CHAPTER THREE

Theoretical Model

3.1 Introduction

There are a plethora of studies regarding the impact of microfinance programmes on gender empowerment. Most studies focus on individual impact areas: savings, credit off-take, expenditure on health etc. In the conundrum about microfinance is also immersed the fact that it is important to appreciate the different underlying philosophies, models and the context within which these are implemented and interpreted. In this chapter we attempt to define the various connotations of the term empowerment, discuss the self-help group federation and the joint liability group models of microfinance delivery.

We propose a model based upon existing literature and buttressed by seminal literature drawn on: Amartya Sen's work in the area of gender, wellbeing and agency and cooperative conflicts [(Sen, 1984), (Sen, 1987)] and Human Rights and Capabilities (Sen A., 2005). Mayoux’s work in the domain of microfinance and women empowerment [(Mayoux, 2000) and (Mayoux, 2006) and (Kabeer, 1999), (Kabeer, 2005)] writing in the domain of the vital agency (facilitator), resources and empowerment have also been used.

In order to connect the concept of empowerment, it is important to understand the connection of the stages of life, the different types of needs and sources for meeting these needs. These stages are generic to any individual, however what differentiates the poor, particularly poor women compared to their male counterparts, is their vulnerability to meet these needs. Often ill equipped due to factors such as: poor health (malnutrition) and medical care, lack of education, or avenues to express their opinions coupled with an already shaky economic situation-leaves such women very vulnerable to unfavorable outcomes.
3.2 Stages of Life & Needs

As is shown in figure 3.1, the stages of life for a typical microfinance beneficiary (woman) can be broadly classified into three main stages:

Fig 3.1: Theoretical Model

- **Stage 1: (0-18 years):** is the time when the individual is dependent upon the immediate family and the surrounding environment for fulfilling her basic needs of food, clothing, safety and shelter. The environment and the actors involved play a very important role in shaping the physical, emotional and economic position of the beneficiary. Availability of resources; be it adequate food, hygiene, education and even encouragement impact the woman’s ability to face and respond to the next stage which is the most productive stage in terms of acquiring the resources and capabilities to face the relevant responsibilities and acquire the resources and capabilities to deal with the final stage of the life cycle viz stage 3. In most developing nations, the
burden of shouldering familial responsibilities begins early for most girls/young women. In the rural context this manifests itself into limited access to education, early marriage, and greater share of household work and often times the physical and emotional pressure to earn a living to support the family well before the legal working age of 18 years. Limited job opportunities (rural context) and lack of education (urban context) result in such women getting access mainly to low paying, physical labour intensive jobs. This results in shorter work history spans due to a greater physical wear and tear coupled with limited and variable access to nutrition. During this stage the main sources of sustenance (for the minor woman) is access to credit, savings ability and insurance to/by her caregivers

b) **Stage 2: (18-45 years):** this is the most important stage since it is the time when physical demands made on a member grow further due to greater familial responsibilities. This tenuous balance between acquisition of limited resources and their distribution can get disturbed in case of emergencies and/or events (typically education expenses pertaining to kids, deaths and births in the family, repairs maintenance and acquisitions of household assets). This is also the peak earning period in a member’s life - wherein she is the strongest position to avail, service and utilize credit. Any entrepreneurial activity is also most likely to succeed during this stage due to a member’s ability to invest her physical, economic resources into it. (as compared to Stage 1). This is also the stage during which the realization and assertion of a member’s identity is at its prime: this can be manifested in social network –both at a personal s and societal level. During this stage a combination of credit, savings and insurance can be utilized. However the difference lies in the fact that a woman can borrow and repay through her own sources during this stage as compared to Stage 1.

c) **Stage 3: (45+ years):** During this stage savings are the main source of sustenance since the earning/working capacity of the woman is bound to diminish due to age. Getting access to credit may be problematic particularly after the age of 55-60 years. A greater need for medical care may dent the savings kitty, especially if such an event occurs due to an emergency. Access to formal sources of credit and insurance can help to protect the woman from exploitation and usurious practices
d) The need and application of credit, savings and insurance therefore continues during the entire life-cycle- only changing in composition and complexity. As the figures illustrates, ongoing financial needs include expenses related to health (minor ailments), religious events, celebrations etc. For a MFI with an empowerment focus, potential client development and counselling should start as early as the teenage years so as to achieve the optimum effect.

### 3.3 Dimensions of Empowerment

Mayoux (2006) has stated that empowerment cannot be assumed to be an automatic outcome of microfinance programmes. The orientation that guides the microfinance initiatives is important: poverty alleviation, financial sustainability or feminist paradigm, all impact the empowerment outcomes. Mayoux states that more research and innovation is needed on the conditions of microfinance delivery and that the cost effective ways of integrating microfinance with other complementary initiatives is still lacking. She has bifurcated the effects of empowerment in order to define the term. According to her there are three dimensions to the term viz the: (a) feminist empowerment paradigm; (b) financial self-sustainability paradigm (c) poverty alleviation paradigm. She states that microfinance institutions tend to focus more on the later two paradigms.

To quote:

“…In the financial self-sustaining paradigm, women’s empowerment strategies are seen as entailing unacceptable costs as the paradigm’s explicit aim is to develop fully self-sufficient MFIs.

In the poverty alleviation paradigm, women’s empowerment is seen as an external imposition by a Western influenced middle-class feminist elite with little relevance to the needs of the poor women. It is also seen as politically sensitive and involving conflicts within households and communities that may undermine organizational sustainability. Hence both these paradigms are more focused on the development aims rather than women empowerment aims.

The argument on why MFIs should adopt an empowerment approach is the following as per Mayoux (2006):
“…That is of concern in current debates is the way in which the use of apparently similar terminology of empowerment, participation and sustainability conceals radical differences in policy priorities. Although women’s empowerment may be a stated aim in the rhetoric of official gender policy and program promotion, in practice it becomes subsumed in and marginalized by concerns of financial sustainability and/or poverty alleviation”.

In the same paper, author also states:

“….Importantly both gender equality and women’s empowerment imply not only strategies targeting women, but also strategies targeting men. Female targeting may simply make women responsible for repayment of men's loans and the household savings, which may come from their own basic consumption expenditure and also make them very vulnerable in cases of marital breakdown…”

Programmes need to acknowledge the potentially negative effects on gender relations of targeting women. This does not however imply ‘mainstream business as usual’ but active consideration of ways in which strategies for men can challenge and change those gender inequalities which currently disadvantage women.

Regarding adoption of an empowerment focused approach author states:

‘…Firstly, microfinance practices do not always produce automatic empowerment benefits for women, therefore empowerment should be strategically planned by MFIs. Secondly empowerment approaches allow microfinance institutions to realize their full potential in contributing to a number of critical dimensions of women’s empowerment. Finally empowerment approaches are often compatible with other approaches to microfinance (e.g. financial sustainability) and can actually enhance the aims of these other approaches in many cases…” (Mayoux, 2006).

