



CHAPTER - 4
CONCEPT & FEATURES OF
MICRO CREDIT SYSTEM

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The option to work towards poverty alleviation through micro-finance is gaining increasing recognition all over the world. There are pockets of poverty and relative deprivation even in the most advanced countries. In the countries having cold climates, poverty also means the compulsion to suffer the severity of weather. Thus, there exists relative poverty. In industrialized countries such as USA and Canada, there have been initiatives for following micro-finance, through different methods and agencies. The strategy to approach the poor may differ, but the aim is to provide resources to the poor without depriving them of dignity and self-respect. We find umpteen number of success stories centered on micro-credit in countries like Indonesia, Bangladesh and India and today even the World Bank recognizes this as one of the most important strategies of poverty alleviation and economic empowerment of the poor.

In the NSSO survey, it has been estimated that a large percentage of rural women in the age group of 15 years and above who are usually engaged in household work, are willing to accept work at household premises (29.3%), in activities such as dairy (9.5%), poultry (3%), cattle rearing, spinning and weaving (3.4%) tailoring (6.1%) and manufacturing of wood and cane products, etc. Amongst the women surveyed, 27.5% of the rural women were seeking regular full time work and 65.3% were seeking part-time work. To start or to carry in such work, 53.6% of the women wanted initial finance in easy terms, while 22.2% wanted working capital facilities. (*Source: NSS 43rd Round Results*)⁷⁰.

The attitude to women's work in our society, however, is unfortunately not very balanced. There is a general social prejudice against women working for wages, especially in the higher-socio-economic strata. A woman is believed to work only if her husband is not able to earn enough for the family. This kills the environment for

⁷⁰ Report of National Sample Survey Organisation, Government of India Publication July 1987 to June 1988

growth of women's skills, their sense of pride in their work, leading them to remain economically unproductive, even if they have the option to work. They become financially dependent on men with predictable consequences. They are expected to devote all their time to household care. Poverty cuts across the social hierarchy. If situation demands that women take leadership, there can be keen resistance from their kith and kin.

Women comprise half of human resources, they have been identified as key agents of sustainable development and women's equality is as central to a more holistic approach towards stabilizing new patterns and process of development that are sustainable. The contribution of women and their role in the family as well as in the economic development and social transformation are pivotal. Women constitute approximately 90 per cent of total marginal workers of the country. Rural women who are engaged in agriculture form 78 per cent of all women in regular work. The role of micro-credit is to improve the socio and economic development of women and improve the status of women in households and communities. The micro entrepreneurships are strengthening the women empowerment and remove the gender inequalities. Self Help Group's micro credit mechanism makes the members to involve in other community development activities. Micro credit is promoting the small scale business enterprises and its major aim is to alleviate poverty by income generating activities among women and poor. Women are engaged in starting individual or collective income generation programme with the help of self-help groups. This not only helps generate income for them but also improves the decision-making capabilities leading to overall empowerment.

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Groups (SHGs) Bank Linkage Programme as a cost effective mechanism for providing financial services to the "Unreached Poor" which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor leading to their empowerment. Rapid progress in SHG

formation has now turned into an empowerment movement among women across the country. Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. Micro finance has received extensive recognition as a strategy for economic empowerment of women.

Concept and Features of Micro-Finance:

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on Supportive policy and Regulatory Framework for Microfinance set up by NABARD (1999) has defined microfinance as **“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”**⁷¹. The term “Micro” literally means “small”. But the task force has not defined any amount. However as per Micro Credit Special Cell of the Reserve Bank of India, the borrowed amount up to the limit of Rs.25000/- could be considered as micro credit products and this amount could be gradually increased up to Rs.40000/- over a period of time which roughly equals to \$500 – a standard for South Asia as per international perceptions.

The term micro finance sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like savings, insurance etc. as well. **"Micro credit"** may be defined as the credit and repeated credit provided in small measures to suit the recipients' requirements with a

⁷¹ NABARD. (2000) microfinance and NABARD, mumbai NABARD. PP. 223-233

comfortable pace of repayment, and at an appropriate rate of interest. However, when the term "**micro-finance**" is used, it implies some other services accompanying credit, viz., facilities for saving and availability of services for insurance of the assets acquired with micro-credit. Micro-finance institutions are those which provide arrangement for thrift, credit, and other financial services, mainly to the poor enabling them to raise their income.

4.2 What is Micro Credit?

Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Micro Credit Institutions are those which provide these facilities. (As per RBI Master Circular, 2008). Evidently, the word micro credit does not have an exact definition. For regulatory purposes, non-banking financial institutions enjoy exemption from the RBI Regulations if such institutions provide loans upto Rs 50000/- and in case of loan for a dwelling unit, upto Rs 125000/- (NOTIFICATION No.DNBS.138/CGM(VSNM)-2000 dated January 13, 2000).

The concept of micro credit is known more by its approach than by monetary limits to the amount of loans. Of course, the target segment is the poorest, but **Mohammed Yunus** tried the concept of joint-liability or peer-pressure. Most micro credit loans are dispensed through village or community-level self-help groups (SHGs) who agree to create a pressure on the individual borrower to perform as per contract.

4.2.1 Difference between microcredit and microfinance:

The term Micro Finance is much broader than micro credit. The main components of micro finance are:

- Deposits
- Loans
- Payment services

- Money transfers
- Insurance to poor and low-income households and their micro enterprises,

Thus, micro credit is only a component of the broad spectrum of micro financing.

Origin of the concept: In 1974, Professor Muhammad Yunus, then a professor of economics, in Bangladesh was moved by the plight of people when the country faced a famine. Famine-struck “skeleton-like people began showing up in the railway stations and bus stations of the capital, Dhaka. Soon this trickle became a flood. Hungry people were everywhere. Often they sat so still that one could not be sure whether they were alive or dead. They all looked alike: men, women, and children. Old people looked like children, and children looked like old people.” Yunus felt guilty teaching economics in the cool comfort of his classroom in this scenario. “What good were all my complex theories when people were dying of starvation on the sidewalks and porches across from my lecture hall? My lessons were like the American movies where the good guys always win. But when I emerged from the comfort of the classroom, I was faced with the reality of the city streets.”

Yunus left the campus and went to Jobra, a village in Chittagong of Bangladesh, to learn a new method of banking for the poor. That is where he tried the idea of tiny loans for self-employment of the poor, and thus, the idea of micro credit was born. It is from here that it took the shape of Grameen Bank, Bangladesh, and thereafter, has spread all over the world.

The World Bank estimates that there are now over 7000 microfinance institutions, serving some 16 million poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US\$2.5 billion and the potential for new growth is outstanding. It is estimated that, worldwide, there are 13 million microcredit borrowers, with US\$ 7 billion in outstanding loans, and generating repayment rates of 97 percent. It has been growing at a rate of 30 percent annual growth. (Data Snapshots on Microfinance - The Virtual Library on Microcredit).

4.2.2 Special features of lending:

Microcredit offers access to financial resources to the poorest of the poor in the rural areas. It allows people to undertake self-employment activities or to venture very small businesses without depending on money-lenders who demand exorbitant interest rates. Currently there are following organisational forms of the MFIs, viz.,

- Banks
- Financial Corporations
- NBFCs regulated by the RBI
- Trusts, Societies, Co-Operative Societies and Section 25 companies
- Non-banking corporates

Such loans are collateral-free. Maturity is normally 50 weeks with repayment in weekly installments. The loans are under \$25,000 and for entrepreneurs who have not been able to secure financing through traditional lenders. The purpose of these loans is to finance very small businesses either to finance working capital or to buy assets for the business. These loans can come with technical support such as business training also.

The mantra “Microfinance” is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are:

- Savings/Thrift precedes credit,
- Credit is linked with savings/thrift,
- Absence of subsidies,
- Group plays an important role in credit appraisal, monitoring and recovery.

Basically **groups** can be of two types:

Self Help Groups (SHGs): The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model was initiated by **Bangladesh Grameen Bank** and is being used by some of the Micro Finance Institutions (MFIs) in our country.

Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception of women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Before 1990's, credit schemes for rural women were almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. **There are certain misconceptions about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable etc. Nevertheless, the experience of several SHGs reveals that 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 subsidy.**

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. However, most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of

organized sector, there emerged the need for an informal credit supply mechanism 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.

4.3 The Micro Financial Sector (Development and Regulation) Bill, 2007⁷²

In March 2008, the Finance Minister tabled the bill in the Lok Sabha, which was then referred to the Lok Sabha Standing Committee on Finance.

4.3.1 Key features of the Bill

It provides for the regulation and supervision of cooperative societies and non-profit institutions (including societies and trusts) that are providing microfinance. The regulator for all of these institutions would be the National Bank for Agriculture and Rural Development (NABARD).

