Chapter-1
INTRODUCTION

1.1 Definition

“Microfinance” is often defined as financial services for poor and low-income clients offered by different types of service providers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs).[1]

Microfinance started way back in the middle of 1800’s when the theorist Lysander Spooner was writing over the benefits of small credits to entrepreneurs and farmers as a way of getting the people out of poverty. But at the end of World War II with the Marshall plan the concept of Microfinance had a big impact. The today use of Micro financing has its roots in 1970s when organizations such as Grameen Bank of Bangladesh with the Microfinance pioneer Mohammed Yunus started shaping the modern industry of Micro financing. Mohammed Yunus, winner of Nobel Peace Prize, is a pioneer in microfinance and has found Grameen Bank. He reached the poorest of the poor and provided them microfinance to uplift them.

Another pioneer in the Microfinance sector is Akhtar Hameed Khan, who did loaning to underserved people. The main reason why Microfinance is dated in 1970s is that the program could show that people can be relied on to repay their loans. Shore Bank was the first Microfinance and community development bank founded in 1974 in Chicago. After 1970s many Microfinance institutions as ACCION, Grameen Bank etc. were formed. Before that many institutions were working in many countries but the effect of microfinance was small Post 1970 era to late 1970s. The concept of Micro Finance evolved from the beginning of 20th century. Many credit groups were operating in many countries for several years e.g., “chit fund”. (India), “tontines” (West Africa), “susus: (Ghana), “pasanaker” (Bolvia) etc. During early and mid 1990s various credit institutions had been formed in Europe by some organised poor people from both rural and urban areas. These institutions were named Credit Unions, People’s Bank etc. The main aim of these institutions was to provide easy access of credit to poor people who were neglected by big financial institutions and banks. The poor people had been given small loans to invest in Micro finance business. In later part of 1970s many pioneering banks were there like:-

[1] CGAP-2013
ACCION International- The same was established by a law student of Latin America to help the poor residing in Latin America. In 2008, ACCION has the network of leading partners comprising not only Latin America but US and Africa.

SEWA Bank- Self Employed Womens’ Association- The same was formed in 1973 of Gujarat (India). Mahila SEWA Cooperative Bank was formed to access certain financial services easily. Around 4,000 women contributed their share capital to form the bank and as on today they have an active clientele of more than 30,000 women.

Grameen Bank (GB, Bangladesh)- Was founded by Nobel Peace Prize (2005) winner and presidential award winner( 2010), Dr. Muhamad Yunus in 1983. It is now raising 4,00,000 poor people of Bangladesh. Also, GB stimulated formation of several MF Institutions, ASA, BRAC and Proshita. They have achieved 100% repayment rate. Today, many other credit schemes and financial products have been devised in response to the feedback of the poor themselves, but the pioneering work of Grameen Bank will always remain a benchmark.

The main idea behind microfinance is that poor people, who cannot provide any collateral, should have access to some sort of financial services. When nothing was done on the front to fight poverty Mohd.Yunus thought of social business. The existing institution failed to help poor due to one reason or the other like the quantum of loans required were meagre, there was no security available with the poor. So, the idea to alleviate the poor came to his mind. Microfinance began with micro-credit: the provision of small loans (20-50 euros) to very poor families to help them engage in productive and self-sustaining activities. Since the successful initiation of formalised micro credit in the 1980’s a number of other complementary services have popped up around the globe, including micro-savings, micro-insurance etc. More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to include savings, credit, insurance, remittances and payments and others.[2]

Microfinance is usually understood to entail the provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client

categories. The two main mechanisms for the delivery of financial services to such clients are [3] (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. In some regions, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which, however, is closer to the retail finance model prevalent in mainstream banking. For some, microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” Many of those who promote microfinance generally believe that such access will help poor people out of poverty. For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

Microfinance is a broad category of services, which includes micro-credit. Micro-credit is a provision of credit services to poor clients. Although micro credit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack micro credit while referring to it indiscriminately as either 'micro credit' or 'microfinance'. In other words, micro credit refers to very small loans for unsalaried borrowers with little or no collateral, provided by legally registered institutions. Microfinance typically refers to a range of financial services including credit, savings, insurance, money transfers, and other financial products provided by different service providers, targeted at poor and low-income people.

1.1 Why Microfinance?
Traditionally, banks have not provided financial services, such as loans, to clients with little or no cash income. Banks incur substantial costs to manage a client account, regardless of how small the sums of money involved. For example, although the total gross revenue from delivering one hundred loans worth $1,000 each will not differ greatly from the revenue that results from delivering one loan of $100,000, it takes nearly a hundred times as much work and cost to manage a hundred loans as it does to manage one. The fixed cost of processing loans of any size is considerable as assessment of potential borrowers, their repayment prospects and security; administration of outstanding loans, collecting from delinquent borrowers, etc., has to

be done in all cases. There is a break-even point in providing loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below that breakeven point. A similar equation resists efforts to deliver other financial services to poor people.

In addition, most poor people have few assets that can be secured by a bank as collateral. As documented extensively by Hernando de Soto and others, even if they happen to own land in the developing world, they may not have effective title to it. This means that the bank will have little recourse against defaulting borrowers.

Seen from a broader perspective, the development of a healthy national financial system has long been viewed as a catalyst for the broader goal of national economic development. However, the efforts of national planners and experts to develop financial services for most people have often failed in developing countries, for reasons summarized well by Adams, Graham & Von Pischke in their classic analysis 'Undermining Rural Development with Cheap Credit'. Because of these difficulties, when poor people borrow they often rely on relatives or a local moneylender, whose interest rates can be very high. An analysis of 28 studies of informal money lending rates in 14 countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceeded 100% per month. Moneylenders usually charge higher rates to poorer borrowers than to less poor ones. While moneylenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business have proven unrealistic, even in places where microfinance institutions are active.

