CHAPTER I
INTRODUCTION

Microfinance has been gaining considerable importance as a tool for empowering the women. Microfinance programmes are promoted as an important strategy for women empowerment. The goals of economic development include improved standard of living, removal of poverty, access to dignified employment, and reduction of inequality. So it is quite natural to start with women who constitute the majority of the poor, the under-employed and the economically and socially advantaged. Women spend more of their income on their households. Women are more likely than men to spend their incomes on households and family needs. Assisting women, therefore, generates a multiplier effect that enlarges the impact.

Women empowerment is a complex concept and it is interpreted in many ways. Empowerment is essentially a transition from a position of enforced powerlessness to one of power. The most conspicuous feature of the term empowerment is that it contains within it the world ‘power’. The process of empowerment is essentially changing the balance of power which is now operating adversely to women. Women empowerment as a multi-dimensional and interlinked process of change in ‘power relations’. These power relations operate in different spheres of life; economic, social, political, legal and psychological and at different levels: individual, household, community and institutional. Due to considerable advances in gender equality through the last three decades of advocacy, awareness-creation efforts, extensive training programme, there continue to be problems to address gender issues and to apply a gender approach. Gender discrimination remains
pervasive in many dimensions of life world-wide. Gender gaps are widespread in access to and control of resources, in economic and social opportunities, in power and political voice. The Economic Review revealed that unemployment rate among women is high by any standards in terms of their work participation rate and labour force participation rates.

1.1 Microfinance

Microfinance is a critical antipoverty tool, a wise investment in human capital. When the poorest especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relations. Microfinance now means providing small scale financial services to people, who operate very small or micro-enterprises who work in agriculture, fishing and herding, who provide services and other individuals or groups at the local levels of developing countries both rural and urban.¹

The term microfinance is perceived to be a paradigm shift in the quality of delivery of finance to micro-entrepreneurs. The old paradigm of microfinance envisaged providing credit to poor people basically residing in rural and semi urban areas at subsidized rates of interest through public or government financial institutions. The new micro-finance continues to target the rural and urban poor household with emphasis on women borrowers, provision of finance for asset creation and on the principle of ‘Borrower knows best’.²

The essential features of the microfinance concept include delivery of credit and then facilities in a convenient and user-friendly way, quick disbursement of small
and short loans, maintenance of high recovery rates through pressure, incentives to larger loans immediately following successful repayment of the first loan, encouraging and accepting savings through group decisions and peer support and linking credit with savings. The new paradigm emphasizes financial intermediation with self-sustainability of institutions and qualitative and quantitative outreach to the poor.

Poor people, especially poor women have traditionally not been recognized as credit-worthy or able to save and thus they are not perceived to be a profitable market of credit. This forces them to fall in the vicious cycle of everlasting high interest and high collateral loan from money lenders. The sine quo none of any anti-poverty strategy is the irrepressible desire and innate capacity of the poor to uplift their conditions. Therefore, the need comes for innovative credit delivery systems which deviate from formal collateral oriented lending institutions to informal structures. It has been felt all over the world today that microfinance programmes simultaneously help in alleviation of poverty and empowering women.

This phenomenon is often referred as feminization of poverty. Women face a wide range of biases in society like unequal opportunities in education, employment and asset ownership. The lingering poverty among women is linked to their unequal situation in the labour market, unfair treatment meted out to them under social welfare systems and their subordinate status as well as lack of power in family. Despite considerable progress achieved in recent decades in developing women’s capabilities, their participation in economic and political making still remains limited.
Most banks require the borrowers to be wage earners or property owners who can provide acceptable collateral. Limited education, complicated loan procedures and the location of the nearest bank at a long distance further constrain women’s access to institutional credit. As a result, women constitute a very small proportion of borrowers from formal financial institutions.

1.1.1 Microfinance - An Innovative Financial Arrangement for the poor

Since formal credit institutions rarely lend to the poor, special institutional arrangements become necessary to extend credit to those who have no collateral to offer. Microfinance, by providing small loans and savings facilities to those who have been excluded from commercial financial services, has been promoted as a key strategy for reducing poverty in all its forms by agencies all over the world. Microfinance has been defined as, “Programmes that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons”. Nowadays, microfinance represents something more than micro credit. It also refers to savings, insurances pawns and remittances, in sum to a much wider range of financial services. Thus, microfinance refers to the entire range of financial and non-financial services, including skill upgradation and entrepreneurship development rendered to the poor for enabling them to overcome poverty.

Access to these facilities is seen as a way of providing the poor with opportunities for self-reliance through entrepreneurship, cushioning the poor against economic shocks and providing a means of social empowerment for poor women in their communities. In most cases, microfinance programmes offer a combination of
services and resources to their clients in addition to usual credit for self-employment. Also, this is an effort to provide a bridge between formal financial markets and the informal groups in the formal microfinance initiatives.