- Microfinance is defined to include loans, savings, insurance and pension services. Loans cannot exceed more than Rs 50,000 (Rs150,000 for housing purposes).
- The bill defines an MFO (Micro Finance Organisation) as any organisations that provides micro-finance services and include societies, trusts and cooperative societies.
- All MFOs that accept deposit from 'eligible clients' need to be registered with NABARD. Minimum experience of three years and minimum net owned fund of Rs five lakhs has been fixed as a condition for registration. NABARD has to specify the form and manner of accounting of business operations of micro finance organizations.
- Registered MFOs will be required to submit reports to the regulator.
- MFOs will also be subject to inspection by the regulator in case of complaints of harmful practices.
- It also proposes to set up a corpus fund called the Micro Finance Development and

⁷² Micro Financial Sector (Development and Regulation) Bill 2007 Bill No 41 of 2007 (As introduced by the Union Finance Minister in Lok Sabha on 20th March 2007)

Equity Fund for the development of the sector

- Every MFO that accepts deposits has to create a reserve fund by transferring a minimum of 15% of its net profit every year.
- The central government may establish a Micro Finance Development Council to advise NABARD on formulation of policies related to the micro financial sector.

The Lok Sabha Standing Committee on Finance raised many objections to this bill and suggested that the Bill needs to be dropped and an appropriate Bill needs to be evolved.

Master Circular on Micro Credit

The Reserve Bank of India has come out with a Master Circular on Micro Credit dated July 1, 2008, which pertains to bank lending and NBFC-lending activities in the micro credit segment. Some of the key features of the circular are cited below:

The Self Help Group (SHG) - Bank Linkage Programme

The NABARD launched a pilot project and supported it by way of refinance. The criterion has been laid down for selecting SHGs by NABARD.

The advances given by the banks to the groups were treated as advances to "weaker sections" under the priority sector. While the norms relating to margin, security as also scales of finance and unit cost would broadly guide the banks for lending to the SHGs, deviations there from could be made by banks, where deemed necessary.

As a follow up of the recommendations of the Working Group under the Chairmanship of Shri S.K. Kalia, the then Managing Director, NABARD, banks were advised in April 1996 as under:

- SHGs lending to be treated as a normal lending activity
- Banks to report their lending to SHGs and/or to NGOs under the new segment, viz. Advances to SHGs'
- Banks to include SHG lending within their Service Area Plan

- SHGs eligible to open savings bank accounts
- Banks were advised that the flexibility allowed to the banks in respect of margin, security norms, etc. under the pilot project would continue to be operational under the linkage programme even beyond the pilot phase.
- Keeping in view the nature of lending and status of borrowers, the banks may prescribe simple documentation for lending to SHGs.
- The bank loan may not be utilized by the SHG for financing a defaulter member to the bank. Not accepting public deposits from the purview of Sections 45-IA (registration), 45-IB (maintenance of liquid assets) and 45-IC (transfer of profits to Reserve Fund) of the RBI Act, 1934.

In view of the need to protect the interests of depositors, microfinance institutions (MFIs) would not be permitted to accept public deposits unless they comply with the extant regulatory framework of the Reserve Bank.

Interest rates deregulated-

The interest rate applicable to loans given by banks to micro-credit organisations or by the micro-credit organisations to Self Help Groups/member beneficiaries would be left to their discretion.

Mainstreaming and enhancing outreach-

- The banks may formulate their own model(s) or choose any conduit/ intermediary for extending micro credit. Micro Credit extended by banks to individual borrowers directly or through any intermediary would be reckoned as part of their priority sector lending.
- The criteria for selection of micro credit organisations are not prescribed. It may, however, be desirable for banks to deal with micro credit organisations having proper credentials, track record, system of maintaining accounts and records with regular audits in place and manpower for closer supervision and follow-up.

- Banks may prescribe their own lending norms keeping in view the ground realities.
- Micro credit should be included in branch credit plan, block credit plan and state credit plan of each bank. Micro credit should also form an integral part of the bank's corporate credit plan and should be reviewed at the highest level on a quarterly basis.
- A simple system requiring minimum procedures and documentation is a pre-condition for augmenting flow of micro credit.

Delivery Issues-

- Banks should provide adequate incentives to their branches in financing the SHGs.
- The group dynamics of working of the SHGs may be left to themselves and need not be regulated.
- The approach to micro-financing of SHGs should be totally hassle-free and may include consumption expenditures.

Financing of MFIs by banks

- Competing MFIs were operating in the same area, resulting in multiple lending and overburdening of rural households.
- Many MFIs supported by banks were not engaging themselves in capacity building and empowerment of the groups to the desired extent.
- In many cases, no review of MFI operations was undertaken after sanctioning the credit facility.

These findings were brought to the notice of the banks to enable them to take necessary corrective action where required.

4.3.3 Total Financial Inclusion and Credit Requirement of SHGs

Banks are advised to meet the entire credit requirements of SHG members namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping.

4.3.4 Transparency Disclosure Norms – Self regulation

The Reserve Bank of India is understandably hesitant to directly regulate the disclosure practices of all Indian MFIs. As such, the RBI has largely left MFI regulation to the MFIs themselves. CGAP's MFI Disclosure Guidelines offer the best benchmark for judging institutional transparency. All Indian MFIs should work to comply with these guidelines.

4.3.5 Problems and Challenges:

Surveys have shown that many elements contribute to make it more difficult for women empowerment through micro businesses. These elements are:

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

Other shortcomings includes,

1. Burden of meeting: Time consuming meetings, in particular in programmes based on group lending, and time consuming income generating activities without reduction of traditional responsibilities increase women's work and time burden.

2. New Pressures: By using social capital, in-group lending/group collateral programmes, additional stresses and pressures are introduced which might increase vulnerability and reflect disempowerment.

3. Reinforcement of traditional gender roles: lack of economic empowerment: Micro finance assists women to perform traditional roles better and women thus remain trapped in low productivity sectors, not moving from the group of survival enterprises to micro-enterprises. There are evidences of men withdrawing their contributions to certain types of household expenditures.

4.4 Need For Credit:

Work for financial gains is a dire necessity for women who are heads of their families. The percentage of females-headed rural household in our country, according to an estimate is approx 20. Taking an average of 5 persons in a family, there are almost 3.60 crore families in which the main bread earner is a woman. The illiteracy among women is roughly 70% in the rural areas. This means that 2.65 crore women are faced with a situation where they have to earn their living and they are illiterate. Such women have only limited options for making a living. The vast majority of such women are working in the informal/unorganized sector on a daily wage basis. In fact, it is estimated that only 17% of our working population is engaged in regular jobs. The other **83% are self-employed** and a majority of these are poor⁷³. The immovable property acquired by the family has hardly ever been in the name of women. In case of India, this is due to the prevailing customs and traditional practices. As a result, women were not able to access to credit if they needed it for expansion of their existing small business or other activities, as they had no property in their name to serve as collateral. The Government of India was aware of the difficulties of women in acquiring micro-credit. The bank employees were generally urban people who considered rural poor as undesirable clients for conducting their businesses. It was

⁷³ Women in India, 1997, p. 153.

much more convenient for them to lend money to large industrial houses than to poor asset less rural men and women. The Shramshakti Report had pointed out that there was need for a national level body for credit to poor women which should collaborate with the NGOs for identification of the needy women and for disbursements to them and for effecting recoveries of credit from them.

4.4.1 Government Initiatives:

There have been several initiatives for catering to the funding (and training) requirements of women working in the informal sector under different schemes of the government. For example, training facilities are offered under Training of Rural Youth in Self-employment (**TRYSEM**), support to Training-cum-Employment (**STEP**), **NORD**, **DWACRA**, **IRDP** schemes, and the scheme of Women Development Corporations. The Council for Advancement of People's Action and Rural Technology (**CAPART**) and similar other institutions are offering opportunities of women's training in skills in traditional as well as modern sectors so that they can take up income generation activities on their own. However, the total coverage of these programmes is not very significant. Fortunately, several departments, such as Urban Development, Small Scale Industries, Banking and the related departments under the Central and State Governments and the recently created **Women Development Corporations** are focusing attention on the issues and problems facing this sector. The NABARD and RBI have resolved to reach out to 40 lakh families in the next few years with micro-credit. The planning Commission Constituted a special group to make recommendations for targeting 10 million jobs a year in the 10th five year plan. International agencies such as UNIFEM, UNICEF, CARE, APCTT, NORAD, F.E.S., UNDP, etc., are taking keen interest in the involvement of grassroot level organizations for improvement in the conditions of women belonging to this sector. There are several initiatives under State Governments as well like that of **Chhattisgarh Mahila Kosh** in Chhattisgarh State.

4.4.2 Difficulties with Credit from Informal (Non-Institutional Sources):

Credit is indispensable for the poor, particularly in times of crisis. The terms of credit can be transparent only under a well-laid system. But, generally, such people have to depend on credit from the informal sources, on unwritten terms, which are not at all transparent. Availability of credit depends, moreover, on "credit worthiness," which is determined by possession of assets, and poor women have no assets. A recent survey by Government of India has shown that among the poorest persons (whose assets are less than Rs. 5,000), the share of credit from non-institutional sources is up to 58%. As the value of a person's asset goes up, the proportion of institutional credit available to him also goes up.

