CHAPTER - IV
MICROFINANCE AND ECONOMIC EMPOWERMENT OF WOMEN--An Over View

4.1 Introduction

The present chapter provides details of the concept of Microfinance and Economic Empowerment of Women. First part, deals with the present status and outreach of microfinance in India and financial inclusion of women through microfinance. And the further part continues with the Economic Empowerment of Women, understanding and measuring of empowerment, need and constrain involved in the achievement of the same. And frame works involved in measuring economic empowerment of women through microfinance.

Microfinance is relatively a new branch of finance, which aims to promote self-sufficiency and economic development among people who don't have access to the formal financial sector. They do this primarily by extending small loans without the strict requirements of collaterals. Usually they lend to poor and "unbanked," but they also include people who are not poor, but lack the credit from formal sector to start a new business or invest in the existing one. Microfinance in India is more of a women centric programme. It is extensively used in poverty eradication and women empowerment programmes.

Empowerment is a concept which varies from one individual to another; it is a way of life which can be achieved with two main things internal strength and external facilities. Internal strength comprises of self-motivation, self-esteem, self-worth and awareness. External facilities include education, health, protection from law, fundamental, rights, job opportunity, safe environment, credit, training, market facilities etc. Women empowerment is a multidimensional process which travels from many phases. Among all being economically independent is considered as most important, because economic dependence i.e., dependence on others for survival, itself is a hurdle in the pathway of women empowerment. As long as they depend on others for fulfillment of their daily needs or for lifecycle requirements, they are not able to emancipate themselves.
Indian women are discriminated and suffered disproportionately from poverty and social – economic status compared to men. A large chunk of women are engaged in unpaid household chores in the country. Along with household management she has to earn money to supplement the family’s consumption needs. The majority of women, as labour, work in agricultural fields, construction works, housekeeping, factories etc., and very few are self-employed and engaged in production or income generating activities. It is commonly observed in many studies that along with social problems women are more credit constrained than men, so they are not able to undertake income generating activities (IGA) by their own. Hopefully, the availability of proper credit facility can boost income levels, increases employment at the household level and thereby leads to the process of women empowerment. Unfortunately, most formal banks do not serve poor women without any reference or collaterals. The banks do so because of perceived high risk, high cost involved in small transactions and low profitability. The formal banking institutions with ‘business culture’ are not interested in serving the poor. In this scenario Microfinance has emerged as a concrete to fill the gap between the formal credit and the poor. The whole world is curious to know how small loans could unlock endless opportunities for the downtrodden, poorest people. In this context the concept of women’s economic empowerment is the interesting topic for research. Owing to the importance of microfinance in the empowerment of women, this chapter is an attempt to analyse the concept of microfinance and women empowerment.

4.2) The Concept of Microfinance

“Microcredit is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual’s initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.” (Muhammad Yunus, Expanding Microcredit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Microcredit, Dhaka, Bangladesh, January, 2003)

Microfinance companies are the financial institutions that offer small-scale financial services in both the forms – credit and savings, especially to the poor in
rural, semi-urban and urban areas. These financial services are meant to help them in undertaking economic activities, mitigating vulnerabilities to income shocks, smoothening consumption, increasing savings and supporting self-employment.

Microfinance is a broad term that describes banking and financial services provided by poverty-focused financial institutions (often referred to as microfinance institutions or "MFIs") to poor populations that are not being served by mainstream financial organizations. Microfinance, as defined by the ILO, is an economic development approach that involves providing financial services through institutions to low income clients. According to The National Microfinance Taskforce, 1999, in India, microfinance is defined as provision of thrift, credit and other financial services and products of small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. The poor stay poor, not because they are lazy, but they have no access to capital.

Microfinance is a form of financial services specially designed for low-income collateral, poor households having no access of financial services from formal financial institutions (ArindamLaha & Kuri 2014).

4.2.1 Objectives of Microfinance Programme

The key objectives of microfinance Programme are as follows:

- To provide need based easy, pocket loans to poor individuals at relatively low interest rates without any collateral.
- To stop the exploitation of the poor caused by expensive informal credit.
- To finance economically and socially viable projects those cannot be financed otherwise
- To empower women within households as decision makers and in society as a development participant of the country.
- To create maximum self-employment opportunities and self-employed people, especially women’s.
- Reduce poverty and improves the sustainable living standards
The overall aim of the programme is, to make the transition of poor from everyday survival to planning for the future or investments for the future and protects themselves from unexpected setbacks. The Millennium Development Goal 2005 has not given any set of instruction to microfinance industry, but it’s believed that microfinance programme will definitely help in achieving the following MDGs.

MDG -1 Achieve, full and productive employment and decent work for all, including women and young people"

MDG - 3"Promote gender equality and empower women"

4.2.2 Development Approach and Microfinance Programme in India

Poverty and gender disparity are the universally observed features of developing countries. To meet the scale of development they have to eradicate these evils. Till recently the development of a country was measured only on the basis of its growth rate, now development has become more ‘human centric’, which depends on the quality of human recourses of a country not on the mere quantity of production. International development agencies are inducing the developing countries to grow as ‘smart economies’ and implement policies in a way to achieve MDG. ‘Country should develop with the development of its people’, People’s participation and contribution in the process of development is recognised. It took a long time to realise that if the gains of development have to go to the poor, then they must be individually and directly involved in the growth process. In this context, to implement the concept of inclusive and sustainable growth, to make India a self- sustained economy, many changes were made to the economy and many programmes and policies were developed and adopted, and microfinance was one such programme.

The leading principle behind Microfinance programme was ‘Trickle up effect’ instead of ‘Trickle down effect’. Investments, tax rebates and credit at the top level will develop the sectors of the economy and its fruit will reach the poor, is the theory of ‘Trickle down effect’ but reverse to this principle, microfinance aims to invest on poor individual and thereby taking the development at top level i.e., called ‘Trickle up effect’ or ‘bottom up solution’ as cited by Md.Yunus. So instead of investing in development projects it is better to invest directly on the poor and enable them to
make themselves economically independent by undertaking income generating activities and thereby contributing to the income of the family and of the nation.

India is one among the developing countries, who is following ‘credit-led development’ model for rural development and poverty eradication. Inspired by the success of the German and Dutch rural credit systems evolved 200 years ago under the Raiffeinsen model. Credit cooperatives were first tried, and when they found inadequate to meet the challenges, Commercial banks and RRBs were roped in to focus on rural credit. When they have proved insufficient to meet the financial needs of poor, a new concept of group credit with social collaterals has entered the field. Microcredit is found as one such solution for the problem of rural credit. Owing to the importance of microfinance Govt. of India vide their notification dated August 29, 2000 have included ‘Micro Credit/Rural Credit’ in the list of permitted non-banking financial company (NBFC) activities for being considered for Foreign Direct Investment (FDI)/Overseas Corporate Bodies (OCB)/Non-Resident Indians (NRI) investment to encourage foreign participation in micro credit projects. This covers credit facility at the micro level for providing finance to small producers and small micro enterprises in rural and urban areas.

The attractive features of microfinance which have gained momentum for the programme are-

- Adequate and timely credit at low interest rate
- Compulsory regular saving
- Safe place for savings
- User friendly approach of the institutions
- Small credit for small needs
- Simple procedures and less documentation
- Credit at the doorstep of the poor
- Easy and flexible repayment
- The installment amount includes both interest rate and principal amount
- Group lending helps in time of financial emergency
- Group of likeminded members
- Poor are sufficiently targeted under the programme
The success rate of the Bangladesh Grameen model as "miracle cure" for global poverty, and women empowerment at international level has inspired India to think in the same direction. And the success of SHG concept adopted by MYRADA in Karnataka and SEWA in Gujarat has drawn the attention of NABARD towards the implementation of the SBLP Microfinance programme for rural development. From then micro finance has evolved as a need-based policy and programme to cater the credit needs of so far neglected target groups.

The Self Employed Women’s Association (SEWA), owned by groups of women engaged in petty trades, was established according to the co-operative principle in Gujarat in 1974. The earliest initiative in the area of micro finance in India is that of the SEWA model of providing banking services to poor women employed in the unorganized sector. Another approach was taken by the working women’s forum (WWF), which started promoting working women’s co-operative societies in Tamil Nadu in 1980; Shreyas in Kerala has been involved in micro finance operations since 1988 with the objective of promoting people’s co-operatives, and habits of thrift among its beneficiaries, while also propagating the concept of self-managing people's banks. These are all working at state level, at the national level, the SHG movement gained momentum in 1986-87, when NABARD, in collaboration with the Mysore Resettlement and Development Agency (MYRDA), conducted inaction research project on the “saving and credit management of SHGs”. In collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APARCA), NABARD undertook a survey of 43 NGOs in 11 states in India in 1988-89, to study the functioning of micro finance SHGs and the possibilities of their collaboration with the formal banking system. Both these research projects revealed encouraging possibilities, and NABARD initiated a pilot project called the SHGs Linked Project. Since then, NABARD has promoted and monitored the SHG programme, provided funds for capacity building and innovation, and helped change policy to create an enabling environment.

Ever since NABARD’s ‘SHG–Bank Linkage ‘model became a core strategy for rural development, it was incorporated in the Government of India’s programme as well. It was included as a strategy in the anti-poverty and women empowerment programmes that were specifically designed to generate self-employment and wage employment in rural areas. The disbursement of micro finance through SHGs has
proved that even the poor are bankable. Hence, micro finance through SHGs has evolved as an accepted institutional framework to provide financial services to the poor.

4.2.3 Delivery models of Microfinance in India

In India, micro-finance is mainly provided through two delivery models, namely the SHG-Bank Linkage (SBL) model, which was championed by NABARD and the Micro-Finance Institution (MFI) model run by NGOs, NBFCs, BCs, Co-operative societies, which resembles the Bangladesh Grameen Bank model.

A. SHG-Bank Linkage (SBLP) Model

The SBL model is India’s homegrown model of microfinance, which was conceptualized and initiated by NABARD. Under this model, NGOs or GOs motivate women of economically backward class to form into a group of 15-20 individuals to uplift themselves from their socioeconomic problems with mutual co-operation. The group is confirmed as an SHG only after an observation period of six months. By training them with basic financial literacy like book keeping, ledger maintaining, etc., they are linked to banks. From then the financial journey of the group will start. They are formally linked to banks, from which they were denied earlier. Today, opening accounts in the name of SHGs is a part of the regular operations in most banks in India.
B. Micro-Finance Institution (MFI) Model

In India, microfinance institutions registered as Non-Banking Financial Companies (NBFC-MFIs), Section 25 (Not-for-profit) Companies, Trusts, Societies and Cooperatives. However, most of the large, multistate operating companies function as NBFC-MFIs as this legal form provides for ease in raising equity, and has the benefits of recognition and regulation of the Reserve Bank of India (RBI). MFIs, like SBLP operate on the principle of group lending whereby they form SHGs and Joint Liability Groups where the liability of a loan lies with the group as a whole. MFIs structure these groups in such a way that peer pressure would ensure compliance of individual clients in most cases. Some MFIs give financial services to individuals, but in rare instances, the overwhelming majority of their operations are restricted to giving loans to groups.
There are some Regulatory frameworks prescribed by the RBI for MFIs, In India RBI act as the regulatory body for MFIs which are registered as NBFCs. However, MFIs registered as Section 25 companies, Trusts, Societies or Cooperatives do not come under RBI regulations, but they voluntarily follow RBI directions. Previously, RBI has not prescribed any set of rules for working of MFIs. Only after the Andhra Pradesh crisis of mass default and suicide, RBI has set up Malegam committee to investigate the activities of MFIs across the country and to make recommendations for improvement in their functioning. Based on the recommendations of Malegam committee Reserve Bank of India issued a set of guidelines to cover the operations of NBFCs functioning as MFIs in March 2012. These guidelines created a new category of Non-Banking Financial Companies (NBFCs) called NBFC-MFI and specified that all NBFCs undertaking microfinance business, having capitalization of Rs. 5 crores and having over 85% or more of their exposure in “qualifying assets” (microfinance portfolio) should apply for an NBFC-MFI license accordingly. And interest slab was fixed at 12% to 26%, again in April 2014 RBI has removed the 26% interest rate cap on loans given by microfinance companies regulated by it and linked the interest rate to the cost of funds. As a result, such MFIs will be able to charge more than 26% if their cost of borrowing from banks.
is higher. On the other hand, the lending rate will fall if the cost of borrowing goes down. At present, the margin cap is fixed at 12% for all NBFC-MFIs. Who has a loan portfolio of Rs100 crs.