Although much progress has been made, the problem has not been solved yet, and the overwhelming majority of people who earn less than $1 a day, especially in the rural areas, continue to have no practical access to formal sector finance. Microfinance has been growing rapidly with $25 billion currently at work in microfinance loans. It is estimated that the industry needs $250 billion to get capital to all the poor people who need it. The industry has been growing rapidly, and concerns have arisen that the rate of capital flowing into microfinance is a potential risk unless managed well. As seen in the State of Andhra Pradesh (India), these systems can easily fail. Some reasons being lack of use by potential customers, over-indebtedness, poor operating procedures, neglect of duties and inadequate regulations.
1.2 Financial needs of People
In developing economies and particularly in the rural areas, many activities that would be classified in the developed world as financial are not monetized: that is, money is not used to carry them out. Almost by definition, poor people have very little money. But circumstances often arise in their lives in which they need money or the things money can buy. In Stuart Rutherford’s [4] recent book The Poor and Their Money, he cites several types of needs:

- *Lifecycle Needs*: such as weddings, funerals, childbirth, education, homebuilding, widowhood, old age.
- *Personal Emergencies*: such as sickness, injury, unemployment, theft, harassment or death.
- *Disasters*: such as fires, floods, cyclones and man-made events like war or bulldozing or
- *Investment Opportunities*: expanding a business, buying land or equipment, improving housing, securing a job (which often requires paying a large bribe), etc.

Poor people find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewellery and precious metals.

1.4 Banking services at the doorstep
An incredible feature of microfinance is its convenience. Credit officers, usually locals, are hired by the MFI branch office and have the task of going from village to village (or house to house in urban areas) to collect and disburse funds. This is very convenient for clients because they rarely have to travel in order to receive their banking services. Often the credit officer will organise group meetings at which a variety of activities can take place. Microfinance is not a solution to all the world’s problems, but seems to be effective in encouraging entrepreneurship, increasing the income of the poorest and helping them to build viable business. Today World Bank estimates that more than 16m people are served by some 7000 Microfinance institutions all over the world. Consultative Group to Assist the Poor (CGAP) experts have found that 500 m families benefit from small loans making new business possible. In a gathering in Washington DC at a Micro Credit Summit the goal was to reach 100 m of World’s poorest people by credit from the world leaders and financial institutions in 2013.

As Marguerite Robinson[5] describes in ‘The Microfinance Revolution’, the 1980s demonstrated that "microfinance could provide large-scale outreach profitably, " and in the 1990s, "microfinance began to develop as an industry". In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive worldwide demand. The obstacles or challenges to building a sound commercial microfinance industry include:

- Inappropriate donor subsidies
- Poor regulation and supervision of deposit-taking MFIs(Micro Finance Institution)
- Few MFIs that meet the needs for savings, remittances or insurance
- Limited management capacity in MFIs
- Institutional inefficiencies

The United Nations has declared that 2005 is “the year of microfinance”. In year 2005, it was claimed as the International year of Micro credit by the Economic and Social Council of the UN in a call for firm and building sector to ‘fuel’ the strong entrepreneurial spirit of the poor people around the world. Rural Finance could not be availed by the needy and grass root people. So, the need for the (Micro Finance)MF gained importance. According to the UN definition, MF is loans, savings, insurance, transfer services and other financial products for low-income clients to save them from high interest rates charged by money lenders. Yunus officially formed Grameen Bank in 1983 where $27, was the smallest loan given by Yunus himself. Slowly, the mandate of the bank evolved and broadened and in 1984 they offered Home Loans. He devoted his life to providing financial and social services to poorest of the poor. Micro credit is supposed to describe loans offered with no collateral to support income-generating businesses aimed at lifting poor out of poverty but not to the poor. The innovative banking program that provides poor people-mainly women with loans they used to launch businesses and lift their families out of poverty. In the past 30 years, micro credit has spread to every continent and benefitted over 100 million families. In 2000,

nations gathered at UN Head Quarters in New York City and resolved to reduce poverty by half by 2015.

1.5 Microfinance Standards and Principles
Poor people borrow from informal moneylenders and save with informal collectors. They receive loans and grants from charities. They buy insurance from state-owned companies. They receive funds transfers through formal or informal remittance networks. It is not easy to distinguish microfinance from similar activities. It could be claimed that a government that orders state banks to open deposit accounts for poor consumers, or a moneylender that engages in usury, or diary people are engaged in microfinance. Ensuring financial services to poor people is best done by expanding the number of financial institutions available to them, as well as by strengthening the capacity of those institutions. In recent years there has also been increasing emphasis on expanding the diversity of institutions, since different institutions serve different needs.

Some principles that summarize a century and a half of development practice were encapsulated in 2004 by CGAP and endorsed by the Group of Eight leaders at the G8 Summit on June 10, 2004:

1. Poor people need not just loans but also savings, insurance and money transfer services.
2. Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.
3. “Microfinance can pay for itself.” Subsidies from donors and government are scarce and uncertain, and so to reach large numbers of poor people, microfinance must pay for itself.
4. Microfinance means building permanent local institutions.
5. Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
6. "The job of government is to enable financial services, not to provide them."
7. "Donor funds should complement private capital, not compete with it."
8. "The key bottleneck is the shortage of strong institutions and managers."
9. Donors should focus on capacity building.
10. Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
11. Microfinance institutions should measure and disclose their performance – both financially and socially.