1.1.2 Microfinance and Women

Microfinance institutions have targeted women who live in households having little or no assets. It has significantly increased women’s security, autonomy, self-confidence and status within the households by providing opportunities for self-employment. Microfinance managed and utilized by women borrowers themselves has the greatest impact on poverty reduction. Partnership of women with their spouses or other adult household members in loan utilization and management, on the other hand, is also more likely to move them out of poverty, with a probability of six in ten.³

1.2 Microfinance: A Historical Overview

Finance is the lubricant, which oils the wheels of development. All economics rely upon the intermediary function to transfer resources from savers to investors. In market economies, this function is performed by commercial banks, financial institutions and capital markets. In many developing countries, capital markets are at a rudimentary stage, and commercial banks are reluctant to lend to the poor largely because of the lack of collaterals and high transaction costs. The poor would borrow relatively small amounts, and the processing and supervision of lending to them would consume administrative costs disproportionate to the amount of lending. Several studies have confirmed that complicated loan procedures and paperwork, combined with a lack of accounting experience, limit poor people’s access to formal
sources of credit. Commercial lenders in rural areas prefer to deal mainly with large-scale farmers. The absence of commercial banks in certain areas has led to non-conventional forms of lending.

In order to fill void, financial such as Rotating Savings Credit Associations (ROSCAs), cooperatives and credit unions which patterned on traditional models of micro lending have emerged all over the world in recent years (Geertz, 1993). These organizations use innovative strategies for serving their clientele. These three types of institutions mobilize savings and lend money to local common groups, professions or neighborhoods. These institutions which exist in many parts of the world may be considered the models of the present day microfinance institutions. Most of the famous microfinance institutions/programmes in the world have drawn many lessons from these institutions.

The decade of the 1980’s saw an unprecedented growth in the number of MFI/Ps all over the world. The pioneer in the field, the Grammen Bank of Bangladesh, was started in 1976. The bank convinced the world that the poor are able to save and that they are creditworthy. Viewing the success of the various poverty alleviation and microenterprise programmes followed the Bank’s strategy. The Unit Desa System of Bank Rakyat Indonesia (BRI), the Thana Resource Development and Employment Programme (TRDEP) in Bangladesh, the self-Employed Women’s Association (SEWA) in India etc, are the more reputed among them. While many of the programmes used the solidarity group methodology, others lent directly to individual borrowers. But several innovations have been made in repayment strategies, lending techniques, fixation of the periods of loan repayment, collaterals, etc. One of the most striking features of these institutions is that the majority of their
borrowers are women. The repayment levels of loans of these institutions are also very high.

1.3 Impact of Microfinance

Microfinance programmes and financial institutions have become important components of strategies to reduce poverty and to promote micro enterprise development. Sustainable employment and income generation for the rural poor are indicators of the success and potential of a microfinance programme. For individual browsers, the question of viability involves undertaking income generating activities and ensuring regular repayment of loans. Such positive effects indicate the ability of the borrowers to repay their loans in time and a high recovery rate improves the financial and institutional viability of the credit delivery system. Impact assessment involves evaluation of a microfinance programme or an institution in terms of its income generating capacity and related aspects.

1.4 Emergence of Microfinance

Various institutions are involved in the delivery of microfinance services, especially since the dawn of the 1980s. They include formal commercial banks, rural banks and NGOs. Their methods of doing business range from the Grameen Bank style of solidarity groups and institutions dealing with individual clients to self-managed self help groups. These institutions provide relatively small loans and their repayment periods are relatively short. Women are the major beneficiaries of MFIs, and the destination of the funds mainly includes agriculture, trading, small craft, processing units and consumption. The administrative structure is, in general, simple and the entire process is participatory in nature.
The interest rates charged by micro lending schemes are kept high with a view to cover all the costs. Nonetheless, the rates of repayment to loans is claimed to be quite high and achievement attribute mainly to the informal participatory structures of the system which create an atmosphere in which debtors honor their obligations. The prominence given to micro credit in recent times owes much to the success of a few microfinance programmes and the saga of their remarkable growth.

Women play a predominant role in our economy and there is always a dire need to bring them into the mainstream of economic activities by breaking out the shackles of old, traditional customs where women are by and large confined to household activities.

As per the ILO report of 1997, about 10% of the world’s income are received by women, though they represent 50% of the world’s population and perform two third of the total work in the world. “Women make up nearly 70 percent of the world’s poor and 65 percent of the world’s illiterate. Women work longer hours and are paid on average 25 percent less than men, but have made significant gains in entering formally male dominated jobs in the global labour force” (Dhameja 2002) India is far behind in this respect and women constitute 60% of the rural unemployed and 56% of the total unemployed. The Human Resource Development Report points out that out of 1.3 billion poor people 70 percent are women.

