000) in his study found that access to savings and credit lead to empowerment. Another group of evaluations have tried to establish that economic contribution may increase their role in economic decision making in the household, leading to greater well being for women and children as well as men (Mayoux, 2000). Mayoux defines empowerment as a process of change in power relations that is both multidimensional and interlinked. She has laid out a framework that is useful for developing strategies for women’s empowerment. It emphasises on enabling women to articulate their own aspirations and strategies for Change, enabling women to develop the necessary skills and access the necessary resources to achieve their aspirations, enabling women to examine and articulate their collective interests, to organize to achieve them and to link with other women’s and men’s organizations for change, changing the underlying inequalities in power and resources that constrain women’s aspirations and their ability to achieve them.

Hainard and Verschuur (2001) emphasize that empowerment should be “a process of developing negotiating skills from the bottom up … to redress unequal power relations and produce new development paradigms.” To successfully empower women, both gender and empowerment concerns should be integrated into every service provision area. Moreover, they should be incorporated in the economic, political and social spheres as well as at the
individual, household and community levels in order to overcome gender inequality (Mayoux, 2000). Jejeebhoy (2000) identifies social institutions as highly influential in shaping a woman’s autonomy. He believes that these institutions should provide comprehensive, direct and context-specific strategies to empower women. These strategies include creating gender consciousness, enabling women to mobilize community resources and public services, providing support to the challenges of traditional norms and providing access to vocational and life skills to increase women’s access to and control over economic resources. Santillain et al. (2004) stress the need to go beyond standardized indicators; they are proponents of context specific indicators that refer to social relations. These indicators might include factors such as the distinction between individual and collective awareness, increased self-esteem and an analysis of grass-roots organizations (Hainard and Verschuur, 2001). In addition, Hashemi et al. (1996) point out that the methods used to measure women’s empowerment in one society can be deemed completely irrelevant in another. Therefore, cultural factors in each society also need to be taken into account.

Many studies have recognized the importance of economic empowerment in improving the status of impoverished women. Buvinic (1996) states that “the most straightforward vehicle to ‘empower’ poor women is to increase their productivity in home and market production and the income they obtain from work.” The ILO (2002, Kessides, 2005) has proposed various strategies to combat this problem, such as increasing women’s access to land and other assets.

Mahmud (2003) contends that providing security of tenure will encourage more women to use their domestic space for income-generating activities. Other recommendations include investing in human capital such as training for productive employment, providing financial resources with a focus on credit, expanding wage employment opportunities, improving social protection for female workers and empowering women through greater organization. Income-generating activities are seen as “entry points for channels of communication and vehicles by which women can meet their needs” (Rogers and Youssef, 1988). They provide effective ways to address inequalities in the areas of health, education and poverty alleviation. Many researchers have recognized that improvements in health care, nutrition and education can only be sustained with an increase in household income and greater control by women over financial resources (Hashemi, 2004).
Economic empowerment projects usually focus on income-generating activities, which allow women to independently acquire their income. Income-generating activities encompass a wide range of areas, such as small business promotion, cooperatives, job creation schemes, sewing circles and credit and savings groups (Albee, 1994).

The United Nations Development Programme’s (UNDP) 1995 Human Development Report introduced the gender-related development index (GDI), which reflects gender disparities in basic human capabilities, and the gender empowerment measure (GEM), which measures progress towards gender equity in economic and political power.

The GEM measures empowerment through three factors: (1) economic participation and decision-making power, (2) political decision making and power, and (3) power over economic resources (UNDP, 1995).

Pillarisetti and McGillivray (1998) highlight several key shortcomings in the GEM: (1) lack of consideration for different cultural and social norms across nations, (2) insufficient analysis of empirical realities, such as the size of the manufacturing sector and the reliability of national databases, and (3) disregard for other important variables of empowerment and the dualistic nature of many societies.