Microfinance is considered as a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

1.6 Microfinance Debates and Challenges

There are several key debates at the boundaries of microfinance. One of the principal challenges of microfinance is providing small loans at an affordable cost. The global average interest and fee rate is estimated at 37%, with rates reaching as high as 70% in some markets. The reason for the high interest rates is not primarily cost of capital. Indeed, the local microfinance organizations that receive zero-interest loan capital from the online microlending platform Kava charge average interest and fee rates of 35.21%. Rather, the main reason for the high cost of microfinance loans is the high transaction cost of traditional microfinance operations relative to loan size. Microfinance practitioners have long argued that such high interest rates are simply unavoidable, because the cost of making each loan cannot be reduced below a certain level while still allowing the lender to cover costs such as offices and staff salaries. The result is that the traditional approach to microfinance has made only limited progress in resolving the problem it purports to address: that the world's poorest people pay the world's highest cost for small business growth capital. The high costs of traditional microfinance loans limit their effectiveness as a poverty-fighting tool. Offering loans at interest and fee rates of 37% mean that borrowers who do not manage to earn at least a 37% rate of return may actually end up poorer as a result of accepting the loans. In recent years, the microfinance industry has shifted its focus from the objective of increasing the volume of lending capital available, to address the challenge of providing microfinance loans more affordably. Microfinance analyst David Roodman in Dec., 2011, contends that in mature markets, the average interest and fee rates charged by microfinance institutions tend to fall over time. However global average interest rates for microfinance loans are still well above 30%. According to a recent survey of microfinance borrowers in Ghana published by the Center for Financial Inclusion, more than one-third of borrowers surveyed reported struggling to repay their loans. Some resorted to measures such as reducing their food intake or taking children
out of school in order to repay microfinance debts that had not proven sufficiently profitable. The answer to providing microfinance services at an affordable cost may lie in rethinking one of the fundamental assumptions underlying microfinance: that microfinance borrowers need extensive monitoring and interaction with loan officers in order to benefit from and repay their loans. In 2009, the US-based nonprofit organization Zidisha became the first online person-to-person lending platform to link carefully vetted, computer-literate microfinance borrowers in developing countries with individual lenders directly, without any loan officers or local intermediaries to manage the loans. They dubbed an "e-Bay for microfinance", Zidisha operates on the assumption that microfinance borrowers can be trusted to participate responsibly in an online lending community and repay loans on their own, as do residents of wealthy countries. This approach allows Zidisha to outsource many of the record-keeping and communications functions that have traditionally been performed by brick-and-mortar lending institutions to Zidisha’s online user community, as lenders dialogue directly with borrowers and track their performance via eBay-style feedback ratings. Eliminating local intermediaries reduces the interest and fee cost to just 8% on average, of which 5% covers Zidisha’s administrative costs and 3% represents interest paid out to lenders. To the surprise of many observers, Zidisha borrowers have maintained a repayment rate of 98%. Zidisha’s success suggests that it is possible to provide microfinance services on a large scale at substantially lower cost.

1.7 Impact of Micro Finance

While all microfinance institutions aim at increasing incomes and employment, in developing countries the empowerment of women, improved nutrition and improved education of the borrower’s children are frequently aims of microfinance institutions. In the US and Canada, aims of microfinance include the graduation of recipients from welfare programs and an improvement in their credit rating are. In the US, microfinance has created jobs directly and indirectly, as 60% of borrowers were able to hire others. According to reports every domestic microfinance loan creates 2.4 jobs. These entrepreneurs provide wages that are, on average, 25% higher than minimum wage. Small business loans eventually allow small business owners to make their businesses their primary source of income with 67% of the borrowers showing a significant increase in their income as a result of their participation in certain micro-loan programs. In addition, these business owners are able to improve their housing
situation, 70% indicating their housing has improved. Ultimately, many of the small business owners that use social funding and are able to graduate from government funding. It is a very effective development tool because it provides empowerment instead of charity. Typically, microfinance clients are self-employed household entrepreneurs who lack the resources to invest in their business and their future and thus can escape the grips of extreme poverty.

1.8 Empowerment
Empowerment means to invest with power especially Legal power or official authority. The word empower is not new it has arisen in the mid-17th century with the legalistic meaning "to invest with authority, authorize." In a more general way it means "to enable or permit." Both of these usages survive today as well. Modern use has originated in the civil rights movement, which sought political empowerment for its followers. The word was then taken up by the women's movement. Since people of all political persuasions have a need for a word that makes their constituents feel that they are or are about to become more in control of their destinies, empowerment has been adopted by conservatives as well as social reformers. It has even migrated out of the political arena into other fields.

Empowerment is a construct shared by many disciplines and arenas: community development, psychology, education, economics, and studies of social movements and organizations, among others.[1] Empowerment is understood in different ways. In recent empowerment literature, the meaning of the term empowerment is often assumed rather than explained or defined. Rappoport [2] has noted that it is easy to define empowerment by its absence but difficult to define in action as it takes on different forms in different people and contexts. Even defining the concept is subject to debate. Zimmerman [3] has stated that asserting a single definition of empowerment may make attempts to achieve it formula-like or prescription-like, contradicting the very concept of empowerment. A common understanding of empowerment is necessary, however, to allow us to know empowerment when we see it in people with whom we are working, and for program evaluation. According to Bailey [4] how we precisely define empowerment within our projects and programs will depend upon the specific people and context involved. As a general definition, however, we suggest that empowerment

is a multi-dimensional social process that helps people gain control over their own lives. It is a process that fosters power (that is, the capacity to implement) in people for use in their own lives, their communities, and in their society, by acting on issues that they define as important. We suggest that three components of our definition are basic to any understanding of empowerment. It is multi-dimensional in that it occurs within sociological, psychological, economic, and other dimensions. Empowerment also occurs at various levels, such as individual, group, and community.