4.2.4 Microfinance Complementing Banks

Credit is an important factor for the poor to bridge the gap between income and expenditure. Credit is accessed through two channels, formal and informal. Due to reasons of rigidity in its working, formal institutions are always preferred and recommended over informal sources in rural areas. The quality of being convenient and handy, despite of improper or immoral operations informal institutions still exist even in the most developed nations. In rural India, the distressing fact is that 52 percent of the households have no access to credit, be it formal or informal. 30 percent of the rural households are serviced by informal credit sources while only 27 percent of the households avail the credit facilities from financial institutions. There is an overlap of 9 percent, which comprises the households that access both formal and informal sources for their credit needs. This essentially means that almost three fourth of the rural population have no means of accessing formal sources of credit. These figures are alarming reminders of the fact that our nation still has a long way to go to achieve complete financial inclusion. There needs to be innovative vision and practical thinking in the conception and implementation of such efforts. Scaling up of existing financial institutions overnight is not a feasible and viable solution in our vast nation of more than 110 crore people. Newer and more pragmatic ideas need to be thought of to link the rural households with mainstream financial institutions. Microfinance is one such approach that seems to hold tremendous promise and potential in “reaching the un-reached”.

India is a land of villages, majority of illiterate and poor population live over there. The disadvantaged rural poor are credit constrained than urban people. Credit plays an important role in the survival of poor household and in the process of development. It is the ‘Life Blood’ for any economic activity and is one of the crucial factors for upliftment of down trodden in the economy. To solve the problem of credit, which is bothering the rural poor, Govt. of India for the first time implemented credit based poverty alleviation programme i.e., IRDP [Integrated Rural Development Programme] in 1978-79 implemented through commercial banks. These policy
measures helped in widening geographical area and branches of commercial banks in rural areas. An effort was made with IRDP to distribute formal credit to the poor through banks. The policy has failed to achieve its border objective of social banking. The poor do not have sufficient and reliable access to credit from the formal banking system for a number of reasons some of them are as follows,

- Accessing Formal Banking services are related to collateral. And the poor are unable to provide adequate physical collateral.
- Distance of the bank branch from villages were far, no proper infrastructure available to reach them it increases transportation expenses,
- Wage/ labour loss during visiting / waiting period in the bank.
- Slow and complicated paper work of banks,
- Banker’s cultural differences and unfriendly attitude towards the poor.
- Rigid rules and regulations and much more.
- The problem of asymmetry of information, where one party has superior information than the other. This will lead to fear in the minds of poor about such transaction.
- On the other hand locally available services from informal sources, such as traditional money lenders, pawnbrokers, land lord, baniya, sahukar, lala etc., are handy but they cost high interest rate and they are exploitative.

A high transaction cost involved in small loans is one of the biggest reasons behind traditional banks for not lending small loans. The resources required for extending Rs.100as loan are the same as for Rs.1000. Thus the development of the banking system remained isolated to urban areas and render services to rich people. They never tried to serve the poor, so banks were not able to become part of a broader socio-economic transformation in the country side. To fill the gap between poor and the formal financial institutions, banks themselves compelled to find the alternative way to serve the credit needs of poor and laid the foundation for micro credit.

A considerable change in financial inclusion of the poor was observed only after the introduction of Microcredit. The working of Microfinance Institutions is exactly opposite to that of banks. Micro-credit is a small amount of loan extended to credit constrained poor, without any collateral. It is a form of mobile banking which reaches the customers at their convenient place. All these facilities offered by MFIs
have attracted a large number of clients. Poor people are happy to connect them self with these formal credit institutions. In the process of reach of clients MFIs are complimenting banking institutions. Micro finance enabled the poor and the women to save and provide them confidence to approach banks to deposit their savings and obtain loans. Today, opening accounts in the name of SHGs is part of the regular operations in most banks. The following table’s show the approximate number of banking institutions exist in India and number of household linked to banking services in the country.

Table- 4.1
Total No. of Banking Institutions in India by -2013

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Institution</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PSU Banks</td>
<td>24124</td>
<td>48531</td>
<td>72661</td>
</tr>
<tr>
<td>2</td>
<td>Old Private Banks</td>
<td>1069</td>
<td>4978</td>
<td>6047</td>
</tr>
<tr>
<td>3</td>
<td>New Private Banks</td>
<td>1292</td>
<td>8230</td>
<td>9522</td>
</tr>
<tr>
<td>4</td>
<td>Foreign Banks</td>
<td>8</td>
<td>324</td>
<td>332</td>
</tr>
<tr>
<td>5</td>
<td>All Commercial Banks</td>
<td>26493</td>
<td>62069</td>
<td>88562</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013

The above table shows the total number of Banking Institutes spread over rural and urban areas of India. It is clear from the above table that, the number of banks is more in urban areas than in rural. The rural people are still not accessible to formal banking in India due to less number of bank branches in rural area. As per census report 2011, large number of Indian population is lagging behind in availing proper banking services from a formal institute. The same is shown in the next table.
**Table- 4.2**

Households Availing Banking Services in India-2014

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Area</th>
<th>Total No. of Households</th>
<th>No. of Households Availing Banking Services</th>
<th>Percentage in Total No. of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural</td>
<td>16.7 crs</td>
<td>9.1 crs</td>
<td>54.5</td>
</tr>
<tr>
<td>2</td>
<td>Urban</td>
<td>7.8 crs</td>
<td>5.3 crs</td>
<td>67.8</td>
</tr>
<tr>
<td>3</td>
<td>Total</td>
<td>24.6 crs</td>
<td>14.4 crs</td>
<td>58.7</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013

It is evident from the above table that though the numbers of banks are more, however, this covers only a small proportion of the total unbanked, underserved potential in the country. Still, 58% of household are out of banking services. More than 40% of the total households are not covered under formal banking in the country. Out of a potential market size of Rs 1.5 trillion, the current penetration is only around Rs 600 billion. India still has 650 million adults who lack access to a formal source of borrowing.

**Table-4.3**

Region wise Banking outlets opened in villages with population>2000 during April 2010-March 2012

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Region</th>
<th>Total No.of Bank Branches</th>
<th>Total number of villages with Banking penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Northern</td>
<td>8176</td>
<td>12539</td>
</tr>
<tr>
<td>2</td>
<td>North-eastern</td>
<td>3184</td>
<td>4277</td>
</tr>
<tr>
<td>3</td>
<td>Eastern</td>
<td>20042</td>
<td>26809</td>
</tr>
<tr>
<td>4</td>
<td>Central</td>
<td>20282</td>
<td>27217</td>
</tr>
<tr>
<td>5</td>
<td>Western</td>
<td>7873</td>
<td>11282</td>
</tr>
<tr>
<td>6</td>
<td>Southern</td>
<td>14642</td>
<td>20536</td>
</tr>
<tr>
<td>7</td>
<td>All India</td>
<td>74199</td>
<td>102660</td>
</tr>
</tbody>
</table>

(Source: Report on Trend and Progress of Banking in India for the year ended June 30, 2012, RBI)
Under “Swabhimaan” - the Financial Inclusion Campaign launched in February 2011, banking facilities to over 74,000 habitations having a population of 2,000 and above have been provided by engaging over 62,000 business correspondent agents (BCAs) and opening branches. About 3.16 crore Financial Inclusion accounts have been opened till March, 2012. Further, Public Sector Banks and Regional Rural Banks (RRBs) have operationalized over 43,000 Ultra Small Branches so far. In pursuance to the announcement made by Finance Minister in Budget speech 2012-13, this campaign is being extended to about 45,000 Habitations with a population of more than 1,000 in North-Eastern and hilly States and with 1600-2000 population in other states.

4.2.5 Current Status and Outreach of Microfinance in India

The popularity of a programme is measured on the basis of its outreach. As microfinance is recognised as the most popular programme worldwide, it is relevant to know the current status and outreach of the programme. Past few decades have witnessed a rapid growth in Microfinance sector. The problem with formal banking access had paid pathway for the microfinance industry in the country. Today it has emerged as a vibrant industry exhibiting a variety of business models. India’s microfinance outreach is the highest in the world at 30.3 million borrowers till March 2014, of which 27.9 million borrowers are linked with NBFC-MFIs. However, this covers only a small proportion of the total unbanked, underserved potential in the country. The country has witnessed growth of both the models in coverage of poor clients. The following tables show the trends in client, credit and loan portfolio of MFIs.
Table-4.4
Growth Trends in MFIs over years

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>No. of MFI</th>
<th>Client Outreach (In Lakh)</th>
<th>Portfolio (Rs. in Cr.) - Excluding managed portfolio</th>
<th>Growth of Client</th>
<th>Growth of Loan Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001</td>
<td>41</td>
<td>3</td>
<td>64.50</td>
<td>2.92</td>
<td>184.50</td>
</tr>
<tr>
<td>2</td>
<td>2002</td>
<td>43</td>
<td>3</td>
<td>183.50</td>
<td>211.70</td>
<td>54.44</td>
</tr>
<tr>
<td>3</td>
<td>2003</td>
<td>49</td>
<td>9</td>
<td>283.40</td>
<td>433.80</td>
<td>53.11</td>
</tr>
<tr>
<td>4</td>
<td>2004</td>
<td>53</td>
<td>33</td>
<td>468.00</td>
<td>6.87</td>
<td>7.86</td>
</tr>
<tr>
<td>5</td>
<td>2005</td>
<td>86</td>
<td>35</td>
<td>2070.00</td>
<td>13.10</td>
<td>342.31</td>
</tr>
<tr>
<td>6</td>
<td>2006</td>
<td>129</td>
<td>40</td>
<td>3456.00</td>
<td>149.38</td>
<td>66.96</td>
</tr>
<tr>
<td>7</td>
<td>2007</td>
<td>145</td>
<td>100</td>
<td>5954.00</td>
<td>40.55</td>
<td>72.28</td>
</tr>
<tr>
<td>8</td>
<td>2008</td>
<td>233</td>
<td>141</td>
<td>11734.00</td>
<td>60.64</td>
<td>97.08</td>
</tr>
<tr>
<td>9</td>
<td>2009</td>
<td>239</td>
<td>226</td>
<td>18343.90</td>
<td>18.14</td>
<td>56.33</td>
</tr>
<tr>
<td>10</td>
<td>2010</td>
<td>264</td>
<td>267</td>
<td>21556.47</td>
<td>19.10</td>
<td>17.51</td>
</tr>
<tr>
<td>11</td>
<td>2011</td>
<td>172</td>
<td>318</td>
<td>20913.00</td>
<td>-15.72</td>
<td>-2.99</td>
</tr>
<tr>
<td>12</td>
<td>2012</td>
<td>184</td>
<td>268</td>
<td>22338.05</td>
<td>2.74</td>
<td>6.81</td>
</tr>
<tr>
<td>13</td>
<td>2013</td>
<td>155</td>
<td>275</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013