Kulshrestha has identified lack of capital as a serious constraint to development of women in rural areas. She identified the following difficulties that women face in applying for credit
1. Certification of identity
2. Lack of assets
3. The co-signing of loan by the husband since the women’s rights to property is often restricted.
4. Co-operatives do not accept the women as a member if a male member of the family has already registered
5. The necessity for travelling long distances frequently to transact the loan.
6. The majority of rural women are illiterate.

These constraints push the women to informal sources of finance. Though, borrowing from friends, relatives, moneylenders and pawnbrokers has several advantages, like easy access, immediacy of loan disbursement, micro-loan sizes, minimum collateral, etc., the disadvantages outweigh these advantages. The high interest rates prove to be very costly to the women and they become dragged in the vicious nets of moneylenders. Therefore, there must be a system that can provide solutions to credit problems of women. It is in this context that microfinance assumed great importance.

1.5 Models of Micro Financing

Different models that are being used universally for providing microfinance can be helpful in comprehending the varieties that have evolved overtime.
1.5.1 Bank Guarantees for Loans

A bank guarantee is obtained from a commercial bank. This guarantee may be arranged externally or internally. Loans obtained may be given directly to an individual, or they may be given to a self-formed group.

Bank guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organizations have been creating international guarantee funds that banks and NGO’s can subscribe, to lend or start micro-credit programmes.

1.5.2 Community Banking

The community banking model essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which microfinance is dispensed. Such institutions are usually formed by extensive help from NGOs and other organizations, who also train the community members in various financial activities of the community bank. These institutions may have savings components and other income generating projects included in their structure. In many cases, community banks are also part of larger community development programmes, which use finance as an inducement for action.

1.5.3 Co-operative Society

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise. Some co-operatives include member financing and savings activities in their mandate.
1.5.4 Grameen Bank Model

The pioneering institution of microfinance was the Grameen Bank of Bangladesh launched in 1976 by Professor Muhammad Yunus, an Economics professor at Chittagong University, mainly for the purpose of providing loans to the landless poor, in a manner acceptable to them, both culturally and organizationally. The guiding principles have been to bring the bank to the people in the villages, to replace collateral by group liability and to give borrowers a free hand in the use of loans, though group supervision is exercised over processing and repayment.

The bank grants individual and group loans secured by a system of group liability. Every borrower is expected to repay the loan in weekly installments over a period of one year. The members are also asked to deposit at least once a week as personal savings and to contribute to an emergency insurance fund against sickness, defaults and other contingencies. Most of the loans are used for small scale trading and shop keeping, food-processing and livestock rising. The effective rate of repayment is close to 95 percent.

As a special bank for the poor, the Grameen Bank has been remarkably successful. There are a number of factors for the success of the Grameen Bank. They are (a) clear basic concept and guiding vision of the institution, (b) strong institutional identity, (c) Charismatic and conscientious leadership, (d) disciplined staff with a clear understanding of the norms of organization and its clientele, (e) simple and transparent procedures, and (f) two-tier system of borrower group. In spite of all these factors, the presence of a highly motivated, socially cohesive target group plays a very important role.
The clients come from relatively homogeneous traditional communities with strong social control mechanisms. Women in particular, are economically and socially tied to their families and communities, lacking viable opportunities to live elsewhere, they are highly susceptible to social pressure. Also, in case of prospective borrowers, they know one another and therefore, are in a position to screen out individuals screen themselves out, fearing negative consequences if they fail to repay loans. Lack of alternatives, sense of honor and relative social cohesion of their communities help the borrowers to pressurize one another to ensure repayment. Factors such as grant of loans for activities selected by borrowers, weekly repayments and availability of subsequent loans helped prompt repayment. Loans are kept small to avoid burdening of borrowers with debt burdens beyond their capacity to repay. Banking loan repayment into small weekly installments pre-empts the need to raise a large amount of money at one time. Weekly repayment also facilitates monitoring of repayment by the Group.6

From its inception, the Grameen Bank had some very innovative features that helped its success. First, no collateral was required from the poor. Individuals were asked to organize themselves into groups of five. The individuals in the group gave collective guarantee/ group guarantee for one another so that loan repayment becomes a collective responsibility. Second, credit was provided to the rural poor who owned less than half an acre of land, 94 percent of these were women. Third, the loans were small and carried no interest subsidy. In fact, they were given at a much higher interest rate than bank loans in the market, reflecting the extra administrative cost of small loans. Fourth, the poor were required to set aside some saving at least one take a
week. This encouraged the habit of self-reliance among the poor. Fifth, the bank went to the poor, rather than waiting for the poor to come to the bank.