Empowerment, by definition, is a social process, since it occurs in relationship to others. Empowerment is a process that is similar to a path or journey, one that develops as we work through it [5]. Other aspects of empowerment may vary according to the specific context and people involved, but these remain constant. In addition, one important implication of this definition of empowerment is that the individual and community are fundamentally connected. The empowerment of women occurs in reality, when women achieve increased control and therefore, improved socio-economic status. The experts also inform that there are five levels of the women's empowerment framework, namely- welfare, access, conscientisation, mobilisation and control.

1.8.a Welfare means an improvement in socio-economic status, such as improved nutritional status, shelter or income, which is the zero level of empowerment, where women are the passive recipients of benefits that are 'given' from on high.

1.8.b Access to resources and services stands for the first level of empowerment, since women improve, their own status, relative to men, by their own work and organisation arising from increased access to resources and services.

1.8.c Conscientisation is defined as the process, by which women collectively urge to act to remove one or more of the discriminatory practices that impede their access to resources. Here, women form groups to understand the underlying causes of their problems and to identify strategies for action for gender equity.

1.8.d Mobilisation is the action level of empowerment by forging links with the larger women's movement, to learn from the successes of women's similar strategic action elsewhere and to connect with the wider struggle.

1.8.e Control is the level of empowerment when women have taken action. Thus, there is gender equality in decisions making over access to resources, so that women achieve direct control over their access to resources. But one needs to understand that [5] Weber (1946)
these five levels of women’s empowerment are not really a linear progression but helical and circular along with being interconnected. The empowerment occurs when women achieve increased control and participation in decision making that leads to their better access to resources, and therefore, improved socio-economic status.

**1.9 Principle of gender equality** is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favour of women. The early 1970s women’s movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit programmes and credit cooperatives increasing women’s access to micro-finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, will translate into improved well-being for women and enable women to bring about wider changes in gender inequality. The feminist empowerment paradigm has not originated as a Northern imposition, but is firmly rooted in the development of some of the earliest micro-finance programmes in the South, including SEWA in India. It is assumed that increasing women’s access to micro-finance services will in itself lead to individual economic empowerment through enabling women's decisions about savings and credit use, enabling women to set up micro-enterprise, increasing incomes under their control.

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception of women is that learning to manage money and rotate funds builds women’s capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Within the framework of a democratic polity, our laws, development policies, Plans and programmes have aimed at women’s advancement in different spheres. From the Fifth Five Year Plan (1974-78) onwards has been a marked shift in the approach to women’s issues from welfare to development. In recent years, the empowerment of women has been recognized as the
central issue in determining the status of women. The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. The 73rd and 74th Amendments (1993) to the Constitution of India have provided for reservation of seats in the local bodies of Panchayats and Municipalities for women, laying a strong foundation for their participation in decision making at the local levels.

1.9.a India has also ratified various international conventions and human rights instruments committing to secure equal rights of women. Key among them is the ratification of the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW) in 1993.

1.9.b The Mexico Plan of Action (1975), the Nairobi Forward Looking Strategies (1985), the Beijing Declaration as well as the Platform for Action (1995) and the Outcome Document adopted by the UNGA Session on Gender Equality and Development & Peace for the 21st century, titled "Further actions and initiatives to implement the Beijing Declaration and the Platform for Action" have been unreservedly endorsed by India for appropriate follow up.

1.9.c The Policy also takes note of the commitments of the Ninth Five Year Plan and the other Sectoral Policies relating to empowerment of Women.

1.9.d The women’s movement and a wide-spread network of non-Government Organisations which have strong grass-roots presence and deep insight into women’s concerns have contributed in inspiring initiatives for the empowerment of women. However, there still exists a wide gap between the goals enunciated in the Constitution, legislation, policies, plans, programmes, and related mechanisms on the one hand and the situational reality of the status of women in India, on the other. This has been analyzed extensively in the Report of the Committee on the Status of Women in India, "Towards Equality", 1974 and highlighted in the National Perspective Plan for Women, 1988-2000, the Shramshakti Report, 1988 and the Platform for Action, Five Years After- An assessment".

1.9.e Gender disparity manifests itself in various forms, the most obvious being the trend of continuously declining female ratio in the population in the last few decades. Social stereotyping and violence at the domestic and societal levels are some of the other manifestations. Discrimination against girl children, adolescent girls and women persists in parts of the country. The underlying
causes of gender inequality are related to social and economic structure, which is based on informal and formal norms, and practices. Consequently, the access of women particularly those belonging to weaker sections including Scheduled Castes/Scheduled Tribes/Other backward Classes and minorities, majority of whom are in the rural areas and in the informal, unorganized sector – to education, health and productive resources, among others, is inadequate. Therefore, they remain largely marginalized, poor and socially excluded.