The informal sources of credit are landlords, agriculture/professional money lenders, relatives and friends. Each of these categories of lenders has its own severe drawbacks. The professional money lenders are known to be exploitative. Instances of a small loan of say Rs. 5000 leading a borrower's family to total financial ruin are not rare. The lender takes away majority of the crops as interest, for years and years while the debt still remains to be paid. Friends and relatives have in fact only limited resources and their lending depends on their sweet will. The credit requirements of the poor may also coincide time-wise with the needs of the persons owning the money, for themselves, due to, say the agriculture season. People may also hesitate to ask for credit from their relatives who are their social equals.

4.4.3 Absence of Saving Services:

"The poor also want to save money for a variety of purposes, but "Where can you store the bank notes, so that they don't get stolen, blown away, lost, or just rot? How can you hold cash at home, when your sons are hungry, your daughter is sick, your husband needs to drink after a hard day's work, your cousin has just arrived with a

hard luck story, and the neighbors want to borrow a few rupees to help, pay off the police, who are harassing them again"⁷⁴.

4.4.4 The Informal Sector: Some Issues:

Most poor women are working in the informal sector. The terms "informal", "unorganised" and "marginal" can in fact be used interchangeably to signify the work situation of the majority of women work participants. They are earning their livelihood by their own means and do not have any written agreement or any law to protect them. According to Jumani (91), a "vast majority of these self-employed women are poor..... Their world is still one of verbal dealing of small sizes, of face to face dealing with small number of people. But they are being forced to deal with the world of written transactions. Their illiteracy, their ignorance of the written laws, procedures, rules and regulations is a major handicap."

4.5 Global Experience:

Recognizing the global importance of the subject since 1997, there have been, on a voluntary basis, global summits of the advocates, practitioners and NGOs relating to micro-finance. In the first such summit held at Washington in February 1997, the participants adopted a global target of meeting the world's 100 million poorest families by the year 2005. There are various interesting experiences for micro-finance all over the world. Notable amongst these, apart from the Asian experiences, are BanacoSol in Bolivia, Accion in Latin America, and FINCA in Costa Rica and Mexico, and the Rural Enterprise Programme in Kenya. As poverty is increasingly becoming synonymous with a female face, at this stage it would be of relevance to know the socio-economic status of the women in some of the other Asian countries and then the different micro-finance programmes that are being followed by them to remedy the shortfalls.

⁷⁴ (Stuart Rutherford in BASU et al, 2000, 51).

Table 4.5.1
Gender-related Development Index⁷⁵
A South-Asian Scenario

S.N.	Country	Life expectancy at birth (years) 1993		Adult Literacy (%) 1993		Earned Income (%) 1993*	
		Female	Male	Female	Male	Female	Male
1.	India	60.7	60.7	36.0	64.3	24.8	75.2@
2.	Nepal	53.3	54.3	13.0	39.4	32.2	67.8@
3.	Bangladesh	55.9	55.9	25.0	48.3	22.8	77.2
4.	Indonesia	64.8	61.3	76.9	89.1	31.9	68.1@
5.	Thailand	72.0	66.4	91.4	95.9	37.2	62.8
6.	Malaysia	73.1	68.8	76.3	88.2	29.4	70.6@
7.	Pakistan	62.9	60.9	23.0	48.6	18.6	81.4@
8.	Sri Lanka	74.3	69.8	86.2	93.1	33.1	66.9

@ No wage data available. An estimated of 75%, the mean of all countries with to the male non-agriculture wage.

*1993 or latest available year.

It is seen from the Table that given a more egalitarian status towards literacy and share in income, as seen in the case of Thailand and Sri Lanka, women who are known to living longer biologically, enjoy a life 5 to 6 years more than men. But in India and Bangladesh, their life spans are almost the same as of men. From studies it is to be appreciated that there is a long-term preparation needed for women to gain position as professional and technical workers, or managers and administrators, and countries with high female literacy level such as Thailand and Sri Lanka are doing best while Malaysia is not doing so well. The presence of women in political positions is not necessary an indicator of their development in general terms. Many of women

⁷⁵ Source: Women in India: A Statical Profile 1997.

in politics in Asia find their way up with blessings from their male relatives occupying political positions.

4.5.1 BANGLADESH EXPERIENCE:

Much like the pattern in India, agriculture in Bangladesh accounts for 47% of GDP and employs 66% of the labour force. 45% of the population is estimated to be below the poverty line. In Bangladesh, there are 5,700 bank branches and two-third of them are in the rural areas. However, the rural credit disbursed in 1992-93 in Bangladesh was less than 3% of its GDP. Rural borrowers have no access to credit. Only some 15% of the farmers are able to get credit from the National Cooperative Banks. The recovery rate of agriculture loans was around 19% for the whole banking system and 2.7% for the cooperative credit system. All this resulted in low sustainability of the rural financial institutions. The Cooperatives are almost defunct and NCBs are losing heavily.

4.5.1.1 Grameen Bank Experience⁷⁶

Prof. Mohammad Yunus, the founder of Grameen Bank, happened to observe that the poor in rural areas remained poor not because they did not possess the initial capital to invest in their economic activity. The terms in which they obtained the initial capital were inequitable and did not leave any surpluses with them except to keep their bodies and souls together. It was in this state that the people were surviving.

On 2nd October, 1983 the Grameen Bank project was converted into a statutory body through an ordinance of the Government of Bangladesh. This institution is neither a bank nor a Non-Government Organisation (NGO). By 1994 Grameen Bank had disbursed Takas 1,240 crores. At present, 20% of the Bank's equity is owned by the poor women of Bangladesh. The Bank has 13 directors and 9 out of these are elected representatives out of Grameen Bank members.

⁷⁶ Founded by Md. Yunis in the year 1983. Awarded for Noble Prize for the same

In 1995 Grameen Bank had a membership of 28 lakhs out of which 94% were women and the programme involved 34,765 villages and 59,634 Grameen Bank Centers. A total of Takas 3,737 crores had been disbursed, with 606 crores Takas outstanding, and overdue of only 0.74% of the outstanding loans.

The Grameen Bank has also incorporated loans for housing to the extent of Takas 440 crores. The Bank has disbursed a loan of Takas 1,062 crores in 1993 and Takas 1,240 crores in 1994. These disbursements total up to more than the total rural credit given by all mainstream banks in Bangladesh.

4.5.1.1.1 The Structure and Organisation of Grameen Bank

Only women who own 0.5 acres of land or less are eligible to become the members of Grameen Bank. A group consists of 5 members. But they should not belong to the same family. High priority is given to women. The group has to undergo rigorous orientation and training. It is mandatory for its members to pass the test showing their understanding of the Grameen principles and procedures and to accumulate a minimum level of savings only after which they are given a recommendation for adoption by the Grameen Bank. The group elects a chairperson and secretary for one year and the leadership must be rotated among the group members till all get a chance to become leaders.

4.5.1.1.2 Central Formation

Up to 6-8 groups form a Centre. The members of the groups are usually from the same village. Each centre elects a centre chief and deputy chief. Attendance of weekly meeting by all group members of a centre is compulsory. An official from the nearest branch office of Grameen Bank also attends this meeting.

4.5.1.1.3 Branches of the Bank

The Bank has about 1,100 branches. This is the cutting edge and the accounting unit of the Grameen Bank. It usually has a branch manager, a senior assistant, 6 to 8 branch assistant and workers and a peon. The Branch Manager is personally

responsible for disbursement of loans in cash. One Branch Manager has to supervise 60 centers. Ten branches are supervised by an Area Manager and his programme officer.

The Grameen Bank has a set sequence for disbursing the loans. In a group which has five members, loans are given to two members who are other than the office bearers. After watching their repayments for a couple of months, loans are extended to two more members from the group. The chairperson is the last to receive the loan. The decision to give loans is taken at the central meeting where it is scrutinized by the bank assistant and passed on to the branch. The branch assesses the proposal and consolidates all proposals to be presented to the Area Manager who approves them. After the approval, the actual disbursement is done at the branch office in the presence of the group chairperson and the chief of the centre.

The purpose of the loan is decided by the recipient in consultation with other members. Initially, a small amount is given which is successively increased later. By 1993, 454 purposes, for which loans could be disbursed, had been listed out. The main items are dairying and other farm activities. Grameen Bank interest rate is 20% per annum. Repayment made in 52 weeks. The group members are also expected to pay one taka each week for the group fund which is managed by the group itself. The members also contribute 5% of the loan disbursement by way of savings for the group.

Groups are made to charge penalties for late repayment. Group fund account is kept with Grameen Bank branch. Individual members cannot have any claim on this, but they can borrow from it for any purpose agreed to by the group. By 1993, the total group fund was 163.3 crores takas.

4.5.1.1.4 Emergency Fund for Insurance and Credit Guarantee

To serve as an insurance cover against death, disability, disaster and default, an emergency fund has been created to which 5 takas per thousand takas for loan (in case loan amount is in excess of 100 takas) are deducted. The bank transactions are

conducted in the presence of the members at the branch. This leads to complete transparency in the Grameen Bank processes.

4.5.1.1.5 Significant Features of the Grameen Bank

The experience of Grameen Bank has been a spectacular success with a large number of women having attained credit acquisition and absorption capacity. To put it cryptically, “It is a lesson in development finance to see the burqa clad women receiving loan in cash of the order of takas 10,000 against nothing more than a signature on a revenue stamp and two witnesses” (Vijay Mahajan, quoted in an unpublished paper).