The above table shows that, as of March 2014, the total loan portfolio has reached the all-time high of over Rs. 29,442 crore, the loan portfolio has increased 30% than the previous year, and in 2013 it was Rs 23,129 crore. From the above table we can make out that client outreach has reached to 275 lakh in 2013, which was just 3 lakh in 2001. The amount of revenue with the MFIs i.e. loan portfolio increased from 65 crores to 22,338 crores which was declined in 2012 due to Andhra Pradesh MF crises. Even then there was a downfall in client outreach. As the state of Andhra Pradesh is the centre for MFI activity crises over the state has affected whole country. And raised question over the effectiveness of Micro credit as savior of the poor. Even discussions were held at international levels on the credibility of Microfinance as poverty eradication and women empowerment.
### Table- 4.5

**Trend in the Progress of SBLP- Model**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Units</th>
<th>Year 2009-10</th>
<th>Year 2011-12</th>
<th>Year 2012 -13</th>
<th>Year 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total No. of SHGs Saving Linked.</td>
<td>Lakh</td>
<td>69.53</td>
<td>79.60</td>
<td>73.18</td>
<td>74.30</td>
</tr>
<tr>
<td>2</td>
<td>Exclusive Women SHGs out of total</td>
<td>Lakh</td>
<td>53.10</td>
<td>62.99</td>
<td>60.98</td>
<td>62.52</td>
</tr>
<tr>
<td>3</td>
<td>Total No. of SHGs Credit Linked</td>
<td>Lakh</td>
<td>15.87</td>
<td>11.48</td>
<td>12.20</td>
<td>13.66</td>
</tr>
<tr>
<td>4</td>
<td>Exclusive Women SHGs out of total</td>
<td>Lakh</td>
<td>12.94</td>
<td>9.23</td>
<td>10.37</td>
<td>11.52</td>
</tr>
<tr>
<td>5</td>
<td>No. of Families Reached</td>
<td>Million</td>
<td>97</td>
<td>103</td>
<td>95</td>
<td>97</td>
</tr>
<tr>
<td>6</td>
<td>Total Savings of SHGs</td>
<td>Crores</td>
<td>6198.71</td>
<td>6551.41</td>
<td>RS. 8217</td>
<td>9897</td>
</tr>
<tr>
<td>7</td>
<td>Gross Loan Outstanding</td>
<td>Crores</td>
<td>28038.28</td>
<td>36340.00</td>
<td>Rs 39375</td>
<td>42927</td>
</tr>
<tr>
<td>8</td>
<td>Total Loan Disbursed</td>
<td>Crores</td>
<td>14453.30</td>
<td>20585</td>
<td>24017</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Avg. Loan Disbursed per SHG</td>
<td>Rupees</td>
<td>144046.41</td>
<td>168732</td>
<td>175769</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Avg. Loan Outstanding per SHG</td>
<td>Rupees</td>
<td>57795</td>
<td>83455.01</td>
<td>88455</td>
<td>102273</td>
</tr>
</tbody>
</table>

Source: Websites of NABARD and Sadhan

The table 4.5 shows that, out of a potential market size of Rs 1.5 trillion, the current penetration is only around Rs 600 billion. India still has 650 million adults who lack access to a formal source of borrowing. There were 44.51 lakh SHGs in India by end of FY 13 and outstanding loans to SHGs amounted to Rs. 394 billion. The SHG Bank Linkage programme forms a sizeable portion of the overall microfinance outreach in India. (Sage-ACCESS: Microfinance India State of the Sector Report 2013)
The above table shows in detail the progress of SHG Bank Linkage Programme over periods. In the year 2012 we can observe the downfall in the overall progress of the programme which was immediately raised in the next year. Due to the immediate interference of RBI and Govt. of Andhra Pradesh the situation was handled and brought into right track. The Regulatory frame work of RBI over the working of MFIs will be discussed in the later part of the study.

A. Geographical Outreach

As far geographical outreach of the country is concerned MFIs render their services in 28 States and five Union Territories. MFIs work in 573 districts of the country with 11,687 branches spread across India. The MFI penetration is not even in all the states. Out of the total client base of 330 lakh, the South alone contributes to 43%, followed by 25% in the East. The central region and West have 13% and 11% of total outreach respectively. Northeast and North have the least client outreach numbers with 5% and 4% respectively. This year, a positive growth trend in client outreach is observed across all regions. Western region has grown 40%, followed by Eastern and Southern regions at 28% and 19% respectively. While the Central and Northeast regions have maintained a moderate growth rate of 14%, the Northern region has witnessed a negative growth of 24%. Though the reason for negative growth in the North could not be established firmly, closure of a few MFIs in Delhi, Haryana, Uttarakhand and non-reporting of few MFIs operating in this region may have led to this negative growth.

Table 4.6
Region wise Client Outreach of MFIs for the year 2013 and 2014

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Region</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South</td>
<td>43.3%</td>
<td>43%</td>
</tr>
<tr>
<td>2</td>
<td>East</td>
<td>23.3%</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Central</td>
<td>14.5%</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>West</td>
<td>10.9%</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>North</td>
<td>4.36%</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Northeast</td>
<td>3.6%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013
In the above table, we can clearly see the dominance of south region in client outreach. The leading MFIs are interested in southern states for their business expansion. The client outreach in the South was 55.8% in 2010, however the share of South has decreased in recent years due to crises in Andhra Pradesh, which was called as ‘MFIs Heaven’ in the country. At the same time East region is showing an increase in client outreach. The regional imbalances in client outreach clearly indicate that MFIs is in search of safe market, where the other MFIs making profit.

**Figure- 4.3**

Region wise Client Outreach of MFIs for the year 2013 and 2014

![Regional Outreach of MFIs](image)

The following table shows the region wise client outreach through SBLP. The given data presents the same picture like MFI model. South region grabs major share in SBLP penetration, followed by east and west regions. North and northeast region are lagging behind in forming SHGs and linking them self to banks through saving.
Table- 4.7

Region wise Client Outreach of SBLP for the year 2013 and 2014

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Region</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South</td>
<td>47.94%</td>
<td>49.77%</td>
</tr>
<tr>
<td>2</td>
<td>East</td>
<td>20.54%</td>
<td>19.76%</td>
</tr>
<tr>
<td>3</td>
<td>West</td>
<td>12.32%</td>
<td>12.06%</td>
</tr>
<tr>
<td>4</td>
<td>Central</td>
<td>9.58%</td>
<td>9.22%</td>
</tr>
<tr>
<td>5</td>
<td>North</td>
<td>5.47%</td>
<td>4.91%</td>
</tr>
<tr>
<td>6</td>
<td>Northeast</td>
<td>4.1</td>
<td>4.22%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013

Figure-4.4

Region wise Client Outreach of SBLP for the year 2013 and 2014
Table –4.8
States with highest and lowest MFI Penetration in terms of client Outreach (in lakh)-Year 2014

<table>
<thead>
<tr>
<th>States/UTs with high MFI penetration</th>
<th>2014</th>
<th>2013</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karnataka</td>
<td>52</td>
<td>42</td>
<td>24</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>46</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>West Bengal</td>
<td>43</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>38</td>
<td>36</td>
<td>5</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>28</td>
<td>17</td>
<td>67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>States/UTs with low MFI penetration</th>
<th>2014</th>
<th>2013</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hemachal Pradesh</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Andaman</td>
<td>0.01</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Dadra and Nagarhaveli</td>
<td>0.02</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Nagaland</td>
<td>0.02</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>States/UTs recorded Negative Growth</th>
<th>2014</th>
<th>2013</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meghalaya</td>
<td>0.3</td>
<td>1</td>
<td>-69</td>
</tr>
<tr>
<td>Pondichery</td>
<td>0.4</td>
<td>1</td>
<td>-59</td>
</tr>
<tr>
<td>Haryana</td>
<td>2</td>
<td>4</td>
<td>-53</td>
</tr>
<tr>
<td>Delhi</td>
<td>2</td>
<td>4</td>
<td>-46</td>
</tr>
<tr>
<td>Manipur</td>
<td>0.6</td>
<td>1</td>
<td>-35</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013

A good number of MFIs are operating in southern states, West Bengal is the new entry in the group. Though Karnataka is in the first place in MFI penetration, Andhra Pradesh is trying to regain its position, the growth rate of MFI is highest in the state. Apart from this, we can see negative changes in the states of Haryana, Delhi and no changes in Jammu and Kashmir, Himachalpradesh etc.
Table- 4.9
States with Highest and Lowest Penetration of credit linked SHGs under SBLP
(No. of SHGs in Lakh)

<table>
<thead>
<tr>
<th>States/UTs with high SBLP Penetration</th>
<th>20111-12</th>
<th>2012-13</th>
<th>Growth in(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>14.95</td>
<td>14.21</td>
<td>-4.98</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>9.25</td>
<td>8.73</td>
<td>-5066</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>8.27</td>
<td>6.87</td>
<td>-16.85</td>
</tr>
<tr>
<td>West Bengal</td>
<td>6.85</td>
<td>5.86</td>
<td>-14.39</td>
</tr>
<tr>
<td>Karnataka</td>
<td>6.28</td>
<td>6.45</td>
<td>2.71</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>States/UTs with Low SBLP penetration</th>
<th>20111-12</th>
<th>2012-13</th>
<th>Growth in(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lakshadweep</td>
<td>171</td>
<td>27</td>
<td>-8.07</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>619</td>
<td>609</td>
<td>-84.21</td>
</tr>
<tr>
<td>New Delhi</td>
<td>3536</td>
<td>3787</td>
<td>-1.62</td>
</tr>
<tr>
<td>Mizoram</td>
<td>4976</td>
<td>3117</td>
<td>7.1</td>
</tr>
<tr>
<td>Sikkim</td>
<td>5280</td>
<td>3529</td>
<td>-37.36</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013, Sadhan- 2014

The above table shows the SBLP penetration in the states, as a trend southern state occupies the highest position but the growth rate in SHGs linked to bank shows the negative trend.

B. Client Outreach

There were 44.51 lakh SHGs in India by end of FY 13 and outstanding loans to SHGs amounted to Rs. 394 billion. The SHG Bank Linkage programme forms a sizeable portion of the overall microfinance outreach in India. (Sage-ACCESS: Microfinance India State of the Sector Report 2013).

The total number of clients served by MFIs stood at 330 lakh as on 31 March, 2014. Client outreach of MFIs had been growing phenomenally since 2005 till 2011, reaching over 300 lakh. This trend slowed down during 2012 and 2013 and the number of clients slumped to 275 lakh. However, in 2014 we can see an astounding rise in
clients/borrowers to an all-time high of 330 lakh. Client outreach grew by 20% in 2014 relative to 2013. The majority of these clients is being served by NBFC-MFIs (81.82%), primarily the larger ones. MFIs with an outstanding portfolio of 500 crore or above are responsible for reaching out to 74% of the clients in the industry.

Table- 4.10
MFI Category-Wise Borrowers 2013-214

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>MFI category</th>
<th>No. of Borrowers in Lakh</th>
<th>Total No. Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Year 2103</td>
<td>Year 2014</td>
</tr>
<tr>
<td>1</td>
<td>NBFC</td>
<td>234</td>
<td>270</td>
</tr>
<tr>
<td>2</td>
<td>Trust/Society</td>
<td>29</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>S-25 Company</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Co-operative</td>
<td>2</td>
<td>01</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>275</strong></td>
<td><strong>330</strong></td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013, Sadhan-2014

The above table shows that, NBFC-MFIs are penetrating largest clients. And the co-operatives are showing negative trend.