One of the most popular forms of economic empowerment for women is microfinance, which provides credit for impoverished women who are usually excluded from formal credit institutions. Mayoux (2000) highlights the three recognized models of microfinance programmes:

- **Financial self-sustainability:** This is the most popular model and used by donor agencies such as the United States Agency for International Development (USAID), the World Bank and the United Nations. It provides microfinance services to a large number of poor women, specifically targeting small entrepreneurs by setting interest rates to cover costs, enabling separate accounting from other interventions, expanding programmes to obtain economies of scale and decreasing costs of delivery through the use of groups.

- **Poverty alleviation:** This model focuses on small savings and loan provisions to aid in consumption and production.

- **Feminist empowerment:** This model is based on examples of some of the earliest microfinance programmes in Bangladesh and India, focusing on gender equality and women’s human rights through microfinance, and empowering women economically.
and socially. Offering women a source of credit has been found to be a very successful strategy for alleviating poverty because it enhances the productivity of their own small enterprises and the income-generating activities in which they invest. Results include an increase in women’s self-confidence and status within their families as well as income that can be used to improve their families’ well-being through improved health and nutrition (Goetz and Gupta, 1996). Hashemi et al. (1996) also argue that credit programmes have been successful in providing “… a cost-effective means of transferring scarce resources to the poor through women.” The most successful of these schemes – the Grameen Bank, the Bangladesh Rural Advancement Committee (BRAC) and the Self-Employed Women’s Association (SEWA) in India – have served as models for other programmes worldwide.

Nanda’s (1999) study of rural microfinance projects in Bangladesh revealed that “…improving women’s access and control over resources can potentially alleviate their health problems and enhance their decision-making within the household.” Her study indicates that participation in economic activities is more valuable for empowering a woman than household income or socio-economic status. Rogers and Youssef (1988) also recognize the importance of group savings programmes and cooperatives as a catalyst for empowering women. These programmes not only allow impoverished women to interact with one another; they also create an exchange of ideas and information, increasing women’s ability to earn a greater income and allowing for a more flexible work environment where they can rely on other women for support on matters such as childcare.

Hulme and Mosley (1996, in Morduch, 2000) felt that the current state of microfinance programming has “…abandoned innovation, and is leading to a growing uniformity in financial interventions.” Many academics also argue that these programmes are not effective in truly empowering women (Cheston and Kuhn, 2002; Goetz and Gupta, 1996; Mayoux, 2000). They believe that there is a lack of substantial training and support services and a need to provide women with greater ownership and control in the programmes. There is also recognition that employment and education are necessary but insufficient conditions for women’s empowerment (Dunford, undated; Malhotra, 2002; Mayoux, 2000). Critics contend that microfinance programmes only marginally increase access to income and that they have a limited impact on household decision-making. They argue that many of these programmes have not been able to move women into profitable non-traditional forms of entrepreneurship (Goetz and Gupta, 1996) and that most of the women involved in credit
savings programmes remain in low-value traditional work in the informal sector. Thus, they have limited involvement in more profitable commercial markets. White (1991, in Goetz and Gupta, 1996) suggests that microfinance projects tend to equate women’s poverty with income, not sufficiently emphasizing the inequality in relationships and institutions. This is underscored in the study conducted by Malhotra et al. (2002), which highlights the historical and developmental context of a woman’s place in society and the importance of “fundamental structural matters involving family, social and economic organization.” Thus, critics have drawn attention to the need to focus on the structural factors that perpetuate the economic marginalization of the poor (Goetz and Gupta, 1996).

Khan (1999) stresses the importance of wage employment over credit for women. His findings show that wage employment helps in promoting economic and social empowerment, providing women with more stability, a collective workplace and more control over their income. He also emphasizes its ability to assist in expanding a woman’s mobility by providing her with different life experiences beyond her home environment so that she is able to gain bargaining power, meet her practical needs, improve the quality of her life and address her long-term goals.