Sixteen Resolutions of Grameen Bank, SHGS

1. We shall follow and advance the four principles of Grameen Bank-Discipline, Unity, Courage and Hard Work-in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our house and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that we can earn to pay of their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tube wells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons’ wedding, neither shall we give any dowry at our daughter’ wedding. We shall keep the centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone; neither shall we allow anyone to do so.
13. We shall collective undertaking bigger investment for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.

15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall introduce physical exercise in our entire centre. We shall take part in all social activities collectively.

Formulated in a National Workshop of one hundred women centre chiefs in Joydevpur (40 km from Dhaka) in March 1983, the 16 decisions might be called the Social Development Constitution of Grameen Bank. All Grameen Bank members are expected to practice and implement these decisions.

The family status of the women members has gone up and as a result of that Women have silently been acknowledged to be the head of the family. The children have started showing better health. There was a 3 times increase in the working capital employed by the members for income generation activities. The value of their fixed assets went up by 2 ½ times. Members enjoyed 28-43% more income than that of their neighbours (non-members) in the self-employment opportunities of the poor women; the agricultural wages went up by 19%, an indirect benefit.

But the success of Grameen cannot be replicated on the same scale without the foresight and imaginativeness of its founder Professor Yunus. Nevertheless, the Grameen Trust which helps in training and motivation of the aspiring/existing replicators, (national or international) has developed effective yardsticks to lead to financial self-sufficiency of the micro-credit channelizing agencies.

4.5.1.1.6 The Replication of Grameen Banks system In Other Countries

About 40 countries around the world have attempted to replicate the efforts of Grameen Bank. Malaysia, Sri Lanka, Philippines, Indonesia, USA and Burkina Faso (Africa) are amongst the better known examples. In India, C.F.T.S. Pvt. Ltd. is replicating Grameen Bank and supporting micro-credit. NGOs such as RDO (Imphal), Share (Hyderabad) and NASA (Trichy) are also successfully following the Grameen model. The impact of the Grameen Bank can be expressed in the following terms:

“It was able to successfully raise.....takas 650 crores from money market.....Commercial Banks were vying with each other to lend to Grameen..... Thus, atleast for rural Bangladesh, the ‘alternative’ became the ‘mainstream’ banking.”

4.5.1.1.7 Bangladesh Rural Advancement Committee (BRAC)

BRAC could be termed the world’s largest NGO striving to remove poverty and bringing empowerment to the poor. The core programmes of BRAC are rural credit, promotion of micro-enterprises, non-formal education for school drop-outs, women’s health and development, production of value added items and their marketing. It shares a major burden in implementing the government’s national health programme and in the training of its expenses are partially met from its own commercial enterprises such as printing, cold storage, garments, chain of handicraft stores known as Aarong, etc. Thus, 43% of its annual budget is met from sources within. The balance of its expenditure comes from a consortium of 13 external donors and the Government of Bangladesh.

BRAC is implementing these programmes in 35,272 out of the 68,000 villages in the country and is benefitting about 10 lakh women and men. It employs 11,230 persons and 23% of them are women. The basic unit of BRAC is a village organization (V.O.) of 20 to 60 members, sub-divided into groups of 5 to 6. Selected V.O. members are trained in different skills relevant to their work. By 1993, 8,25,790 persons had been trained. For the activities which BRAC promotes, it aims to cover the entire chain of activities. In case of sericulture, for example, it will undertake/organize workers’ training, production as well as undertaking of the product. For the BRAC credit programme, collateral-free loans from a revolving fund are available, provided the members have done the following:

- (a) Complete the social awareness education course;
- (b) Attended minimum weekly meetings;

(c) Have had minimum savings deposits (5% for first loan, 10% for second and 15% for the third loan)

(d) Have compulsory deposits in group trust and insurance funds.

BRAC offers a maximum loan of takas 7,000 to an individual. The loans are categorized as general loans, programme loans and housing loans. The repayment period may spread to 5 years. BRAC's credit programme is computerized and reports are made available to the branches and targets for disbursements and collections are fixed. Loans disbursed and outstanding, for example, for 1993, were takas 100 crores and takas 367 crores respectively. The recovery percentages in 1994 stood at 84%. BRAC's operating costs are 13 to 14%.

4.5.2 INDONESIA:

Indonesia is situated in the South East of India. Indonesia is a country made of 13,000 islands. After China, India and USA, it is the most populous country with a population of 20 crores. Its total area is 19 lakh sq. kms and it has a density of 100 persons per sq. kms, i.e., less than half that of India. Most of the population live in the islands of Java, Bali and Madura, which consist of only 7% of its total area. The remaining islands and population are spread in the Indian Ocean on both sides of the equator. It is a challenging task for the government to maintain transport, communication and to reach other services to these islands.

Indonesia has achieved remarkable success in poverty alleviation which is evident from the fact that while the percentage of persons living below the poverty line in 1970 was 60, in 1996 it was only 12. Besides, other indicators of human development have also shown progress including reduction in the fertility rate. The performance in women's development reflected in the table is also quite good.

The economic policies in Indonesia are highly development oriented. The banking system is also simple and less bureaucratic. Promotions of trade and foreign capital investment have been their leading strategy.

The regional disparities continue. To find an answer to these, a programme entitled "Inpress Desa Tertinggal" or IDT has been launched, which means, a programme for

community development of backward villages. The main items of this programme are to bring improvement in the infrastructure facilities of the villages and to provide micro-credit for the income generation activities of the poor.

The Central Bank of the Government of Indonesia is the Bank Indonesia. Other financial services, apart from banking, are directly handled by the Finance Ministry. Under the Banking Act of 1992, two kinds of banks have been given recognition; Commercial Banks, and Banks Perkreditan Rakyat (BPR) or Banks for peoples' credit. The second variety of banks can be termed as small savings banks which have limited functions (due to their smaller areas of operation) as well as objectives. By 1997, Indonesia had 237 commercial banks with 7,342 branches. These are known for their sound financial management.

In the field of micro-credit, an important role has been played by the Bank Rakyat Indonesia (BRI). BRI had been assigned the task of establishing financing network by the Dutch authorities. It is also the Indonesia Government's commercial bank for which financing and providing all the other banking services in rural areas is the main objective. It has 324 branches, 3,700 units and assets worth over US \$ 13.5 billions. The business of BRI is focused in the following 4 areas:

- (a) Micro-banking
- (b) Retail banking
- (c) Corporate banking, and
- (d) Investment banking

BRI is more than 102 years old. During the 1970s, at the behest of the government, BRI established 3,600 units of Desas (Village Units) for channelising subsidies credit to farmers, who were taking part in Government's agriculture development programme entitled BIMAS (mass guidance). Its objective was to increasing the peddy yield by getting farmers to switch over to high yielding varieties with the help of fertilizers and pesticides. By 1980-81, the impact of the BIMAS credit was that the country became self-sufficient in rice.

When the credit operations had achieved the desired objective of increasing the yield of the crop, the government wanted to stop the BIMAS programme. However this meant that the 30,500 strong well-trained staff of BRI would be thrown out of jobs. At the same time BRI could not afford to bear the cost which was so far being met by the government subsidy in continuing with them. Around that time, the national savings programme called TABANAS and the programme of loan for non-agricultural activities named KREDIT MINI and CREDIT MIDI, had been allowed to be conducted through the unit Desas functionaries. The credit programme BIMAS had offered loans at 12% which was far below the market rates, and even below the savings rates in TABANAS programme. Under the circumstances, BRI could continue the saving programme only if the unit Desas were completely turned into commercial banking institutions with facility to adjust their interest rates so as provide enough surplus.

In 1984, the BRI was "commercialized" or, in other words, set free to adjust its lending rates. A new credit instrument, QUPEDES (General Rural Credit) was developed, likewise a new saving instrument SIMPEDES (Village Saving) gpt developed a little later. Both these steps proved to be extremely popular. The surplus cash could be deposited under SIMPEDES, and the necessary credit could be had under QUPEDES.

At present, under QUPEDES, there are over 2.6 million borrowers, with a total loan outstanding of RP 4.60 trillion. There are 21 million deposit accounts in BRI units with a total RP 15.10 trillion (WINARNO in Basu and Jindal, 168). The individual unit savings accounts are quite small, with over 70% of accounts holding balance of less than US \$ 61. The commercialization effort of BRI had extra political support from the ministerial level. The unit desas were also protected from outside interferences. This was one of its strongest points. BRI had to put in a great deal of effort to inculcate discipline amongst the borrowers in the face of the fact that the Government credit programme had created a culture of non-repayment in the rural areas. Further, "Commercialization also meant that the interest rate to be charged on

loans had to be raised from 12% per annum to over 30%." The loan officer would visit the borrower on the next day, if the repayment was delayed. Even till March 1998, the unit Desas was collecting 98.5% of the amount due as the repayment rate.

