PREFACE

Financial services are critical if the poor have to be enabled to leverage their initiative, accelerating the process of building incomes, assets and economic security. However conventional financial institutions seldom lend down-market to serve the needs of the low-income families and/or women headed households. An efficient and viable credit-delivery system catering to a large section of the poor is still a distant dream. In the past few decades, microcredit has been used throughout the Third World to promote grassroots entrepreneurship. Microcredit's success overseas has caught the attention of Indian policy-makers, business leaders and charitable organizations. The see it as a way to reduce the widespread incidence of poverty and unemployment in India. The present research seeks to find answers to two questions:

(1) Can microcredit work for India?
(2) How can microcredit programmes be used to bring about economic empowerment of women?

The present thesis is divided into nine chapters.

Chapter 1: Introduction

Although microcredit programmes, which provide very small business loans, have helped millions of low-income people in the Third World to improve their material well being, the results in India have been decidedly mixed. Moreover, women have not been brought into its fold, and have been marginalized by various financial service providers. Chapter 1 discusses that this calls for a review of microcredit programmes from the perspective of:

(1) Strengthening the existing institutional set-up of rural financial intermediaries, and
(2) Creating a conducive and supportive environment for encouraging and mentoring new MicroFinance Institutions to bridge the gap in delivery of financial services to the poor, especially the poor women.
Chapter 2: Overview of Literature

The literature review contained in this chapter attempts to present both the conceptual underpinnings of social intermediation in microcredit programmes, as well as an overview of the experience of a range of programmes employing these strategies. It also identifies a set of critical issues that either illuminate differences between goals and outcomes, or that require further research and testing of methods. It is found that there is a heavy reliance on the Bangladesh experience in much of what has been written.

Chapter 3: Research Methodology

The research is hypothesis based and the following hypothesis has been set. Firstly, it has been hypothesised that the existing plan for use of microcredit to fight against rural poverty is powerful and effective. The second hypothesis investigates if the economic status of the target group is judiciously ascertained before microcredit support is extended to them. The third hypothesis states that the NGOs can help in creating an alternative model for women’s empowerment. The Null hypothesis claims that microcredit can be developed into a useful strategy to fight against poverty and to bring about economic empowerment of women. A two-stage research design has been used. The first stage of exploration has helped to establish priorities and to develop the final research design.

Chapter 4: The Existing Model

This chapter is a case study of the Gurgaon Gramin Bank, and describes the existing model used for microcredit delivery, through a detailed discussion of Self-Help Groups, their formation, financing and nurturing. The chapter also explores the emphasis laid by the bank on bringing about the economic empowerment of women, and ends with lessons that emerge for other banks to emulate.
Chapter 5: Economic Status and Microcredit Support

Since the ultimate objective of all microcredit programmes is to facilitate the process of economic empowerment of the target group, it becomes important to first assess the economic status of the group. This chapter looks into how poverty assessment of the target group is made, and whether the process of assessment leads to correct identification of deserving beneficiaries.

Chapter 6: Can NGOs be change agents?

This chapter explores the role of NGOs as the most preferred intermediaries in bringing poor clients to avail of microcredit support. NGOs have proven to be particularly good providers of socially oriented financial services. Can this strength of NGOs be leveraged to make them the agents that will bring about economic empowerment of target groups? This chapter compares the positioning of banks vis-à-vis NGOs in taking up the task of both social and financial intermediation.

Chapter 7: A Revised Model: Empowerment from Bottom-up

The Indian heritage has its roots in strong community affiliations and identifications, making the social fabric endowed with the spirit of self-help and community help. The society has been throwing up a number of examples of self-help and community initiatives, without waiting for external help, as in the case of SEWA. This chapter looks into how this combination of the spirit of self-help and community service can be harnessed in extending financial services to the poor, particularly the poor women.

Chapter 8: Conclusions

The chapter presents the research findings through a discussion on the experience of Indian banks with microcredit delivery, and the new experiments in this area. Problems and prospects of the formal banking sector in serving the poor have been included in this chapter. The judgment on microfinance is that it is not a new activity for India, but Indian initiatives have not been recognized as
success stories for a host of factors. However, given a supportive and conducive environment, microcredit holds a lot of promise in bringing about social and economic upgradation of the target groups.

Chapter 9: Suggestions & Long-Term Perspective
The last chapter of the thesis discusses that the real challenge before the banking system is to transform the poverty alleviation programmes to a corporate goal rather than participating in such programmes by compulsion. In this effort, there is the need for establishing a focus organisation for microfinance, besides encouraging private initiatives in the field of microfinance.