### 1.10 Goal and Objectives of Microfinance Policy

1.10.a Goal of the Policy was to bring about the advancement, development and empowerment of women. The Policy was widely disseminated so as to encourage active participation of all stakeholders for achieving its goals. Specifically, the objectives of this Policy include:

(i) Creating an environment through positive economic and social policies for full development of women to enable them to realize their full potential;

(ii) The de-jure and de-facto enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil;

(iii) Equal access to participation and decision making of women in social, political and economic life of the nation;

(iv) Equal access to women to health care, quality education at all levels, career and vocational guidance, employment, equal remuneration, occupational health and safety, social security and public office etc.;

(v) Strengthening legal systems aimed at elimination of all forms of discrimination against women;

(vi) Changing societal attitudes and community practices by active participation and involvement of both men and women;

(vii) Mainstreaming a gender perspective in the development process;

(viii) Elimination of discrimination and all forms of violence against women and the girl child; and

(ix) Building and strengthening partnerships with civil society, particularly women’s organizations.
1.10b **Malegam Committee (2011)** has defined Micro Finance as an economic development tool whose objective is to assist the poor to work with their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counseling, etc. The players in the Micro Finance sector can be classified as falling into three main groups:-

a) The SHG-Bank linkage Model accounting for about 58% of the outstanding loan portfolio

b) NBFCs accounting for about 34% of the outstanding loan portfolio

c) Others including trusts, societies, etc, accounting for the balance 8% of the outstanding loan portfolio. Primary Agricultural Co-operative Societies (PACS) numbering 95,663, covering every village in the country, with a combined membership of over 13 crores and loans outstanding of over Rs. 64,044 Crores as on 31.03.2009 have a much longer history and are under a different regulatory framework. Thrift and credit co-operatives are scattered across the country and there is no centralized information available about them.

1.11 **Other Policy Prescriptions**

Judicial Legal Systems: Legal-judicial system was made more responsive and gender sensitive to women’s needs, especially in cases of domestic violence and personal assault. New laws were enacted and existing laws reviewed to ensure that justice is quick and the punishment meted out to the culprits is commensurate with the severity of the offence. At the initiative of and with the full participation of all stakeholders including community and religious leaders, the Policy aimed to encourage changes in personal laws such as those related to marriage, divorce, maintenance and guardianship so as to eliminate discrimination against women. The evolution of property rights in a patriarchal system has contributed to the subordinate status of women. The Policy aimed to encourage changes in laws relating to ownership of property and inheritance by evolving consensus in order to make them gender just.

1.12 **Decision Making**

Women’s equality in power sharing and active participation in decision making, including decision making in political process at all levels was ensured for the achievement of the goals of empowerment. All measures will be taken to guarantee
Mainstreaming a Gender Perspective in the Development Process
Policies, programmes and systems were established to ensure mainstreaming of women’s perspectives in all developmental processes, as catalysts, participants and recipients. Wherever there are gaps in policies and programmes, women specific interventions would be undertaken to bridge these. Coordinating and monitoring mechanisms were also be devised to assess from time to time the progress of such mainstreaming mechanisms. Women’s issues and concerns as a result will specially be addressed and reflected in all concerned laws, sectoral policies, plans and programmes of action.

1.13 Economic Empowerment of women

1.13.a Poverty Eradication
Since women comprise the majority of the population below the poverty line and are very often in situations of extreme poverty, given the harsh realities of intra-household and social discrimination, macro economic policies and poverty eradication programmes will specifically address the needs and problems of such women. There were improved implementation of programmes which are already women oriented with special targets for women. Steps will be taken for mobilization of poor women and convergence of services, by offering them a range of economic and social options, along with necessary support measures to enhance their capabilities.

1.13.b Micro Credit
In order to enhance women’s access to credit for consumption and production, the establishment of new, and strengthening of existing micro-credit mechanisms and micro-finance institution were undertaken so that the outreach of credit is enhanced. Other supportive measures would be taken to ensure adequate flow of credit through extant financial institutions and banks, so that all women below poverty line have easy access to credit.
1.13.c Women and Economy

Women’s perspectives will be included in designing and implementing macro-economic and social policies by institutionalizing their participation in such processes. Their contribution to socio-economic development as producers and workers will be recognized in the formal and informal sectors (including home based workers) and appropriate policies relating to employment and to her working conditions will be drawn up. Such measures could include: Reinterpretation and redefinition of conventional concepts of work wherever necessary e.g. in the Census records, to reflect women’s contribution as producers and workers. Preparation of satellite and national accounts. Development of appropriate methodologies for undertaking (i) and (ii) above.

1.13.d Globalization

Globalization has presented new challenges for the realization of the goal of women’s equality, the gender impact of which has not been systematically evaluated fully. However, from the micro-level studies that were commissioned by the Department of Women & Child Development, it is evident that there is a need for re-framing policies for access to employment and quality of employment. Benefits of the growing global economy have been unevenly distributed leading to wider economic disparities, the feminization of poverty, increased gender inequality through often deteriorating working conditions and unsafe working environment especially in the informal economy and rural areas. 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.

1.13.e Women and Agriculture

In view of the critical role of women in the agriculture and allied sectors, as producers, concentrated efforts will be made to ensure that benefits of training, extension and various programmes will reach them in proportion to their numbers. The programmes for training women in soil conservation, social forestry, dairy development and other occupations allied to agriculture like horticulture, livestock including small animal husbandry, poultry, fisheries etc. will be expanded to benefit women workers in the agriculture sector.
1.13.f Women and Industry
The important role played by women in electronics, information technology and food processing and agro industry and textiles has been crucial to the development of these sectors. They would be given comprehensive support in terms of labour legislation, social security and other support services to participate in various industrial sectors. Women at present cannot work in night shift in factories even if they wish to. Suitable measure will be taken to enable women to work on the night shift in factories. This will be accompanied with support services for security, transportation etc.

1.13.g Support Services
The provision of support services for women, like child care facilities, including crèches at work places and educational institutions, homes for the aged and the disabled were expanded and improved to create an enabling environment and to ensure their full cooperation in social, political and economic life. Women-friendly personnel policies will also be drawn up to encourage women to participate effectively in the developmental process.