There are a few principles on which micro-lending is done by BRI:

The unique feature of small loans dispensation is that clients are not required to come to the bank. On weekly market days, two of the bank's functionaries travel to the village where the applicants/creditors gather. Loans are given and repayments taken on the spot. Through these processes, the access to credit of the poor registered a significant increase. A positive fall out was also that BRI, which was earlier a loss making institution, turned into a profitable one in which the SIMPEDES and QUPEDES accounted as principal sources of income. The environment in Indonesia has not been conducive to the formation of many NGOs.

4.5.3 THAILAND:

Geographically quite close to India, Thailand has a population of 5.8 crores, occupying 5,13,000 sq. km. with a density of 113 persons per sq. km. (half of India). The growth of population during 1990-95 was only 0.9% (India 2.2%). The total fertility rate was 1.8 births per woman (India 3.5). Its population is declining. During the decade 1985-98, the per capita income in Thailand grew at the rate of 8.4 per cent per year. However, since 1997, it experienced a financial crisis with need to borrow an emergency loan from International Monetary Fund. It is in the process of stabilization at present. About 36% of the people are residing in urban areas- and out of this, 50% live in Bangkok alone.

While the total incidence of poverty is estimated to be 13.1%, there are striking regional variations in it. For example, while in Bangkok it is 1.1% it is 22.3% in the north-east. In 1992, around 58% of the poor lived in the north-east, almost 85% lived in rural areas and 98% had household heads with primary school education, or less. Further, there is a great income disparity. According to the World Bank, the two main reasons for this disparity are structural changes in the economy and the lack of

equitable distribution of formal sector jobs across households, and the lack of access to secondary education for the poor.

Thailand has adopted several programmes directed at income generation by the poor. Amongst these is a poverty alleviation programme of the Community Development Department (CDD) related to micro-finance. Thailand has a well developed banking and financial systems. It has 15 domestic commercial banks and 14 foreign commercial banks with a total 3,138 branches all over. It has non-banking and specialised financial institutions and cooperatives which are supervised by the Bank of Thailand. The most notable among the specialized institutions are the Bank for Agriculture and Agriculture Cooperatives (BAAC). There are 1,127 thrift and savings cooperatives and 2,832 agriculture cooperatives.

In view of the high per capita income and smaller proportion of the people below the poverty line, the need for micro-finance is often debated. However, BAAC, which lends to agriculture cooperatives, has also a small programme for lending to farmer's associations. Farmers are organised in joint liability groups of five or more members who guarantee each other's loans. No collateral is required. But the repayment rate of these associations is around 67.9% and there is a feeling that people do not understand true cooperation. GTZ, Germany is currently establishing a small revolving fund to enable BAAC to develop lending procedures and products to meet the requirements of non-farm enterprises.

The CDD's project of micro-finance provides for the establishment of a fund at village level for on-lending to poor households. By 1995, the loans outstanding were \$40 million, benefitting about 20 lakh households. Further, under Rural Development Fund and the programme of the Urban Community Development office loans to benefit 2 lakh persons have been given to some 1,500 community organizations. These are registered cooperative societies or even otherwise. Here the NGOs have a much more limited role in micro-finance than in other countries.

In order to organise micro-finance on a more systematic basis, the government is planning to establish a Community Organisation Development Institute (CODI). Government Saving Bank (GSB) is a specialised financial institution supervised by the Ministry of Finance. It channelises the Rural Development Fund and lends to saving and credit organisations, which in turn lend to final borrowers. This programme is rated to be much more successful than micro-finance programme through the banking system. However, the largest micro-finance programme in Thailand remains the poverty alleviation programme of CDD through which by 1995 \$ 110 million had been advanced to community organisations in around 10,000 villages, \$ 40 million had been on-lent to final borrowers. But the repayment rates are abysmally low, at 0.02 to 3.1%, according to the World Bank estimate. The programme seems to be running more as a grant scheme rather than as a genuine micro-finance programme. CODI offers an excellent opportunity for rationalising the existing government programme and consolidating some of them.

4.5.4 NEPAL:

Land locked from all sides, Nepal is one of the least developed countries in the world. Most of its terrain is hilly and only 17% is arable. Nepal contains the tallest mountain peak, Mt. Everest. It has around 250 mountain peaks, most of which are snow clad for most part of the year. But Nepal has plenty of water power with a production potential of 83,000 MW hydel-power. Only 237 MW as of now is being produced i.e., it is using less than 1% of its potential.

The total population of Nepal is 2 crores. The rate of population growth is high as of 2.5% and average fertility rate is 5 per woman. About 71% of the people live below the poverty line. Only 40% people are literate. Amongst the children, 62% are unable to go to school due to poverty.

The Nepal Rashtra Bank is the central bank of Nepal. In addition, there are 9 private commercial banks, and two government banks. Further, there are 37 financing companies and 17 non-banking finance companies. This forms the financial structure of Nepal. A total of 11 commercial banks and 700 branches of Agriculture

Developments Banks provide banking services. Most of the Banking branches are situated in rural and semi-urban areas. There are 16 cooperative societies and 23 voluntary bodies (NGOs) which provide limited banking services. They have been authorised for business under the Nepal Rashtra Bank Act, 1956.

Priority Sector Lendings: The banks have been given a target of disbursing at least 12% of their loans for the priority sector (including the hard core poor). The interest rate of these lending is around 13% while for rest of the lending it is 19% to 24%.

IFAD Supported Programme: With the support of International Fund of Agriculture Development (IFAD), micro-credit has been started for women in Nepal under which Production Credit for Rural Women (PCRW) is made available to women since the 1980s.

Use of NGOs: The Asian Development Bank (ADB) has assisted a project for micro-credit to women, using NGOs as channelising agencies under the micro-credit project for women.

Grameen Bank Replication: The Grameen Bank replication is being done by five regional Rural Development Banks established in Nepal, since 1996. Two NGOs, Niridan and Centre for Self-Help Development (CSD) are also replicating the Grameen model. Banking with the poor programmes of the foundation for Development Cooperation has been implemented with the help of Rashtriya Banijya Bank (RBB).

In March 1991, the Government of Nepal established a Rural Self-reliance Fund which is to be a resource to NGOs. Rupees two crores have been made available to this fund. This has benefitted 3,194 families till now through 45 NGOs and the recovery percentage has been 84.12. At present, the legal framework does not provide a free opportunity for NGOs to act as intermediaries of micro-finance. In spite of this, some NGOs are active in the field.

4.5.5 PHILLIPPINES:

Phillippines is a country consisting of 7,000 islands. Around 94% of its area is concentrated in 11 of its major islands comprising 3.00 lakh sq. km. The total population is 7 crores, and density of population is 230 persons-which is quite high compared to other South-East Asian Countries. Population growth is 2.2% per annum, and fertility rate is 3.7%. But per capital GNP is Rs. 42,000 p.a. (US \$ 1050) which is substantially higher than most South Asian Countries. But in terms of purchasing power, the real value is substantially lower.

The human development indicators show a middling status of Phillipines. The vast disparity between the rich and poor is a grave challenge to the development there. The country also suffers from some structural drawbacks obstructing the flow of the benefits of the schemes intended for the poor.

There is a ten times difference between the earnings of the rich and poor. Around 37% of the families are living below the poverty line. In Philippines, as in many other developing countries, women have to bear a disproportionate burden attempting to manage household consumption and production under conditions of scarcity, and women have less access to wages than men. Usually, women's work goes unpaid. Decrease in farm and fishery production has driven women to urban areas or foreign shores in search of wages. Women in rural household are home managers. They also render valuable assistance in farms. They are mothers and wives and are required to bear the burden of meeting their family needs regardless of how much money is available. In view of scarcity of gainful employment opportunities or alternative sources of income, the Government of Philippines has adopted a social reform agenda for poverty alleviation with special focus in interventions for women. To provide women access to credit, various lending schemes have been adopted, with minimal interest, and no collateral, on the pattern of Grameen Bank of Bangladesh. The scheme also offers assistance for production and post production technologies.

Philippines have been adopting a vast range of schemes for poverty alleviation. The importance of micro-finance has been highlighted in most of these schemes. A social pact in credit was forged in 1993 between Government agencies, good financial institutions, private banks, cooperative rural banks, and farmers groups. The pact led to the creation of a National Credit Council (NCC). Further, the five-fold agenda, advocated by the Presidential Commission of Fight-Poverty, is inclusive of a plea for a focus on capacity building of the poor to help themselves involving local leadership and NGOs. The main items to be followed were broad macro-economic improvement, micro-economic reforms and decentralised, people-oriented initiatives, with a clear goal to bring down the incidence of poverty to 30% by 1998.

These form a part of the social reform Agenda (SRA). For micro-finance sector, important roles of the private initiatives such as NGOs have been envisaged. The NCC is to rationalise the numerous credit programmes operated by the government. In the micro-finance strategy, market rates are to apply to loan and deposits, government institutions are to provide bulk financing and technical assistance to micro-finance institutions. NGOs are to provide non-financial intermediation between the poor household and MFIs. The role of 'donor' agencies would be to help in social preparation supportive of micro finance.