Table-4.11
Trends in Rural - Urban Share of MFI Borrowers

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Rural</th>
<th>Percentage of change</th>
<th>Urban</th>
<th>Percentage of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2012</td>
<td>69%</td>
<td>-</td>
<td>31%</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2013</td>
<td>67%</td>
<td>-2%</td>
<td>33%</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>2014</td>
<td>56%</td>
<td>-11</td>
<td>44%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2013, Sadhan-2014

From the above table, we can see that percentage of rural clients were more than the percentage of urban clients. But compared to the total rural population of India it is very marginal and coverage in urban clients is more than rural when compared to total urban – rural population of the country. When we look into the
percentage of change in the rural, urban ratio of client outreach there is a 11% decrease in rural share and same percentage increase in urban share. It shows the business nature of MFIs, who are interested in outreach of the targets and recovery of the same, acquiring profitable market, not on assisting the rural poor.

**Figure- 4.5**

*Trends in Rural - Urban Share of MFI Borrowers*

![Rural - Urban Share of MFI Borrowers](image)

**Tables- 4.12**

*Distribution of Women Borrowers by Category*

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Percentage of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Women Borrowers (% to total borrowers)</td>
<td>95%</td>
<td>96%</td>
<td>97%</td>
<td>+ 1%</td>
</tr>
<tr>
<td>2</td>
<td>SC/ST Borrower (% in women borrowers)</td>
<td>20%</td>
<td>21%</td>
<td>19%</td>
<td>-2</td>
</tr>
<tr>
<td>3</td>
<td>Minority Borrower (% in women borrowers)</td>
<td>23%</td>
<td>23%</td>
<td>14%</td>
<td>-9</td>
</tr>
<tr>
<td>4</td>
<td>Other Borrowers (% in women borrowers)</td>
<td>57%</td>
<td>56%</td>
<td>67%</td>
<td>+11</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2014, Sadhan- 2014

Note: Data for SC/ST and Minorities is collected after 2012
The above given table show that micro credit penetration to all categories of women is not uniform. From the above table it is clear that the SC/ST and minority women’s share in the total number of borrowers is less compared to other general groups. And it their number is coming down. The down trend may be due to slow growth in total number of growth or as they are poorer they are neglected in the ground level itself.

**Figure- 4.7**

Men - Women Clients of Microfinance
The numbers in the above figure clearly show that, as of 2014, 97% of clients of MFIs are women, i.e., 320.1 lakhs and only 9.9 lakh, 3% are men, the percentage of women borrowers are increasing. In 2011 it was 94%, which has risen to 97% in the year 2014. The microfinance program has no bias by design to cover men or women, but the number of microfinance clients is women. It shows that a number of self-selected groups are more about women. As women are more credit constrained than the men they easily form into group to avail loan from a bank. And it is also an acceptable fact that, as women are credit worthy and morally committed clients, lending to women involve less risk, number of MFIs lend only to women. This is the reason why programme covers a number of females than male.
Table- 4.13

Details of Top 10 MFIs in India– As of March 2014

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of MFI</th>
<th>No. of borrower (in Lakh)</th>
<th>Branch Network (in number)</th>
<th>Loan Disbursement (Rs. in crore)</th>
<th>Loan Portfolio (Rs. in crore)</th>
<th>Operating in No. of States/Union Territories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bandhan Financial Services Pvt. Ltd</td>
<td>54</td>
<td>2016</td>
<td>9199</td>
<td>6107</td>
<td>22</td>
</tr>
<tr>
<td>2</td>
<td>SKS Microfinance Ltd.</td>
<td>49</td>
<td>1255</td>
<td>4788</td>
<td>3105</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Shree Kshetra Dharmasthala Rural</td>
<td>30</td>
<td>124</td>
<td>2323</td>
<td>3200</td>
<td>02</td>
</tr>
<tr>
<td>4</td>
<td>Spandana SpoortyFinancial Ltd</td>
<td>22</td>
<td>1061</td>
<td>1667</td>
<td>2107</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Share Microfin Ltd</td>
<td>20</td>
<td>798</td>
<td>1243</td>
<td>1767</td>
<td>17</td>
</tr>
<tr>
<td>6</td>
<td>Equitas Microfinance Pvt.Ltd.</td>
<td>18</td>
<td>323</td>
<td>1505</td>
<td>1729</td>
<td>07</td>
</tr>
<tr>
<td>7</td>
<td>Janalakshmi Financial Services Pvt. Ltd.</td>
<td>14</td>
<td>101</td>
<td>2381</td>
<td>2053</td>
<td>09</td>
</tr>
<tr>
<td>8</td>
<td>Ujjivan Financial Services Private Limited</td>
<td>13</td>
<td>423</td>
<td>2105</td>
<td>1617</td>
<td>24</td>
</tr>
<tr>
<td>9</td>
<td>AsmithaMicrofin Ltd.</td>
<td>9</td>
<td>429</td>
<td>-</td>
<td>947</td>
<td>12</td>
</tr>
<tr>
<td>10</td>
<td>Satin Creditcare Network Ltd.</td>
<td>8</td>
<td>187</td>
<td>-</td>
<td>736</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: The Bharat Microfinance Report 2014, Sadhan- 2014
From the above table 4.13 we can make out that, among top most MFIs only some are operating in more than 10 states. A total of 87 MFIs (56% of the sample) has confined their operations to only one state, while 53 MFIs (34% of the sample) are operating in two to 5 states. Fifteen MFIs with a large outreach and portfolio have operations in more than 5 states, out of which 5 leading MFIs are operating in more than 15 states. MFIs have approximately 11687 branches spread across India among all categories of MFIs NBFC-MFIs have highest 10351 branches. And among leading MFIs Bandhan Financial Services Pvt.Ltd. has highest branch. (The Bharat Microfinance Report 2014). The main reason for the concentration of MFIs in few areas is, acquiring market where other MFIs are making profit. Rich penetration of MFIs can be seen only in 4 states of south region, i.e., Andhra Pradesh, Tamil Nadu, Karnataka and Kerala.

**Usage of Loan**

It is assumed that Microfinance loans are primarily granted and used for ‘income generation activity’. These include working capital for small businesses, the purchase of a productive asset (milch animals, tractors), and the purchase of working capital (agricultural inputs, business stock), paying an existing high-cost debt from informal sources, or paying children’s school fees. Microfinance borrowers are discouraged from using their loans for conspicuous consumption, such as purchase of unproductive assets or spending on festivals and weddings. The loan purpose is documented at the time of loan application, a house-check is usually done to verify that the borrower or her family members are indeed carrying out the stated business activity, World Bank Global Findex Survey (2012) Loan Utilization Check is performed 2-3 weeks after the loan disbursement to ensure that the loan has been utilized for its stated purpose or not they have find out that most clients use the loan for unproductive purpose. RBI’s Guidelines for NBFC-MFIs mandate that they cannot extend more than 30% of their portfolio for non-income generating activities.
The purpose of loan used i.e. for Income Generation has decreased from 91% to 80 % in 2014 and loan used for Non Income Generation activity has increased from 9% to 20% in the respective period. This is because

**Income of MFI**

The total income of MFIs during 2013-14 is nearly Rs6560 crore, as compared to the previous year approx 45% increase in income is recorded the total income wasRs2174 crore in 2012-13. All categories of MFIs, for profit and not for profit have raised their income level during the year, as compared to last year. Even not for profit NGOs like SEWA and SKDRDP have gained income (Jayati Ghosh)The major share of total income of MFIs were from the Interest collected income from their loan portfolio contributing over 84% of their total income. Processing fees, Investment income and income from portfolio sale are the other types of income.
## Table-4.14
Share of Various Sources in Total Income of MFIs

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Sources of Income</th>
<th>Share in Total Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest Income on Loan portfolio</td>
<td>84.32%</td>
</tr>
<tr>
<td>2</td>
<td>Interest Income from Investment</td>
<td>3.93%</td>
</tr>
<tr>
<td>3</td>
<td>Income from Portfolio sale &amp; securitizing</td>
<td>2.47%</td>
</tr>
<tr>
<td>4</td>
<td>Income from Processing fees</td>
<td>3.88%</td>
</tr>
<tr>
<td>5</td>
<td>Other Fees &amp; Commission income</td>
<td>1.36%</td>
</tr>
<tr>
<td>6</td>
<td>Other Income</td>
<td>4.04%</td>
</tr>
</tbody>
</table>

**Source:** The Bharat Microfinance Report 2014, Sadhan-2014

**Figure – 4.8**

![Various Source of Income for MFI](image-url)
4.2.6 SHG-Bank Linkage Programme in India

Under the SHG-Bank linkage programme, the coverage of rural households having access to regular savings through SHGs linked to banks came down by around 8% during the year to 95 million as on 31 March 2013. A similar decline of the number of SHGs savings linked to Banks was also observed with only 73.18 lakh SHGs linked to Banks as against 79.60 lakh a year back. Number of SHGs having outstanding credit with banks, however, showed a marginal increase of 2% to 44.5 lakh as against 43.5 lakh the previous year. The average loan outstanding of SHGs with banks is `88,500 against `83,500 a year back. There has also been a 6% spurt in the number of SHGs getting fresh loans from banks during the year to 12.2 lakh (up from 11.5 lakh the previous year) and the quantum of fresh loans issued also showed a significant growth of about 24% during the year. The share of exclusive women SHGs in the total number of SHGs savings linked to banks now stands at 81%, while the groups formed under the SGSY programme now constitutes 28% of the total number of groups.

The journey so far traversed by the Self Help Group – Bank Linkage Programme (SHG-BLP) crossed many milestones – from linking a pilot of 500 SHGs of rural poor two decades ago to cross 8 million groups a year ago. Similarly from a total savings corpus of a few thousands of Indian Rupees in the early years to a whopping `27,000 crore today, from a few crores of bank credit to a credit outstanding of `40,000 crore and disbursements touching `20,000 crore during 2012-13. The geographical spread of the movement has also been quite impressive - from an essentially Andhra Pradesh – Karnataka phenomenon in the beginning now spreading to even the most remote corners of India. Over 95 million poor rural households are now part of this world’s largest micro Credit initiative. The poor in the country have demonstrated that in spite of being poor, they are, perhaps, the most “bankable” clients and more willing to help each other for a better tomorrow.

The findings of the two studies taken up by NABARD on NPAs of loans to SHGs by banks bring these structural deficiencies to the fore. The mushrooming of the microfinance Institutions (MFIs) smelling the “business opportunities” with the poor, also led to an unhealthy trend of more and more credit is being pumped without proper appraisal of the loaners and before assessing their capacity to repay. The grave
crisis of confidence of MFIs and subsequent developments has had a highly negative impact on the micro credit initiative in the country. Although SHG-BLP was an attempt to bring the “unbanked” poor into the formal banking system and to inculcate among the poor the thrift and credit habits, a natural corollary is for the group members to graduate into seeking more and better livelihood opportunities with access to credit from formal financial institutions.