1.14 Social Empowerment of Women
1.14.a Education
Equal access to education for women and girls will be ensured. Special measures will be taken to eliminate discrimination, universalize education, eradicate illiteracy, create a gender-sensitive educational system, increase enrolment and retention rates of girls and improve the quality of education to facilitate life-long learning as well as development of occupation/vocation/technical skills by women. Reducing the gender gap in secondary and higher education would be a focus area. Sectoral time targets in existing policies will be achieved, with a special focus on girls and women, particularly those belonging to weaker sections including the Scheduled Castes/Scheduled Tribes/Other Backward Classes/Minorities. Gender sensitive curricula would be developed at all levels of educational system in order to address sex stereotyping as one of the causes of gender discrimination.

1.14.b Health
A holistic approach to women’s health which includes both nutrition and health services will be adopted and special attention will be given to the needs of women and the girl at all stages of the life cycle. The reduction of infant mortality and maternal
mortality, which are sensitive indicators of human development, is a priority concern. This policy reiterates the national demographic goals for Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) set out in the National Population Policy 2000. Women should have access to comprehensive, affordable and quality health care. Measures will be adopted that take into account the reproductive rights of women to enable them to exercise informed choices, their vulnerability to sexual and health problems together with endemic, infectious and communicable diseases such as malaria, TB, and water borne diseases as well as hypertension and cardio-pulmonary diseases. The social, developmental and health consequences of HIV/AIDS and other sexually transmitted diseases will be tackled from a gender perspective. To effectively meet problems of infant and maternal mortality, and early marriage the availability of good and accurate data at micro level on deaths, birth and marriages is required. Strict implementation of registration of births and deaths would be ensured and registration of marriages would be made compulsory.

In accordance with the commitment of the National Population Policy (2000) to population stabilization, this Policy recognizes the critical need of men and women to have access to safe, effective and affordable methods of family planning of their choice and the need to suitably address the issues of early marriages and spacing of children. Interventions such as spread of education, compulsory registration of marriage and special programmes like BSY should impact on delaying the age of marriage so that by 2010 child marriages are eliminated. Women’s traditional knowledge about health care and nutrition will be recognized through proper documentation and its use will be encouraged. The use of Indian and alternative systems of medicine will be enhanced within the framework of overall health infrastructure available for women.

1.14.c Nutrition

In view of the high risk of malnutrition and disease that women face at all the three critical stages viz., infancy and childhood, adolescent and reproductive phase, focused attention would be paid to meeting the nutritional needs of women at all stages of the life cycle. This is also important in view of the critical link between the health of adolescent girls, pregnant and lactating women with the health of infant and young children. Special efforts will be made to tackle the problem of macro and micro nutrient deficiencies especially amongst pregnant and lactating women as it leads to various diseases and disabilities.
Intra-household discrimination in nutritional matters vis-à-vis girls and women will be sought to be ended through appropriate strategies. Widespread use of nutrition education would be made to address the issues of intra-household imbalances in nutrition and the special needs of pregnant and lactating women. Women’s participation will also be ensured in the planning, superintendence and delivery of the system.

1.14.d Drinking Water and Sanitation
Special attention will be given to the needs of women in the provision of safe drinking water, sewage disposal, toilet facilities and sanitation within accessible reach of households, especially in rural areas and urban slums. Women’s participation will be ensured in the planning, delivery and maintenance of such services.

1.14.e Housing and Shelter
Women’s perspectives will be included in housing policies, planning of housing colonies and provision of shelter both in rural and urban areas. Special attention will be given for providing adequate and safe housing and accommodation for women including single women, heads of households, working women, students, apprentices and trainees.

1.14.f Environment
Women will be involved and their perspectives reflected in the policies and programmes for environment, conservation and restoration. Considering the impact of environmental factors on their livelihoods, women’s participation will be ensured in the conservation of the environment and control of environmental degradation. The vast majority of rural women still depend on the locally available non-commercial sources of energy such as animal dung, crop waste and fuel wood. In order to ensure the efficient use of these energy resources in an environmental friendly manner, the Policy will aim at promoting the programmes of non-conventional energy resources. Women will be involved in spreading the use of solar energy, biogas, smokeless chulahs and other rural application so as to have a visible impact of these measures in influencing eco system and in changing the life styles of rural women.
1.14.g Science and Technology
Programmes will be strengthened to bring about a greater involvement of women in science and technology. These will include measures to motivate girls to take up science and technology for higher education and also ensure that development projects with scientific and technical inputs involve women fully. Efforts to develop a scientific temper and awareness will also be stepped up. Special measures would be taken for their training in areas where they have special skills like communication and information technology. Efforts to develop appropriate technologies suited to women’s needs as well as to reduce their drudgery will be given a special focus too.

1.14.h Women in Difficult Circumstances
In recognition of the diversity of women’s situations and in acknowledgement of the needs of specially disadvantaged groups, measures and programmes will be undertaken to provide them with special assistance. These groups include women in extreme poverty, destitute women, women in conflict situations, women affected by natural calamities, women in less developed regions, the disabled widows, elderly women, single women in difficult circumstances, women heading households, those displaced from employment, migrants, women who are victims of marital violence, deserted women and prostitutes etc.

1.14.i Violence against women
All forms of violence against women, physical and mental, whether at domestic or societal levels, including those arising from customs, traditions or accepted practices shall be dealt with effectively with a view to eliminate its incidence. Institutions and mechanisms/schemes for assistance will be created and strengthened for prevention of such violence, including sexual harassment at work place and customs like dowry; for the rehabilitation of the victims of violence and for taking effective action against the perpetrators of such violence. A special emphasis will also be laid on programmes and measures to deal with trafficking in women and girls.