The financial system in Philippines still remains a little undeveloped. In early 1998, there was heavy currency devaluation. Nevertheless, many experiences are going on in support of micro-finance. The NGOs are quite active. There are some 500 NGOs providing micro-finance service. The Grameen Banks is being replicated with SHG formation and use of group guarantees. Support is also available for production and marketing, agricultural extension, and transfer of new agricultural technology.

4.5.6 MALAYSIA:

Inspite of the rapid progress made in Malaysia, relative poverty persists. Poverty rate has declined from 42.4% in 1976 to 9.6% in 1995. Poverty eradication has been targeted by policy makers in the context of socio-economic development, literacy, and

health status. An opinion is expressed that poverty eradication efforts targeted at women and families need to be made broad-based, integrated, and sustainable. For credit facilitation to the poor Malaysia has implemented Amanah Ikhtiar Malaysia (AIM) project, on the pattern of Grameen Bank of Bangladesh. AIM is intended to benefit both men and women. Established in 1978, it has benefitted 39,441 persons in 8,275 groups in 8 states of Peninsular Malaysia. Total loans disbursed by March 1996 were RM 81.9 million. Majority of beneficiaries are poor women of Malaysia. The Government is also involved in improving the database on rural women for the purpose of programme planning, monitoring and evaluation.

4.5.7 SRI LANKA:

Sri Lanka is an island in the Indian Ocean 80 km. east of the southern tip of India. It became independent in 1948 and on 22nd May the same year, the Republic of Sri Lanka was created. The economy of Sri Lanka is predominantly rural-based with rubber, tea, paddy and coconut plantations yielding substantial income. About fifty percent of the population is engaged in agriculture, forestry and fisheries. Out of a total area of about 65,000 Sq. kms., about 2000 sq. kms. were used for agriculture. About 45% of the labours are engaged in agriculture.

In social development parameters, Sri Lanka is way ahead of other surrounding countries such as India, Pakistan and Nepal. For example, their female adult literacy percentage is 86.2 with life expectancy of women being 74.3 years as compared to 69.8 years for men. In the field of micro-finance, the remarkable achievement by Sri Lanka has been in the field of cooperatives.

Srilanka and the Use of Co-operative Structures for Micro-finance:

Co-operatives are expected to achieve an egalitarian pattern of development, but they are a victim of three problems:

- (a) Exclusion of people who are extremely poor and are frequently unable to acquire voting shares within the co-operative society.

(b) Co-operative groups are typically too big for all, for a few individuals within them, to exercise any influence in the context of poverty removal initiatives.

(c) Political manipulation by those who often use the co-operative as a vehicle for their own economic and political ambition.

The problems of mainstreaming micro-finance poses a direct challenge to the co-operative approach, as micro-finance tends to operate typically with small groups of uncollatorised individuals who have no capability of exercising political leverage on the banking system. However, in the Srilankan case, the thrift and credit co-operative under the leadership of Mr. P. A. Keriwadeniya from 1978 onwards made spectacular efforts to ensure loans to poor people. In the period from 1988 to 1993, there was a repayment rate of 96 per cent.

4.5.8 PAKISTAN:

Pakistan is also becoming increasingly aware of its need to involve women in the process of development. It has committed itself to broad-basing its efforts to improve the basic social services. Steps have been taken towards offering equality of opportunity for the advancement of women in education, skill upgradation and employment. Legislation to remove negative attitudes and stereotyped perceptions of women are being taken. Recently, the National Commission for Women has been established. Dissemination of information about their rights and entitlements has been enforced. Women's empowerment is one of the critical areas of concern on their agenda, and a separate ministry for women development was established in 1989. The rising representation of women in prestigious positions is evidenced from the appointment of a woman as Prime Minister, an Ambassador to US, judges at various levels, etc. A judicial commission headed by a judge of the Supreme Court has been formed to review laws discriminatory to women. The first women's bank has also been established in Pakistan.

In recent years, some attention has been paid to micro-finance. The largest related programme is the Agha Khan Village assistance scheme which is being implemented in Northern and Central area. The NGOs are being given assistance to run various parts of the programme. One of the programmes provides for collection of women's savings, and provision of loans to individuals at an interest rate of 15%. The loans range from Rs. 5,000 to 40,000. The Netherlands Government had given a grant for this programme. In 1996, in Lahore, the Kashf Foundation has been established which facilities loans from Rs. 4,000 to 10,000. The Foundation has adopted a target of benefitting 10,000 persons. However, the sustainability of these programmes is not assured. In addition, there are some ILO supported programmes and some programmes of Revolving Funds for groups funded by Netherlands and Japan. In recent period, the World Bank is considering the formation of a Pakistan Poverty Alleviation Fund. The Fund is expected to work through NGOs. Such funds have already benefitted Bangladesh (PKSF), India (RMK), Sri Lanka and Thailand (Micro-Credit Guide 98, p.218).

4.5.9 THE INDIAN EXPERIENCE:

The Banking sector in India is regulated by the Reserve Bank of India (RBI) under the provisions of Banking Regulation Act, 1949. There are 27 Nationalised banks, 35 private commercial banks and 29 foreign commercial banks with around 35,000 branches in all. In addition there are 196 Regional Rural Bank (RRBs) with about 15,000 branches. Further, there are 28 State Cooperative Banks with around 650 branches and 361 District Cooperative Banks with nearly 11,000 branches. In addition, there are Urban Cooperative Banks working in urban areas. With a view to focus on banking services in the rural areas, and particularly for agriculture and related fields, the National Agriculture and Development Bank (NABARD) was created in 1982. The NABARD oversees and supervises the functioning of RRBs and Rural Cooperative Banks, while Commercial Banks and Urban Cooperative Banks continue to be supervised by the RBI.

By far the most important steps taken by RBI and NABARD in respect of micro-credit are:

1. Their involvement with the IRDP;
2. Support to tiny enterprises and agriculture under priority sector lending programme through Regional Rural Banks (RRBs);
3. The adoption of self-help groups (SHG) - bank linkage programme; and
4. Collaboration and support to cooperative banking;

4.6 NGO's Critical Role in Micro-finance:

In the area of micro-finance, NGOs play a very critical role. Bangladesh's NGOs, for instance, are able to benefit a much larger number of women with micro-credit. In Pakistan, the NGO's presence is not noticeable. The number of NGOs in India is also quite scanty. Further, there is a severe regional disparity in the presence of NGOs in India. The RMK is also not able to involve all the States in its programme due to this handicap.

The global and regional networks active in this sector are mainly **Women World Banking** (WWB) which is a global network affiliating 50 organisations in 42 countries of Africa, Asia, Europe, Latin America and North America. WWB has attracted funds from the local commercial banks to make them available to low income women either directly or through its affiliates. The affiliates had provided services by way of credit or deposit of savings and business development services to more than 5 lakh women, the world over, by 1995. In India, it is headquartered at Ahmedabad under the chairpersonship of Smt. Ela Bhatt, with Smt. Vijaylakshmi das as its chief executive. Apart from fund support, WWB is also known for bringing out quality publication for upgrading the knowledge and skill of micro-finance administrators particularly to help them become formal financial institutions.

Accion: Another such network has been established as Accion International, which operates with about 50 affiliates in Latin America, using similar techniques as WWB,

with a greater focus on group lending. It also helps its strong affiliates to become formal financial institutions themselves.

Finca uses a village banking approach in which about 30 women come together to form borrowing and saving groups. The World Council of Credit Union focuses on lending for women economic enterprises.

Accion's CAMEL

Micro-finance institutions all over the world are trying to meet some standard criteria to vouch safe for their own sound financial health. Their rating with a view to these criteria is particularly relevant when they want to access funds from the financial markets. Accion has examined their criteria and given it an acronym CAMEL, (McGuire, 98 P.56) signifying the following:

1. Capital adequacy: This covers the capital position of MFI including its capacity to cater to additional loan demands within a foreseeable future.
2. Asset quality: This cover the quality of assets acquired with micro-finance, the capacity developed for insuring the assets, and writing off losses if any, and appropriateness of the loan portfolio classification system.
3. Management: This relates to the management of the human resources involved in micro-finance management, general management, management information system, internal control and auditing, strategic planning and budgeting.
4. Earnings: This area indicates the revenues and the expenditure innvolved in the whole exercise, and includes operational efficiency, interest rate policy, and return on assets and equity.
5. Liquidity: This indicates the institution's ability to project funding needs in general, and credit demand in particular.

MFI's are given overall alphabetical ratings based on their scores in various areas of performance indicators: for example, an 'A' classification is given to an MFI with strong financial performance in all of the key areas analysed, and an MFI with a 'D' classification should not be operating a credit system.

4.7 State Government Initiatives- (Chhattisgarh):

4.7.1 Chhattisgarh Women Policy⁷⁷

Women in Chhattisgarh are visible in every walk of life, be it in agriculture, collection and processing of the State's rich forest wealth or in construction / wage work in urban areas. Contrary to the situation in many parts of the country, Chhattisgarh enjoys a comparatively favourable position in terms of women's population reflected in the Sex ratio i.e. 990 per 1000 males. However, the sustenance of this women's proportion is a challenge.

