CHAPTER II

REVIEW OF LITERATURE

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REVIEW OF LITERATURE

2.1 Introduction

Any strategy which aims to deal with the empowerment of the poor, that of women in particular, must be based on an understanding of and the ability to overcome the causes of the lack of power which lies behind it. A review of the literature suggests that there is much debate at the theoretical level as to what constitutes empowerment and how best it can be achieved. A large number of micro level studies have been undertaken so far by various scholars, institutions, NGOs, and sponsors of microfinance programmes highlighting the strengths and weaknesses of the programmes at international, national, and regional levels. The major themes of their studies are reviewed in this chapter. They are subdivided into four heads, viz. empowerment: conceptual analysis, micro finance at a glance, Self Help Groups and their impact on women empowerment, and limitations of the available literature and research gaps.

2.2. Empowerment: Conceptual Analysis

With the concept of power, ideology, patriarchy and gender, we should be clear about the notion of empowerment. Empowerment is defined as the process and its result whereby the powerless or less
powerful members of the society gain greater access and control over material and knowledge resources, and challenge the ideologies of discrimination and subordination, which justify this unequal distribution. Empowerment manifests itself as a changing balance of power in terms of resource distribution and changes in ideology, or ways of thinking (Batliwala 1994). According to her, women’s empowerment, therefore, is the process by which women gain greater control over material and intellectual resources, and challenge the ideology of patriarchy and the gender-based discrimination against women in all institutions and structures of the society. She analyses the goals of empowerment as

(i) Change and transform the ideology and practice of women’s subordination.

(ii) Transform the structures, systems, and institutions, such as family, caste, class, ethnicity, and the social, economic, and political structures, the media, the law, top-down development models, etc., which have upheld and reinforced this discrimination, and

(iii) Gain access and control over material and knowledge resources.

The author identifies three approaches to women’s empowerment: the integrated development approach, which focuses on women’s
survival and livelihood needs, the economic development approach, which aims at strengthening women’s economic position, and the consciousness-raising approach, which organizes women into collectives that address the sources of oppression. To be effective, empowerment strategies must simultaneously address women’s practical gender needs as well as strategic gender needs.

Gita Sen and Caren Grown (1987) state that women’s empowerment is the transformation of the structures of subordination, including changes in the law, civil order, property and inheritance rights, and control over women’s bodies and labour, and the social and legal institutions that endorse male control. They call for resources (finance, knowledge, and technology), skill training, leadership on the side and democratic process, dialogue, participation in policy and decision-making, and techniques for conflict resolution, if women are to be empowered. Empowerment should lead to capacity building and personal enrichment. It also should help them develop leadership qualities, entrepreneurship, and exposure to the outside world.

The subject of empowerment of women is deeply rooted in the globally determined and accepted goals of equality, development, and peace for all (Murugaiah, 2002). It is multidimensional and refers to the expansion of freedom of choice and action in
economic, social, and political spheres to shape one's life. It also implies control over means and decisions. For women, such freedom is often curtailed due to gender inequality in the household as well as in the society.

Empowerment refers broadly to the expansion of freedom of choice and action to shape one’s life (Narayan D, 2005). It is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable, institutions that affect their lives. The local terms associated with empowerment include self-strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one’s values, capacity to fight for one’s rights, independence, own decision-making, being free, awakening, capability, etc.

An empowered woman will be one who is self-confident, who critically analyses her environment and exercises control over decisions that affect her life. It also enables women to look at problems differently, analyze environment and situations, recognize their strengths, alter their self-image, access information and knowledge, acquire new skills, and initiate action aimed at gaining greater control over resources of various kinds (Rao, 2004). Women’s strategic needs are defined as those required to increase their bargaining capacity, reduce violence against them,
and make them gain more influence over decision-making (Sinha A, 2004).

Narasimhan S (2001) argues that the more vital inhibiting factors leading to the disadvantaged position of women are their ignorance, powerlessness, and vulnerability. She emphasizes the need for bringing about an attitudinal change among women as the most important step towards empowerment.

Thus, for empowerment, women require a set of assets and capabilities at the individual level, such as health, education, and employment, and at the collective level to organise and mobilize, and take action in order to solve their problems (Chattopadhyay, 2005).

2.3. Micro Finance at a Glance

2.3.1. Early Initiatives

Micro finance is generally an umbrella term that refers to the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro enterprises (Sharma, 2001). The growth of micro finance has to be necessarily accompanied by the overall growth in mainstream rural finance. If empowerment of poor in general and of poor women in particular
is being attempted through micro finance at a time when all aspects of social banking are being jettisoned, it is unlikely that the goals of such an empowerment would be achieved and sustained in an enduring way. The declaration of the Micro-Credit Summit held in Washington DC in 1997 defined micro credit programmes as those that "extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families" (Micro Credit Summit, 1997). The Task Force on Micro Finance established by NABARD defines micro finance as the ‘provision of thrift, credit and other financial services, and products of very small amounts to the poor in rural, semi urban, or urban areas for enabling them to raise their income levels and improve living standards" (NABARD1999).

According to the Micro Finance Handbook produced by the World Bank’s Sustainable Banking with the Poor project, while the term micro finance refers to the provision of financial services to low income clients, many Micro Finance Institutions (MFIs) provide social intermediation services comprising group formation, training in financial literacy and management capabilities, and therefore the definition of microfinance encompasses both financial and social intermediation.

The role prescribed for the financial sector in India to achieve developmental goals dates back to the pre-independence days.
There was a great need to replace costly informal credit with institutional credit. The All India Credit Survey Report of 1954 found that informal sources accounted for 70%, while the cooperatives accounted for 6.4% and commercial banks just 0.9% of rural credit usage. The Lead Bank Scheme\(^2\) was introduced in 1969, thereby starting a process of district credit plans and coordination among the different financial intermediaries. The same year also saw the nationalization of 14 commercial banks. As a result of these initiatives, the share of the formal financial sector in total rural credit usage rose to 30% in 1971. The Regional Rural Banks (RRBs) were conceptualized in 1975 to augment the delivery of financial services in rural areas. This resulted in the creation of one of the largest networks of banks in the world (Sriram MS, 2003).

The Government initiated the Integrated Rural Development Programme (IRDP) in 1980-81 with the objective of directing subsided loans to poor self-employed people through the banking sector. NABARD was established in 1982. In the same year, the Government also introduced the Development of Women and Children in Rural Areas (DWCRA) scheme as a part of IRDP. In 1991, India faced a balance of payment crisis. The foreign currency reserves fell to low levels, affecting the country’s ability to meet foreign debt obligations. The crisis, however, propelled the
government to introduce structural changes in the economy, commonly referred to as the Economic Reforms of 1991, gradually resulting in greater autonomy to the financial sector. As a result, new generation private sector banks such as UTI Bank, ICICI Bank, IDBI Bank (all established in 1994) and HDFC Bank (early 1995), emerged. The Narsimhan Committee report of 1991 also recommended phasing out interest rate concessions and around the same time, the Brahm Prakash Committee recommended reducing the state involvement in cooperative banks, (Fisher T, Sriram MS, 2003).