The Grameen bank is a semi-government institution 40 percent of its shares are held by the member-borrowers, landless men and women, the rest is held by the state. The bank has over 22,34,780 members of which 22,10,160 are women. It has disbursed over $2408.30 million. Although it reaches only a tiny fraction of the total landless households in the country, it has demonstrated the effectiveness of its approach- a clear commitment to poverty alleviation based on stringent conditions for membership. The bank operates through a network of village branches, each of which is run by a manager with the assistance, usually of five bank workers.

Grameen bank’s continuing expansion clearly shows that the poor are creditworthy and that they can use loans productively. It has dispelled doubts about their promptitude and reliability as customers of commercial and public banks if services were made available to them under similar institutional arrangements with proper follow up.

A bank unit is set up with a Field Manager with a number of bank workers, covering an area of about 15 to 22 villages. The managers and workers start by visiting villages to familiarize themselves with the local mile in which they will be operating and identify prospective clientele, as well as explain the purpose, functions and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over
a period of fifty weeks, do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

1.5.5 Group other than Grameen Groups

The group model’s basic philosophy lies in the fact that the collective responsibility and security overcome short comings and weaknesses at the individual level afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes, such as educating and awareness building collective bargaining power, peer, pressure, etc., (Samirendranath Dhar, 2005). 7

1.6 Microfinance in India

Against this backdrop, the idea of microfinance emerged in India. In a vast country like India with multi-class societies and with heterogeneity in terms of religion, caste, language, agro-economic climate and social systems, a single model or approach may not be suitable for all regions. Freedom to adopt models best suited to the local conditions is essential to enhance financial services in these regions. As a result, numerous microfinance institutions/programmes of various types and structure emerged in India, as was the case in other countries.

NGOs such as Self Employed Women’s Association (SEWA) and Mysore Resettlement Development Agency (MYRADA) were the pioneers in the field. Later, many more came into the field. NABARD also launched a programme for linking
formal financial institutions with the informal groups. Government of India initiated programmes like Rashtriya Mahila Kosh (RMK), Swarna Jayanthi Shahari Swarozgar Yojana (SJSRY), and Swarna Jayanthi Grama Swarozgar Yojana (SGSY) to reach the poor.

1.6.1 Microfinance and NGOs

The Non-Governmental Organizations (NGOs) are the institutions started for the welfare to society. They are formed by individuals or a group of individuals or by some institutions. They generally get registered themselves under the Indian Trust Act, 1886 or Societies Registration Act, 1975. Recognizing their services in a particular field, the central and state government involves these NGOs, in getting their welfare schemes implemented. The government provides grants and assistance, to these NGOs to support and enhance their developmental programmes. Some NGOs are able to derive benefits under the various schemes promoted by institutions abroad. As a part of rendering service to the society, of late, NGOs enter into the field of promoting Self-Help Groups to make them self-sufficient and empowered.

In India, a major step towards enlisting the support of NGOs for rural development was taken while formulating the seventh five year plan. It was stated in the plan document that serious effort would be made to involve voluntary agencies in developmental programmes. During the plan period (1985-1990) it gave a substantial role to NGOs, particularly in the areas of rural development, basic needs and poverty alleviation. Today, NGOs operate over a wide range activities, including government’s anti-poverty programmes, training of rural youth, promotion of safe drinking water, rural housing, promotion of science and technology wasteland
development, health care and family welfare, education and welfare of women, children, SC and ST.

Today in India, there are 15,000 registered NGOs and many more non-registered informal groups. These organizations have touched the lives of an estimated number of 15 million persons. According to an international estimate, 100 million persons have been helped worldwide by NGOs of one sort or another. NGOs follow different methods to reach the poor. Those who follow the ‘grassroots’ or the ‘barefoot’ approach have attracted a good deal of admiration (Dunkley, 1993). NGOs contribute significantly to improving the quality, sustainability and effectiveness of social programmes by

1. Developing and experimenting with innovative approaches.
2. Promoting popular participation and community ownership.
3. Encouraging programme uptake.
4. Extending benefits to those segments of the population otherwise difficult to reach.

Microfinance helps the NGOs all over the world in alleviation of urban and rural poverty through promoting micro enterprises as a solution to the problem of unemployment and underemployment among the poor. NGOs undertake the responsibility of forming self help groups, give training to members, and monitor business performance and promptness in repayment.

In India also NGOs use this methodology for financing the poor. MYRADA in Karnataka and SEWA in Gujarat are the forerunners in the field in India. SEWA has promoted a cooperative bank exclusively for women and is engaged in financing
income generating activities of women. Friends of WWB (FWWB) Ahmedabad, an affiliate of Women’s World Banking, New York, networks with NGOs giving financial assistance to women groups. The Working Women’s Forum (WWF), Chennai has organized women cooperative societies for pursuing income generating activities and facilitated empowerment of women. Attempts have also been made to replicate Bangladesh Garmmen Bank model by SHARE in Andhra Pradesh and RDO in Manipur (Agarwal et.al 1997).