1.14.j Rights of the Girl Child
All forms of discrimination against the girl child and violation of her rights shall be eliminated by undertaking strong measures both preventive and punitive within and outside the family. These would relate specifically to strict enforcement of laws against prenatal sex selection and the practices of female foeticide, female infanticide,
child marriage, child abuse and child prostitution etc. Removal of discrimination in the treatment of the girl child within the family and outside and projection of a positive image of the girl child will be actively fostered. There will be special emphasis on the needs of the girl child and earmarking of substantial investments in the areas relating to food and nutrition, health and education, and in vocational education. In implementing programmes for eliminating child labour, there will be a special focus on girl children.

1.15 Mass Media
Media will be used to portray images consistent with human dignity of girls and women. The Policy will specifically strive to remove demeaning, degrading and negative conventional stereotypical images of women and violence against women. Private sector partners and media networks will be involved at all levels to ensure equal access for women particularly in the area of information and communication technologies. The media would be encouraged to develop codes of conduct, professional guidelines and other self-regulatory mechanisms to remove gender stereotypes and promote balanced portrayals of women and men.

1.16 Operational Strategies & Action Plans
All Central and State Ministries made Action Plans for translating the Policy into a set of concrete actions, through a participatory process of consultation with Centre/State Departments of Women and Child Development and National /State Commissions for Women. The Plans specifically included the following: -

i) Measurable goals to be achieved by 2010.
ii) Identification and commitment of resources.
iii) Responsibilities for implementation of action points.
iv) Structures and mechanisms to ensure efficient monitoring, review and gender impact assessment of action points and policies.
v) Introduction of a gender perspective in the budgeting process.

In order to support better planning and programme formulation and adequate allocation of resources, Gender Development Indices (GDI) was developed by networking with specialized agencies. These could be analyzed and studied in depth. Gender auditing and development of evaluation mechanisms were also be undertaken along side. Collection of gender disaggregated data by all primary data collecting
agencies of the Central and State Governments as well as Research and Academic Institutions in the Public and Private Sectors will be undertaken. Data and information gaps in vital areas reflecting the status of women will be sought to be filled in by these immediately. All Ministries/Corporations/Banks and financial institutions etc. were advised to collect, collate, disseminate and maintain/publish data related to programmes and benefits on a gender disaggregated basis. This helped in meaningful planning and evaluation of policies.

1.17 Institutional Mechanisms
Institutional mechanisms, to promote the advancement of women, which exist at the Central and State levels, were strengthened. They were through interventions as may be appropriate and will relate to, among others, provision of adequate resources, training and advocacy skills to effectively influence macro-policies, legislation, programmes etc. to achieve the empowerment of women.

1.17.a National and State Councils will be formed to oversee the operationalization of the Policy on a regular basis. The National Council will be headed by the Prime Minister and the State Councils by the Chief Ministers and be broad in composition having representatives from the concerned Departments/Ministries, National and State Commissions for Women, Social Welfare Boards, representatives of Non-Government Organizations, Women’s Organisations, Corporate Sector, Trade Unions, financing institutions, academics, experts and social activists etc. These bodies will review the progress made in implementing the Policy twice a year. The National Development Council will also be informed of the progress of the programme undertaken under the policy from time to time for advice and comments.

1.17.b National and State Resource Centres on women will be established with mandates for collection and dissemination of information, undertaking research work, conducting surveys, implementing training and awareness generation programmes, etc. These Centers will link up with Women’s Studies Centres and other research and academic institutions through suitable information networking systems.

1.17.c While institutions at the district level will be strengthened, at the grass-roots, women will be helped by Government through its programmes to organize and strengthen into Self-Help Groups (SHGs) at the Anganwadi/Village/Town level. The
women’s groups will be helped to institutionalize themselves into registered societies and to federate at the Panchayat/Municipal level. These societies will bring about synergistic implementation of all the social and economic development programmes by drawing resources made available through Government and Non-Government channels, including banks and financial institutions and by establishing a close Interface with the Panchayats/Municipalities.

1.18 Resource Management
Availability of adequate financial, human and market resources to implement the Policy was managed by concerned Departments, financial credit institutions and banks, private sector, civil society and other connected institutions. This process will include:

(a) Assessment of benefits flowing to women and resource allocation to the programmes relating to them through an exercise of gender budgeting. Appropriate changes in policies will be made to optimize benefits to women under these schemes;
(b) Adequate resource allocation to develop and promote the policy outlined earlier based on (a) above by concerned Departments;
(c) Developing synergy between personnel of Health, Rural Development, Education and Women & Child Development Department at field level and other village level functionaries;
(d) Meeting credit needs by banks and financial credit institutions through suitable policy initiatives and development of new institutions in coordination with the Department of Women & Child Development.

The strategy of Women’s Component Plan adopted in the Ninth Plan of ensuring that not less than 30% of benefits/funds flow to women from all Ministries and Departments was implemented effectively so that the needs and interests of women and girls are addressed by all concerned sectors. The Department of Women and Child Development being the nodal Ministry will monitor and review the progress of the implementation of the Component Plan from time to time, in terms of both quality and quantity in collaboration with the Planning Commission. Efforts will be made to channelize private sector investments too, to support programmes and projects for advancement of women.
1.19 Legislation

The existing legislative structure has been reviewed and additional legislative measures taken by identified departments to implement the Policy. This will also involve a review of all existing laws including personal, customary and tribal laws, subordinate legislation, related rules as well as executive and administrative regulations to eliminate all gender discriminatory references. The process was planned over a time period 2000-2003. The specific measures required would be evolved through a consultation process involving civil society, National Commission for Women and Department of Women and Child Development. In appropriate cases the consultation process would be widened to include other stakeholders too. Effective implementation of legislation would be promoted by involving civil society and community. Appropriate changes in legislation will be undertaken, if necessary.