It was around this time that the first self-help groups (SHGs) started emerging in the country, mostly as a result of non-governmental organization (NGO) initiatives. The Mysore Resettlement and Development Agency (MYRADA) was one of the pioneers of the concept of SHGs in India. These SHGs were large enough for the banks to have transactions with, and were also very responsive and flexible to the needs of their members. While MYRADA did not directly intervene in the credit market for the poor, it facilitated ‘banking with micro institutions established and controlled by the poor.’ These early initiatives were largely responsible for the emergence of the modern MF sector in India.
The early nineties also witnessed the rise of several micro finance institutions. Some prominent MFIs such as the Society for Helping Awakening Rural poor through Education (SHARE) were conceived during this period. In 1992, the SHG - bank linkage programme was formally launched by NABARD, which circulated guidelines to banks for financing SHGs under a pilot project aimed at financing 500 SHGs across the country through the banking system. By March 1993, the banks had financed about 600 SHGs. Good repayment rate gave the banks the confidence to continue financing SHGs in the coming years. This encouraged the Reserve Bank of India to include financing to SHGs as a mainstream activity of banks under their priority sector lending in 1996. Concurrently, in 1993, the Rashtriya Mahila Kosh was established to accelerate the flow of credit to self-employed women in the unorganized sector. It is worth mentioning here that the SEWA Cooperative Bank, operating in Gujarat with similar objectives since 1974, is arguably the first MF programme in India. Micro finance received greater recognition in 1998 when the Small Industries Development Bank of India (SIDBI) set up the Foundation for Micro Credit with an initial capital of Rs.100 crores. The same year also saw the formation of Sa-Dhan as an apex level association of community development finance institutions. The passing of the Mutually Aided Cooperative
Societies Act (MACS)\(^6\) by Andhra Pradesh in 1995, followed by some other states, also acted as a stimulant and many new MF initiatives came up under the MACS Act.

In India, under the sixth Five Year Plan, the policies and programmes relating to women were given a shift in approach from ‘curative’ to ‘preventive’ and ‘welfare’ to ‘developmental’. Economic development through income generating activities was given the top priority so that women would become economically independent and self reliant to take part in the socio-economic development of the country. Although ‘women in development’ approach benefited a section of women, their status in the family and society could not be raised to the expected level. The concept of empowerment of women as a goal of developmental projects and programmes gained wider acceptance in the 1990s. It aimed at the redistribution of social power and control of resources in favour of women based on development strategy (Christa Wichterich, 1995).

Between the 1950s and 1970s, governments and donors focused on providing subsidized agricultural credit to small and marginal farmers, with the hope of raising productivity and income. During the 1980s, micro enterprise credit concentrated on providing loans to poor women to invest in tiny businesses, enabling them to generate and accumulate assets and raise household income and
welfare. As systems of subsidized credit collapsed, emphasis shifted from rapid disbursement of subsidized loans to prop up targeted sectors towards the building up of local, sustainable institutions to serve the poor. Successful micro finance initiatives in the 1980s, such as the Grameen Bank in Bangladesh and Bank Rakyat of Indonesia, created great expectations for scaling up of microfinance to massively reduce poverty in developing countries. Diverse forms of micro finance institutions - NGOs, credit unions, nonbank financial intermediaries, commercial banks, and financial co-operatives – began developing programmes and institutions to reach micro finance to the poor.

In the 1990s the enthusiasm for micro finance led to the creation of two international organizations aimed at promoting and improving the use of micro finance for development. The Consultative Group to Assist the Poorest (CGAP) was established in 1995 as a consortium of donor agencies that support microfinance, with a mission of improving the capacity of microfinance institutions to deliver flexible, high-quality financial services to the poor on a sustainable basis. In 1997, the Micro credit Summit Campaign (MSC) gathered over 2,900 signatures from 137 countries, on a declaration to launch a nine-year campaign to reach 100 million of the world's poorest families,
especially the women of those families, with credit for self-
employment and other financial and business services.

2.3.2. Demand and Supply in Micro Finance

The demand or need for micro finance comes from the
disadvantaged sections of the society, who are without access to
services of formal sector financial intermediaries and are typically
excluded from the formal banking system for lack of collaterals. In
short, they are the poor and the very poor.

Stuart Rutherford (1999) argues that effective financial services for
the poor should entail mechanisms to turn savings into lumpsums
for a wide variety of uses. There has been a growing consensus
among MF practitioners that, in addition to credit, the poor need
an entire range of financial services including savings, insurance,
and fund transfers. Savings and, to an extent, insurance are
mechanisms which allow the poor, individually or in groups, to
save and build a resource pool which can be drawn upon during
times of need. They enable the poor to smoothen their cash flows
across time and space.

The MFIs have started to move beyond micro credit, micro
enterprise loans, and savings products to insurance, housing,
infrastructure and micro leasing loans. The demand is high for
finance for purchase of land, infrastructure, and housing loan 
finance for shelter-related investments that is rarely made 
available for the poor households from the formal commercial 
sector (Diana Mitlin, 2003). The same idea is articulated by Woller 
(2002) when he states that the micro finance sector is now 
entering into a new phase from the roots of social movement to a 
commercial industry and the practitioners and policy makers are 
increasingly focusing attention on the commercial aspects and 
viability of institutions. Commercialization is defined as having 
three essential elements: profitability, competition, and regulation. 
This implies that commercialization entails transformation into a 
pro-profit regulated entity that appears to be the final destiny of 
the micro finance industry. It fosters greater competition allowing 
for an expansion of products and services, innovation in 
methodologies and lowering of costs. Empirical evidence suggests 
that commercially viable MFIs have been able to expand the 
outreach to wider geographical areas and to provide a more 
extensive range of financial services to their clients. One of the 
chief benefits that would be derived out of the transformation is 
the increased ability of mobilizing and intermediating, thus 
possibly leading to an increased outreach, development of 
enforcement, accounting, and performance standards, and, finally, 
paving the way for access to domestic and international
money/capital markets for funds. According to Linda Mayoux, the alternative to the group-lending model is micro credit for individuals, as in Indonesia. Such institutions also locate geographically close to the borrower and screening of loans is based on personal knowledge (referred to as character-based lending). However, individual lending can be expensive and loans tend to be larger in order to reduce transaction cost per loan. Transaction costs can also be reduced over time as the lender learns more about a specific borrower through subsequent loans (Linda, 1998).

The International Monetary Fund (IMF, 2002) emphasizes how crucial the development of micro finance sector is for the overall financial sector development. It underscores that the attention is motivated by the IMF’s interest in promoting stable economic growth and financial sector development, notably through adjustment and reform programmes supported by its Poverty Reduction and Growth Facility (PRGF). Micro finance institutions normally fall under the World Bank’s purview, but the IMF must have an understanding of all aspects of PRGF-supported programmes. The micro finance sector must be robust enough to provide more benefits than problems and the design of measures directed at other parts of the financial systems must take into account the effects on micro finance institutions. The needs of the
Micro finance sector are to be factored into a wide range of IMF work, including the policy programmes it supports, its overseeing of the country’s financial sectors and its technical assistance, especially that related to banking system.

Micro lending schemes have served millions of poor people; however, this does not, necessarily, mean that poverty has been reduced. Although disentangling the multiple factors that influence poverty is difficult, many practitioners have argued that the effects of credit are positive as long as clients repay loans and reborrow. A large majority of borrowers are continuing members (85 percent in the case of the Grameen Bank of Bangladesh, as of 1994), although drop-out rates have been increasing in some programmes and many probably dropped out before they graduated out of poverty (Karim Rezaul, 1998).

**2.3.3. Sustainability and Outreach of Micro Finance**

Discussing to the issues of sustainability, Yeron (1994) says that the two most important objectives for a rural financial institution to be successful are financial self-sustainability and more outreach to the target rural population. Financial self-sustainability is said to be achieved when the return on equity, net of any subsidy received, equals or exceeds the opportunity cost of funds. According to him, on the other hand, outreach is assessed
on the basis of the type of clientele served and the variety of financial services offered, including the value and number of loans extended, the value and number of savings accounts, the number of branches and sub-branches, percentage of total rural population served, the real annual growth of the rural financial institutions’ assets over recent years, and the participation of women clients.

The view that there is a capital constraint to growth at either the national or the household level has been one of the cornerstones of post-war development strategies. The response was to make available cheap loans, whether at the macro level through the mechanism of multi-lateral and bi-lateral donors to national governments, or at the micro level through development finance institutions and related government programmes to households. The current emphasis on micro finance, and particularly micro credit, is thus an old debate with a new gloss. What is different in the latest chapter of this story is the idea that lending capital to poor people to alleviate household level capital constraints can be done in ways which ensure the sustainability of the institution delivering the service.