Though, SHG-BLP is a step towards bringing the “unbanked” poor into the mainstream banking channels, its formal acceptance as a Financial Inclusion (FI) initiative by the Reserve Bank is still awaited. Though several initiatives were taken by the Government of India, the Reserve Bank of India, NABARD and banks to bring the poor into the fold of formal financial service providers, no serious attempt was made to leverage the SHG-BLP to achieve the FI goals. In fact, there is a need for SHG-BLP and FI initiative working in a complimentary manner, synergizing the strengths and ensuring effective banking footprints in the remotest of the hinterlands. A successful programme like SHG-BLP which could link millions of rural poor to the formal banking system could have been the main instrument for financial literacy and FI in the country. There are a number of plausible ways by which matured SHGs could have been participants in the FI initiative, including being agents by providing direct banking services to the poor at their doorsteps, as a low cost and efficient alternative. This model is certainly more cost effective and reliable alternative to the existing inclusion agenda and millions of households, now members of the SHG-BLP, would have been the immediate beneficiaries. The SHG-BLP though made impressive progress during the last two decades of its existence, is at an inquisitive juncture now. For the first time since the programme was launched two decades ago, the number of SHGs linked to Banks showed a decline during 2012-13.

The success of SHG-BLP (or FI) will be assessed not on the basis of savings or credit linkage or on social capital, leveraged, but on the basis of the improvement in the quality of the lives of its members.

4.2.7 SHG-Bank Linkage Programme in Karnataka

Karnataka is one of the pioneer states in promoting and propagating the self-help movement. The State has always had been in the forefront in innovating and furthering the SHG movement in the country. During 2012-13, 1,20,561 SHGs were
formed and 1,27,598 lakh SHGs were credit linked with the State, taking the cumulative SHGs formed and credit linked with the State to 8,11,231 and 7,51,231 respectively as on 31 March 2013. Further, the average loan per SHG has risen from 1.44 lakh during 2010-11 to `2.03 lakh during 2011-12, however the same declined to 1.66 lakh during 2012-13. Though Karnataka State has been a pioneer in microfinance movement which dates back to NABARD MYRADApilot project on SHG-bank linkage programme in 1991, the programme has become less vibrant with multiple memberships, stagnation in credit linkage by formal banking system, low levels of success in creating micro-enterprises, and low levels of peer group credit, etc.

The microfinance sector has been experiencing problems in recoveries and repayments, of late. On account of multiple membership, over-extended credit and poor follow-up, there is an NPA level of 3.27% in the State as on 31 March 2013. Also the graduation of SHGs to micro-enterprises and livelihood activities is not taking place at the desired pace. In order to encourage bankers to credit link SHGs in a sustainable way and also to graduate them to micro enterprises a pilot project titled WSHG for poor women has been started in the backward districts of Chitradurga and Gulbarga, with SKDRDP and MYRADA as the anchor NGOs.

4.2.8 Relevance of Microfinance and Women

Women are the most disadvantage section of society in terms of economic opportunities. Approximately 70% of the 1.3 billion people living under one dollar a day around the world are women. India is not an exception to this. As the formal paid employment is virtually non-existent for poor women in India they are completely financially dependent on their husbands. Therefore, they are often engaged in household or informal work with little or no pay. The most appropriate reason for this is they are not equally accessible to productive resources like men. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. The Human Development Index in India is low (0.451) when compared to other Asian countries like Thailand (0.838), Malaysia (0.834), Sri Lanka (0.716), and Indonesia (0.679) and China (0.650). In terms of poverty capability measures also, the position of India is not impressive. In both economic and
social development indicators, India is far behind other countries of comparable economic development.

Indian economy has transformed from closed, protected and governed economy to free and liberal economy, which allows for free entry and exit of foreign companies. The country is developing with high speed; improved technologies are replacing the human labour. Even agriculture sector is commercialised which was the main source of income for many poor. The economic conditions of poor household no more allows woman’s role limits to the four walls of the household, which a culturally conservative society used to do in the past. Women are forced to come out and earn money to support their family consumption needs. But vast spread illiteracy and ignorance of technical skill holds the women from entering into the formal employment. Therefore they play little role in the labour market and instead engage in the household and informal sector, labour, or self-employment activities nearby their house. Taking up of self-employment at large scale is out of their focus, because it involves high challenges like investment risk and marketing of goods.

Microfinance aims to extend small credit along with credit plus facilities like skill development training, marketing network, insurance and guidance, to very poor people for taking up income generating activities which earn a regular income, and thereby allowing them to take care for themselves and their families. As the rate of unemployment is high in women, they constitute the bulk of those who need microfinance services. And women are more likely to invest their loans for the betterment of their entire family or plugging back into the business. So investing in women results in double benefit, betterment of not only of women even of her family. The credit needs of women and on time repayment of the same has become a solid reason for widespread operation of MFIs in India. And it is the reason why Microfinance programme prefers women over men.

4.2.9 Microfinance and its role in Financial Inclusion

In every country there will be always some section of people who are not able to access formal credit, or they have been excluded deliberately due to some reasons. And India is not an exception to this, in the country about half of the ‘Bankable’ population is kept out of the banking facilities. Though banking sector has advanced technically, but in the outreach of rural client it is still lagging behind. The exclusion
is of two types, geographical and social exclusion. Geographical exclusion is concerned with distance and infrastructure facilities due to which one cannot access banking services. And the second one is concerned with societal norms, like women, who will be excluded if they do not have property in their name, a guarantor. But such an exclusion of eligible human resource from access to credit will hamper the growth process. Improving the quality of life of mankind is the motto of international development agencies, and insists the member countries to follow the same thing. For improving the quality of life of mankind, or for the welfare of a country and its citizens, the availability of some basic facilities is must. Monetary facility is one among them. It includes proper credit and saving facilities to all. ‘Facilities to All’ means each and every person instead of selective few, in a country should get the credit facilities who are excluded before.

A 2006 UN report on building inclusive financial sectors for development defined an inclusive financial system as one which provides credit to all “bankable” individuals and firms; insurance to all insurable individuals and firms; and savings and payment services for everyone. Financial inclusion does not insist that everyone in a country should use available banking services rather everyone should have an open option to use them. The financial service needs to be made available to individuals to improve their living standards. World Bank in (2008) has defined financial inclusion, as the absence of price and non-price barriers in the use of financial services.

The above given definitions clearly indicates that Financial Inclusion is the delivery of financial services at an affordable cost to vast sections of the disadvantaged and low income groups. In India who are all excluded or who are in need of financial inclusion?

- Marginal farmers
- Landless labourers
- Self employed
- Small/ petty business men
- Oral lessees
- Urban slum dwellers
- Ethnic minorities
• Socially excluded groups
• Senior citizens

And above all most disadvantage section is of poor women. Women are most discriminated section in terms of credit and choice of opportunities. They are double excluded, one on grounds of poverty/ low income and another on grounds of sex.

The purpose of financial inclusion is to provide equitable opportunities for every individual to avail the facility of formal financial channels for a better life, better living and better income. In the category of equal opportunities to all, women occupy prime position, as they were the most excluded sections of society. Only two to five percent of the 500 million poorest households in the world have access to institutional credit. Of which, women receive a disproportionately small share of credit from formal banking institutions. So the financial inclusion becomes more meaning full when it facilitates with saving and credit facilities to un-bankable poor women. The financial inclusion should include access to services like –

• Immediate Credit
• Safe and Regular Saving facilities
• Insurance services
• Easy repayment
• Financial advices
• Entrepreneurial credit

The vast geographical spread of country and the high growth of population always throw up challenges regarding achieving the financial inclusion of excluded population. The Government is putting regular efforts to extend banking services to the rural poor, or for financial inclusion, which can be categorized as-

• Initiating Credit Co-Operative societies
• Setting up of the State Bank of India
• Nationalization of Commercial Banks
• Setting up of RRBs
• Establishment of NABARD
• Self Help Groups/ MFIs
The first step towards financial inclusion was taken through co-operative movement, which was started early in 1904 and revised after independence. In 1960 credit co-operative societies were formed in partnership with states. But the very concept of co-operation has failed due to non-co-operation among the members. Governments plan to extend credit to poor and the needy farmers in rural areas has failed utterly. State bank the largest public sector bank formally established in 1955 with an objective to cater to the development process of the country. As it is the largest commercial bank, because of its rigid banking culture, it has failed to meet the bottom of the credit pyramid. Next comes the nationalization of commercial banks in two different stages i.e. in 1969/1980 and the establishment of RRBs in 1976 with a view to provide credit to small and medium farmers, artisans, traders, and develop rural economy by providing credit facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities. All these developments have not led much fruit. The reason for the failure or slowdown of all these efforts to achieve financial inclusion is the rigidity in banking procedure and asymmetric information. To cater specially, the agriculture and rural sector govt. has established NABARD in1982. And the same NABARD bank in order to meet credit needs of rural poor, especially of women initiated microfinance led SHG programme. The introduction of microcredit through SHG Bank Linkage and through MFI is existed as a new ray of hope for financial inclusion of down trodden, un bankable poor and women.

It is a generally known fact that banks fail to cater the credit needs of the poor. Their focus is not on “mass banking” but on “super-class banking”. Along with this the large size of the population, low income group, absence of reach and coverage, high transaction costs and many other reasons formal banks avoid small credit transactions without collaterals. Where the journey of the formal banks stops, their journey of Microcredit begins. It is a special segment of financial facility which aims to help in providing small loan for poor and women at their place with social collaterals. The easy accessibility is the secret behind the grand success of Microcredit. India is a land of villages and 37% of its population is poor, they need a small amount of money for short periods to fulfill their small needs. Microfinance aims to provide credit, saving, loan and insurance services to its clients. And this covers almost all necessities of financial inclusion.
4.2.9.1 Current Status of Financial Inclusion India

The statistics on financial exclusion in India provides a very depressing picture. Out of over 600,000 rural habitations in the country, only about 30,000 or just 5% have a commercial bank branch. Just about 40 per cent of the populations across the country have bank accounts and this ratio is much lower in the north-eastern part of the country. The proportion of people having any kind of life insurance cover is as low as 10 per cent, and the proportion having non-life insurance is an abysmally low 0.6 percent. People having debit cards comprises only 13 per cent and those having credit cards a marginal 2 per cent. However, staggering these figures may seem, they still convey only part of the extent of financial exclusion in India.

Out of the total number of saving, bank accounts the vast majority are dormant. Status of active ‘no frill accounts’ is altogether alarming. All across India, less than 10% of the ‘no frill accounts’ are active. In the absence of financial literacy, very few conduct banking transactions and even few receive credit from formal financing channels. Millions of people across the country are thereby denied the opportunity to increase their earning capacity and entrepreneurial talent and continue to struggle with their limited resources. The Financial inclusion is done through Banks and Microfinance Penetration which is shown below.

Table- 4.14

<table>
<thead>
<tr>
<th>Agency</th>
<th>High penetration regions</th>
<th>Medium penetration regions</th>
<th>Low penetration regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Sector</td>
<td>Central, Eastern</td>
<td>Southern, Northern</td>
<td>Western, Northeast</td>
</tr>
<tr>
<td>Microfinance</td>
<td>Southern, Eastern</td>
<td>Western, Central</td>
<td>Northeast, Northern</td>
</tr>
</tbody>
</table>

The above table leads to following conclusions.

1. The Eastern states occupy prime position in outreach of both banks and microfinance facilities.
2. The Southern region of the country has high microfinance penetration. And Central region has high banking penetration and medium in microfinance.
3. Microfinance in west region is successfully complimenting the banking sector.
4. North Eastern regions of the country are poor in both banking and microfinance penetration. Both the agencies have failed to provide proper financial services to the population of this region.

5. The North region seems to have medium access to bank branches and but low access to microfinance.

The overall impression is that both the agencies work in east with highest outreach, but they have failed to extend their service to the Northeastern region. Availability of banking services was very low among the states of Assam, Bihar, Orissa and Madhya Pradesh. Assam, Bihar and Orissa comprised of 80 per cent rural households, indicating that the rural areas of these states are highly excluded from the banking services. As these states are poor and backward, inhabited by low income people the Banks and the Microfinance institutions exclude them from financial services. Low income and lack of infrastructure facilities often constitute for exclusion of some section of the population.