3.3.1 Economic Empowerment

Access to savings and credit improves the position of poor women thereby giving them a greater role in decision making. The by-product is: optimization of household welfare in addition to the member’s own welfare. The financial sustainability paradigm emphasizes women’s own income-generating activities. In the poverty alleviation paradigm, the emphasis is more on increasing incomes at the household level and the use of loans for
consumption. In the feminist empowerment paradigm, individual economic empowerment is seen as dependent on social and political empowerment.

### 3.3.2 Increased well-being

Is possible due to reduced ‘leakage of income’ and due to greater access and the consequent voice in decision making. This enables beneficiaries to direct the expenditure towards their well-being and children. To induce increased well-being other welfare interventions are advocated to be interwoven into the microfinance offering such as: nutrition, health and literacy campaigns to further enhance the women’s skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women’s economic activities and incomes.

### 3.3.3 Social & Political Empowerment

Is a combination of both of the above concepts. The status within the community is also enhanced. Social group formations facilitate and can result in social and political change. The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels. By contrast, the feminist empowerment paradigm advocates explicit strategies for supporting women’s ability to protect their individual and collective interests at the household, community and macro-levels.

### 3.4 Agency, Resources & Achievements- Connection with Empowerment

Related literature in the empowerment domain by (Kabeer, 1999) and (Kabeer, 2005) discuss the importance of the three elements that facilitate empowerment: To quote Kabeer: “…empowerment refers to the processes by which those who have been denied the ability to make choices acquire such an ability. In other words empowerment entails change …”

#### 3.4.1: Agency

 Represents the process through which choices are made and put into effect. This implies that not only exercising a choice, but also doing it in a way, so as to challenge existing power equations. Hence agency is not only the choices – but also forms of observable actions viz the meaning, motivation, method used by individuals. This is also
rooted in the sense of self-worth of the concerned individual, which again is critically bound by how the society around perceives the individual/ her decision.

3.4.2 Resources

Are the medium through which agency is exercised. Hence access to such resources is an important determinant of empowerment – if the access is indirect i.e. derived through a family member and results in the woman having a dependent position then the capacity to make strategic choices is also be limited.

3.4.3 Achievements

Refer to the outcomes of people’s efforts. Resources and agency make up people’s capabilities: that is their potential for living the lives that they want. The term ‘achievement’ refers to the extent to which the potential is realized or fails to be realized. For e.g: Taking up waged work can be construed as an evidence of progress in women’s empowerment. However according to Kabeer, the context needs to interpreted accordingly : i.e. whether the work is taken up in response to a new opportunity or is a ‘distress’ sale of labour undertaken in order to make ends meet.

Kabeer also further dissects different types of agency: ‘passive agency’ (action taken when there is little choice) and active agency (purposeful behavior). There is also ‘greater effectiveness of agency’ and ‘transformative agency’ – the former means greater effectiveness in carrying out existing roles and responsibilities while transformative agency refers to the ability of the women to act and overcome upon the negative aspects of the roles and responsibilities assigned to women in order to overcome them. Empowerment therefore is the application of the transformative form of agency on part of poor women and on those achievements that suggest a greater ability on the part of poor women to question, analyze and act on patriarchal structures / constraints in their lives.

3.5: Positive and Negative Freedom: Gender and Distribution of Resources

Freedom according to Sen (1987) is contextual and the ‘space’ in which freedom is to be judged is important. He also cautions against using the traditional commodity bundles approach as a quasi-measure to judge the true extent of empowerment. Positive freedom, thus, is the freedom to choose between alternatives and reflects a person’s capability to function. Negative freedom is the absence of restraints that one person may impose on
another person or an institution may impose on an individual. A bargaining problem at a household level results because of the need to add resources (also referred to as ‘co-operation’ by Sen) and distribution of the available resources (referred to as conflict) among the household members.

The apportionment of resources or the share that each household member gets varies depending upon factors such as: (a) the perceived contribution made by the respective household member to the kitty (b) the value that an individual of the household attaches to himself/herself. In other words, if a rural woman attaches less value to her welfare then the outcome of the distribution of resources (referred to Sen as ‘collusive outcome’) would be less favorable to such a woman. In the Indian context, this is a common occurrence (see fig 3.2 given below): To quote (Sen A., 1984) “…if a rural woman were asked about her personal welfare she would find the question unintelligible…” (pp.7).

**Fig 3.2: Entitlement-Breakdown Position- Empowerment**

![Entitlement-Breakdown Position- Empowerment Diagram](source: Author)

Such a weak bargaining position gets successively further weakened after each inequitable encounter due to the process of ‘feedback transmission’. The weaker entity (generally the woman) gets a raw deal and then due to such a weakened position is further relegated to a lower level ultimately getting annihilated (after each successive iteration of feedback transmission) in the process. The impact of such a weakened position may be inter-generational and hence the subsequent successor may start on a weak footing resulting in a vicious circle of inter-generational disempowerment.
He states the need to focus on women as a subject in development studies because of the very reason that they command an inferior position compared to men especially in the developing countries. Sen states:

“….To take an extremely simple and crude example, it is clear that despite the evident biological advantages that women seem to have over men in survival and longevity\(^1\), there is nevertheless a remarkable preponderance of surviving men over surviving women in the population of less developed countries (the LDCs) taken as a whole, in sharp contrast with the position of the more developed countries. While there are about 106 women per 100 men in Europe and North America, there are only 97 women per 100 men in the LDCs as a whole….” (Sen, 1987, p 3).

Sen (1987) summarizes the household bargaining problem and states that it arises due to the existence of many closable arrangements. This is further explained below:

1. A person may get a worse deal in the collusive solution if his/her perceived interest takes little note of his/her own well-being. In other words: If the breakdown position of a person were worse in terms of his/her well-being then the collusive solution would be less favorable to such a person (Sen refers to this as the breakdown well-being response)

2. If a person attaches less value to his/her well-being-then the collusive solution is less favourable to that person (perceived Interest response)

3. If a person were perceived to be making a larger contribution to the over-all opulence of a group, then a collusive solution is favorable to such a person (perceived contribution response)

4. The weaker position of a person gets further weakened with every successive round of bargaining resulting in a sort of a vicious circle (feedback transmission). There is an intergenerational impact of feedback transmission and eventually the recipient caught in the midst of such a situation gets annihilated.

Our model also draws on the theory of the mover-stayer model and recognizes that the urban and rural inhabitants are different, driven by a selection process. Beginning with the classic Blumen, et al (1955) study and extended in Spilerman (1972), it has been recognized that movers tend to exhibit more drive and ambition – and therefore are more entrepreneurial, than stayers. This is likely to translate into superior quantitative life outcomes.