Previous experience with credit had generally been poor: repayment rates were low, interest rates were subsidized, and the
cost of running the schemes was high because relatively small volumes of credit were delivered directly to individuals with high supervision costs and high rates of default.

Over the last 10-15 years, many initiatives across the world have evolved technologies for lending to poor people, which have overcome some of these failings. An example could be the finding that small but regular repayment of loan instalments fitted better the ability of poor people to manage their credit than demands for the return of principal and interest as a lumpsum. A range of innovations in access methods, screening of borrowers and incentives to repay has helped raise repayment rates and present poor people as credit-worthy borrowers. Furthermore, poor people have been willing and able to pay market interest rates for these loans. The reputation of the Grameen Bank in these developments is widespread, but experience is more varied and includes, among others, the oft-quoted experiences of institutions such as BRI in Indonesia, BancoSol in Bolivia, and K-REP in Kenya (Susan Johnson, 1996).

Many financial institutions that focus on providing small loans have a high proportion of loans that go to women, often accounting for more than 80 percent of a portfolio. Many of these institutions have undertaken the targeting of women as an
instrument to both empower women and to alleviate poverty. It is argued that more than lending to men, channeling credit to women is likely to improve nutrition, health, and educational attainment. Moreover, the push to financial sustainability of microfinance institutions has also led to a push for lending to women because their repayment rates have proved to be higher (Khandker, 1995).

Informal financial services for the poor have been around as long as money lenders and savings and loans associations have been there, but only in the last thirty years have governments, donors, and NGOs promoted them to reduce poverty and inequality. The conclusions of the development community are that access to microfinance services can help the poor start or expand business activities and can contribute to household income, with its benefits on food security, education and health. Microfinance can contribute to consumption and asset building, provide a safe haven for savings and facilitate income security for short-term needs and long-term welfare.

The implications of the shift in the 'technology' of delivering credit to poor people go further. The evidence that repayment rates are high means that the scheme itself starts to offer the prospect of becoming financially viable. This leads to a desire for scale in the
operations of the scheme in order to reduce unit costs sufficiently to bring them into line with interest income. This potential for both scale and 'outreach' to large numbers of borrowers and for 'institutional viability' is at the heart of 'New World' thinking (Otero and Rhyne, 1994). Lennart (2005) argues that India’s commitment to reducing poverty is reflected in the numerous initiatives it has taken, leading to the progress made over the last decades. But the country still faces major challenges to reduce poverty on a large scale. Millions of poor people in rural areas, especially women, continue to suffer under the weight of extreme poverty, greater vulnerability, and lower social status than others. Targeting rural poverty, particularly among SC, ST and women, will better enable India to reach its full development potential in a sustainable manner.

Ruhul Amin, Stan Becker, and Abul Bayes (1998) attempted to explore the relationship between poor women’s participation in micro credit programmes and their empowerment by using empirical data from rural Bangladesh. This has been done by examining quantitative data collected from a representative sample of the female loanees as well as qualitative data from selected female loanees in five NGOs from rural Bangladesh. The authors compared NGO credit members from an NGO programme area with non-members from a non-programme area with respect to
women's empowerment to examine whether or not variation in empowerment could be explained by the variation in memberships. Similarly, non-members of NGO programme areas were compared with non-members from non-programme areas in order to look at the diffusion effect of NGO credit membership on women's empowerment among non-members. The results show that the NGO credit members are ahead of the non-members in all three indices of empowerment irrespective of non-members' residence in programme areas or non-programme areas. Moreover, the non-members within the NGO programme areas show a higher level of empowerment on the autonomy and authority indices than do the non-members within the comparison areas. Overall, it is evident that part of the higher autonomy and authority indices in the NGO programme areas in contrast to the comparison areas is accounted for by the contribution of both NGO credit members and non-members in the NGO programme areas. Being empowered by their new sources of financial income and related credit-group supports, female recipients of NGO credits may have asserted their autonomy and authority vis-a-vis their husbands' restrictions and dominance in related household affairs.

As against the opinions of the above mentioned scholars, Linda Mayoux (1995), in her article “From Vicious to Virtuous Circles - Gender and Micro Enterprise Development”, provides a critical
overview of gender and micro enterprise development in developing countries. She evaluates past and current experiences in micro enterprise development such as training credit and group production programmes and argues that most programmes have not made any significant impact on the income of poor women. One cannot assume, therefore, that micro enterprise programmes reduce gender inequality. The author contrasts two approaches to gender and micro enterprise development: the market approach, ‘which aims to assist individual women entrepreneurs to increase their incomes’; and the empowerment approach, ‘which aims to increase not only the incomes, but also the bargaining power of poor producers through group activities’. Highlighting the diversity of small scale sector on the one hand, and the complexity of the constraints posed by gender inequality and poverty on the other, she contends that devising a ‘blueprint’ for successful women’s micro-enterprise development is unlikely. Furthermore, the success of micro enterprise development for women depends on transformation in the wider development agenda.

Targeting women does not by itself lead to their empowerment. In three programmes in Bangladesh, men, at least partially, controlled 63 percent of the loans given to women. This percentage declined significantly for women who were widowed, separated, or divorced and for activities that were dominated by women such as
those involving poultry, sericulture, and fish. These facts, combined with the evidence that female-headed households are generally poorer and more vulnerable, suggest an argument for targeting female-headed households rather than women. All in all, micro credit can play an important role in the empowerment of women but the success depends crucially on the incorporation of an empowerment strategy within micro credit programmes and also on wider economic, social, and political policies (Rai et al, 1999).

According to Richard Rosenberg (1988), the techniques of micro credit keep administrative costs down, reduce risks, and provide incentives for repayment, which could substitute for lack of collaterals. It appears to deliver the ‘holy trinity’ of outreach, impact, and sustainability. There has been a growing consensus among micro finance practitioners that, in addition to credit, the poor need an entire range of financial services including savings, insurance, and fund transfers. Prima facie, it appears that micro finance enables the poor to diversify their risk management strategies and overcome phases of distress. Finally, it also has a role in improving the socio-economic status of the underprivileged, especially women.
2.4. Impact on Women Empowerment

2.4.1. Contributions of Self Help Groups

Approaches to supporting women's productive activities have evolved over several decades. Prior to the 1970s, welfare-oriented approaches predominated. Grants were given for training and income-generating projects that emphasized the domestication of women. Projects tended to be small scale, under-funded and isolated from mainstream development. A shift by some agencies began in the late 1970s towards creating income-generating components of larger programmes. These programmes as a whole were given higher priority than isolated projects, and in some cases women were able to gain a better understanding of political and power structures. However, the income-generating components often received far less funding and priority than other components, and awareness of gender issues in the programmes as a whole was frequently missing. By the end of the decade, scattered evidence was revealing that an increasing number of poor women were creating their own jobs in small scale agriculture, manufacturing, services, and petty trade (Berger, 1989). Evidence also indicated that the smaller the business, the greater the chance of it being owned and operated by a woman (Accion, 1988).
One form of micro credit, popular in India, is given through the self help groups promoted by national and state governments and NGOs. An SHG, both by definition and in practice, is a group of individuals who, by free association, come together for a common collective purpose. In practice, SHGs comprise individuals known to each other, coming from the same village, community, and even neighbourhood. This means they are homogeneous and have certain pre-group social binding factors. Rimjhim M (2004) echoes the same view in his article “Micro Finance through SHGs - A Boon for the Rural Poor”. He states that easy access of poor to credit rather than cheaper rate of interest is the biggest need of the hour. Micro finance through SHGs has now become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigorously, but it still has a long way to go to become successful. According to him, the government started many programmes from ‘Garibi Hatao’ to IRDP enthusiastically but they were not able to achieve their objectives, because of poor follow up and lack of management and participation from the government as well as the people. He suggests that co-ordination and cooperation between the government and the beneficiaries are essential to achieve ultimate results for such programmes.
The term SHGs is currently used to imply an economic entity that organizes its own economic functions, whereas the origins of nomenclature within the women’s movements date back to earlier decades of women’s quest for autonomy and assertion of reproductive rights. SHGs existing today are rarely of the kind that addresses issues of autonomy, being primarily a means to save for family well-being and poverty alleviation (Soma Kishore Parthasarathy, 2002).