The access to Bank account penetration in India has increased from 35% to 53%, 175 million people in the country became account holders between 2011 and 2014. This is because the Indian government launched Pradhan Mantri Jan Dhan Yojana scheme for comprehensive financial inclusion with the goal of opening a bank account for every household. The objective behind the scheme was good, but it has failed to achieve its goal. According to the World Bank, the rise in the number of bank accounts was only due to Govt. efforts the country still suffers from high dormancy rates. Under the scheme more than 97 per cent of the accounts were opened with the public banks, but around 72 per cent of these accounts show ‘zero balances’. Only the patronage is not enough for the success of any scheme, participation of the members is equally important. In this matter Microfinance seems to be a better option available for financial inclusion of excluded. The members of microfinance actively participate in the financial transactions.
4.2.9.2 Barriers associated with financial inclusion in India-

There are some general hindrances in the way of implementation of financial inclusion projects in India.

- The first barrier is associated with the vastness of the country. With so many geographical barriers, reaching into every nook and corner of the country is a big problem.

- The next problem is associated with lack of infrastructural facilities to reach the rural poor. No transportation, electricity, proper buildings etc.

- Vast spread financial illiteracy among poor, the problem is associated with the target group, and can they actually reap the benefit of such projects.

- No proper address or identity proof for the financially excluded people is a great hindrance in the fulfillment of KYC norms.

4.2.9.3 Microfinance address to the barriers of financial inclusion

The attractive features of Microfinance have facilitated for addressing some common barriers to financial inclusion. It is useful in both supply and demand side barriers.

Supply Side- MFIs and SBLPs as a supplier of credit, provide financial products tailored to the requirements of low income groups. Need based formal credit is provided with minimum banking formalities. It has crossed successfully the infrastructural and geographical barriers, by outreaching the small villages in rural areas of the country. By taking risk credit is provided to groups with a social collateral. Clients are identified by their group identity not as individuals. The loan amount is provided in the neighborhood of the customers. Usually proper groups are not denied for credit, the amount of transaction is provided on credit worthiness of the group. The microfinance programme is based on saving led credit model, saving first credit next. The clients are assured with the supply of saving, credit and insurance services. The customers are assured with transparency in each of their transaction.

Demand Side- Microfinance is successful in addressing the demand side barriers to financial inclusion. Such as asymmetry of information, cultural and
psychological barriers and lack of financial literacy and financial competence among the clients. All these barriers collectively hold the clients to approach the formal banking system for credit or for other financial assistance. The low income people often in urgent need of small credit, for which they cannot approach big banks. The hesitation to approach for the financial assistance is removed by the MFI s effectively by motivating the potential members and explaining the benefits of and usage of the financial products. The loan granting authority is usually associated with local population, who communicates effectively with clients and gives them opportunities to discuss freely with authority. They also provide basic training about banking activities and financial literacy for the beginners and thereby raise the level of confidence in them.

The group model provides companionship to first time users of financial services. The fact that all transactions are conducted in group meetings ensures a degree of transparency and sense of security to members. All these design features suggest that microfinance may be a suitable means to promote financial inclusion.

4.3 Economic Empowerment of women

“Empowering women with more choices and more freedoms is crucial to achieving a better future for all.” – A.K. Sen

There is always an increasing concern towards attaining women's economic empowerment, which is fundamental for attaining, inclusive, and sustainable economic growth, poverty reduction, and food security, and to the achievement of gender equality. But it is really challenging to define empowerment in definite words. It takes different dimensions for different people, depending on diverse social conditions where they live and physical and mental status of individuals. For the people who live in absolute poverty, empowerment may be concerned towards attainment of basic necessities like food, clothing, shelter, water, healthcare etc, and for the people who live in relative poverty, meeting with basic necessities may not the problem, but the attainment of education, better living, and employment may be important. And attainment of those facilities will be an empowerment. The concept of Empowerment is subjective in nature which changes according to the needs of the people. The more accepting definition involve, the freedom of choice to an individual,
right to take decisions on their own life and have control over his/her own body and action.

4.3.1 Conceptualizing Economic Empowerment of Women

The Beijing Platform for Action spoke of the need to promote women’s economic independence, including employment, and ‘ensuring equal access for all women to productive resources, opportunities and public services’.

In order for a woman to be empowered, she needs access to the material, human, and social resources necessary to make strategic choices in her life. Not only have women been historically disadvantaged in access to material resources like credit, property, and money, but they have also been excluded from social resources like education or insider knowledge of some businesses. Access to resources alone does not automatically translate into empowerment or equality, however, because women must also have the ability to use the resources to meet their goals. In order for resources to empower women, they must be able to use them for a purpose that they choose.

UNDP (2008) sought to extend the five components outlined in the UN Task Force definition quoted earlier to the economic sphere ‘where women’s economic empowerment can be achieved by targeting initiatives to expanding women’s economic opportunity; strengthen their legal status and rights; and ensure their voice, inclusion and participation in economic decision-making’ (p. 9). The OECD-DAC Network on Gender Equality defined women’s economic empowerment as their ‘capacity to participate in, contribute to and benefit from growth processes in ways that recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth’ (OECD, 2011 p. 6).

A paper by SIDA on women’s economic empowerment defined it as ‘the process which increases women’s real power over the economic decisions that influence their lives and priorities in society. Women’s economic empowerment can be achieved through equal access to and control over critical economic resources and opportunities, and the elimination of structural gender inequalities in the labour
market, including a better sharing of unpaid care work’ (Tornqvist and Schmitz, 2009: p. 9).

For a woman to be empowered, she needs access to the material, human, and social resources necessary to make strategic choices in her life. Not only have women been historically disadvantaged in access to material resources like credit, property, and money, but they have also been excluded from social resources like education or insider knowledge of some businesses. Access to resources alone does not automatically translate into empowerment or equality, however, because women must also have the ability to use the resources to meet their goals. In order for resources to empower women, they must be able to use them for a purpose that they choose (Susy Cheston).

Linda Mayux defines, empowerment as the multi-dimensional and interlinked process through which people in a society are able to make free decisions and choices. Free and informed life choices can be achieved only with access to equal opportunities, resources, agency and power. The process of empowerment requires bottom-up effect in providing facilities and top-down changes in the behaviour of superior sections of the society towards the inferior.

According to Taylor, empowerment is like a spiral or series of process which involve educational, social, economic, political and psychological. All these are interlinked, independent or single achievement of any one is meaningless. To understand clearly the concept of empowerment, it is important to clear some overlapping concepts.

**Social Inclusion and Empowerment**

Empowerment is described as “the enhancement of assets and capabilities of diverse individuals and groups to engage, influence and hold accountable the institutions which affect them.” Social inclusion is defined as “the removal of institutional barriers and the enhancement of incentives to increase the access of diverse individuals and groups to assets and development opportunities.” (Bennet). Thus, empowerment process operates “from below” and involves agency, as exercised by individuals and groups. Social inclusion, in contrast, requires systemic change that may be initiated “from above.”
**Gender Equality and Women Empowerment**

There could be statistical swells indicating improvements in indicators of gender equality, but unless the intervening process involved women as agents of that change, one cannot term it as empowerment. Whereas the role of agency in the discourse on empowerment assumes prime importance, gender equality or equity indicates the degree of equivalence in life outcomes for women and men, recognizing their different needs and interests and requiring a redistribution of power and resources.

**Power and Empowerment:**

One way of thinking about power is in terms of the ability to make choices: to be disempowered, therefore, implies to be denied the choice. People who exercise a great deal of choice in their lives may be very powerful, but they are not empowered in the sense in which empowerment has been described here, because they were never disempowered in the first place (Nailakabeer 1999)

Naila Kabeer’s (2001) understanding of “choice” comprises three inter-related components:

Resources, Agency and Achievement

- Resources > Agency > Achievements
- (Pre-conditions) (Process) (Outcomes)

**Resources:** include material various human and social resources such as market, social institutions. It comprises of “enabling factors” or “catalysts” for conditions under which empowerment is likely to occur i.e., they form the conditions under which choices are made;

**Agency:** it is a sense of power within, and the ability to define goals and act upon them. It is like a heart of the process through which choices are made, and;

**Achievements:** resources and agency together constitute for functioning, achievement, which are conceived as the outcomes of choices.
According to Naila Kabeer, empowerment is “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them.” According to Kabeer, empowerment cannot be reduced to a single aspect of the process or outcome. How women exercise choice and the actual outcomes will depend on the individual. Choices will vary across class, time and space. Moreover, impacts on empowerment perceived by outsiders might not necessarily be those most valued by women themselves.

Woman empowerment is considered to take place when a woman challenges the existing norms and culture of the society in which she lives, to effectively improve her well being (Bali Swain 2007, Bali Swain and Wallentin 2007). Based on this definition, the latent women empowerment is measured using the observed indicators that reflect that women have shown increased participation in traditionally male-dominated areas, within the South-Asian context. The structural model where the latent women empowerment depends on its latent components is then estimated. The results show that economic factors are the most significant in empowering women. Behavioural changes of the respondent, spouse and other members of the household also have a significant impact on women empowerment. Managerial decision-making, which captures the extent of control that a woman has over the management and organisation of her income-generating activities, is also significant? Interestingly network, education and political-participation do not contribute significantly to empowering women at the individual level.

Thus, there could be statistical swells indicating improvements in indicators of gender equality, but unless the intervening process involved women as agents of that change, one cannot term it as empowerment. Understanding empowerment in this way means that development agencies cannot claim to empower women rather they can provide appropriate external support and intervention, which can however be important to foster and support the process of empowerment i.e., act as facilitators.

Women empowerment movement, a recent development in Global agenda, it has drawn the attention of civilized societies to its uncivilized behavior towards women. It was a well-known fact that women are not equally treated like men. Before the empowerment movement, the discussion was limited only to the fact that, women are second grade citizens and reasons why she is treated so. But in the early1990s, it
was realized that women are neglected section in the growth process, which will adversely affect the economy of a country, she has to bring into the mainstream of the economy so that she can equally contribute in the development process.

Gender specific barriers and indifferent treatment is not new to women it is common for her everywhere. Its faces might be different, but it is present in all economies of the world. The Nobel laureate Amartya Sen has identified 7 types of gender inequalities (house hold in equalities) which are seen worldwide from Japan to Morocco and Uzbekistan to USA, despite of the rate of development of the economy.

7 Gender (house hold) inequalities
1. Mortality inequality.
2. Natality inequality.
3. Basic facility inequality.
4. Special opportunity inequality.
5. Professional inequality.
6. Ownership inequality.
7. House hold inequality

Among above mentioned inequalities the first two categories of inequalities are concerned with birth and survival of females. The remaining categories will reap the whole life of the female with inequalities. The development should be in such a way that, it should provide free choice of life and opportunities to all its citizens without any discrimination on any grounds. The process of development should bare equal fruit for all.

The equal participation of both the sex in productive activities is important for sustainable development of a country. Women empowerment means a lot for the women’s of countries like India. As large number of women folk living in rural India, and are illiterate, ignorant and skill poor. Participation of women in any income generating activity is not easier than that of men. The problems related to women’s non participation in production or income earning activities are listed below:
Mobility of women is restricted and confined to her native place. As a labour she is less mobile, she finds a job near to her house or her place so that she can perform her careful work and family responsibility.

Women working on farms are inhabited to take-up only farm activities. They hesitate to change their profession easily. They want to engage themselves in nonfarm activities like dairy, animal gazing, sheep, poultry, etc,

Indulge in traditional works which are carried by women folk from long which are not commercial in nature.