1.7 Role of NGOs in Self-Help Group activities in Ramanathapuram District

In Ramanathapuram there are many NGOs originally started with varying objectives. The DRDA in Ramanathapuram District listed 49 NGOs. With each year of Self-Help Group linkage programmes, more and more NGOs are participating and increasingly adopting this programme as one of their organizational strategies to serve the needs of the poor. Their activities are mainly,

- Awareness generation and motivation of Self-Help Group members.
- Upgrading of skills of Self-Help Group members through relevant training.
- Ensuring prompt repayment of internal loans to build credit worthiness for external credit.
- Encouraging Self-Help Groups to involve in income generating activities.
- Planning for and achieving sustainability of Self-Help Groups as local institutions.
1.8 Microfinance Institutions

A Microfinance institution is an organization that offers financial services to the very poor. Most MFIs are non-governmental organizations committed to assisting some sector of the low-income population. Almost all of these offer micro credit and only take back small amounts of savings from their own borrowers, not from the general public. Within the Micro-Financing Industry, the term “Microfinance Institutions” refer to a wide range of organizations dedicated to providing these services, like NGOs co-operatives, private commercial banks and non-bank financial institutions etc., (Samanta, 2003). These institutions aim at

1. Enabling the rural poor to save, and thereby, improve their confidence, and reduce vulnerability.
2. Enabling rural women to borrow for consumption which would lead to their decreased dependence on, and liberalization from the clutches of moneylenders.
3. Providing better health, education etc.,
4. Sanctioning loans for production purposes which would enable the poor to improve their agricultural production and enable them to undertake income generating activities and that could alleviate poverty.
5. Making increased credit available for women to undertake income generating activities would give them access to resources and income. Such mobility would gradually enable them to play an active role in social, political and economic issues affecting self household and community.
Women’s development is directly related to national development. The effective management and development of interest, skills, and other potentialities are of paramount importance. It could be well ascertained that women’s development could be achieved by empowerment which enables women to be the agents of a social change. Women’s empowerment in fact, begins with the awareness about their rights and capabilities and the understanding as to how the socio-economic and political forces affect them. Empowerment enhances the self-confidence, dignity and self determination which helps in eliminating the socio-economic disadvantages.

Organizational behavior is the key to women’s empowerment. Women’s organization in SHGs is catching up as the most viable means to empower women, especially at the gross root level. Women have extraordinary dynamism in organizing themselves in group activities for income generation, better bargaining power and improvement in the quality of life.

1.9 NABARD and Microfinance

National Bank for Agriculture and Rural Development (NABARD) is the apex financial body in India for rural development and agriculture through refinancing. With the formal credit system failing to effectively reach the poorest of the poor, various alternatives were being explored by NABARD to find out a solution. The concept of self help group as one of the alternatives caught the attention of NABARD during the 1980s. To gather a definite feedback on the SHG-Bank linkage, an Action Research Project on “Savings and Credit Management of SHGs’ sponsored by MYRADA was funded by NABARD in 1986-87. The project results provided useful insights into aspects like
dynamic of group organization, saving potential, approach to use of financial resources, prioritization of needs and repayment performance.

1.9.1 Micro Finance Delivery through SHGs-The Bank Credit Linkage

The very savings mobilized by the poor in the common fund of their SHGs, whilst sufficient for emergency needs, are quite inadequate for groups to make production. It is imperative for SHGs to link up with commercial banks to grant loans to their members. Group meets the smaller consumption and emergency needs of the member ranging from Rs.500-1000 from its member’s own savings and common fund generated. As the age of group increases, the capacity of group and credit needs also grow up. By this time the group would have gained enough experience and discipline to manage the finances but the funds available in the group are not adequate. At this stage, the group needs the support of the local financial institution to provide finance to meet the growing credit demand. Some distinct models have been observed in bank-SHG linkages.

1.9.2 Bank-SHG with active support of SHPI

This is the widely accepted form of linkage model found in India where the banks deal directly with SHGs. The role of the self-help promotion institution (SHPI) is limited to help the members to get organized into groups, providing support for resource mobilization and giving initial training and guidance. However, after the linkage, the SHPI (NGOs and Panchayats) can ensure smooth functioning of the SHGs.
1.9.3 Linkage through Self-Help Promotional Institutions

In this case, loans are given to NGO, which in turn will lend to SHGs. In some cases, the federation of SHGs can also play this role. The financial intermediation capacity of NGO or the federation is very critical for successful linkage in this method. In this method, the promotional institution will have a small margin to meet its cost of operation. Banks lend to the promotional institution say at a rate of 9 per cent and promotional institution in turn lends to SHG at 12 percent.