SHGs enhance the equality of status of women as participants, decision-makers, and beneficiaries in the democratic, economic, social, and cultural spheres of life. Dr Radhakrishnan has observed that “the progress of our land cannot be achieved without active participation of our mothers, wives, sisters, and daughters. In all stages of economic and social activities, involvement of women becomes essential.” SHGs encourage the women to take active part in the socio-economic progress of our nation. Mahatma Gandhi, father of our nation, stated, “Women are the noblest of God’s creation, supreme in their own sphere of activity”. SHGs bring out the supremacy of women in moulding the community in the right perspective and explore the initiative of women taking up entrepreneurial ventures (Gurumoorthy, 2002).
Katz and Bender (1976) have provided a comprehensive definition of self help groups. "Self Help Groups are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. They are usually formed by peers, who have come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem, and bringing about desired social, and/or personal change". The initiators and members of such groups perceive that their needs are not or cannot be met by or through existing social institutions. SHGs emphasize face-to-face social interactions and the assumption of personal responsibility by members. They often provide material assistance as well as emotional support.

K Somasekhar and M Bapuji (2005), who have conducted a study on “the Empowerment of Women through SHGs: the Case of DWCRA in Andhra Pradesh”, argue that SHGs have proved themselves to be a better source of credit to the poor women for different purposes. They are formed as micro-credit network for promoting the socio-economic betterment of women as well as capacity building, micro entrepreneurship, collective action with the ultimate aim of empowering the poor women in different spheres. According to them, the participation of rural poor women in SHGs has not only enabled these women to meet their credit needs, but also resulted in general awareness, capacity building,
self-confidence and courage which can be translated into empowerment. They also point out that the SHGs have improved the socio-economic conditions of the women to a large extent. As a result they have gained control over their labour and economic resources, reproductive choice, freedom to move and interact with others, improvement in leadership quality, etc.

The South Malabar Gramin Bank (1998) conducted a ‘Monitoring Study on SHGs’, which examined the progress of the scheme since its implementation in 1995-96 in Malappuram and Kozikode districts of Kerala. According to the report, about 60% of the bank-linked groups were rated as excellent. In a few groups, group dynamics decreased after credit linking. The study identified several weaknesses in the Community Development Society (CDS) groups such as lack of monitoring and lack of interest among coordinators due to non-receipt of allowance, which they have been formerly receiving.

M A Oommen, Institute of Social Sciences, Thiruvananthapuram (1999) has made a notable work on SHGs in Kerala. He has covered all the districts and municipalities in the state where the Community Development Societies (CDS) are functioning. The study reveals that the majority of households have improved their incomes, savings, and housing conditions through convergence of
resources and inputs from different agencies. At the same time, NHGs could play an active role in the collective action of women against social injustice. According to him, despite the several advantages, there remain some CDS which have not promoted thrift and credit societies.

Jaya S Anand (2002) has attempted to examine the performance of selected SHGs and NHGs in Malappuram District, to assess the impact of micro credit programme on empowering women. SHGs promoted by three voluntary agencies in Chungathara Panchayat, viz. Shreyas, BVM, and CDS have been selected. The CDS is government-sponsored, while the other two are non-governmental agencies, which are actively involved in community development through SHGs. Through the study, it is found that micro credit is seen to have created a positive impact on the families of the members. Factors other than investments made out of micro credit have also contributed to the increase in their income through group activities. The study has also shown that a positive change has taken place in the attitude of the beneficiaries. One major impact of SHGs on the women members has been the creation of awareness about newer economic opportunities available to women and the abilities needed to tap them. The author states that, beyond financial intermediation, SHGs can and should bring about drastic changes in the lives of the poor. It has been clearly
established that delivering credit alone may not produce the desired impact. The supporting services and structures through credit delivered, ranging from group formation and training to awareness-raising and a wide range of other supporting measures are critical in making the impact of group activity strong and sustainable. The broad objective of this study has been to assess the changes caused by SHGs members and their households.

In “Empowering Women: Self Help Groups of WIN Society in Alappuzha, Kerala”, R Sooryamoorthy (2006) tries to assess the economic benefits women have received by becoming the members of the groups. He also studies the impact that the membership in groups has made on their lives and families. The study reveals that SHGs provide the members with ample opportunities and chances of economic independence. Women are able to put their small savings in the groups and take loans for self-employment ventures. Many of them have been able to start their own small enterprises with the money they mobilized and the loans they received as group members.

Kochurani Joseph (2002) in her doctoral work, entitled “The Role of Voluntary Organizations on Women Empowerment in Kerala with Special Reference to Ernakulam District” argues that micro finance through NGOs has made significant impact on women.
The most important finding of her study is that as a result of the empowerment strategy followed by the NGOs, women have grown from the position of simple listeners to that of decision makers of their own lives and those of others they relate with. The SHGs provide a common platform for dialogue and cooperation. As a result, the women have come to realize their role as co-partners and co-creators in the family and society and in planning and implementing development programmes in their locality. According to her, membership in SHGs has brought about visible changes among the women. Though she has looked into the impact of voluntary organizations on economic, social, and psychological conditions of the women, she has laid special emphasis on psychological empowerment. She argues that psychological empowerment is the basis of women empowerment. Once psychologically empowered, the ability to work, eagerness for knowledge, etc. emerge which ultimately lead to other facets of empowerment.

In June 2004, the Loyola College of Social Sciences, Thiruvananthapuram conducted a comparative study of the contributions of the Self Help Groups (SHGs) organised and promoted by Non Governmental Organizations and Kudumbasree in Kerala towards empowerment of poor women. They analysed the enabling processes and efforts by the NGOs and Kudumbasree
towards social, economic, and political empowerment of poor women during the last few years in Kerala. The Neyyattinkara Integral Development Society (NIDS), the Mithranikethan, the Kannur Association for Integrated Rural Organization and Support (KAiroS) and the Sree Narayana Trust (SN Trust) were the selected NGOs representing Northern and Southern regions of Kerala. Kudumbasree units are selected from two Panchayats - Kottukal from Thiruvananthapuram District and Mangattidam from Kannur District. This study reports that a visible change has occurred in the level of participation of women in the decision-making process within the family after their joining the organisations. There is also remarkable change in the mobility of the women.

2.4.2. Impact on Poverty and Vulnerability

In ‘Margin to the Mainstream Micro Finance Programmes and Women’s Empowerment: The Bangladesh Experience’, Gita Sabharwal (1990) examines the nature of women’s empowerment promoted by MFPs operating from the minimalist and integrated framework across Bangladesh. It is based on a review of ten research studies carried out in the 1990s. The study is premised on a multidimensional empowerment framework. It views empowerment as a process having personal, economic, social, and
political dimensions, with personal empowerment being the 'core' of the empowerment process. The study establishes that MFPs create empowerment-promoting conditions for women to move from positions of marginalisation within household decision-making process and exclusion within the community, to one of greater centrality, inclusion and voice. The social processes of MFPs strengthen women's self-esteem and self-worth, instil a greater sense of awareness of social and political issues, leading to increased mobility and reduced traditional seclusion of women. Most importantly, MFPs enable women to contribute to the household economy, increasing their intra-household bargaining power. However, the study recognises the limitations to the transformative capacities of MFPs, especially those operating from a minimalist framework, as economic empowerment doesn't always lead to a reversal in gender relationships. The study concludes by advocating an integrated approach, as it furthers the chances for credit to become an empowering means, by supporting a continuous process of institutional and legal change.