Fear to take up new jobs or independent business due to reasons such as family pressure, lack of confidence, experience, encouragement, education, skill, socio-cultural constrains, etc.

Biological constrains such as, pregnancy, gestation period, etc.

Women become unfit to handle those jobs where scientific methods or new technologies or heavy machineries are involved.

Lack of access to market for her goods, lack of career guidance.

Confined to only one job, no alternatives available to fall on in case of failure.

On account of the problems mentioned above, participation of poor women may not be easily forthcoming. More attention must be paid to bring rural poor women into the mainstream of the economy.

The basic objective behind the implementation of MFP is to promote self employment among women. As the salaried employment opportunities are limited in rural parts of India self-employment is encouraged to create economic wealth among poor’s. Generally Self-employment is of two type formal self-employment and informal self-employment. The formal self-employed are a person who has the capacity to hire workers for manufacturing and account operation. And informal self-employed are single workers and own account operators. A large number of women in India are over represented in informal self-employed and unpaid family works. Bringing those women into the mainstream of the economy and facilitating them to take up self-employment is really desirable, and Microfinance intends to cater those women who are willing to undertake economic activities to create wealth or to earn income. But without addressing the basic constraints involved in undertaking self-
employment, it becomes meaningless to extend credit aid to women. Without having the capacity to use the amount for IGAs women are simply handing over money to her husband or to any other male member of the family.

4.3.2 Frame works involved in measuring for Empowerment of Woman

Women’s economic empowerment is critical for reducing poverty and achieving broader development objectives. However, there is limited evidence on how programs can economically empower women and which measures can be used to know whether programs are effective. As the present study intends to measure the level of economic empowerment through microfinance programme, the researcher found it appropriate to study the following set of frameworks to find the indicators involved in measuring the economic empowerment of women.

1. Chen’s multidimensional empowerment framework

Commissioned by UNIFEM for the AIMS micro-finance impact study

Material change:

• Income: increased income and income security
• Resources: increased access to, control over, and ownership of assets and income
• Earning capacity: increased employment opportunities plus ability to take advantage of these opportunities.

Basic needs: increased or improved health care, child care, nutrition, education, housing, water supply, sanitation and energy source

Perceptual change:

• Self-esteem: enhanced perception of own individuality, interest and value
• Self-confidence: enhanced perception of own ability and capacities
• Vision of the future: increased ability to think ahead a plan for the future
• Visibility and respect: increased recognition and respect for individual’s value and contribution
Relational change:

- Decision-making: increased role in decision-making within the household and community
- Bargaining power: increased bargaining power
- Participation: increased participation in non-family groups, in local institutions, in local government, in political process
- Self-reliance: reduced dependence on intermediation by others for access to resources, markets, public institutions plus increased ability and ability to act independently.

**Figure- 4.9**

**Different pathways for women empowerment**

The above given framework developed by Chen clearly indicates that, the women empowerment is subject to many changes. Only a couple of changes cannot be called as an empowerment instead multidimensional change in the life of women due to her participation in any programme or work. The material change is concerned with change in income and sources available to earn income and taking advantage of
available employment opportunities by the women. They should experience better quality of life with all basic facilities which she was not able to get in the past.

Perceptual change is concerned with change in the perception of women towards herself awareness or acquaintance with her own strength and weaknesses. And change in the perception of society and family towards women due to some observed changes. It is a psychological feeling which is more important to bring change in the overall personality and thinking. Self – worth, self-motivation and futuristic vision are crucial to be a successful human being in any activity.

Relational change is related to power, decision making power and the ability to make others to accept those decisions. Participation in non-family groups and institutions. And independent behavior in dealing with things and taking decisions concerned with market or any other business issues.

Cognitive change is related to the mental process of women, the learning and grasping capacity, development of marketing skills, understanding and practical application of things learned.


The above mentioned research is a recently developed concept I order to guide the practitioners, researchers and the policy makers who are intended to advance women economically. The report provides the fundamental concepts, definition and framework for measuring women’s economic empowerment. It has provided a set of illustrative indicators which helps for developing of meaningful devise for economic empowerment of women. Economic advancement is directly related to survival issues of women. The dependence of women on men, for basic survival needs is the prime hurdle in women’s liberation. Female poverty is one of the major causes for discrimination done towards women. Economically advanced women will be more authoritative towards attainment of their rights and opportunities.
• To advance economically and to succeed, to compete in the market women need the market skills and proper resources, and equal access to economic institutions. Managerial skills and bargaining power are important elements to gain market for the product. Poor women are not able to survive in the market only with their own ability, fair market extension is also necessary. Women must authoritative to take decisions regarding what to produce, how to produce, what to do with the resources and have full control over her income/profit.

• To gain the power and agency, and to benefit from economic activities, women must have the ability take and act on such decisions. Capacity to earn income and having control over that income is the basis of the women’s economic advancement.

Figure – 4.10

Necessary interrelated component for women’s economic empowerment

As already mentioned, empowerment is a multidimensional process, no single project or agency can build women empowerment. It has to travel through different pathways to achieve the objective of empowerment. The following figure shows examples of some project, which are useful in addressing the economic empowerment. The first example is of microcredit program that provides credit to women in the first stage which increase women’s economic advancement through credit resources. The next step is literacy or life skills program primarily increases women’s intellectual skill in order to increase their power and agency. While both projects work to increase women’s economic empowerment, they do so along different pathways. These two programmes can provide resources to women for
economic advancement by providing human capital i.e. Education and the other by financial capital i.e. Credit.

There are different levels to address the Economic empowerment, at individual, household or organization level. Some projects by addressing to problems related to norms and institutions in a society, provides for economic empowerment of women.

There is no single program available to answer for all the problems related to women’s economic empowerment. It needs very complex and multilateral program to address the process of empowerment. That is to say, they should concentrate efforts on where they can make the most difference given their resources, timeframe, local conditions, and also consider what other organizations are doing. The programme should be made more specific rather than general; problems related to poor women are more concerned to the localities where they live. So region specific strategies will be more beneficial.

If there is a thing, that precipitates event of development and well-being of the whole society, it is the women empowerment or empowerment of females. Women if provided with greater economic freedom and opportunities along with education, health care, food, and sanitation, will definitely pay ways for “a better future for all”. Empowerment is a process of awareness and capacity building, leading to greater participation, to greater decision-making powers and control over resources. The overall goal of women' empowerment is to challenge the patriarchal ideology, and societal norms which prevent her from developing. Development of capability to transform the structures and institutions that gives scope for gender discrimination and social inequalities.

Empowerment is not like an object, which can be put on a person and make him experience the positive change. The person needs to be the agent of their own empowerment. One should participate with self–motivation to bring the change in their own life. Women should the agent of their own change; outsiders and outside organizations can only help to create the conditions favorable to women's empowerment and can support the process that works in these directions.
4.3.3 Micro Finance as a tool of Women’s Economic Empowerment

It is commonly believed that the concept of Microfinance is very much relevant to the country like India. As India is a land of villages with majority of poor population who have the ability to work but are credit constrained. Microfinance with a small unit of formal credit has reached the nook and corner of the country. In India Microfinance is dominated by Self-Help-Groups (SHGs) Bank Linkage Programme (SBLP), aimed at ensuring a cost effective mechanism for providing financial services to the rural poor, particularly rural women for the betterment of their economic status. The self-help group as the appropriate people's institution formed by and with the women of same economic background which provides the poor with the space and support necessary to take effective steps collectively towards greater control of their lives in private and in society. Empowerment as a strategy was basically formulated to bring about the development of the excluded groups in the society. Transforming the weaker into a strong person who can be able to use the economic opportunity
available to them and enabling them to be economically independent. Poor people have a very poor capacity of financial management. They are always exposed to uncertainty and risk in financial matters concern. Due to non-availability of regular and gainful employment, poor people always struggle to get livelihood and decent living. Women are more vulnerable than men in any country; India is not an exception to them. Indian women are double constrained, one by the traditional society and other by underdevelopment of the country. To become economically independent in the society is a hard battle for women. She is not only credit constrained also have poor skill. Empowering women in India is a multi-task firstly women must be provided with a facility for personality development and then opportunities for using acquired skills. For the economic advancement of women she must be facilitated with skill and credit. And Microfinance is considered as one such tool which facilitate for economic advancement of women in and more suitable for developing countries like India, where majority of the population are poor, lack collateral and require small credit for running their economic activities. For empowering women micro-finance and micro-credit are considered as an effective measure as it provides both skill development training and credit facility with no collaterals. It was also thought that access to credit would help in income-generating activities among women. It is commonly believed that economic independence generates a sense of self-esteem and self-worth in women. And in the long run it leads to the economic empowerment of women and helps in alleviation of poverty from the households and the society at large. Carried with such a perception, a lot of funds have been pumped by the banks into the project of empowering women through Microfinance. The result from this inducement is not that satisfactory. In spite of all these, the status of women in the society remains unchanged; they have become just post boxes for transferring of money from the bank to the family. Though some changes have taken place in the lives of women, but still they remain to be oppressed and subordinated. Access to income may have brought economic upliftment among women, but without any skill development, regular income providing asset and perception of self-worth women cannot be empowered. The transfer of credit to men availed in the names of women acts as a setback for the whole agenda of empowerment which is initiated by Microfinance Programme.
Figure- 4.12

Causation Between Microfinance Outreach and Women’s Economic Empowerment

The above given diagram is borrowed from the research work done by Laha & Kuri, is a systematic assumption of microfinance as a tool for economic empowerment of women. Keeping in view each level of advancement of microfinance we can see the reliability of microfinance as a tool of empowerment. The figure exhibits the ‘‘Bottom Up approach” of the development.

The first level Microfinance Outreach- India is one of the largest country in terms of microfinance outreach. The data related to the outreach of microfinance in
the country are already given and discussed in the first part of the same chapter. The client outreach and regional outreach are satisfactory compared to other programmes of financial inclusion. The microfinance has covered a good number of needy poor, but the question here is only the patronage of clients is enough for meaningful implementation of any programme. Participation in the programme is more important than patronage of the programme. To avail the benefits one must actively participate in the programme. And one of the most acceptable argument against outreach of the programme is, as the programme is concerned with poverty and women related issues it is more case sensitive and concerned to govt. Performances which they want to exhibit as a grand success. So the govt. led SHGs are not allowed to disappear even of their zero performances. The outreach number may be high because of multiple borrowing from various microfinance institutions.

The outreach leads to penetration, as microfinance services are provided to voluntary formed groups or to credit worthy individual client with assured repayment capacity, the poorest of the poor are excluded in the bottom level only. Because SHGs get credit on social collaterals, if one member defaults the whole group has to bare the charges. So they select the members who have similar socio-economic condition. There is a lack of uniformity in the spread of microfinance. The MFIs concentrate on profit oriented market regions not on the needs of the poor. So there is a disparity in penetration of the programme.

Availability of microfinance services. Microfinance means a credit plus activity extended to poor borrowers. The microfinance programme is limited to, credit activities. The non-financial services extended under the programme are very limited. Clients of the programme are interested only in credit they fail to reap the credit plus services.

Next comes the usage of microfinance system, not only of microcredit but obtaining other services like skill development and self-employment training, Insurance and pension. The majority of borrowers of microfinance are SHG members, who are economically backward. The reason behind joining the group is to supplement the family expenditure, not to empower herself or to improve her skill. Though the number of borrowers may be large, but the number of women entrepreneur/business person are very marginal. The very basic objective of
microcredit is to fund for the IGAs undertaken by women. The programme is not so positive in generating employment and thereby increasing the income of the participants.