\(^1\) when there is some symmetry in the attention they receive on basic matters of life and death, such as nutrition, health care and medical attention.
Figure 3.3 below shows the stages of the journey towards empowerment. At one extreme are stages 1 & 2 in which a woman does not have access to any of the benefits associated with mature community based MFIs (such as savings, credit, capacity building inputs, support of her peer group members etc.) leaving her pretty much to her fate (the set of circumstances around her). In such a case, she is more a passive bystander, coping with the events and dealing with the various situations as and when they occur\(^2\). This stage is characterized by adverse breakdown position for the beneficiary and conflict in order to try and secure an equitable share of the common pool of the household resources. In Stage 3 changes occur due to her affiliation with the CBMFIs. She is now able to access the benefits associated\(^3\), with such women centric MFIs. This helps the beneficiary to: a) become a contributor towards the pool of household resources (i.e. an active contributor to the process of household co-operation). b) reduces the situation of conflicts (which result at the time of the household division of resources). c) results in more favourable outcomes with respect to the breakdown position and d) thereby leads to favourable intergenerational outcomes especially with respect to the female gender- as each subsequent generation is able to build on the foundation laid by the previous generation. We term such a situation as ‘quasi-empowerment’ (for details see figure 3.7 and related explanation).

**Fig 3.3: Stages of Empowerment**

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\(^2\) the meaning of the terms collusive arrangements, breakdown position – see section 4.5

\(^3\) The term benefits includes access to savings, credit, knowledge about various development programmes, capacity building inputs, relatively affordable medical care, emergency loans and the support system associated with the numbers associated with mature SHG groups and clusters. The details of both the MFI models and their offerings are discussed in subsequent sections.
3.6 Research Gap

1. Based on the theoretical review thus far it is evident that there are ample studies focusing on the effect of microfinance on individual variables such as savings, investments and financial management skills, gender and reproductive health, entrepreneurship, poverty. These studies are mainly focused on ‘the part rather than the holistic’ impact of microfinance upon the beneficiary. In other words, such studies only highlight a partial view- focusing more on the poverty alleviation and the financial self-sustainability paradigm as detailed by (Mayoux L., 2006) rather than the feminist empowerment paradigm or which study the social and political empowerment (Mayoux L., 2000). (Kabeer, 1999) states that the essence of empowerment is the deployment of the transformative agency by the beneficiaries such that it improves the ability of poor women to protect, challenge and change patriarchal structures and unfair practices. Such holistic studies that capture the multi-faceted impact of women centric microfinance models upon the beneficiaries are few in number. This study attempts to make a contribution to that body of work.

2. Another unique aspect of our study is that it compares and contrast two different socio-economic groups (i.e. rural and urban women beneficiaries) as well as two different models (SHG Federation and the JLG model).

Both the MF models have been founded by highly educated women. The comprehensive package of services offered to the members includes access to credit, savings, capacity building inputs, access to medical care facilities (preventive and curative care) etc. It also offers an organization structure and an operating platform that is simple, flexible and transparent since the members are involved in handling all the operational aspects. In the following section we give an overview of the salient features of both the MFI models. This has been done to provide a contextual backdrop especially in relation to the literature review presented earlier.

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4 In both the models the beneficiaries (members) are involved in handling various dimensions: the management of the SHG’s via group formation, conduct of monthly meetings loan disbursal and recoveries book-keeping, documentation, approval of medical claims and approving the emergency medical advance. Members elect their own leaders who represent their problems and concerns at the federation/centre level.
3.7 The SHG Federation and JLG Model

The microfinance (MFI) sector in India is highly heterogeneous and is characterized by different models. The four types of models are: (1) SHG and SHG Federation Model; (2) The Grameen Bank Model; (3) JLG Model and (4) Direct Model

3.7.1 Self Help Group (SHG’s)

SHGs are homogenous groups of 10-15 women (less than 20) who come together for pooling their saving and credit purposes. They usually belong to a homogenous socio-economic background which means that members are familiar with each other’s family backgrounds, occupation details and lifestyle patterns. This intrinsic knowledge helps building a cohesive group with very low default rates. Some of the characteristics of the functioning of SHG groups are: a) predetermined savings and repayment amounts, schedules and rules regarding fines and penalties to be paid in case of defaults. b) Regular group meetings and logs which contain the data about the income, expenditure, profit and loss, balance-sheet of the group and savings, borrowing, fines and interest pertaining to the members as well as member attendance register. c) An SHG Federation is an aggregation of many SHG clusters. Each cluster is an aggregation of many SHG groups. Federations are promoted to overcome the limitations of individual SHGs: such as pooling in of idle funds, limited ability of SHG’s to access external sources of funds. The credit delivery can be under the ‘two-tier model’ or the ‘three-tier model’ (see Figures 3.4 to 3.6).

Fig 3.4: SHG Federation Model

The credit delivery system under the two-tier federation model is:
Federations, act as financial, social and technical intermediaries. Financial intermediation involves collection of member savings and distribution of credit to the member in required amounts. Technical and social intermediation includes capacity building of the members for promoting community based organizations which can govern the institution and manage their own funds, promote institutional linkages and act as solidarity groups to address various issues of their members. SHG federations were actually envisioned as an ‘exit option’ a means to ensuring the self-reliance by SHGs.

### 3.7.2 The Grameen Bank Model

This derives its name from the famous Grameen Bank of Bangladesh. In this model a group of five individuals come together and form a solidarity group. The group appraises the loan and recommends it to the MFI which undertakes individual lending. Savings are mandatory but not a deciding criterion for determining the loan amount. The group selects the neediest person and recommends her/him for the first loan. Based upon the repayment of the first borrower, the second one gets a loan and so on till the fifth member gets the loan. Share MicroFin (www.sharemicrofin.com) and Cashpor (www.cashpor.in) follow this model.
3.7.3 Joint Liability Group (JLG)

JLG is an informal group comprising of up to 10 individuals that come together to avail loans. The MFI will lend to the JLG after verifying the credentials of the individual members. Basix (www.basixindia.com) was the first MFI to promote the JLG model. A comparative table showing the differences between the three models is given in table 3.1.