According to Goyal (2004), the lower status of women stems mostly from their low economic status and subsequent dependence and lack of decision-making power. Therefore, we should ensure their role in decision-making and should foster self-reliance both socially and economically. Significant contributions towards
women empowerment can be made by facilitating their direct participation in income generation activities and building decision-making capacity. Through a well-directed package of skill enhancement, credit facilities and educational inputs, women can discover their economic role and gain recognition in the society. Since its inception, the concept of micro credit has changed the lives of people. Access to capital on a scale appropriate to the needs of the poor has simply been revolutionary. Loans to the poor in an amount that enables them to start modest business or improves their lives in other ways have been a widely recognized success.

A good number of studies have been conducted to evaluate the impact of micro credit programmes on poverty reduction, driven partly by the donor community’s needs to establish whether these programmes have been successful in meeting the poverty reduction targets. Hulme and Mosley (1996) examine the impact of micro finance programmes on income and poverty through the effects on productivity, technology, and employment. Khandker (1998) expands the analysis to include effects on seasonality of consumption and labour, children’s nutrition and schooling, and fertility and contraception. Zeller et al. (1997) analyse the impact that microfinance programmes might have on food security. Cohen and Sebstad (2000) examine the effects of the programmes on the
risk management strategies of poor households, which affect the degree of their deprivation and vulnerability.

Many other studies have extended the scope of analysis to include intra-household dynamics and their impacts on individual well-being (that of women and children, in particular), the relationship between household and enterprise development, and the potential impacts on the wider community. With regard to the multi-dimensional aspects of poverty, effects have been studied not only in terms of changes in income and consumption levels, but also in terms of variations in vulnerability to risk, skill development, gender empowerment and participation in community networks. These studies, by and large, support the claim, with some cautious notes, that ‘microfinance can have the potential to help many poor people improve their lives’ (Hulme 2000). Khandker (1998) provides an estimate that: (i) about 21 per cent of the Grameen Bank borrowers managed to lift their families out of poverty within about four years of participation and (ii) extreme poverty declined from 33 per cent to 10 per cent among its participants. In the case of the Bank Rakyat Indonesia (BRI), a report came out in 1990, claiming that net household incomes of borrowers increased by about 76 per cent and employment by 84 per cent within three years of programme participation (ADB, 2000).
However, the potential of micro finance and the success of established MFIs appear to be somewhat exaggerated by practitioners and donors. As Hulme (2000) argues, there is need for a much careful monitoring of these programmes by MFIs and the donors, with an acute awareness that micro credit could have both positive and negative impacts on loan recipients.

Firstly, as Hulme aptly reminds us, the other side of the ‘micro credit’ is ‘micro debt’. This means, while micro debt can lead to improved incomes and reduced vulnerability for the poor, it could also lead to such a scale of indebtedness that the poor find it hard to get out. There is a greater need for better understanding of real economic environments in which the poor conduct their income-generating activities and micro businesses. The targeted borrowers ‘work in low-return activities in saturated markets’ and they are subject to various shocks beyond their control. It has been reported that many indebted borrowers, who fail to generate returns sufficient to make a prompt repayment regularly, turn to money lenders for buying time. As Rahman (1999) and Goetz and Gupta (1996) report, borrowers from the Grameen Bank have had to sell household assets or their own food supplies, or have had to leave their homes in search for wage labour in an urban area to repay their loans. There are plenty of stories around, as found in Montgomery (1996), that delinquent borrowers of MFIs are
ostracized by joint-liability groups and communities, and they become destitutes in their community. Or worse, they commit suicide out of desperation, burdened with cumulative ‘unbearable’ indebtedness far beyond their repayment capacity.

Brooke Ackerly’s (2001) research of three micro credit organizations in Bangladesh - Grameen, BRAC, and Save the Children - like others could not assess the wealth/income effect of credit versus other sources of capital on empowerment. However, as a comparative study, it has been able to document the differences in productive roles that women adopted as a result of participating in a credit programme. Durgam Rajasekhar and Naila Kabeer (2002), through their researches on a small number of micro credit programmes in India (Kerala and Andhra Pradesh) and Bangladesh, highlight some of the emerging findings on empowerment. One of the common points in the two researches is that micro credit may not be the most appropriate strategy for assisting the poorest social strata. To use micro credit effectively, the borrower needs to have complementary resources, such as some land, capital, education, or knowledge and experience of how to run an enterprise. Successful borrowers are often able to rely on skills accumulated in some prior entrepreneurial experience, or on a certain level of education. Kabeer, who has studied an enterprise-oriented credit programme - the Small Enterprise
Development Project (SEDP) - that does not address itself to the poorest strata of the society, emphasises this point.

In this connection, Rajasekhar argues that some poorer women are reluctant to borrow because what their need is a facility for consumption loans, and not entrepreneurial activities. Hence, if micro credit is to be used as a poverty alleviation strategy for the very poor, it needs to be more flexible in loan regulations, allowing loans for consumption. Rajasekhar’s research reveals that one model of micro credit delivery that appears to benefit the poorest is the self-help group. This model uses micro credit as an entry point to promote empowerment. Members of self-help groups are allowed to define their own rules and regulations and are obliged to rotate various roles and responsibilities among themselves. This fosters higher saving/borrowing ratios than other micro credit models because the members sustain control and ownership over group funds. The other interesting point emerging from this model is that the female members of some of these groups use their loans predominantly for "consumption" purposes, such as seeking healthcare for themselves (particularly, during pregnancies) and their children’s educational expenses.

Kabeer's research in Bangladesh (on SEDP) suggests that many women who took loans have reported many changes in their lives,
which could be deemed as empowering. These changes have been linked to their level of participation in the programmes and included: an improved sense of self respect due to a feeling of independence; higher levels of political activity; an improvement in their social position as their levels of assets or incomes rose; an increase in household decision making; bank accounts and land in their own names; and higher levels of investment in their daughters' education. This finding may be seen as challenging deep-seated social norms and being truly transformative.

Secondly, as Hulme (2000) observes, it is hard even for ‘poverty-focused’ MFIs to provide credit facilities to the ‘hard core’ of the poor. The poorer segments of the poor are usually excluded from group lending, because not many want to share joint liability with them. Even when they join MFIs at the inception as targeted clients, they are often the first to drop out through loan cycles. Marr Ana (2002) documents the case of communal banking programmes in Peru, where group dynamics engendered by the joint-liability micro credit programmes have had significant negative impacts on the well-being of participants. In her case study, tension between financial and organizational sustainability has been built up to such a scale that it has produced a fundamental instability of the system, leading to the fracturing of groups and greater exclusion of the poor.
Very high pressures to simultaneously attain the target of financial sustainability and outreach in terms of loan repayment and disbursement in a very short period, and the accompanying internal incentive structures could easily work against organizational sustainability and stability. Typically, as Marr observes, ‘programme officers’ performance is measured by their achievements in relation to loan repayments and lending portfolios, rather than to stable and sustainable organizations’. They tend to immediately classify delinquent borrowers as strategic defaulters. Furthermore, those with delinquent loans are under pressure to engage in similar trading activities as all other participants for loan repayment purposes, leading to overindebtedness as well as local market saturation. Thus, Marr suggests, ‘high repayment rates of loans to programme officers are often being achieved at the cost of an erosion of organizational sustainability, which in the longer term leads to instability of finances and the eventual meltdown of the system’.

The consequences of these ‘wrong’ incentive structures for the communities in her case study are:

i) A tendency to abandon the joint-liability system, with individual-based collateral increasingly gaining importance
in relation to that of collective sanctions and social collateral.

ii) The poorest and most vulnerable members of any given group leave micro finance schemes prematurely or are actively excluded, resulting in serious negative impact on their wellbeing.

iii) Benefits are unequally distributed within the group and often favour the better-established households, and tend to empower people already powerful to begin with.

iv) An inclination on the part of the programme officers is to move away from targeting the poor segments of the population in favour of the less poor sectors; consequently poorer people are rationed out from micro finance markets;

v) A fundamental instability and a tendency to lose cohesiveness dominate the group. This implies that not only organizational sustainability is compromised but also financial sustainability is affected in the medium and longer term, leading to negative impacts for all parties concerned.