The microfinance programme assumes Enhancement of Economic opportunities for the borrowers. The clients of the programme constitute the poor population of the country they borrow money to fulfill their urgent needs or basic needs. Only access to credit is not enough to advance economically.

There is always a doubt on microfinance as panacea for poverty reduction. When the system itself exclude poorest of the poor and some section of people in the beginning itself, then how can it be a perfect solution for poverty eradication.

A woman can be socially empowered when she is able to challenge the patriarchal pattern of society and other gender discrimination done towards her. But women in India they have accepted such norms as rules. They themselves voluntarily donot want to question it or boycott it. Until and unless women come forward to change her situation, she cannot be helped with any tools. Microfinance is just an aid industry, it can help only to those who have the capacity/skill to become successful in economic activities by their own.

To become economically empowered women need education, skill, sufficient credit, market facilities, employment, decision making power and many more. But microfinance is just an access to formal credit so its role as a promoter of women empowerment is very limited. In reality the poor women borrowers are trapped in the low level trap which was shown and explained below.

**Figure – 4.13**

*Microcredit Borrower in a Low Level Saving Trap*
The poor women borrower of SHGs who are saving linked get a loan on the basis of saving credit ratio. The group members get credit on minimum balance ratio. As the saving amount of the group is very less in the beginning, they get less amount as credit, the circle continues with low investment and low profit, low surplus amount and ends at the same point low saving. To break this low level trap heavy investments are required, not just a handful of money. Because low income ends in the low saving. It requires a breakeven point with which vicious circle can be braked.

4.3.4 Constrains involved in pathway of Women in Undertaking Economic Activity

The risks and constraints involved in under taking economic activities may be similar for both men and women. But the intensity of those risks or constraints is more for certain groups especially for women. Women in India face enormous challenges for their participation in the economic activity. And the injustices they suffer in the society begin at their own house. Poor women are discriminated at all levels of their life. They are allotted with household work and default in such work will be considered as a big fault. The impact of the culture is so strong and deep rooted that, women they feel guilty or sinful if they fail to perform care work for their family. A mix of personal, social and economic constrain restrict women’s participation in economic activity. Some of the constrains common in the root of women’s economic liberation are as follows-

Some common constraints both for men and women involved in under taking economic activity by their own are-

1. **Limited access to resources**: To start a business or economic activity one needs the productive assets, financial assets and proper skill and education. These are the basic and important resources. But poor people often not able to access these resources due to poverty or due to non-availability.

2. **Limited access to business development services**: For success of a business innovation and competitiveness are very crucial. But these skills are not present in all. They need special skill enhancing services, network and inter-firm linkage services. Absence of this leads to loss in business.
3. **Limited access to infrastructure**: Non availability of these infrastructures roads, communication, water, electricity, sanitation, market facilities or linkages will be a discouraging factor for the beginners.

Along with these basic constrains there are some gender specific constrains they are -

4. **Mental / Psychological Constrains**- This type of restriction is levied by women on self or by the society. Often women underestimate their personality and consider her inferior to men. This type of stereotype complexity holds the women in the four walls and never let her free from meaningless social norms. For attaining economic success women must participate in economic activity. Undertaking IGA by their own requires decision making power and capacity to act on such decisions. Self-worth, self- motivation, self-esteem and clear vision, are must be an entrepreneur or self- employed. A self-employed need more technical and marketing skills and tactics than a salaried person. And women lack in all these qualities face difficulties to establish economic activity and earn profit out of it.

5. **Physical/Biological Constrains**- Women as a labour have limited mobility, most often her working premises are home or near home places. They are not allowed or do not wish to move far from her family to find work. The reason for the restricted mobility is because of some biological problems or it may be because of her responsibility towards family. Along with economic activities she has to take care of elders and children in the family. And the fear of physical or sexual exploitation at market place which holds women to enter any new economic zone. Economic activities or any IGAs near her house are most preferred choice for women. But restricted physical mobility holds her to conduct IGAs or render personal services, and in the restricted geographical sphere she is not able to find markets for her goods and services.

6. **Norms of modesty**- It is related to social and institutional compulsions levied on a woman, which restricts the women’s basic instincts from its core. They are not allowed to physical mobility and interactions with strangers. With such restrictions, women are not able to enter the market.
7. **Financial constrains**- Finance is the lifeblood for any economic activity. Generally, women are more credit constrain than men. Limited property rights, as women have less or no asset in her name not able to get credit. The microcredit has addressed the problem of female credit to some extent. But recurring repayment immediately after credit extension made it difficult to fully depend on borrowed credit for taking up any activity. Lack of self-accumulated money and no proper finance available are the major problem which has to be met with proper tools.

8. **Infrastructural Constrains**- Again women face the problem of infrastructures, along with basic infrastructures like water, electricity, sanitation and special provisions like forward and backward linkages of business infrastructures and market extension. It holds the women from participating in economic activities. Proper infrastructures can motivate the women to take up economic activities.

9. **Choice and Agency for Women**- Agency is the ability to make one’s own choices and act upon them. Poor women have number of desires and very limited resources to meet them as she has limited choice she has to prefer one over another. Allotment of limited money to more emergencies or necessaries is a big challenge for her. Once she got money in her hand, she enters into the dilemma that whether she has to spend it for present or save it for future. There are some immediate consumption needs which have to be met for survival in such a situation she cannot think about future investment. Women have no authority over her choices, it depends upon the circumstances, what the family needs her money is for family wellbeing and it goes through her husband. They have limited choices and have no control to act upon them; this is a setback for the concept of women empowerment.

According to the National Sample Survey reports, in 2009-10, out of every 1,000 females (all ages) in India’s rural areas, 347 were attending to domestic duties. In the case of urban females, this number was even bigger: 465 per 1000. Compare this to the number of rural and urban men who were attending to domestic duties: only 5 per 1,000 and 4 per 1,000 respectively. In 2009-10, the total number of women attending to domestic duties in India was 216 million, which was larger than the entire population of Brazil. Of these, women with graduate degrees or higher numbered 12.7
million, which was more than twice the population of Singapore? (January 9, 2013, The Hindu)

The above mentioned data’s are very discouraging on one side country is growing at a faster rate and on the other side more and more women are withdrawing from the labour market. It is a serious setback on the part of women empowerment and inclusive growth. The situation clearly indicates that women need more than what presently she is getting to enter the economic sector as an active participant. The policy makers should think over it, they cannot simply relive from their duty by handing over the responsibility to the programmes like Microfinance. But as the name itself indicates ‘Micro’ it is a small support of money we cannot expect much from such a limited financial aid women are always in a dilemma to choose between her profession or family which cannot be answered by a financial aid.

Indian society is based on a hierarchical system where women are allotted care work confined to her family. Income in the hands of women goes to family expenditures. And the credit requirements of women will be for her family needs. Poor women are trapped in the life cycle requirements of credit. The life of a woman takes many dimensions where she needs more money than usual requirement, the diagram given below show the different lifecycle requirements of women and need of credit to meet those requirements; it starts from the level of her pregnancy and ends in her death. For taking up economic activity she needs to take time and money from her own life which is hard to get. Before trying to indulge her in economic activity, her family related problems must be addressed. Because women are trapped in the household management duties, alone she cannot breakdown the trap.
4.3.5 Limitations of Microfinance as a Tool for Economic Empowerment of Women

Microfinance industry is a world’s largest aid industry, which has emerged to cater the credit needs of poor and help them to take up economic activity and thereby advance economically. But experience with microfinance is not so plain and simple like it appears. There are too many things involved in the empowerment process apart from credit. The simple strategy of microfinance is not sufficient to deal with the multiple problems associated with women empowerment. There are too many limitations to the working of Microfinance as a tool for Women Empowerment.
But the real situation is not as simple as it was assumed; only access to credit does not directly lead to economic advancement. There are many diversions in the flow of credit from the hands of women to the final investment. Small credit has large diversions, it is not actually used for IGAs by the majority of recipients nor has it been saved. It is used for livelihood consumption.

Micro credit can be used in the short term for urgent consumption needs or for expected long term expenditure. Usually it is used for planned purposes like house
repair, marriage, festival celebration, education, investment in business etc. but in time of emergencies, it is used to meet such needs. There is no definite purpose for which microcredit is used; it has been used according to the need of the hour. But the possibility of starting new business independently are less seen, the compact credit may be used for already running economic activities. Poor people can invest only when their survival needs fulfilled.

Conclusion-

Globally microfinance is accepted as useful and handy tool for providing formal credit to the self-employed poor. It is believed that poor remain poor as they do not get timely credit to run their economic activity. But in reality credit needs of poor cannot be met with microcredit, only urgent financial needs can be met with it. A small amount of money is not sufficient to startup new business but it may help the existing business which depends on the efficiency of credit utilization by the member. Microfinance does not automatically help women to get empowered; it depends upon the internal strength and willingness of the women.
Glossary

Average Loan Size

Average Loan size is a client-per capita loan amount. It is calculated as: Total Loan portfolio divided by total number clients.

Borrowing Cost

The total charge for taking on a debt, it involves interest payments and other financing fees.

Debt-Equity Ratio

Debt-Equity Ratio is the proportion of total debt borrowed to the total equity held in a given point of time.

Debt Funding

Debt Funding refers to the percentage of the loan portfolio funded by outside borrowings.

External Cost

External Cost here refers to Finance cost which is determined by the lending rate of banks.

Finance Cost

Finance Cost here refers to the interest and other expenses incurred on the average bank loan outstanding in the books of MFIs. This does not include notional cost of utilizing the equity fund.

Financial Inclusion

Financial Inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society.

Margin

Margin refers to the difference between the finance cost on the portfolio and the total yield on the portfolio. This term is analogous to the concept of Net Interest Margin.
(NIM) widely used in banking parlance. Margin Cap refers to the ceiling of Margin of 12 percent fixed by RBI.

**Managed Loan Portfolio**

Managed Loan Portfolio is the loan asset originated by MFIs and later sold to banks for getting liquidity. The MFIs continue to manage it - collection of repayment on behalf of the banks which purchased the portfolio.

**MFI**

A financial institution specializing in banking services for low-income groups or individuals.

**Microfinance**

Microfinance is a source of financial services for entrepreneurs and small businesses. Microfinance refers to loans, savings, insurance, transfer services provided to those who are lacking access to banking and related services.

**Microcredit**

Microcredit is the extension of very small loans (microloans) to impoverished borrowers, who typically lack collateral.

**NBFC**

NBFCs are financial institutions that provide banking services, but do not hold a banking license.

**Non Performing Assets (NPA)**

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The NPA is therefore not yielding any income to the lender in the form of principal and interest payments.

**Portfolio Quality**

Amount of risk of default in the loan portfolio. A high quality portfolio contains a lower amount of risk.
**Portfolio at Risk (PAR)**

PAR indicates the proportion of outstanding amounts of all loan accounts having past due/arrears to the total outstanding loan. In general, PAR 60, i.e., the portfolio / part of the portfolio remaining unpaid 60 days and beyond crossing the due date, would be used as a measure to assess the portfolio quality.

**Self Help Groups (SHGs)**

SHGs refer to groups of 10-12 women coming together to form a semi-formal community based institution to meet their common financial and social needs.

**SHG Bank Linkage Program (SBLP)**

SHGs are linked to mainstream banks for depositing surplus savings of the SHGs and to obtain loans. It is considered to be an effective strategy to ensure financial inclusion.

**Surplus**

The surplus is a Yield minus Total cost.

**Yield on Portfolio**

Yield represents the total income from microcredit operation-Interest income, processing fee/ service charge – earned out of the average loan portfolio outstanding. It does not, include investment income. It is a good proxy / surrogate for loan interest rate.
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