Table 3.1: Comparison between different microfinance models

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Feature</th>
<th>SHG</th>
<th>Grameen Model</th>
<th>JLG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Size</td>
<td>10 -15 members</td>
<td>5 members</td>
<td>4 to 10 members</td>
</tr>
<tr>
<td>2</td>
<td>Savings</td>
<td>Mandatory</td>
<td>Mandatory</td>
<td>Optional</td>
</tr>
<tr>
<td>3</td>
<td>Records</td>
<td>Maintains own records which can be audited</td>
<td>Financial records kept by the MFI</td>
<td>May be maintained by both the parties viz MFI and group</td>
</tr>
<tr>
<td>4</td>
<td>Pool of Resources</td>
<td>Is a combination of funds + interest+ savings+ fines and is available for lending to the members</td>
<td>Depend upon the MFI</td>
<td>Depend upon the MFI</td>
</tr>
<tr>
<td>5</td>
<td>Rate of Interest</td>
<td>Decided by group / federation</td>
<td>Decided by the MFI</td>
<td>Decided by the MFI</td>
</tr>
<tr>
<td>6</td>
<td>Lending Method</td>
<td>A SHG lends to its members</td>
<td>MFI lends directly to the individuals</td>
<td>MFI lends directly to the individuals</td>
</tr>
<tr>
<td>7</td>
<td>Loan Amounts</td>
<td>Usually different</td>
<td>Can be different</td>
<td>Can be the same</td>
</tr>
<tr>
<td>8</td>
<td>Repayment and Fresh Lending</td>
<td>A member can repay her loan and take a fresh loan. Hence her status is not linked to the whole group</td>
<td>Repayment by the first member results in advancing loan to the second and so forth</td>
<td>All the members are on the same loan/repayment schedule. Unless and until all the members repay their entire dues, the loan is not deemed as ‘cleared off’ even if the individual member may have repaid her individual loan. If a particular installment is not repaid by the borrower, the other members have to repay it</td>
</tr>
<tr>
<td>9</td>
<td>Nature of Group</td>
<td>Long term-continue generally for a period of five years. The group proceeds are distributed and the group reconstitutes and starts all over again</td>
<td>Long term</td>
<td>Can dissolve after the entire group repays their stipulated loan amount tier. Once all the members have paid up, the group graduates to a next (higher) loan tier</td>
</tr>
</tbody>
</table>

Source: Author.
3.8 About Selected Study Models

The Annapurna Mahila Credit Co-Operative (AMCCL) society follows the joint liability model while the Gramin Mahila Swayamsiddha Sangh (GMSS) follows the SHG federation model. An overview of both the organizations, their products and operations pattern is given below.

3.8.1 About Annapurna Pariwar (AP)

AP is a group of six NGOs which is working in the Mumbai and Pune area. Their main clients are poor/low income individuals/slum dwellers. They operate in about 150 slum pockets of Pune and 60 slum pockets of Mumbai respectively. They also extend micro credit facilities to the SHGs promoted by their partner organization: Samata Pratishthan which operates in Beed (Maharashtra). Beed is one of the poorest districts in Maharashtra’s Marathwada region and is known for the rampant female foeticide which came to light during June 2012.

Fig 3.7: Annapurna: Organization Structure & Institutions

Source: Author

3.8.1.1 Annapurna Mahila Mandal (AMM), Mumbai

AMM was started in 1975 by Padmashree Prematai Purao, a freedom fighter from Goa and Comrade Dada Purao who was trade union leader. Prematai started this endeavor to boost the confidence of the women whose husbands had lost their jobs due to the closure of some of the cotton textile mills in Mumbai. This was in the year 1980. The women ran

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6 1975 was declared as the International Year for Women,
‘kahanavals’ (also known as ‘food-mess’, inns). The main clients of these inns were the textile mill workers and other immigrant labour workers in and around the industrial hub of Mumbai. These inn-workers used to borrow at exorbitant rates from local money lenders to procure the raw materials required for running such inns. Hence Dada and Prematai Purao started a registered credit co-operative to facilitate the availability of institutional credit and savings to such women. Post 2000 the microfinance facilities were extended to other poor self-employed women in Mumbai’s slums

3.8.1.2 Annapurna Mahila Mandal, Pune

This is the mother organization for it houses all the activities of the Pune operations in it’s premises in Warje. The AMM Pune chapter was started by Dr. (Mrs.) Medha Samant in 1993. Dr. Samant is the daughter of Prematai and Dada Purav. She had moved to Pune after her marriage. She noticed that the lady vegetable vendors in her area were borrowing at exorbitant rates from the local money lenders in order to obtain the working capital necessary for purchasing their stock. This was despite the fact that there were many banks in the vicinity but since these women had no collateral, education or regular cash flows, they were excluded from the formal banking systems. Mrs. Samant formed a group of 9 vegetable vendors and lent them an amount of INR 9000. The group repaid the funds in a timely manner. This led to the beginning of AMM’s activities in Pune. Gradually different services were added so as to provide its beneficiaries who are mainly women a complete package of services that can support various life cycle needs. For example: the Vidyapurna program is an educational sponsorship program that identifies foster parents or donors who sponsor the education of kids belonging to single mothers who are microfinance clients of AMCCCL. Education for deserving kids from Class 1 to Class 12 can be sponsored by a foster parent, who can avail of income tax exemption under section 80G. AMMP was registered as a trust in the year 2000.

3.8.1.3 Annapurna Parivar Vikas Samavardhan (APVS)

APVS is a ‘not for profit’ company registered under section 25 of the Companies Act 1956. This company is owned and run by the micro borrowers of the AMMCS. This was

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7 Annapurna is the Hindu goddess of food. The initiative started with the wives of the out of job mill workers catering food in eating places which are known as ‘khanavals’ in Marathi. They would prepare the food and serve it to customers at a reasonable rate thereby trying to earn their livelihood.

8 Both AMACS and GMSS have similar package of offerings for their members. Both offer medical assurance facility and extend emergency loans to their members. Where they differ is that the SHG Federation is relatively more flexible in payments and in allowing prepayment and variable loan tenures.
promoted in April 2003, to undertake activities related to the health and well-being of its MFI clients. Under the program three funds were created for the members. This project was called ‘Swasthyapurna’ Health Mutual Fund (HMF-started in 2003), Family Security Fund (FSF-1998) and the Life Mutual Fund (LMF)\(^9\). Health education, counseling and low cost health care network services are provided to the members and help is extended during times of sickness, disability and death. There is an extensive network of 190 hospitals in Pune and 90 in Mumbai. An estimated 14,000 families and 54,000 individuals in Pune and 8,000 families with 28,000 individuals in Mumbai have been provided health coverage under this program. Financial claims are settled during the monthly meetings

3.8.1.4 Vatsalyapurna Swayamrojgar Seva Cooperative Society (VSSCS)

VSSCS is a service cooperative society that runs day care centres for the members/children. It’s a chain of low cost day care centres meant for the kids of the members the first day care centre was started in 2003 in the Karvenagar slum area of Pune after a rape of a six year old child of a poor working single mother. VSSCS was registered in 2007. There are 16 day care centres across Pune.