There are other important elements, complementary to income-generating activities that are considered essential for women’s economic empowerment (Cheston and Kuhn, 2002; Albee, 1994):

- Business training
- Investments in women’s general education, including literacy
- Guidance to women on balancing family and work responsibilities
- A forum for dialogue on social and political issues, such as women’s rights and Community problems
- Providing experience in decision-making
- Promoting women’s ownership, control and participatory governance.

Hunt and Kasynathan, (2001) established in their research that no one factor alone can lead to gender equality or empowerment. The need is a combination of activities in various spheres of a woman’s life that address the dynamic and relational nature of poverty. Studies have shown that an increase in a woman’s income has a positive impact on the educational and nutritional status of her children, among other things (Rogers and Youssef, 1988; Consultative Group to Assist the Poor – CGAP, 2004).
Economic empowerment provides incentives to change the patterns of traditional behaviour to which a woman is bound as a dependent member of the household. More and more programming has taken an integrated approach, involving other aspects of development into microfinance projects in order to increase a women’s income and create positive change in her perception of health and education. Various microfinance projects and studies have demonstrated that with increased income there is an increase in women’s role in reproductive decision-making, a delay in the age of marriage, an increase in contraceptive prevalence rates, smaller desired family size and decreased total fertility rates (Buvinic, 1996; Drolet, 2000).

Drolet (2000) conducted a study of a UNFPA microfinance project in Cameroon, concluding that the project had positively affected the women involved, especially in improving their knowledge and behaviour in the area of reproductive health. However, these improvements in reproductive health can only be sustained with an increase in women’s household income and access to financial resources (Hashemi, 2004).

Kabeer (2001) established that was a positive impact of credit programs on women's lives. Women can use savings and credit for economic activity, thus increasing incomes and assets and control over these incomes and assets.

Mayoux (2000), Rahman (1986) established that “active” women borrowers had higher consumption standards and a role in household decision-making, either on their own or jointly with their husbands, than ‘passive’ female borrowers. Both in turn had significantly higher consumption standards and were more likely to partake in household decision-making than women from male loanee households or from households who had not received credit.

Zaman (2001) found that, Self-help groups through micro credit have an important role in lessening the vulnerability of poor by creating assets, income and consumption smoothing, providing emergency assistance, and empowering and making women confident by giving them control over assets and increased self-esteem and knowledge.

A World Bank study in 1998 found that a 10% increase in borrowing had led to an increase in women’s non-land assets by 2% for loans from the Grameen Bank and 1.2% for loans from the Bangladesh Rural Advancement Committee (BRAC) (World Bank 1998).

In India, Lalitha and Nagarajan (2002) conducted micro credit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans.
During the South East Asian economic crisis, self-help groups proved to be important cushions and safety nets; a high proportion of the funds made available for self-help micro credit schemes were utilized by women, facilitating them to meet the subsistence requirements of their families during those hard economic times (ESCAP 2002).

A study by Pitt and Khandker (1995) in exploring the impact of female membership of credit programs found that women's preferences carried greater weight (compared to households where either men received the loans or in households where no loans had been received) in determining decision-making outcomes including the value of women's no land assets, the total hours worked per month for cash income by men and women within the household, fertility levels, the education of children as well as total consumption expenditure.

It has also been studied that women’s increased economic role may lead to change in gender roles and increased status within households and communities Mayoux (2000), Hashemi, Schuler, and Riley (1996) explored the impact of credit on a number of indicators of empowerment: (i) the reported magnitude of women's economic contribution; (ii) their mobility in the public domain; (iii) their ability to make large and small purchases; (iv) their ownership of productive assets, including house or homestead land and cash savings; (v) involvement in major decision making, such as purchasing land, rickshaw or livestock for income earning purposes; (vi) freedom from family domination, including the ability to make choices concerning how their money was used, the ability to visit their natal home when desired and a say in decisions relating to the sale of their jewellery or land or to taking up outside work; (vii) political awareness such as knowledge of key national and political figures and the law on inheritance and participation in political action of various kinds; and finally, (viii) a composite of all these indicators. They found that women's access to credit was a significant determinant of the magnitude of economic contributions reported by women; an increase in asset holdings in their own names; an increase in their purchasing power; their political and legal awareness and their composite empowerment index.