These are sombre warnings to enthusiasts of microfinance, who tend to perceive MFIs as ‘a cure for poverty’. Many structural, socio-political, and historical factors specific to the local
environments in Peru as well as institutional factors characterizing the communal banking programmes concerned, such as inappropriate programme design and implementation, did play some part in producing these results. However, similar circumstances, if not more difficult, are often present in other locations worldwide, where the microfinance concept is uncritically embraced. The proper lesson to be drawn from this experience is that the MFIs should adjust the design and implementation of microcredit programmes to the local conditions in which they operate, so that these programmes nurture the trust existing already in the communities. Unfortunately, as Marr notes, microcredit programmes established and organized in haste tend, instead, to exploit existing social, often hierarchical, structures in order to achieve their own financial sustainability. This often results in an erosion of the social fabric of the communities they serve.

Furthermore, financial products offered by MFIs are not necessarily those demanded by borrowers in the communities they are supposed to serve. The fungibility becomes an issue. In order to get access to finance for their immediate consumption requirements such as school fees or medical expenses, women ‘have to pretend they need micro enterprise loans’ (Hulme 2000). In this regard, one weakness of many MFIs is that they focus on
credit delivery, forgetting the fact that their targeted clients may also require appropriate savings mechanisms to smooth consumption. Most MFIs’ compulsory savings facilities are established as collateral substitutes and insurance funds for loan defaults to sustain MFIs’ credit programme operation. These facilities do not offer members flexible savings services. The empirical evidence worldwide suggests poor households and micro enterprises have a large demand for safe and convenient savings services as well as insurance services (Nissanke and Aryecty, 1998).

The mismatch of financial products between what is demanded and what is supplied by MFIs is an issue in relation not only to poverty lending, but also to micro enterprise finance. To address the high administrative cost and to increase financial viability, many new microfinance programmes have adopted a minimalist credit approach, as opposed to a more integrated approach, including technical assistance and other forms of training. The minimalist approach, however, can claim adequacy if programmes are to deal with a specific phase of enterprise development, when the needs of the enterprises are concentrated in repetitive financing of working capital. Many existing successful programmes are, in fact, effective mainly in providing working capital in small doses (Levitsky, 1993).
Yet, the diversity of micro enterprise activities is overwhelming in terms of size, market, sector, assets, experience, and many other characteristics (Eversole, 2000). Further, in terms of enterprise dynamics, micro enterprises, in both the formation and transformation phases, often require more integrated assistance to overcome other obstacles and constraints. Furthermore, for development, enterprises require assistance to overcome financial obstacles other than lack of working capital (Nissanke M, 2001). As production technology and marketing strategy change with expanding enterprises, the need for financial services also undergoes substantial changes. To meet the need of different phases of enterprise development as well as the wide variety of micro enterprise activities, there is need for a diversification of the loan portfolio of the micro finance programmes.

Seen from this perspective, the donor community tends to place too much emphasis on the standardization of products and services, i.e. the standardization of ‘successful’ operating procedures or the replication of ‘best practices’, all in the form of simple ‘financial engineering’. However, in providing micro finance services, it has to be recognized that ‘enterprise finance’ differs qualitatively from ‘poverty lending’ for income-generating activities at the lower end. The former requires a deeper understanding of evolving dynamics of credit demand on the part of entrepreneurs.
in terms of enterprise development (Nissanke 2000). Indeed, as Eversole (2000) notes, micro loans replicated on the Grameen or BancoSol model are designed to serve well only one sub-set of a very diverse microenterprise market. For example, regular provisions for working capital in small quantities may be appropriate for meeting the financial needs of stable, high-turnover businesses, such as trading activities, but not for other diverse categories of micro enterprises.

Murthy et al (2002) have studied the United Nations Development Programme (UNDP)-assisted South Asia Poverty Alleviation Programme (SAPAP) pilot project conducted in three districts of Andhra Pradesh. The study examines empowerment of women at the individual, collective, and wider levels through semi-structured interviews using participatory methods with individuals, SHGs, village organizations, and mandal-level federations. It suggests that the pilot project has immensely strengthened the struggles of poor women members in its project area against poverty and gender and caste-based discrimination. According to them, it has also performed better than the main programme of the government for women empowerment and poverty reduction. At the same time, the study points to the needs for additional strategies to address gender specific dimensions and causes of poverty, as well as for strengthening the process of women'empowerment. It points
to the centrality of a process-based rather than a target-driven approach. It also speaks about the need for inducting committed, competent, and socially sensitive personnel into the project management.

### 2.4.3 Gender Equity and Well-being

A growing literature examines the impact of micro finance, credit in particular, on gender relations. Goetz and Sen Gupta (1995), writing on Bangladesh, demonstrate the fact that women belong to the schemes and have access to loans does not mean that they retain control once the funds are inside the household. Mayoux (1997) drawing together a range of evidence from South Asia and Africa demonstrates the variety of effects - both positive and negative - on women, intra-household gender relations and women’s relations to the wider community and society that are evidenced in practice. This leads to the, perhaps unsurprising, conclusion that transactions around micro finance are located within existing sets of gender relations both within the household and within the wider society. Like most interventions, it is necessary to specifically orient micro finance interventions towards addressing aspects of these relations in order to have systematically positive impacts on gender relations for most
women, most of the time. Yet again, this means that it is the way in which an intervention is implemented that matters.

The most widely cited series of studies on gender-differentiated impacts of microfinance, and one that takes special care to control selection bias, was conducted by the World Bank based on data collected during 1991-92 from 87 villages in Bangladesh. The study found that welfare impacts on the household were significantly better when borrowers were women. For every Bangladeshi taka lent to women, the increase in household consumption was 0.18 taka, compared to 0.11 taka when borrowers were men. Only when women borrowed was there a large and important effect on the nutritional status of both sons and daughters. Assets, other than land, also increased substantially when women borrowed. Similarly, it was only when women borrowed that education of girls (rather than just boys) increased. Men, on the other hand, tended to take more leisure as a result of borrowing. Other studies have more directly attempted to assess impact on empowerment.

2.4.4. Economic Empowerment

Micro finance goes well beyond savings and loans. It also means access to social security, healthcare, housing, and even more fundamental needs such as employment and education. True
economic empowerment means that one has the ability and opportunity to earn money, options for using that money, and mechanisms by which one can ensure that the money is used in the most useful manner possible. Murugaiah (2002) argues that without economic empowerment, the development of women is an empty promise. Plans, policies, legislations, and laws provide only the philosophical blueprint for directing the progress of the society. Translated into practical terms, these plans fructify only when women receive economic power in their hands. Operationally, women’s empowerment calls for creating a political, economic, and social environment, which enables their equal access to and control over means that are critical for leading socio-economically productive and healthy lives.

Sheela Purohit (2000), in her article ‘Micro Credit and Women Empowerment’, describes the success story of two NGOs in Andhra Pradesh. According to her, there are certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms; they lack education, skills, capacity to save, credit-worthiness; and, therefore, are not bankable. Nevertheless, the experiences of several SHGs reveal that the rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit
subsidiy. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of the organized sector, there emerges the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment. It is true that sustainability of any development initiative is possible only when the participants change their role from passive recipients to active owner-managers. The experience of both the NGOs has proved it through commitment to work, sincere efforts to share the benefits of development, and active involvement of several sangam members. The model further proves the facts that the poor are bankable and that timely access to credit can bring about changes in the lives of thousands of poor women. The sangams have been successful in obtaining loans on reasonable terms with simple procedures. They have also been instrumental in motivating many members who were earlier idle, in taking up some economic activity. Thus, the experience of this model is a source of inspiration for many other poor women with similar socio-economic conditions.