3.8.1.5 Annapurna Mahila Industrial Cooperative Society (AMICS)

AMICS undertakes vocational training programs for school drop-outs so as to enable them find suitable jobs. This initiative was started in June 2001

3.8.1.6 Annapurna Mahila Cooperative Credit Society Ltd (AMCCL)

AMCCL offers microfinance services in about 150 slums of Mumbai and 60 slums in Pune. The society was registered in Mumbai in 1985 and got a multi-state license in 1998. Microfinance activities in Pune and Mumbai started under this co-operative society from the year 2000. The microfinance activities (micro loans and savings) are mainly offered for business creation or expansion, education, housing, asset creation etc. Loans are advanced to

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\(^9\) Rs.130/- per person per year is the contribution for the health mutual scheme which is called ‘Annapurna Arogya Nidhi’ - Health Mutual Fund (HMF). For Jeevan Sahyog (Life Mutual Fund - LMF), the contribution is INR.50/- to INR.1,325/- for loans ranging between INR.7,000 and INR.1.50 lacs per borrower for the complete loan repayment period ranging between 12 months and 36 months. The benefits are complete loan write-off and INR.15,000/- financial assistance to the family of the borrower. For Kutumb Suraksha Nidhi (Family & Asset Mutual Fund - FMF), the contribution is INR. 60/- to INR.80/- for loans ranging between INR.7,000 and INR.1.50 lacs per family of borrower for the whole term of loan Repayment ranging between 12 Months and 36 Months. The benefits are - a). Rs.3,000 as a financial assistance to the borrower in case of death of spouse and Rs.1,500 in case of death of only other family member. b) Financial assistance of Rs.1,500 in the form of eatables, clothes, utensils at the time of accidental loss of assets. c). Write off the complete loan / few installments in case of major asset loss (For BPL Below Poverty Line members, the contributions of all products are kept lower at Rs.75/- per family for 12 to 36 months).
JLGs\textsuperscript{10}. Loans are given in a tiered format (loan amounts range from Indian Rupees 10,000 to Rupees 1,00,000. Members who have a good track record can also get a ‘Bada Loan’ (big loan) of Indian Rupees 1,50,000). This is done to observe the loan repayment track record of members, their group strength and the application of funds. A unique feature of the microfinance program is that a minimum of 10 percent of the amount borrowed has to be earmarked for savings (Fixed Deposit).

The current rate of interest charged is 14.50 per cent flat for loans up to Rs.35,000 and 12 per cent flat for above Rs. 35,000. The members (borrowers) save 3 to 5 per cent of each loan amount up front and also during the repayment of loan. On their savings they are paid interest @ 6% p.a. They also do voluntary saving in the form of Recurring Deposits on which they get 10% on 1 year, 11 per cent on 2 years and 12 per cent on 3 years. Prepayment of loans is not allowed. If an existing member dies, the remaining members continue till the end of the loan. However, for the next loan cycle they need a 5-member group again. Moreover insurance of all the group members is mandatory. Vegetable vendors, fish and fruit sellers, rag pickers, construction and domestic workers, papad makers, petty merchants etc. are the main clients (the details of their branches in Mumbai and Pune are given in table in Chapter 4.

\begin{center}
\textbf{Box 3.1: From Despair to Hope}
\end{center}

\textbf{Usage of JLG Funds for Education & Entrepreneurship}

Mrs. Rekha Kamble is a group leader in the Sanghvi area. She considers Savitribai Phule to be her role model. She studied up to class 4 and her husband up to class 8. She was married at a very tender age of 14 years and came to Pune along with her husband. Being the eldest of three daughter-in-laws, she was under a lot of pressure from her family members to have a male heir. Rekha has four daughters- the youngest are twin girls. During her third pregnancy, she was advised to opt for abortion since her in-laws found out about the twin girls. However Rekha said that she stood her ground and decided to go ahead with the pregnancy although she was quite unsure about the future. She heard about Annapurna’s microfinance offering and created a group comprising 15 women. She borrowed funds and used them for making a down payment for procuring an auto rickshaw for her husband. Simultaneously she also started undertaking small tailoring jobs like hand stitching saree falls.

Today Rekha’s eldest daughter is an engineer and works in an IT company in Pune. Her second daughter is pursuing bio-medical sciences. The twins are studying in Class 10. She is looking forward to a bright future for all her four girls.

\textit{Source: Author (based on fieldwork data)}

\textsuperscript{10} JLG’s are groups formed by 5 poor women / men who stand guarantee for the loan advanced to each member within the JLG. 3 such JLG’s come together to form a centre. Centres facilitate efficient loan delivery and recovery
3.8.1.6.1 Process of JLG Group Formation & Management at AMCCCL

The Loans and Savings Officer (LSO) is the first point of interface between the present/ potential clients and AMCCCL. The LSO scouts for potential clients based upon certain criteria such as: a) residential area/ slums in low income areas b) the density of population c) distance / proximity from other AMCCCL branches d) the socio-economic profile of the area and e) proximity to other banking/ MFI options.

The eligibility criteria for selecting members are: a) age b) household income c) availability of KYC documents d) no family member should be part of the same group e) proximity of residence f) the members should be willing to take responsibility and g) the purpose for seeking membership (preferably income generation) h) potential members should preferably have their own residence or be able to produce rent receipts (in case of rental accommodation).

Box 3.2: All that Glitters…is Gold
Indigenous Innovation

Mrs. Vaishali Chougule works as a domestic help in various homes in the Sanghvi area. She is 40 years old and has been working for the past 22 years. Vaishali was just 18 years old when she was married and became a widow by the time she was 23 years old. He was an alcoholic and suffered from liver cirrhosis. In order to get him treated she had borrowed from family and friends and used to repay them in installments as and when she was able to save some of her earnings.

Vaishali inherited INR 100,000 from her father when he passed away. She had joined Annapurna’s microfinance group shortly before his death. After listening to the advice of the Annapurna’s Loan and Savings Officer (LSO) about the imperative to save funds, Vaishali placed part of her inheritance in a fixed deposit with a bank. She did this to ensure immediate liquidity in case of future emergencies. She purchased gold (coins) with the remaining funds (at the time gold was priced @ INR 8000 per 10 grams). She kept the gold in the bank for safe keeping. After she had a reasonable amount of gold stocks, she started borrowing against the gold. The borrowed funds were used to purchase more gold. In this way she devised her own ‘systematic investment plan in gold’

She used the combination of the credit from Annapurna and her earnings in order to educate her kids. Her daughter completed a Master’s degree in Commerce and is employed as an accountant in a college in Pune. Today Vaishali Chougule is a proud owner 21 tolas of gold!

Vaishali has managed to purchase 20 tolas of gold for her son and daughter. She keeps her stepson and her step daughter in law with her. With clever financial planning and Sip in gold she has managed to rise above her pathetic circumstances. Her husband was a drunkard who used to beat her and died of liver cirrhosis. Her daughter has completed M.COM.

Source: Author (based on fieldwork data)
Once the area is identified, the LSO organizes an orientation meeting wherein she briefs the potential members about the procedures, rules and regulations, credit, insurance and savings products etc. The LSO also conducts an individual evaluation and verification of the members by visiting the residence of each and every applicant. After the verification process is completed and suitable candidates are identified, the LSO forms a centre which typically comprises of 3 JLG groups. The documents are further scrutinized by the Branch Office Manager (BOM). She conducts a Centre Recognition Test to judge if the members have understood the instructions of the LSO. Once this is done, the documents are sent to a credit approval committee for approval. When the loan is approved the (new) members along with their spouses are required to go to the branch office for collecting the loan cheques. There they are again appraised about the terms and conditions of AMCCL. Loans are disbursed in the branch office from the 21st to the end of the month. The members are issued with passbooks for their records. While the overwhelming majority of AMCCL’s clients are women, there are some groups that have some male members as well.