BRAC loanees reported significantly higher levels of mobility and political participation. Grameen members reported higher involvement in “major decision-making”. The study also found that access to credit was associated with an overall reduction of the incidence of violence against women; women's participation in the expanded set of social relationships
as a result of membership of credit organizations, rather than increase in their individual productivity were responsible for reductions in domestic violence.

Other studies on empowerment aspects are cognitive in nature. The IFAD mainstreaming review has reported gains in self-confidence and self-esteem amongst the women, enhanced capacity to articulate their needs and an increased respect in the household (FAO, 2002). A study by Krishnaraj and Kay (2002) established that Women’s groups have emerged as a dynamic, articulate constituency enabling women to work together in collective agency. An UNDP study in 1999 found that there can be a synergistic convergence of inputs, micro insurance, health services, non formal education and inputs on nutrition in “Micro credit plus” programs.

A few attempts to link micro credit with HIV/AIDS programmes have been reasonably successful (UNDP 1999). The newly set up pension fund of the Grameen Bank II has been apparently quite successful (Yunus 2002).

Mayoux (2000) concluded that improved well being and change in women’s position may further increase their ability to increase incomes.

This process of empowerment may be further reinforced by group formation focusing on savings and credit delivery as women can access wider information and support networks for economic activity. Groups can support women in disputes within the household and community and groups can link to wider movements for change in women’s position.

A review of the literature also raises questions about some negative aspects of micro credit. Goetz and Sen Gupta (1996); Mayoux (1998) shows that only a minority of women receiving credit from poverty-oriented microfinance programmes are controlling their loans; many women often pass on the full amount of their loans directly to their husbands, sons or sons-in-law, with little or no access to the income generated and receiving back only enough money to make weekly loan repayments.

Goetz and Sen Gupta (1996) found that, on average, only 37% of loans provided by four different Bangladeshi credit organizations were either fully or significantly controlled by women, where significant control does not include control over marketing, and may thus imply little control over the income generated.

The figures for BRAC were even lower, with only 28% of loans controlled by women.

Kabeer (1998) distinguishes between women as marginal, joint or primary decision makers, using a matrix, which considers women’s role in decision-making regarding the use of the loan, participation in running the business, and the use of profits. She writes that it is
important to acknowledge this complexity in household gender relations, and to reflect on the mix of structural, individual and programme factors which influence the degree of control women are able to take over their loan.

Rahman’s (1999) research is a study of Grameen Bank lending to women in Bangladesh as well. Rahman questions the degree to which microfinance benefits women and explains that women in Bangladesh are often unable to use loans by themselves in the structure of patriarchy and the rural market economy. The absence of investment opportunities for rural women and the lack of control by the lending institution as to how loans are used and by whom lead women to pass on their loans to others (generally men) and lose control of their loans altogether. “The figure shows that men are users (persons who control and use the loan and arrange for installments) of more than 60% of women’s loans. The study also shows that approximately 78% of total loans approved in the village are actually used for different purposes than sanctioned by the project”. “In all five loan centres in the study village, I discovered that one or two influential members had real control over the decision making process of the centre. Perpetuation of such power relations in the loan centres is contradictory to Grameen Bank ideology”.

Gibbons (1999) also specifically addresses the work of Rahman: “There is of course a flip side to this miracle story. Rahman (1999) who suggests, from his village level observations in Bangladesh that the Grameen Bank prefers women more for strategic reasons in relation to investment and recovery of loans than for the benefit of the women themselves has described it most fully, because they are more compliant and easier to discipline than the men. Moreover as the honour of their wives (and themselves) is at stake in repayment the husbands also pressure their wives to repay as required. Thus poor women are pressured from both sides, and some describe this as intolerable.”