1.9.4 Bank-SHG Direct Linkage

In this case, banks provide financial support to SHGs, which had grown without any intervention of NGOs. The SHGS may have grown spontaneously or the banks may have acted as the self-help promotional institutions.

1.9.5 Government Sponsored Linkage

Banks provide loan to SHGs formed under government programmes such as SGSY, SSJSRY, etc., government agencies provides subsidies along with the bank loans.

1.9.6 SHG-Bank Linkage Programme

The SHG bank linkage Programme led by NABARD also caters to a large number of clients and their credit needs. According to available data for 2013-2014, a total of 18,89,389 SHGs were credit linked with banks. The data further indicates that outreach of the programme has enabled an estimated 509.5 lakh households to gain access to microfinance from the formal banking system till 31st March 2014.
1.10 Revolving Fund

Every SHG that is an existence at least for a period of six months and which demonstrated the potential of a viable group will receive a revolving fund of Rs.25,000 from banks as cash credit facility. Of this, a sum of Rs.10,000 will be given to the bank by District Rural Development Cell (DRDC). Bank may charge interest only on the sum exceeding Rs.10,000 at 12.5 percent per year. The revolving fund is provided to the groups to enhance the group corpus so as to enable larger number of members to avail of loans and also to facilitate increase in the per capita loan available to the members. The revolving fund imparts credit discipline and financial management skills to the members so that they become credit worthy.

1.11 Government Subsidy

In the order issued by the Ministry of Rural Development Government of India, on 23rd September 2003, certain revisions have been made in the amount of subsidy and loan amounts. The circular states that a subsidy equal to the group corpus within the range of Rs.5,000 to 10,000 may be released by DRDC in the first instance towards revolving fund assistance after the group passes first grading. The banks are to extend credit in multiples of group corpus that can go up to four times.

1.12 Grading of SHGs

The revolving fund can be extended to the SHG, provided that it passes the grading test I at the end of six months from the date of formation. The objective of grading is to identify the weaknesses of the groups.
Eradication of poverty and unemployment stands as the central goal of our development policies and programmes formulated by the government. The achievement of this goal requires sustained and rapid economic growth combined with programmes for rural development, employment generation and social services to provide an effective safety net for all those millions of the margin of the growth process.\textsuperscript{12} One of the tools to bring up and develop the rural people and artisans is urging the rural community to involve in the programmes for rural development. Majority of the community who come forward for the active participation and involvement are the rural women and the people who are below the poverty line.

Women contribute one third of the nation’s labour force and plays an integral part in the socio-economic development. They constitute half of human population. Rural women in India constitute nearly 77 percent of the total female population with over 700 million women living in poverty globally.” There is a paradigm shift in the development of women because of incorporating and acknowledging the women in the participatory model of development. In this context, self help group has bloomed as the most successful strategy in the process of participatory development and empowerment of women.

SHG movement moulds women as the responsible citizens of the country as they achieve socio and economic status. In all stages of economic and social activities, involvement of women has been an added significance to them and to the society. The origin of SHGs created mutual aid in Indian village community and a form of co-operation for the development of the society. A Women led SHG is an alternative to achieve the objectives of rural development. It is also a viable set up to encourage them to enter into entrepreneurial activities. At the end of sixth month from
the date of receipt of the revolving fund, the SHG will be subjected to another grading test to see if it is functioning effectively and capable of taking up economic activity through higher level of investment.

1.13 Rashtriya Mahila Khash(RMK)

The national Credit Fund for women or the Rashtriya Mahila Khash(RMK) was set up in March 1993 as an independent registered society by the Department of Women and Child Development to fill up the gap between what the banking sector offers and what the poor need. It acts as a wholesaling apex organization for channeling funds from the government and donors for retailing intermediate microfinance organizations. It develops the supply side of the microfinance market by offering institution building support to new and existing but inexperienced intermediate microfinance organizations by giving incentives, transferring technology, training of staff and other non-financial services.

In the advocacy role, the RMK can set as an advocate or agent influencing enabling policy and legal environment for the spread of micro-finance credit activities in India. Being a creation and representative of the government, the RMK has a particular advantage in this area.

1.14 Mahalir Thittam

In the light of the experiences gained in the implementation of the IFAD assisted TNWDP since 1989-90, the Mahalir Thittam has been launched with state funds to cover the entire state in a phased manner. It was an ambitious five year project envisaging the formation of 60,000 SHGs comprising 10 lakh women below
the poverty line in the state by the terminating year of the project, with a total financial outlay of Rs.1440 crore. The mission of Mahalir Thittam is:

1. To build the capacity of the poor and disadvantaged women to enable them cross all social and economic barriers and thereby facilitating their full development.

2. To achieve the equality of status of poor women as participants, decision-makers and beneficiaries in the economic, social, cultural and democratic spheres of life.