The State recognises the need for increased participation of women for achieving rapid social, economic and cultural development of the state, which is one of the stated agenda of Vision 2010. The effective integration and participation of women in the process of development would be guided by political will and commitment. In order to achieve this the State would have to address a number of issues including gender based occupational stereotyping, male selective in-migration in the context of industrialisation, female illiteracy, impeding cultural practices and attitudes, dominance of women in marginal employment, lack of access to basic facilities, discrimination against the girl child etc.

The Constitution of India not only grants equality to women but also empowers the State to adopt measures and frame policies of positive discrimination in favour of women.

Therefore, this policy aims to create an environment, which enables women to effectively contribute in the process of economic and social transformation and not be merely a passive beneficiary. Accordingly, the objectives of this policy are to:

⁷⁷ <http://cg.gov.in/wcd/womenpolicy.PDF>

- Facilitate a conducive environment to enable women to realise their full potential and promote self reliance
- Achieve equality in access to economic resources including forests, common property, land and other means of production
- Ensure participation of women in social, political and economic life of the state
- Encourage NGOs and Women Groups to effectively participate in the developmental process

To meet these objectives, the State has identified specific initiatives, which include:

- Creating a responsive statutory and institutional mechanism
- Integrating Gender perspective in Economic development
- Creating an enabling environment for Social Development of women

The State will set up a Committee for policy review and implementation to be headed by Minister– in-charge with representatives from the Department of Women and Child Development, State Women Commission, NGOs, community based organisations, other Government departments, etc. This committee would work in coordination with various departments to draw up detailed action plan for every sector in line with the initiatives outlined in this policy.

4.7.1.2 Implementation Outline - Creating a Responsive Legal & Institutional Mechanism

In order to create a non-discriminatory as well as gender sensitive legal environment and strengthen the institutional mechanism to elevate the status of women, the State would take the following measures:

4.7.1.2.1 Legal Measures

- ◆ Adopt, enact, review and revise wherever necessary laws to eliminate all forms of discrimination against women
- ◆ Extend land rights to women and encourage co-ownership of property by women to other productive assets like house, shop, factory, etc
- ◆ Effective enforcement of all relevant legal provisions including Equal Remuneration Act, Minimum Wages Act, Child Marriage Restraint Act, etc.

- ◆ Enforcement of Dowry Prevention Act and effective legal action against domestic violence and harassment of women at place of work
- ◆ Public advocacy and swift legal redressal shall be ensured in cases where women are deprived of rights that are already secured under law
- ◆ Create mass consciousness and provide legal awareness about women's rights
- ◆ Implement laws regarding prenatal sex selection, practices of female infanticide, child marriage, etc., to eliminate all forms of discrimination against the girl child
- ◆ Consider providing concessions in court fees for poor and landless women litigants
- ◆ Deployment of women police personnel in rural police stations to the extent possible.

4.7.1.2.2 Institutional Capacity Building

- ◆ Earmark at least 10% of the social sector spending for supporting women's income generating activities
- ◆ Encourage access to low cost credit to women groups through Financial Institutions. Special mechanism/cell/Kosh could be set up under the Department of Women and Child Development to facilitate access to such credit. The State would also make special efforts to enhance the outreach of credit to women especially those below the poverty line
- ◆ Encourage participation of women at all levels especially in government local bodies, advisory boards, trusts, etc. The government would consider reserving one third of the membership in such bodies for women. Women would also be involved in review of various policies of the State and their implementation
- ◆ Set up a resource centre for women within the existing administrative structure for collection, collation and dissemination of information, conducting surveys, as well as evaluation and tracking progress of women empowerment through measurable goals in line with Vision 2010
- ◆ Encourage formation of Mahila Mandals and facilitate their registration at minimum possible fees. The Self Help Groups would be encouraged to act as effective forums to promote women interests especially at grassroot levels

- ◆ Undertake gender sensitisation of police force
- ◆ Set-up and strengthen existing systems of Women Cells in Police Stations, Family Courts, Legal Aid Centres, Counselling Centres, etc.
- ◆ Ensure independent and effective working of the State Commission for Women
- ◆ The State would ensure participation of women in schemes and programmes of every department in co-ordination of the Department of Women and Child Development with other departments viz. Health, Education, Industry, Forest, etc.
- ◆ Provision of at least one woman member in the Interview Boards

The understudy women representatives of the village panchayats of the Chhattisgarh (Panch, Sarpanch, Members of Janpad Panchayat and Members of District Panchayat) and their socio-cultural background have been analysed in great in this chapter. The personal details of the respondents understudy- sex, age, caste, religion, language, domicile place of residence, marital status, education, the type of family of the respondents, size, age of members, education, marital status, occupation, monthly income - all details and their analysis has been done to understand and appreciate the dynamics of empowerment process.

4.7.1.3 Implementation Outline - Integrating Gender Perspective in Economic Development

In view of the important role of women in the labour force and their contribution to the economic development of the State, the State will make concentrated efforts to ensure incorporation of the women's development dimension in to the various sectors. Accordingly, the State would take the following measures:-

4.7.1.3.1 Agriculture & Allied Sectors

- ◆ Encouragement and recognition of women as farmers. Research and technical innovations will be encouraged to reorient the administrative machinery of agriculture to cater to the needs of women
- ◆ Encourage women farmers to practice mixed farming including cereals, pulses, oil seeds, roots, tubers, etc., and their preservation to enhance the role of women in food

security. The State would also encourage women in villages to take up organic farming.

- ◆ Promote the development of dairy, sericulture, fisheries, horticulture and floriculture under the management of active women's groups. To enable the women to work effectively in these areas, training programmes for women and women's groups will be organised in the processing, value addition and marketing aspects of these activities.

- ◆ Encourage the use of common lands in rural areas by women groups to cater to the fuel and fodder needs of the villages.

- ◆ Encourage women to pursue higher studies in agriculture and agricultural management

- ◆ Facilitate special training programmes for women in modern and developed farming techniques.

4.7.1.3.2 Water & Sanitation

- ◆ Provision of potable water to all villages would be the immediate priority of the state in line with the Vision 2010 thereby reducing the burden on women in terms of carrying heavy headloads of water.

- ◆ Facilitate the access to safe drinking water resources by facilitating access to handpumps, etc., within accessible reach of households especially in rural areas and urban slums. Women groups will be encouraged to take up the management and maintenance of hand pumps

- ◆ Generate awareness among women groups in rural areas regarding the problems of waste disposal especially in rural areas. The State will make provision for waste disposal separately for bio-degradable and non bio-degradable wastes in coordination with civic authorities for their timely disposal. The State would encourage women groups to come forward to claim responsibility for management of sanitation units. The State shall also make efforts to encourage sanitation programmes in rural and urban areas.

◆ In view of the existence and multiple uses of ponds in the villages of Chhattisgarh, the State shall make efforts to provide separate ghats for women and proper facilities for changing of clothes.

◆ Encourage training in coordination with reputed NGOs and other organisations on watershed and water conservation activities.

4.7.1.3.3 Industry

◆ Provide training to women to promote skills for income generating activities like handloom weaving, traditional Chhattisgarh arts, handicrafts, terracotta, sale of compost, collection of waste, use of sewing machines as well as focus on Information Technology, Biotechnology, etc.

◆ Encourage development of cottage and handicraft industries where an increased role is envisaged for women Encourage part time jobs with flexible timings for increased women participation. The State will encourage corporates, government bodies to draw up women friendly personnel policies and provision of social security benefits, support services for women i.e. crèches at work places, security, welfare programmes, transportation, etc.

◆ Facilitate rural women's access to capital, technology know-how and other productive resources for increased work opportunities

◆ Provide additional incentives equivalent to 10% of the capital investment or Rs. 0.2 million (Rs.2 lakhs) per annum, whichever is less, for a period of 5 years to medium and large scale industries where women constitute more than 30% of the workforce in line with the Industrial Policy of the State

◆ Encourage development of managerial and entrepreneurial skills to encourage self employment

◆ To promote women's participation in the use of solar energy, biogas, smokeless chulahs, etc. which help in conservation of environment

◆ Take suitable measures to enable women work till late or in night shifts in organisations accompanied by support services such as security, transportation, etc

◆ Provide necessary mechanisms for marketing of goods produced by women

- ◆ Technical assistance for enhancing the skills of women engaged in traditional work and availability of raw material at reasonable prices
- ◆ Promote participation of women and women group's in extraction of mineral resources
- ◆ Encourage setting up of 'Mahila Sahakari Nagrik Banks' in the state.