Ackerly (1995) noted that underpinning most credit interventions in Bangladesh was an implicit model of the empowered woman and concluded that women’s access to the market was the primary route for their empowerment knowledge which comes through market access and warned against the likelihood of overwork, fatigue and malnutrition were loans used to promote women’s labour involvement without also promoting their market access.

Montgomery and Hulme (1996) found that only 9% of first-time female borrowers were primary managers of loan-funded activities while 87% described their role in terms of “family partnerships.” By contrast, 33% of first-time male borrowers had sole authority
over the loan-assisted activity while 56% described it as a family partnership. They also found that access to loans did little to change the management of cash within the household for either female or male loanees. Interpreting reports of “joint” management as disguised male dominance in decision-making, the authors concluded that access to loans had done little to empower women.

Kabeer found that many women continue to register land and productive assets in their husband’s name, because of inheritance laws: assets will be inherited by sons if registered in the husband’s name, and by daughters if registered in the wife’s name (Kabeer, 1998).

Research by Matin and Rab (1997) shows that, in most cases, the husband’s income and other livelihood activities are essential if members are to meet their weekly instalment payments. These findings also raise serious questions about the impact of microfinance on poverty alleviation.

Using Khandker’s data, Morduch (1998) found that the income effect was due to mistargeting of the microfinance programme and that the perceived increase in incomes was due solely to those already above the poverty line who had managed to access the programme.

Kabeer (1998) finds that microfinance has been effective in increasing incomes and assets, although certainly not in the poorest households.

While the exclusion of the poorest is acknowledged in some research (Hulme 2000), it is rarely admitted by NGO staff and donors. The overriding concern with repayment rates puts further pressures on groups to exclude those likely to experience greatest problems i.e. the poorest (Hulme and Mosley 1996; Montgomery 1996; Noponan (1990). As micro credit is made available to groups, based on collective collateral, the process of group formation often precludes the very poor, who are perceived as being poor credit risks (Krishnaraj and Kay 2002 and FAO 2002). In some cases increased funding for large organizations has led to the squeezing out of smaller organizations in the same area who may have been challenging gender subordination on a wider basis (Arn and Lily 1992; Ebdon 1994).

Rahman (1999) points out that the empowering influence of microfinance is not always associated with improvements in women’s lives, and credit as a debt for the household constitutes a risky strategy.

Rahman points out a number of issues with relationships in the single village he studied which had Grameen Bank operations. Only a small percentage of the women agreed that there was a decrease in domestic violence in their household after their involvement with
the bank. Goetz and Sen Gupta (1996) also report increases in household tensions and domestic violence where women need to ask their husbands for loan installments. However, Schuler et al, (1996) suggests that group-based credit programs can reduce men's violence against women by making women's lives more public.

Studies by Rahman (1986), Pitt and Khander (1995) and another by Hashemi, Schuler and Riley (1996) have found positive results for women empowerment in a micro credit program in Bangladesh. The study by Hashemi explored the impact of credit on women’s economic contribution, their mobility, ownership of assets, political awareness ability to make decisions on usage of money.

Abhijit Banerjee, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2010) evaluated the impact of access to credit by randomizing the placement of new microfinance institution branches in Hyderabad, India. They found no discernible impact on measures of health, education, and female empowerment. More businesses were created. Some households increased nondurable consumption; others reduced expenditure on temptation goods such as alcohol, tea, and snacks and instead invested in their businesses or bough more durable goods. In another randomized evaluation study conducted in Morocco to evaluate access to credit through Microfinance Institutions branches in a rural setting, Bruno Crepon, Florencia Devoto, Esther Duflo and William Pariente (2011) found that micro credit had no impact on non agricultural businesses. For individuals with existing farming activities, access to credit increased the volume of their activity. Those with existing businesses reduced their consumption and increased their savings while those without prior business activities consumption increased and no discernible impact was felt on health, education and female empowerment.