3.8.2 Gramin Mahila Swayam Siddha Sangh (GMSS)

GMSS is the Maharashtra’s oldest and largest SHG Federation.

3.8.2.1 Origins of the SHG Federation Model @GMSS

Chaitanya, an NGO based in the Khed block of Pune district has been at the forefront of pioneering the SHG movement in Maharashtra, since early 1990s. It facilitated the formation of Grameen Mahila Swayamsidhha Sangh (GMSS) which has the distinction of being the first federation of self-help groups (SHG’s) in Maharashtra. The purpose behind establishing GMSS is to act as a federation which can support around 15-20 clusters. Each cluster is an association of 10-20 SHG groups. The goal is to provide financial intermediation to each group at the federation level and to ensure that each group is able to meet the demand of its members.

3.8.2.2 The Rationale for forming SHG Federations

Prior to promotion of the SHGs, Mahila Mandals (group of women from the village - usually much larger than SHGs) were promoted through the government programs as forums for organizing and working on women’s issues. Women shared a number of problems, ranging from social issues such as lack of education, early marriages, alcoholism (spouses) to issues like scarcity of water, poor quality roads, lack of adequate health facilities and
unemployment, during various meetings. A series of camps were organized to bring women together and discuss ways to address their pressing concerns. Women from various villages would gather in a central place for day long interactions. However, the participation fluctuated, as all women could not join these camps. For social and practical reasons it was difficult for women to go out of their village to participate in these camps. At this juncture regular savings through SHGs were seen as a means to bring women together at regular intervals. Being a village based institution; women could meet at a mutually convenient time especially at night after they were all done with their daily chores. SHGs were primarily seen as means of organizing women for their empowerment. Conscious attempts were made to link these isolated groups to come together at the village level. Collective actions were encouraged on various social issues. However, the need to federate at a bigger level for financial reasons emerged since some of the groups faced shortage of funds for their internal lending. On the other hand, there were some SHGs that had unutilized savings. These circumstances led to the idea of facilitating inter-lending between the groups through a federation.

Box 3.3 Mobilizing the Power of Aggregation for Change
How the village of Vetale got rid of the Illicit Liquor Dens

The village is nestled atop a hill overlooking the picturesque Chaas-Kamaan water reservoir. According to the 2011 census there were 527 families residing in the village, however most homes have one/two male members working in Pune/Mumbai. Hence the village has a very small ‘active population’ – most of whom are women. But these women have taken it upon themselves to get the village rid of illicit liquor dens

Asha Bai Nayakare is one such dynamic and ‘young’ 70 year old. A feisty lady, Asha Bai is known for her ability to speak up and stand her ground even in the face of the stiffest opposition. She along with a group of the SHG members have created a ‘task force’ that comprises of the village seniors, youth (boys) and the SHG members.

They conduct surprise raids in locations which are suspect and have managed to shut down all the locations. The village has a history in dealing with this problem- there was a time when nobody was willing to marry their daughter and then menfolk had a tough time getting brides due to this problem. Asha Bai herself is a victim of the problem-she was abandoned by her husband who fell a victim to the menace and left the village.

The power of aggregation has helped them to get rid of this long standing problem. The literacy rate of Vetale village was 70.82 % compared to 82.34 % of Maharashtra. In Vetale male literacy stands at 80.51 % while female literacy rate was 61.37 % (Census 2011).

Asha Bai rues the fact that many families and generations suffered due to intergenerational impact of the vicious circle of debt caused due to alcoholism.

Source: Author (based on fieldwork data)
GMSS started as an informal federation of five groups and worked that way for almost two years. Two leaders from each SHG were selected to represent their units. The rules of federation pertaining to membership fee and meetings were framed. In the initial stage five out of a total fourteen groups decided to federate to begin with and later rest of the groups as well as some newly formed group took membership. The number of groups increased to 20 by 1993. With an increase in the number of SHGs, the funds pooled were found insufficient to meet the credit demand of all the SHGs. Similarly, some groups experienced that the banks did not recognize their identity as a group, making bank loans a tedious process. To overcome these challenges, linkages with external agencies for accessing additional funds were established. The Friends of Women’s World Banking (FWWB), an institution engaged in financial services, initially gave credit to the informal unregistered federation by accepting a third party guarantee. In order to facilitate further borrowing, FWWB suggested the need for creating a legal entity. Thus the informal federation was formalized as Grameen Mahila Swayamsiddha Sangh (GMSS) in 1993 by registering it as a society (See, Figure 3.8).

**Fig: 3.8: The SHG Federation Model**

![Diagram of SHG Federation Model](source: Chaitanya)

Member savings i.e. INR 200 is deposited every month with GMSS by the SHGs. The balance savings are left with the SHG itself so that they have a sense of belonging and responsibility in dealing with the funds (savings/credit) during the course of the regular operations.
3.8.2.3 Structure

GMSS has a three-tier structure and the individual members of the SHGs are affiliated through the clusters to GMSS in the capacity of general members. Each SHG pays INR 500 and each individual member of the SHG pays INR 10 as membership fee to GMSS. Each cluster is made up of 10 to 20 groups and has an executive committee. The size of the committee depends upon the number of SHGs in that cluster. Two representatives from each SHG attend cluster meeting. Out of these two members, one member has a permanent membership and other members attend by rotation.

3.8.2.4 Governing Body

The governing body comprises representatives of SHG members. Representatives of Chaitanya, (the promoting organization and NGO) are nominated in the advisory capacity. Presently there are five advisory members and their role is to provide necessary support to strengthen the governance of the groups. The advisors and experts associated with the Executive Committee do not have any voting rights.

3.8.2.5 Nomination to the board

Each cluster identifies a representative member, whose selection is approved at the AGM\(^\text{11}\) of GMSS (conducted in June every year). An important criterion for selection is the time that a woman member is able to devote on a regular basis.

3.8.2.6 Products & Other Value Added Inputs Offered by GMSS

The three main categories of products are the savings, insurance & the loan products. The features of each category are

3.8.2.7 Savings Collection

Savings are collected at the respective SHG group level meetings (from members) and thereafter (deposited with the Federation) at the cluster level meetings only. The amount of funds deposited by the respective SHG is entered into the SHG record book (pass book) which is given by a GMSS (federation representative) to the SHG’s. It’s the responsibility of cluster leaders to ensure that this process is completed. A receipt is given to the respective SHG denoting the amount of savings deposited. Other than the compulsory savings all additional savings can be withdrawn anytime by the members similar to the savings account in a bank. In case an SHG wants to withdraw its membership from GMSS, a written

\(^{11}\text{AGM: Annual General Meeting.}\)
application needs to be submitted preferably one month in advance at the group/cluster meeting. No interest is paid if the refund is made within one year (i.e. if the membership is less than 1 year old). For SHG’s which have a membership of more than one year, the savings amount along with interest @ 5% p.a is paid.