3. To create or reorient democratic, economic and social processes and institutions to enable poor women to participate fully and actively in decision-making in the family and community.

4. To inspire a new generation of women and men to work together for equality, sustainable development and communal harmony.

5. To promote and ensure the human rights of women at all stages of their life cycles and

6. To advocate changes in government policies and programmes in favour of disadvantaged women.

Under the Mahalir Thittam, poor women of SHGs are being helped by facilitators like Commercial Banks, NABARD, NGOs and Government Agencies.

1.14.1 Activities of Mahalir Thittam


2. Systematic Training to enhance capacities for members and leaders.

3. Encourage Thrift and savings among members.
4. EDP and skill training to start Income generation activities.

5. Linkage with banks for income generation activities and starting micro-enterprises.

6. Convergence with other Government Department for harnessing schemes benefiting women.

7. Marketing support for SHG products.

1.14.2 Impact of Mahalir Thittam

Mahalir Thittam has systematically cultivated the SHG movement and strengthened their capacity through various training programmes which have resulted in perceptible change in the social status of women in general and rural women in particular. The SHG movement has brought about the following:

1. Increased self-confidence and communication skills among SHG women.

2. Greater awareness and participation of poor women in various welfare schemes of the Government.

3. SHG women undertake multifarious economic activities leading to economic empowerment.

4. Women have been united together breaking the social barriers of caste, creed and religion.

5. Participation in Grama Sabha and panchayat Raj activities.

6. More than 8,161 women SHG members were elected to Local Bodies in 2006.

7. Easy access of credit and improved credit worthiness of women SHGs.

8. The problem of “Kandhu” system has been solved.

9. Formation of youth groups encouraged by success of women SHGs.
1.15 Statement of Problem

Microfinance programmes have, in the recent past, become one of the more promoting ways to use scarce development funds to achieve the objectives of poverty alleviation. World-wide awareness and the importance of microfinance for the upliftment of the poor has been growing over the years as different countries are attempting to devise ways and means to enhance the access of the poor to credit facilities. The microfinance experience has shown that poor borrowers, especially women, make productive use of credit for self-employed micro-enterprises small farms and are prompt in repayments, with average repayment rates above 90 percent, much better than recoveries under normal lending.

Development organization and policy makers in India also felt that access to credit for poor people is a major aspect of many poverty alleviation programmes. The basic idea of microfinance is simple, if poor people are provided access to financial services; including credit, they may very well be able to start or expand a micro-enterprise that will allow them to get out of poverty. An estimate in India envisaged that approximately 75 million households would need microfinance of whom 60 million families are in rural areas while the remaining 1.5 crore families are in urban areas.

For overall development and upliftment of women, it is important to initiate income generating economic activities through the provision of credit. Microfinance aims at making the women beneficiaries self-reliant. It also focuses on women upliftment and empowerment. In India, the synergy among banks, non-governmental organizations and government working in the field of microfinance enabled the
banking system to provide microfinance to 4.5 million very poor households as on March 2001, as compared to 2.11 million households as on March 2011. In this context, the effectiveness of microfinance in improving the economic and the social conditions of the beneficiaries has to be analyzed.

1.16 Objectives of the Study

The main objective of the study is to examine the impact of microfinance programmes on empowering women. The specific objectives are,

1. To study the growth of microfinance programmes and coastal women empowerment.
2. To study the profile of the sample women beneficiaries and their family background.
3. To study the relationship between family background and income, savings and assets holdings.
4. To examine the impact of microfinance on income, savings, assets and on women empowerment and decision making.
5. To offer suitable suggestions based on the findings.

1.17 Hypothesis of the Study

The following null hypothesis are framed,

1. Age of the sample respondents does not significantly influence them to shift to various activities.
2. Educational status of the respondents does not significantly influence them to shift to various activities.
3. There is no relationship between annual income of the respondents and their involvement in various activities.
4. There is no relationship between community of the respondents and their involvement in various activities.
5. There is no relationship between the family the respondents and their involvement in various activities.
6. There is no relationship between income of the respondents and their family size in processing activity.
7. There is no relationship between income of the respondents and their education in processing activity.
8. There is no relationship between family size of the respondents and their occupation in processing activity.
9. There is no relationship between income of the respondents and their occupation in processing activity.
10. There is no relationship between income of the respondents and their family size in allied activity.