Erica Field, Rohini Pande, John Papp, and Natalie Rigol (2010) investigated how the term structure of debt influences entrepreneurship among the poor in India. Borrowers were randomly assigned either a classic Microfinance contract with repayment beginning immediately after loan disbursement or a contract which provided a two month grace period prior to repayment. The study found that those members who were given grace period for repayment of loans invested 6% more of their loans in their
businesses than borrowers who did not get any grace period and had 30% higher profits. However, the default rate in this category was 19% as compared to 2% default rate of individuals with a standard repayment structure.

Savittha & Jyothi (2011), in a study conducted among rural and urban women in Andhra Pradesh’s Nalgonda and Hyderabad districts established that improved access to finance led to their empowerment. Women’s access to finance was greatly influenced by their awareness levels to banking services. Access to finance and financial services resulted in better decision making among women leading to their empowerment.

Savittha & Jyothi (2012) studied the role of Self help groups in bringing about social empowerment in a district of Andhra Pradesh through a pilot survey. The study focussed on determining the factors which contributed to the socio economic status of these members.

Savittha & Jyothi (2012) compared the role of Self help groups in the states of Andhra Pradesh and Tamil Nadu in bringing about social empowerment. The factors which contribute to social empowerment and the socio economic status of these members were found to be different in both the states.

Abhijit Banerjee et.al (2007), in this study have evaluated the targeting efficiency of various assistance programs operated by the government of India and a program operated by Bandhan, a Kolkata-based micro finance institution. They found methods used by government programs fail to identify the poorest of the poor. On the other hand, Bandhan’s process, including a Participatory Rural Appraisal (PRA), generates a reasonably good indicator of economic well-being and can serve as the basis for targeting.

Xavier Gine and Dean Karlan (2011) undertook a research study in Philippines to investigate whether group liability is in fact necessary for managing default risk. In one treatment existing group lending clients were randomly converted to an individual liability model. In a second treatment, new borrowers started out with individual liability loans. The research study found that shift to individual liability did not negatively affect loan repayment for either group.

Another study which proved the positive impact of micro credit by Dean Karlan and Jo Zinman (2010) in South Africa found that expanding access to credit increased
borrower well being, increased incomes, better food consumption, improved decision making within household leading to enhancement of status in community and overall optimism.

Dean Karlan and Zinman (2011) established through their study in Philippines that microloans improved client’s ability to cope with risk strengthened community ties and increased access to informal credit.

Dupas and Robinson (2011) investigated the importance of savings constraint for Microenterprise development by randomly providing small business owners in Kenya with access to savings. They found that savings account made women less vulnerable to health shocks and lead to increased business investment and personal income growth.

**Empowerment**

Approaches to measuring women’s empowerment generally involve defining what is meant by empowerment and identifying the different elements which make up this definition. The elements of empowerment are: resources, agency and achievements (Kabeer 2001); control over resources and agency, (Malhotra, 2002); agency and opportunity structure (Alsop et al, 2005); agency, structures and relations (CARE, 2006); assets, knowledge, will and capacity (Charlier and Caubergs, 2007). In most cases, these elements are then broken down into sub-dimensions with associated indicators and sources of measurement.

A review of theories and strategies to foster women’s empowerment in the development context was undertaken by Malhotra, Anju, et al., (2002); they defined empowerment as the ability of people to make strategic choices in areas that affect their lives. They identified elements of economic empowerment at three levels namely household which includes women's control over income; community, which includes access to credit and broader access including representation of women’s economic interests. Kabeer N., (2005), finds that while access to financial services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does not automatically empower women. Pitt, Khandker. And Cartwright (2006), found that the view that women’s participation in micro credit programmes helps to increase women’s empowerment by establishing a
baseline of women’s assets, knowledge, will and capacity. Katz (2008) reviews existing policies and programmes designed to promote labour force participation of young women in developing countries.