3.8.2.8 Deepti Arogya Nidhi: Health Mutual for Members

GMSS has introduced the health mutual product for its members in association with the ‘Uplift India’, which is a Section 25 company registered in Pune (India) in the year 2010. It’s called the ‘Deepti Arogya Nidhi’ and it pools the premia received from its members to pay for the medical expenses incurred based upon certain terms and conditions. It’s based on the principle of ‘one for all and all for one’. Unlike the insurance sector, in a health mutual the risk is not transferred to an insurance company but shared by the community (which in this case is the members of GMSS). The members pay a very nominal premia\textsuperscript{12} of INR 150 per year per individual. This entitles them to pre-negotiated (discounted) rates at various pharmacies, hospitals, doctors and clinics with which GMSS has an arrangement.

The main provisions of the health mutual are discounted prices (ranging from 5% to 20%) at private network medical facilities which includes hospitals, labs and pharmacies. Additionally for in-patient treatment the member receive 60% reimbursement of the medical charges incurred at network private hospitals and 100% reimbursement at government medical facilities (maximum amount of reimbursement INR 15000 per member/year). The product includes additional provisions such as 24*7 medical helpline, health camps and visits by doctors to villages to offer referrals. Members are made aware that the claims can be met through the premiums collected and hence reimbursements may fall short of the expected amount if timely payments are not made. They are also encouraged to sign up every year to ensure that the pool of funds is replenished.

A team of designated doctors judge the technical validity of the claims by conducting the first review. Claims that meet this level of scrutiny are sent to a committee comprising of the women members from the SHG groups who decide upon the final outcome (e. g: should

\textsuperscript{12} Source Chaitanya : The annual premium per person for a family is Rs 150. By signing up , the member is able to avail discounted prices on medications, access affiliated hospitals /clinics/pharmacies and labs for a reasonable(pre-negotiated) fee. A doctor is assigned to the cluster and remains present on the day of the cluster meetings and conducts an OPD in the village. In case of hospitalization, the member is reimbursed the entire cost of hospitalization in case the services of a government hospital are availed. In other cases the member is reimbursed a maximum of Rs 15,000 per person per year. For details http://www.upliftindia.org/programmes/community-based-health-mutual-fund/
the reimbursement amount be less than or equal to the claim amount). In this way the product limits moral hazard\textsuperscript{13} by forming a claims committee formed by the local SHG members who arguably have better information on the merit of the claim. This product is offered to members where the entire SHG is willing to purchase the product (although members can decide who in their family will be included in the coverage). These restrictions help to prevent adverse selection\textsuperscript{14}.

\subsection*{3.8.2.9 Loan Products}

GMSS has three types of loan products viz: a) long term loans, b) short term loans and c) emergency loans. Loans are disbursed by GMSS to its members for various income generating/augmenting purposes in proportion to the savings and the conduct of the SHGs. The norm followed is that the regular savings and the fixed deposit should be one tenth of the loan amount. If a group does not have the amount, it is supposed to deposit the same (i.e. \(1/10\textsuperscript{th}\) of the loan amount) one month before the loan application. This money is kept as a fixed deposit. Fixed deposits are generally kept for a period of 3 to 5 years. A service fee at the rate of 2\% of the loan amount is charged by GMSS.

Members are given loans to meet various lifecycle needs however GMSS ensures that certain norms are maintained\textsuperscript{15}.

\begin{table}[h]
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\begin{tabular}{|p{0.9\textwidth}|}
\hline
\textbf{Box 3. 4 The Desire to Learn … Empowerment through Education} \\
\hline
Meera Bankar was married at the age of fifteen after a family tragedy. She had studied up to Class 9 and had to stop studying after her marriage since she had to shoulder family responsibilities (work in the fields, tend to the homestead) and take care of her in-laws. Fifteen years and three kids later, Meera decided to rekindle her desire to study further. The SHG (Self Help Group) Federation that she is affiliated had arranged for the members to appear for exams through the external route- i.e. the students are given books and provided with training and are allowed to appear through the Yashwantrao Chavan Open University (http://ycmou.digitaluniversity.ac/).

Meera had to plan very well in order to make time for her studies-even organizing the fees was a major challenge. Her husband’s employment had stopped since the fabrication unit where he was employed had closed down-hence all the savings were utilized for the children’s education. Meera worked in her neighbour’s and friend’s fields to generate the funds required to attend the classes and pay the fees. She is confident of passing the Class 12 exam in the first attempt and wants to finish her graduation. A supportive spouse and a positive environment at home helped her to overcome the challenge. She also feels that the support of her Self Help Group (SHG) members helped her tremendously. “My example has inspired others’ she says and wraps up the interview by saying “The next time around many more from my village will come forward to appear for their exams and complete their education”.

Source: Author (based of fieldwork data)
\end{tabular}
\end{table}
3.8.3 Comparisons between Two Models (GMSS-SHG Model & AMACS-JLG)

The main difference lies in the degree of flexibility inbuilt in the model.

- In case of the SHG federation model, members can avail loans based upon their ability to pay. Hence it’s very common to find variations in the loan amounts within members of the same group.

In case of the JLG model there is less flexibility since all the members have to opt for the same loan amount (depending upon their vintage in the JLG and repayment history) and the same repayment period i.e. 1 year or 18 months.

- Prepayment is not possible and nor is it possible to skip the repayment of a single instalment as is possible in the case of the SHG federation model (although the member has to pay interest portion, the principal can be deferred) in case of emergencies/ inability to pay. In the AMACS model the other group members have to cough up the amount on behalf of any member who is unable to pay.

- Collection of the payment (is done during the group meetings) by the respective SHG leader and the funds are handed over to the federation representative subsequently in case of the SHG federation model. In case of the JLG model the LSO referred to as ‘tai’ (sister) is assigned a geographical area for collection and hence she has a very tight schedule since collection of the funds from various groups in the slums –is done on foot. Hence the time available for answering group queries and questions after reconciling the cash received is very limited vis a vis the SHG federation model.

- The JLG model of AMACs requires all the members to travel to the JLG local area office in order to approve the payment of a medical claim for a claiming member. A few years ago, the husbands of the group members also had to accompany them and approve the granting of a medical claim. Similarly in case of the loan sanction process, the spouse (husband) of the requisitioning member also has to travel to AMACS local area in order to sign and signify their acceptance.

- Other minor variations pertain to topics such as mandatory attendance at the AGM, a hierarchical structure and the profile of the participants. The SHG model covered in this study operates only in the rural parts of Maharashtra while the JLG model is only operational in the urban areas (viz. slums of Pune and Mumbai).

Based upon the above theory base a model was conceptualized to denote the process of empowerment as follows (Fig. 3.9):
The most important aspect of empowerment is self-realization: a feeling of being capable and equipped to face a spectrum of situations – from the daily division of household resource so as to secure a favorable ‘breakdown’ position to the more complex issues of challenging well entrenched power structures which typically have a strong element of patriarchal underpinnings. Dealing with emergencies can further weaken the already shaky position of a poor women with little access to sources of economic empowerment.