Nashi S K (2004) conducted a study on Stree Shakti programmes launched by the Women and Child Welfare Department of the
state of Karnataka in October 2000. This study reveals that the Stree Shakti programme for women provided economic strength and most of the women have a voice in their homes, their work place and the community. As women become major economic contributors or equal to men in economic terms, their own men folk, and society at large, change their attitudes towards them and are forced to involve them in the decision-making process. According to him, in most parts of Belgaum district, the men in the villages are extremely supportive to the work taken up by their women folk. The best thing about the Stree Shakti programme is that it is a ‘win-win’ situation for everybody involved – the Karnataka government, the rural women, and NGOs as it builds a self-sustaining cycle of growth for all the parties concerned.

Anuradha Rajivan (1999) in her work, ‘Micro-credit and Women’s Empowerment: A Case Study of SHARE Microfinance Limited’ examines whether and to what extent micro finance interventions lead to women’s empowerment and poverty alleviation. From her study it is found that through micro finance, women get greater control over their resources-assets, earnings and savings, and have a greater say in household expenditure. According to her, a significant change is the transformation of women from low-wage workers to owner-managers. This is widely valued not only because of higher income prospects, but also due to a perceived
increase in dignity and control. Increased incomes have resulted in clearly visible increase in self-confidence and self worth. She concludes that micro finance is a very good triggering off for women’s empowerment.

### 2.4.5 Social and Political Empowerment

It is not only economic exploitation, but socio-cultural oppression that has led to women’s subordinate status, argues Ramesh C Srivastava (2002). Subordination of women in all walks of life manifests itself in the marginalisation of women in the economy. What the nation requires today is socio-economic development of the country with the participation of women. For this, according to him, the potentialities and capabilities of women have to be fully tapped. Equality and dignity of women should be maintained at any cost to seek their full cooperation in the process of nation-building.

The group process followed in most micro finance programmes helps members in improving their self-esteem. SHG members gain respect within their households as well as in society. Participation in SHGs improves the members’ ability to deal with stressful situations. Empirical studies show that group participation also helps members in improving their assertiveness in terms of their increased desire and their ability to protest against socially
undesirable habits such as drinking, gambling, and violence against women. Their decision-making roles within their households and within the society increase. As majority of micro finance clients are women, its impact on their social status is most marked. There is evidence to suggest that micro finance increases opportunities for women to save in their own names. It also encourages them to be more mobile within and outside their villages. It improves their access to information, and has a positive impact on their self-worth (Puhazhendi V & KC Badatya, 2002).

The Self Employed Women’s Association of Ahmedabad (SEWA) has been rendering yeoman service for the upliftment and empowerment of women. Ankit Mehta and Sachi Trivedi (1995) in their article “The Emerging Face of Subaltern Women in India: A Case Study of SEWA” say that the NGOs managed by women play a crucial role in safeguarding the interests of women workers in the unorganized sector. The authors argue that SEWA’s deep commitment to the Gandhian values has enabled it to broaden its social base and raise the socio-economic status of women. Coming across castes and communities, the movement, with an efficient organizational structure, has scaled new heights in serving the under-privileged women. The two-decade-old SEWA movement has succeeded in blending tradition with modernity in women’s occupational cultures without distorting Gandhian values.
One widely cited study that has made special efforts to construct measures of empowerment incorporating client perspectives is based on a 1996 survey of 1,300 married Bangladeshi women members of the leading micro finance institutions, Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC). The study has found that married women participating in these credit programmes score higher than nonparticipating women on a number of empowerment indicators such as involvement in major family decision-making, participation in public action, physical mobility, political and legal awareness, and the ability to make small and large purchases. An IFPRI study in Bangladesh similarly indicates significant positive impacts on physical mobility of women and increased social interactions in the community (Sharma Manohar 2001).

Soundari and Sudhir (2000), in their work ‘Self Help Groups for Sustainable Rural Development: A Case Study of SHGs in Dindigul District of Tamil Nadu’, reveal that SHGs ensure the ‘we-feeling’ among the members achieving the group cohesiveness and accord a social identity to the Dalit women. According to them, membership in the SHGs enables the women for collective bargaining while keeping up their dignity and also to become agents of social change and economic development of the community through decentralized means of empowerment. They
suggest that specific efforts should be made to promote SHGs for rural Dalit women at the grassroots level. The training given to them will bring out vibrant changes in the lives of rural Dalit women.

Vasudeva D Rao (2002) takes a more realistic stand. In his paper entitled “Empowerment: Concepts and Clarity”, he says that the empowerment of women is a long drawn process, and that the result cannot be achieved overnight. However, sincere efforts made by SHGs have brought out significant results. Empowerment has been reflected in women’s elevated status within the household, community and village.

Sabyasachi Das (2003) writes about how micro credit has become an alternative source of credit for the poor who, earlier, were considered as non-bankable. This system not only provides credit, which is the most important input for development, to the poorer sections of the society, but also aims at their capacity building. The phenomenal growth of SHGs indicates that the weaker sections of the society are also capable of sharpening their micro entrepreneurial skills with the help of their own savings and additional bank credit, as needed. At this point, micro credit - SHGs integration could be the way for overall rural development vis-a-vis poverty alleviation.
K P Kumaran (1997) has made a case study of three types of SHGs, viz. active, passive, and dissolved, in rural Tirupati block of Andhra Pradesh to understand the process of their development, and the structure, function, and factors contributing to group formation and resource mobilization, besides participation of the members in decision-making and socio-economic activities. He has found that the main factors needed for the active functioning of the SHGs are solidarity and cohesiveness, whereas passivity is mainly on account of irregularities in savings and repayment of loans and lack of mutual trust and confidence among the members.

The empowerment of women through SHGs in rural micro enterprises in Tiruchirapalli district of Tamil Nadu has been studied by Manimekalai and Rajeswari (2000). They have found that majority of the women are engaged in petty business, processing, production, and service units. The dominant problem reported by them is shortage of capital, as the sample groups receive loans only under SHGs through their banks. Further, the service units perform better and help to repay the loan in time, whereas the production units not only fail to generate their own capital but also affect loan repayment.
Sham Bhat, Nirmala, and Buvanesweri (2004) have examined the determinants of earnings, benefits, and problems experienced by women under the SHG scheme in Pondicherry. Samples of 134 SHG members have been collected for the study. Their study reveals that the majority of the respondents are engaged in non-farm activities, which significantly reduce income, because they are traditional and less remunerative. Higher credit amounts reduce their earnings because many of them use them for unproductive purposes. The main benefits of SHGs are increased participation in social service and organized action, receiving new skills, training and better access to credit facilities. The major problems encountered by them are difficulties in getting raw materials, labour, and marketing problems. The study indicates that mere financial assistance does not help the sample women, many of whom do not possess any prior experience in the production activity. Therefore, they recommend that the women should also be provided with institutional support like training, marketing, and information on latest technology.

According to Rimjhim Mousumi Das (2004), the intervention programme undertaken by Kalyan, a voluntary organization in the district of Purulia in West Bengal to mobilize the rural women into SHGs to enhance their productivity through micro enterprise is really a positive attempt. It is a fact that self-help groups of women
are becoming an effective instrument in transforming the so-called ‘unproductive human beings into productive human resources’.

**2.4.6. Impact on Thrift**

Micro finance is making a significant contribution to both the savings and borrowings of the poor in the country. The main use of micro credit is for direct investment. There is, of course, some fungibility, depending on household credit requirements at the time of loan disbursement, despite MFI insistence on loan use for enterprise, which is the most pronounced in the Grameen model. The performance of the SHG model is exceptional in providing a saving-based mechanism for internal group credit to meet household needs. This mechanism also serves to facilitate access to credit by poorer clients, who are more likely to need small amounts of credit for immediate household purposes but appear less creditworthy for larger MFI loans (Sinha Francis, 2005).

In the context of micro finance, SHGs are voluntary groups engaged in collective saving and thrift activities for the purpose of securing credit. The 1990s saw a proliferation of women SHGs across India, particularly in the South (Narayanan 2002). These groups were designed as a strategy not only for poverty alleviation, but also for increasing women’s access to resources and their household decision-making (Sundram, 2001). Hence, the basis of
the SHG is the mutuality and trust in depositing individual savings in group funds. Once the initial trust is established, the incentive or motivation for a member is the access provided to financial services through the common pool fund, which is higher than the individual fund saved. Eventhough, conceptually, the micro finance-based SHG is fairly simple, its management in a sustainable manner is quite complex and investment intensive.