Mayoux, and Hartl, (2009) emphasized the importance of studying the differential impacts of various types of financial products and service delivery, and their influence on women empowerment. Jupp and Barahona, (2010), developed a participatory approach to measuring empowerment at the project level, in Bangladesh, by recognizing and quantifying all positive changes on different aspects of women empowerment. The growth of Self help groups in India and provision of micro credit to them by banks and microfinance institutions has resulted in improving their participation in society and in governance.

Microfinance plays an important in influencing social and economic empowerment of its clients. According to the Governance and Social Development Resource centre, United Kingdom Social empowerment is understood as the process of developing a sense of autonomy and self-confidence, and acting individually and collectively to change social relationships and the institutions and discourses that exclude poor people and keep them in poverty. Poor people’s empowerment, and their ability to hold others to account, is strongly influenced by their individual assets (such as land, housing, livestock, savings) and capabilities of all types: human (such as good health and education), social (such as social belonging, a sense of identity, leadership relations) and psychological (self-esteem, self-confidence, the ability to imagine and aspire to a better future). Also important are people’s collective assets and capabilities, such as voice, organization, representation and identity. Women’s empowerment is not only in financial terms but also has socialization-attitudinal and motivational connotations. Society must take initiatives to create a climate in which there is no gender discrimination and women have full opportunities of self decision-making and participating in the social, political and economic life of the country with a sense of equality (Anonymous 2012).

In order to empower Women, ‘what is needed – reorientation, mobilization and realization of women friendly environment in rural areas by involving them from grass root level up to policy- making decisions’ (Devasia 2001; Mehta et al. 2010). Social
empowerment aims at social equality which includes equality of treatment, equality of respect, equality of opportunity, equality of recognition and above all equality of status. The empowering strategies need to encompass sectors like education, health and nutrition, water and sanitation, women friendly appropriate technologies, legislative reforms to make them effective and result oriented. The components of Social empowerment outlined by The Women’s Empowerment Policy 2001, include health, education, nutrition, housing and shelter, Violence against women, Mass media, women in difficult circumstances, Science and technology, Rights of the girl child, Environment, Drinking water and sanitation.

“Economic empowerment is thought to allow poor people to think beyond immediate daily survival and to exercise greater control over both their resources and life choices. For example, it enables households to make their own decisions around making investments in health and education, and taking risks in order to increase their income. There is also some evidence that economic empowerment can strengthen vulnerable groups’ participation in the decision-making. Microfinance programmes have been shown to bolster women’s influence within the household and marketplace. The evidence also suggests that economic power is often easily ‘converted’ into increased social status or decision-making power.” *(Source: Governance and Social Development Resource centre, United Kingdom)*. Strategies will be designed to enhance the capacity of women and empower them to meet the negative social and economic impacts, which may flow from the globalization process. Role of women in agriculture and industry and the provision of support services to women at workplaces in order to provide an enabling environment received special mention as important components of economic empowerment in the Women empowerment policy, 2001.

The literature on economic empowerment is vast, and a large part of this focuses on the economic empowerment of women - a key strategy in addressing gender inequality. More generally, economic empowerment centres around four broad areas: (a) the promotion of the assets of poor people; (b) transformative forms of social protection; (c) microfinance; and (d) skills training.
Eyben, Kabeer, Cornwall, (2008) proposed a framework to enable the empowerment of the poor to be conceptually understood and operationally explored. It examines the different facets of ‘social’, ‘economic’ and ‘political’ empowerment. Broadbent (2010) in his research found that the impacts of interventions aimed at increasing access to economic opportunities mostly exists in relation to women’s empowerment, and even then the impacts are rarely expressed in terms of ‘power relations’.