Firstly, we argue that community based women centric microfinance (CBMF) providers like the SHG federation model of GMSS or the JLG model of AMACS help to activate the positive agency as propounded by (Mayoux L. , 2000; Mayoux L. , 2006) by enabling poor women to get access to savings and credit avenues coupled with capacity building inputs such as dissemination of government funded development programmes (particularly in the domains of health, livelihoods, education, legal, banking etc.).
Institutionalized linkages with the appropriate government agency under the aegis of the CBMF providers can help to foster the feminist empowerment paradigm – which in turn is accomplished through social and political empowerment. This approach is very different from the financial self-sustainability paradigm or the poverty alleviation paradigm which stress more on income generation rather than focus on the situation of the concerned women beneficiaries.

Secondly as stated by Kabeer (1999) the role of the agency is of paramount importance since it’s the activation of the transformative agency that effects shifts in the patriarchal power structures and opens up access to resources and enables positive outcomes for the beneficiaries.

Thirdly awareness of self as an entity for a poor women facilitated and buffered due to access to savings, credit, value added inputs (such as medical assurance, training and capacity building) in a group setting helps the beneficiary women to leverage the power of aggregation. This helps to improve her perceived interest response and perceived contribution response as propounded by (Sen A., 1987) since she is seen as making an important contribution towards the overall opulence of the group. This improved position results in a positive feedback transmission which helps to improve the intergenerational impact. This positive movement in various parameters of the beneficiary can help to propel the beneficiaries towards the quest for positive freedom as articulated by Sen (1987, 1984) by reducing constraints or promoting ‘negative freedom’.

The figure 3.10 shows the transition towards the goal of positive freedom facilitated by institutions like GMSS and AMACS. The grey area (middle portion) shows the current position of the women beneficiaries. An affiliation with CBMFs helps beneficiaries to move away from the traditional (and often misguided) interpretations of welfare such as commodity bundles and tangibles (e.g. calorie intake, access to a house etc.). Often poor women (particularly in the rural areas) are kept devoid of their legitimate entitlement to assets and the rigid social structures that surround such societies prevent such a dialogue from taking place. CBMFs covered in this study enable beneficiaries to become aware of their rights and access resources that can help them to gain control of their entitlements and thereby realize their own potential to stand up the forces that often pull them down.

This societal force is countered through the power and the support of the aggregate body of the other women members (be it at the group, cluster or federation level) that help to make the dents and enable the individual member make her point before being put down by
the patriarchal norms that rule the traditional Indian societies. While this shift is gradual, and it is visible it cannot be called empowerment—it’s more a removal or the tempering of the forces that hamper free choice. Hence we term this interim stage as ‘quasi empowerment’. This is the stage prior to the member graduating to the next level which is referred to as ‘positive freedom’ by Sen (1987).

**Figure 3.10: Towards Empowerment – conceptualized based on (Sen A., 1987)**

- **Box 1:** Breakdown Position or Status Quo
  1) Gives the person vulnerability, or strength, in bargaining in the present and future.
  2) Feedback- transmission or the situation where immediate/current asymmetries can sustain future asymmetries. Added to this are societal asymmetries eg: ownership, education, perceptions of fragility of women- contribute to a weak breakdown position which feed on themselves through the feedback transmission.

- **Box 2:** Defence of Negative Freedom
  1) Requires immunity from the interference
  2) legitimate use of ones ownership holdings
  3) Requires understanding the space and a move away from measuring it in terms of traditional measures (commodity bundles) but in terms of choices between various *functionings* Quasi Empowerment

- **Box 3:** Ideal Scenario
  1) A situation in which the women from patriarchal societies are able to chose/ do what they want to do or achieve (positive freedom) is desireable.
  2) In reality however ideal solutions are seldom possible especially in rural/poor developing nations where *intra household* entitlements /distributions are often guided by traditional norms of entitlements & perceived contribution

Positive freedom simply stated is the ability to choose or to do what one wishes to do. This in our opinion is more of an ideal scenario, a utopian concept since in reality particularly in the case of poor rural societies in developing countries, choices are rarely individual. They are made based upon a variety of factors (such as availability of resources at the household level) and based upon the inputs of various ‘influencers’ belonging to the respective unit: (family elders community and society leaders). Generally the lead influencers in a patriarchal setting are men and so their value systems and beliefs play a big role in enabling the women make the leap to follow through with the decision of her choice. In such cases therefore the

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choices and the consequent outcomes are always ‘relative’ to the woman’s position prior to the exercise of such a choice.

Hence empowerment too therefore is relative: i.e. a poor woman who has the access to the package of benefits offered by CBMF is far better off compared to having nothing at all (denoted by Box 2) and striving alone to achieve some sort of equality (denoted by Box 1) but the ideal scenario (denoted by Box 3) will seldom occur. So while she may progress from Box 1 to Box 2 fairly quickly due to her affiliation with a CBMF entity like GMSS or AMACs, the transition from Box 2 to Box 3 is a slow and gradual process and varies greatly from individual to individual. Hence while ‘empowerment’ or ‘complete freedom in its true sense of pure unfettered sense of the spirit may be an elusive goal to chase even for organizations with a feminist agenda helping women make the forward shift towards the path of empowerment is certainly possible as has been illustrated through our study.

It’s important to highlight that this transformation is possible when the facilitating agency has the interest and the vision of facilitating women empowerment ingrained in its business model and operations. This is very different from some other models of microfinance usually referred to as the ‘for profit’ models. Such ‘for profit’ models were rampant in the then existing state of Andhra Pradesh. The usurious practices, followed by the ‘for profit’ Indian microfinance companies resulted in various unauthorized practices coming to fore such as extortion and in some extreme cases suicides by the borrowers. This resulted in the Government of Andhra Pradesh to issue an Ordinance on October 15, 2010 which effectively brought all microfinance activity in the state to a grinding halt16. The variables used in the above model were captured through members responses collected via a semi structured questionnaire.

The next chapter covers the research methodology used in the study.

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16 On December 14 2010, the Andhra Pradesh Assembly passed the “Andhra Pradesh Microfinance Institutions (Regulation of Money lending) Act, 2010”. The Act came on close heels of the ordinance that was passed by the state on October 15, 2010 to curb the usurious practices that were being followed by some of the microfinance institutions operating in the state. The act aims at regulating the sector in general by with focus on the lending and recoveries of the MFIs in the state. For eg: The ordinance prohibited MFIs from lending to the self help groups (SHGs) that are already covered by the formal banking system without seeking prior approval of the banks. Similarly, the MFIs are also mandated to change their recovery practices from weekly basis to monthly basis. The MFIs have also been instructed to conduct their meetings with the borrowers in a prominent government facility like village panchayat office.