In addition, following other specific measures were taken to implement the legislation effectively.

(a) Strict enforcement of all relevant legal provisions and speedy redressal of grievances will be ensured, with a special focus on violence and gender related atrocities.

(b) Measures to prevent and punish sexual harassment at the place of work, protection for women workers in the organized/ unorganized sector and strict enforcement of relevant laws such as Equal Remuneration Act and Minimum Wages Act will be undertaken,

(c) Crimes against women, their incidence, prevention, investigation, detection and prosecution will be regularly reviewed at all Crime Review fora and Conferences at the Central, State and District levels. Recognised, local, voluntary organizations will be authorized to lodge Complaints and facilitate registration, investigations and legal proceedings related to violence and atrocities against girls and women.

(d) Women’s Cells in Police Stations, Encourage Women Police Stations Family Courts, Mahila Courts, Counselling Centers, Legal Aid Centers and Nyaya Panchayats will be strengthened and expanded to eliminate violence and atrocities against women.
(e) Widespread dissemination of information on all aspects of legal rights, human rights and other entitlements of women, through specially designed legal literacy programmes and rights information programmes will be done.

1.20 Gender Sensitization
Training of personnel of executive, legislative and judicial wings of the State, with a special focus on policy and programme framers, implementation and development agencies, law enforcement machinery and the judiciary, as well as non-governmental organizations will be undertaken. Other measures will include:-
(a) Promoting societal awareness to gender issues and women’s human rights.
(b) Review of curriculum and educational materials to include gender education and human rights issues
(c) Removal of all references derogatory to the dignity of women from all public documents and legal instruments.
(d) Use of different forms of mass media to communicate social messages relating to women’s equality and empowerment.

1.21 Panchayati Raj Institutions
The 73rd and 74th Amendments (1993) to the Indian Constitution have served as a breakthrough towards ensuring equal access and increased participation in political power structure for women. The PRIs will play a central role in the process of enhancing women’s participation in public life. The PRIs and the local self Governments will be actively involved in the implementation and execution of the National Policy for Women at the grassroots level.

1.21.a Partnership with the voluntary sector organizations
The involvement of voluntary organizations, associations, federations, trade unions, non-governmental organizations, women’s organizations, as well as institutions dealing with education, training and research will be ensured in the formulation, implementation, monitoring and review of all policies and programmes affecting women. Towards this end, they will be provided with appropriate support related to resources and capacity building and facilitated to participate actively in the process of the empowerment of women.
1.21. b International Cooperation
The Policy aimed at implementation of international obligations/commitments in all sectors on empowerment of women such as the Convention on All Forms of Discrimination Against Women (CEDAW), Convention on the Rights of the Child (CRC), International Conference on Population and Development (ICPD+5) and other such instruments. International, regional and sub-regional cooperation towards the empowerment of women will continue to be encouraged through sharing of experiences, exchange of ideas and technology, networking with institutions and organizations and through bilateral and multi-lateral.

1.22 Research Objectives
Based on the research gaps identified, following research objectives have been framed.
1. To analyze the social and economic aspects that affect women empowerment.
2. To analyze which factors strengthen women empowerment the most and which factors strengthen women empowerment the least.
3. To compare the effect of the various factors between women who have availed microfinance facility and women who are yet to avail microfinance facility.
4. To suggest strategies to Microfinance institutes to improve their financing schemes to the women customers.

1.23 Data Collection
Questionnaire was used as a method as a Survey technique. Did Pilot Testing by initially distributing it to 20 women. The same was on Interval scale but the women were not comfortable with the same as they did not understand it. Then after their feedback added some more questions and changed the questionnaire. We had selected 50 branches out of 100 branches of Grameen Koota in Bangalore. And have included 250 women respondents at random 190 respondents have fully responded. Out of 190 respondents 126 women had availed disbursement of the loan and 64 women were yet to avail disbursement.

1.24 Research Methodology
The method of ordinary least squares (OLS) has been used to analyze the data. As mentioned earlier, the aim of this study is evaluate the impact of microcredit on women empowerment. The OLS model suits the purpose well in that:
i) positive effect of microcredit on women empowerment is captured by the coefficient $\beta_2$.

ii) The null hypotheses is that microcredit has no effect on women empowerment. If $\beta_2$ obtains a significant positive value, it means that the null hypotheses can be rejected and that microcredit has a positive effect on women empowerment.

Women empowerment is measured via an empowerment index. The index is built on the empowerment indicators, which in turn are derived from the respondent’s answers on the thirteen empowerment questions in the questionnaire. To be able to measure the respondent’s answers to these questions a YES is transformed to a 1 and a NO is transformed to a 0. The values for each of the thirteen empowerment indicators are then summed into an aggregate index with one point increments from 0 to 13. An individual with a high aggregate empowerment Index empowerment score is considered to be more empowered than an individual with a low aggregate empowerment index score. The OLS model, in its most basic form, only includes the dependent variable empowerment index and the independent variable microcredit borrower. The model is then built up gradually by adding one independent control variable at a time. This is done to derive how the relationship between microcredit and women empowerment changes when independent control variables are added. There are a total of twelve independent variables conducted for in the model. Thus, there are twelve models, where the most comprehensive model includes twelve independent variables. Thus, with the help of this study we have made an attempt to understand the effect of microfinance on empowerment of women.