McDevitt (2010), in his study found that facilitating the participation of women in economic life is seen to provide financial gain at both household and national level, as well as having long-term impacts upon poverty reduction through creating changes in the intergenerational transmission of poverty processes. Providing women with access to jobs, access to credit and financial services; land and property rights and; agricultural inputs and technology and removal of institutional barriers faced by them can enable women to add value to the economy.

Duvendack (2011), found that there is a growing concern that the impact of microcredit and microloans on poor people’s empowerment may not be straightforward, and the emphasis on reaching the ‘poorest of the poor’ may be flawed due to weak methodologies and inadequate data, reducing the reliability of impact estimates.

Stewart (2010), in his report found that some people are made poorer, and not richer, by microfinance, particularly by micro-credit. This seems to be because they consume more instead of investing in their futures; their businesses fail to produce enough profit to pay high interest rates; their investment in other longer-term aspects of their futures is not sufficient to give a return on their investment; and because the context in which microfinance clients live is by definition fragile.

Golla, Malhotra.et al. (2011), in their research provide a framework to guide the design, implementation and evaluation of economic advancement programmes. They developed a matrix for measuring women’s economic empowerment, which uses sample indicators to show different stages at which results can be measured

Kabeer et al. (2011), used a combination of survey data and qualitative interviews to explore the impact of paid work on various indicators of women’s empowerment,
ranging from shifts in intra-household decision-making processes to women’s participation in public life. They established that forms of work that offer regular and relatively independent incomes hold the greatest transformative potential. The review of literature revealed the following research gaps.

Research Gap

- Irrespective of the model of credit delivery, the availability of loans often brings about a change in the household welfare of the borrowers and makes a significant impact on their empowerment and socio economic status. Prior research focused on the welfare of Self Help Group members before and after they have joined a Self Help Group. There is a need to provide an insight into how the availability of credit and membership in Self Help groups brings about a change in the socio economic status of the borrowers thereby contributing to their empowerment.

- Focus has been on the impact aspects on the end users of the existing models. Estimate of quantitative benefits experienced by Microfinance Institution clients has been made. Impact studies are contextually specific and vary by country. Lending adds very little incremental costs over fixed cost of maintaining rural branches – but enhances reach and viability. There is a need to study banks point of view - understanding the benefits and problems to banks associated with the models of credit linkages in India.

- Among the southern states in India, Andhra Pradesh and Tamil Nadu continue to be leading states as far as microfinance is concerned. Commercial banks, especially the Public Sector banks have had a lot of success in microfinance. Commercial banks have been found to be more suitable for microfinance – regulated; networked and well governed. Study conducted in 2003 (Bansal) does not capture the role of Microfinance Institution as part of the Bank–Self Help Group linkage. Understand which is a more successful model for Banks? Bank–Self Help Group or Bank–Microfinance Institution-Self Help Group especially with the respect to these two states.

- Studies exist on competition between Microfinance Institutions, competition among banks and the importance of the crucial role they play in alleviating
poverty has been under-studied. Banks and Microfinance Institution are competitors. Indian Scenario is unique; Banks work hand in hand with Microfinance Institutions. A comparative study to assess the success rates of public sector and private sector banks as facilitators of micro finance. To study the Microfinance Institutions point of view - understanding the factors contributing to their efficiency and productivity and problems associated with their model of credit delivery.

**Research Questions**

- Provide an insight into how the availability of credit and membership in Self help groups brings about a change in the socio economic status of the borrowers thereby contributing to their empowerment
- To compare and understand the credit delivery mechanism in the two southern states of Andhra Pradesh and Tamil Nadu.
- What are the benefits and problems to banks associated with the models of credit linkages in India?
- Understand which is a more successful model for Banks - Bank –Self Help Group or Bank –Microfinance Institution- Self Help Group
- A comparative study to assess the success rates of public sector and private sector banks as facilitators of micro finance.
- Understanding the factors contributing to their Microfinance Institutions efficiency and productivity and problems associated with their model of credit delivery.