4.7.1.3.4 Forest

With 44% area of the State under forest, the tribal women in the forest areas constitute a large population of the women in the State. To address their issues the state would:

- ◆ Facilitate the formation of women groups and their training for collection, value added processing, preservation, storage and trade of non timber forest produce, which is poised to be a major source of revenue for the State
- ◆ Encourage women for plantation, management and marketing of commercial forest species especially medicinal plants.
- ◆ Encourage formation of Mahila Mandals / Self Help groups with a focus on Joint Forest Management activities
- ◆ Give special emphasis to development of women of the primitive tribes of the state
- ◆ Ensure access to safe drinking water and foodstock, health services on a priority basis for tribal women. The Public Distribution System (PDS) will be strengthened and increased participation of women in the PDS vigilance mechanism will be ensured

4.7.1.4 Implementation Outline - Creating an Enabling Environment for Social Development

The State recognises that attempts at bringing about changes in the status of women through legislation or economic development is not sustainable without a simultaneous movement to change the underlying social values, trends and attitudes. In view of this interlinkage adequate emphasis would be given to provide the much needed impetus to the social development of women. Accordingly, the State would take the following measures:-

4.7.1.4.1 Health Care and Nutrition

- ◆ Ensure women have access to affordable and proper health care, information and related services
- ◆ Increased investment in women's education and health which have direct impact in reducing fertility and mortality rates and increased social returns.
- ◆ Ensure implementation of laws regarding registration of marriages, births and deaths to effectively meet the problems of early marriage and infant and maternal mortality
- ◆ Provide health training (particularly in reproductive and child health) to women. The State would undertake special efforts to meet the nutrient needs especially amongst pregnant and lactating women through education and encouraging participation of women in the planning and delivery of the system
- ◆ Expand and intensify access to safe, effective and affordable methods of Family Planning especially in the rural and tribal areas
- ◆ Increase women's knowledge related to her power to exercise choice with respect to conception or abortion of a child.
- ◆ Encourage local women organisations/Self Help Groups to participate in primary health care activities including traditional medicine and measures to promote self care and increased community care
- ◆ Undertake gender sensitive initiatives that address issues related to sexually transmitted diseases (like AIDS etc)
- ◆ Promote establishing separate hospitals / cells for mentally handicapped women
- ◆ Initiate necessary action to establish separate women hospital in the state
- ◆ Promotion of mid-wife training programmes to encourage institutional deliveries

4.7.1.4.2 Education

- ◆ Promote societal awareness to gender issues and women's rights as part of course curriculum
- ◆ Formulate special measures to increase enrolment and retention rate of girls

- ◆ Reduce fees / promote free education for girls belonging to SC, ST, backward communities specially below the poverty line
- ◆ Encourage women / girls to get trained in self defence
- ◆ Organise vocational and job oriented counselling and training exclusively for women to enable them to opt for courses relevant to their talents and interests
- ◆ Make efforts to promote functional literacy with special emphasis on viable economic skills, etc.
- ◆ To promote skill development training programmes for women with the help of polytechnics and technical institutes in the private sector.
- ◆ Facilitate provisions of assistance / loan through various agencies for professional courses to needy women.
- ◆ Special Action Plan to provide education and health care for adolescent girls. Provision for spread of the network of Ashrams and hostels for girls as per requirement.
- ◆ Necessary efforts will be made to encourage women in Sports
- ◆ Incorporate moral education (value based) in the course curriculum of the educational institutions. Inclusion of course curriculum related with legendary women of Chhattisgarh and related cultural and historical aspects.
- ◆ Encourage girls for technical and scientific education

4.7.1.4.3 Housing & Shelter

- ◆ Encourage inclusion of women's perspectives in planning of housing and provision of shelter in rural and urban areas so as to ensure that the benefits of housing, essential services and community facilities are directed to women in general
- ◆ Preferential allotment of plots and houses to women by public agencies
- ◆ Set up homes and rehabilitation centres and orphanages with provision for medical, psychological and economic rehabilitation for women victims of marital violence, societal callousness, etc. The government will encourage NGOs across the State in setting up and running these centres and provide other financial and infrastructural support

- ◆ Suitable measures for setting up of ' Kishori Balika Griha' in Chhattisgarh.
- ◆ Encourage setting up of safe accommodation for working and single women

4.7.1.4.3 Social Welfare & Cultural Aspects

- ◆ Discourage the role of media and advertising, which affect consumer ideology adversely and contribute to the growth of culture of violence against women. The media would be encouraged to develop codes of conduct, guidelines to combat negative images of women, portray successful women as role models and act as a catalyst to promote the human dignity of women. The State would encourage enrolment of women in journalism and mass communication
- ◆ Examine the customary practices and belief systems and take steps to mitigate the negative and unacceptable elements that degrade women through education, penal action, etc. Efforts would be made to make the customary laws more rational and logical through education.
- ◆ Evolve special programmes for women victims of systematic cultural and social violence such as for women persecuted as 'Tonhis'
- ◆ Discourage domestic violence through media and awareness campaigns and make it a legally culpable offence
- ◆ Effective implementation of 'Nashabandi Karyakram' to discourage alcoholism among males, which bears a large share of responsibility for the domestic violence perpetrated on women. Rights for closure of the sale outlet would vest with the Gram Sabha as per the State Excise Policy.
- ◆ Strict enforcement of rules to deal with trafficking in women
- ◆ Formulate special protective measures including social security for vulnerable sections of women including widows, handicapped women, women in distress and particularly below the poverty line, etc. This will include effective implementation of schemes like Indira Sahara Yojana.
- ◆ Introduce measures to encourage widow remarriage

- ◆ Undertake if necessary with help of NGO's interstate tie-ups to ensure legal and social security for migrant women. Steps would be taken to increase employment and effective potential of labour absorption in rural areas as well.
- ◆ Jathas to debunk the superstitions associated with instances of systematic violence shall be linked up to People's Science networks and educational programmes
- ◆ Special measures for the rehabilitation of women in prisons and their dependent children.

4.7.2 Chhattisgarh Mahila Kosh⁷⁸

Traditionally, women in chhattisgarh have a comparatively higher status with in families and in the society. Compared to the national gender ratio of 933 women to 1000 men, for Chhattisgarh the ratio is 990. Third after Kerala and Pondicherry. Women constitute 36.5% of the working population among main workers.

Government has conceived Chattisgarh Mahila Kosh as a small yet significant gesture in order to trigger the latent potential among our women to contribute to the building of a new Chhattisgarh. The KOSH has been created with an initial corpus of Rs. 1 crore. The Governing body is headed by Minister for Women and Child Development

4.7.2.1 Broad Objectives

Promoting activities that could empower women and enhance their role through access to finance and other resources, and to assist them in acquiring competencies for self reliance.

⁷⁸ http://cg.gov.in/schemes/mahila_kosh.htm

4.7.2.2 Activities supported by the Kosh

1. Provide financial assistance for sustaining current occupation and employment
2. Creating an ambience for encouraging investments and creating income generating opportunities
3. Creating productive Assets
4. Capital Formation
5. Meeting Contingent Credit requirements

4.7.2.3 Strategies

1. Initiatives in organizing Self Help Groups among women beneficiaries
2. Equipping women from the economically weaker sections through innovative schemes
3. Sensitizing administrative systems and delivery mechanisms towards cooption of women and their participation in the development process
4. Commissioning research projects on socio-economic issues pertaining to women
5. Networking women groups, NGOs and other resources
6. Entrepreneurship development
7. Accessing and catalyzing other financial institutions, Central and State Govt.
8. Mobilizing resources from other quarters
9. Assistance in project design and formulation
10. Providing opportunities and forum for exchange of ideas and information relevant to the empower of women.

CMK Self Help Groups in Chhattisgarh

Number Of SHGs	27,695
Saving Mobilised	Rs. 4,84,88,451
Total Membership	3,59,549
Members from SC	37,814
Members from ST	1,14,381
Members form OBC	89,718
Other BPL	18,065
Destitute Widows	10,083

After the formation of the State, the State has witnessed a flood of women empowerment activities. Several circumstances, institutions and persons influenced this change in Chhattisgarh. Here, as in other states, the legal provision of one-third representation for women in *panchayati raj* (local government) institutions provided an opportunity for agencies dedicated to women's empowerment to provide training and encouragement to women *panchayat* members to exercise and asserts their rights. The **Didi Bank** system of savings by women's self-help groups was initiated in the new state to bypass the bureaucratic methods of conventional banking and help women's groups to retain control over their earnings. The system rapidly became both popular and successful. Chhattisgarh's health administration came up with the *mitanin* ('friend') scheme to appoint female health volunteers in every community, and a massive programme of selection and training of *mitanins*, with the help of NGOs was set in motion. The *mitanin* was in a way a replacement for the community health volunteer (*jan swasth rakshak*). The difference was that all *mihanin* were female. The selection process was expected to ensure that they had both the support of the local designated NGO and the backing of the community they were to serve. Trained to provide for basic health needs in the community while reporting to the health system cases in need of more qualified medical attention, the *mitanin* would be entrusted with stock of certain over the counter medicines. She would function as

secretary to the village health committee. Their popularity over the years has grown so much that many of them are now elected members of the local bodies at all the three tiers.

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor, particularly women, at the local level, leading to their empowerment. Thus Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment.

Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Although women's access to financial services has increased substantially in the past 10 years, their ability to benefit from this access is often still limited by the disadvantages they experience because of their gender. Some MFIs are providing a decreasing percentage of loans to women, even as these institutions grow and offer new loan products. Others have found that on average women's loan sizes are smaller than those of men, even when they are in the same credit program, the same community, and the same lending group. Some differences in loan sizes may be a result of women's greater poverty or the limited capacity of women's businesses to absorb capital. But they can also indicate broader social discrimination against women, which limits the opportunities open to them, raising the question of whether micro enterprise development programs should do more to address these issues.