Pandian et al (2002) analyse the impact of micro-credit on the Sedapatti block at Maduari District, Tamil Nadu. 191 SHGs and a hundred women beneficiaries who have availed micro credit have been selected using non-random sampling method from various villages. From their studies it is found that 59% of the women belong to petty business units. According to Pandian and Eswaran, micro credit generates savings, which help the poor women to get relieved from the clutches of the money lenders. It helps them to organize their own business and production units and also to break social, cultural, and religious barriers to equal development of women and participation in the decision making process in democratic institutions. They are also of the opinion that micro credit, which has provided the rural poor access to finance without the burden of collaterals through SHGs, has empowered the women folk economically and socially. Though the
credit provided is micro in nature, it has produced macro changes in the lives of the women who have received it.

Micro finance programmes are important institutional devices for providing small credit to the rural poor in order to alleviate poverty. Micro financing programmes through SHGs, introduced and expanded by non-governmental organizations in several parts of India, have the potential to minimize the problem of inadequate access of banking services to the poor (Rajasekhar 2000). They can also influence savings. Similarly, many studies – Rajasekhar, 2000, Kumaran, 2001, Hashemi, 1996, Lathif, 2001, Kaladhar, 1997, Majumdar, 1997, and NABARD, 2002 - highlight that SHGs have inculcated saving habits in the poor. Other studies (Lathif, 2001 and Khandkar, 2000) reveal that increased availability of micro credit to the poor through micro financing SHGs will enable rural households to take up larger productive activities, empower the poor women, decrease the dependence on exploitative local money lenders, and increase savings. While estimating the impact of micro finance on savings and borrowings, Khandkar (2000) has found that micro credit not only increases involuntary savings, but also induces voluntary savings.

A study by NABARD which covered 516 members across 223 SHGs spread over 11 states has shown the positive impact of SHG
- bank linkage programme (NABARD 2000). It has been reported that significant changes in the living standards of SHG members have taken place in terms of increase in income levels, assets, savings, borrowing capacity, and income generating activities, and improvement in the self confidence of the members, thereby making them more assertive in confronting social evils and problem situations. Almost all members developed saving habit in the post-SHG situation as against 23 percent of households who had this habit earlier. It indicates that the average annual savings per household registered over a three-fold increase. Experience shows that provision of small financial services and products to poor people through SHGs is contributing to the process of rural development by creating conditions that are conducive to human development. More than 85% SHGs are reported to be of women and through these groups, women empowerment is taking place. Their participation in the economic activities and decision-making at household and society levels is increasing. Thus, SHGs are found to be contributing to the development of people in rural areas in a meaningful manner.

P. Mahendra Varman (2000) has made an attempt to examine whether there is any association between the growth of SHGs and the increase in female bank accounts, and whether SHGs have a tendency to influence account holdings in formal banks. For this,
two villages of Tamil Nadu - Kavarayapatty and Pottapatty – have been selected. The study has revealed that banking habits are a positive function of the years of experience of micro finance programmes through SHGs. The analysis also reveals that being a member in SHGs and more importantly, having leadership experience in SHGs, greatly influence the bank account holding. Leadership experience in SHGs improves an individual’s banking habits much more than simple membership. If the leadership position of each SHG is systematically rotated over appropriate time such that each one in the group has a leadership experience, people will have more exposure to formal banking system.

Examining ‘Micro-Credit Interventions by the Third Sector as a Tool for Empowerment of Poor Women in India’, Swati Banerjee (2003) focuses on a variety of social, economic, political, and cultural issues. Such interventions through their premise of intended objectives – material, social, and human inputs, and extended outcomes - entail interplay of people/institutions at various levels, including the public sphere of policy makers and organizations, and the private sphere of the institutions of family etc. By focusing on the private sphere, they not only challenge inherent gender equations but also act as a tool for empowerment of women. The study attempts to examine these processes by focusing on women’s self-help micro-credit groups and drawing
their links with the intra-household relationships and power equations.

In ‘Role of Self Helps Groups in Empowerment of Women’, Rekha R. Gaonkar (1999) argues that both the ‘market’ and the ‘State’ have failed to safeguard the interests of the poor, especially women. In recent years, civil society organizations like NGOs, Self-Help Groups (SHGs), Mutual Organizations, and such other voluntary organizations have emerged as important links between the poor and the formal system. The study aims at evaluating the role of SHGs in the empowerment of women. It also gives a comparative analysis of the working and impact of the Self Help Groups in India and the Grameen Banks in Bangladesh in the process of development and empowerment of women. The impact of SHG organizations on women is mainly analyzed in terms of income, savings, and standard of living. The study reveals that through the SHGs, voluntarily formed by the women, they save whatever amount they can every month and mutually agree to contribute to a common fund to be lent to the members for meeting their productive and adhoc credit needs. These groups are linked to the banks once their activities are stabilized. Besides focusing on entrepreneurial development of the beneficiaries, the SHGs undertake the responsibility of delivering non-credit services such as those related to literacy, health, and environmental
issues. The SHGs have made a lasting impact on the lives of the women particularly in the rural areas of Goa. Their quality of life has improved a lot. There is an increase in their income, savings and consumption expenditure. This shows an improvement in their standard of living. The women have gained self-confidence. They have got the opportunity to improve their hidden talents after joining the SHGs. They can speak freely in front of large groups of people. They have recognition in the family and society. SHGs have also given women a greater role in household decision-making. Besides, the SHGs have created better understanding between the members of the different religious groups as the members of SHGs belong to different religions. This is a welcome change to have understanding and tolerance towards the members of other religions, particularly in a country like India where there is a diversity of religions and castes.

2.5 RESEARCH GAP

It is revealed from the survey of the empirical literature that most of the studies deal with either the role or the impact of governmental organisations and NGOs, donor agencies, and self help groups in empowering women through micro financing in different parts of the world. While some have labelled this as revolutionary and a new paradigm for development, others ponder over the real impacts of micro credit. The evidence with respect to
the impact on women’s status and well-being is mixed. Most of all, the works reflect on the positive as well as the adverse impact of micro credit on rural women. They also reveal how the goal of women empowerment can be achieved, and suggest some corrective measures to overcome the problems in this regard.
In Kerala, though more than twelve years have passed since micro finance programmes have gained momentum, only a few studies have so far been undertaken by scholars and institutions. Most of the works are on the impact of SHGs or NHGs on women empowerment and are uncritical and appreciable in nature. A comparative approach to the performance of governmental and nongovernmental organisations is highly warranted. From the review it is found that a study of the effectiveness of Kudumbasree Mission, and two prominent NGOs, CHASS and World Vision of India in empowering rural women through micro financing in Central Kerala has not been undertaken so far. This study is an earnest attempt against this gap.
End Notes

1. The 1997 Microcredit Summit held in Washington D.C., launched a global movement to reach 100 million of the world’s poorest families with credit for self-employment and other financial and business services by the year 2005.

2. The Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them.

3. The Mysore Resettlement and Development Agency (MYRADA) is an NGO that has had extensive experience in incubating, developing and managing savings and credit programmes in Southern India. Realizing the shortcomings and inadequacy of the existing system of delivery of formal credit the poor, MYRADA experimented with many local institutional arrangements in providing credit delivery systems to the very poor.

4. SHARE is an independent, volunteer-run association providing enterprise technology professionals with user-focused education, professional networking, and industry influence.

5. Actual extension of credit facilities to a group for on-lending to its members can be called establishment of linkage between the bank and the SHG.

6. This Act provides for the voluntary formation of cooperative societies as accountable, competitive, self-reliant business enterprises, based on thrift, self-help, and mutual aid and managed and controlled by members for their economic and social betterment and other matters connected.
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