1.18 Methodology of the Study

The methodology of the study includes the selection of the study area and sample fisherwomen workers, the sampling techniques, collection of data, period of study, method of analysis and tools of analysis used in the present study.

a) Sampling Design

To undertake a study both primary and secondary data are required. Random sampling was adopted for the present study with Ramanathapuram
district as the universe, coastal villages as the primary units and the fisherwomen as the ultimate units. The researcher has selected three fisherwomen occupational groups from the fisheries sector in Ramanathapuram district. They are marketing, processing and allied activities. Only in these three activities sufficient number of fisherwomen population is engaged in the study area. The researcher has selected 450 samples for analyzing the objectives of the study.

b) Selection of Villages and Households

As per 2014 Fisheries Census there were 180 coastal marine fisheries villages in Ramanathapuram district. For the convenience of the researcher, 9 coastal villages have been selected based on the criterion of the highest number of fisherwomen present in the villages. The total households in the selected 9 coastal villages are 9,946. For the convenience of the researcher, among the 9,946 households a sample of 450 fisherwomen were selected at random. On the basis of their nature of works they are classified into processing workers, marketing workers and fisheries related allied activities workers. The researcher visited the selected fisherwomen households in person and collected the data required for this study.
### Table 1.1
Village-wise distribution of sample respondents

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Villages</th>
<th>No. of Households</th>
<th>No. of Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>S.P.Pattinam</td>
<td>1,246</td>
<td>59</td>
</tr>
<tr>
<td>2</td>
<td>Thondi</td>
<td>1,324</td>
<td>60</td>
</tr>
<tr>
<td>3</td>
<td>Nambuthalai</td>
<td>928</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>Pudhupattinam</td>
<td>879</td>
<td>38</td>
</tr>
<tr>
<td>5</td>
<td>Rameswaram</td>
<td>2,204</td>
<td>65</td>
</tr>
<tr>
<td>6</td>
<td>Anthoniyarpuram</td>
<td>845</td>
<td>42</td>
</tr>
<tr>
<td>7</td>
<td>Karaiur</td>
<td>769</td>
<td>46</td>
</tr>
<tr>
<td>8</td>
<td>Keezhakarai</td>
<td>1,012</td>
<td>55</td>
</tr>
<tr>
<td>9</td>
<td>Pillaikulam</td>
<td>739</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>9,946</strong></td>
<td><strong>450</strong></td>
</tr>
</tbody>
</table>

Source: Assistant Director of Fisheries, Ramanathapuram.

c) Collection of data

The present study is based on both primary and secondary data. The primary data were collected from fisherwomen workers in Ramanathapuram district with the help of an interview schedule. The secondary data were collected from various Journals, Books, Dailies, Assistant Director of Statistics, Ramanathapuram, Assistant Director of Fisheries, Ramanathapuram, Libraries and also from various Websites.

d) Period of Study

The field survey was carried out from September 2014 to March 2015 for the collection of primary data. The reference period of survey was 2014-2015.
**e) Data Processing**

After completing the data collection, the filled-up Interview Schedule was edited properly to make it ready for tabulation, the tables were prepared with the help of Statistical Package of Social Science (SPSS) Tools and further analysis based on the tables have been made.

**f) Tools of Analysis**

In order to study the micro finance and fisher women empowerment in Ramanathapuram District, the researcher has identified various statistical tools and they have been described. To examine the relationship between the level of income and the various factors namely age, religion, community, family size and education, the following Chi-square has been estimated.

\[
\text{Chi-square} = \sum \frac{(O - E)^2}{E}
\]

With (r-1)(c-1) degrees of freedom

Where

- O = Observed Frequency
- E = Expected Frequency
- c = Number of columns in a contingency table
- r = Number of rows in a contingency table

The calculation of the F-distribution measures the ratio of variance between groups to the variance within the groups. This denominator is computed by combining the variance within the K samples into a single measure.
\[ F = \frac{\text{Between Column Variance}}{\text{Within Column Variance}} \]

Symbolically,
\[ F = \frac{S^2_1}{S^2_2} \]

In order to examine the relationship among selected five variables correlation coefficient was computed with the help of the following formula.

\[ r = \frac{N \sum dx dy - \sum dx \sum dy}{\sqrt{[N \sum dx^2 - (\sum dx)^2][N \sum dy^2 - (\sum dy)^2]}} \]

Where,
\[ d_x = x - A \]
\[ d_y = y - B \]

\[ N = \text{Number of pairs of observation A and B are assumed mean of } x \]
\[ \text{and } y \text{ respectively.} \]

To test the significance of the calculated correlation coefficient, the following t-test was estimated.
\[ t = \frac{r}{SEr} \]

Where,
\[ SEr = \frac{1 - r^2}{\sqrt{N}} \]

If the calculated value of \( t \) exceeds the table value (to – 0.5) at the 5 percent level of the co-efficient \( r \) is significant.

In order to identify the per capita income, the following multiple log linear regression model was estimated.
\[ \log Y = \beta_0 + \beta_1 \log x_1 + \beta_2 \log x_2 + \beta_3 \log x_3 + \beta_4 \log x_4 + \beta_5 \log x_5 + U \]

Where,

\[ \begin{align*}
Y &= \text{Per capita income (Rs.}) \\
X_1 &= \text{Family Size} \\
X_2 &= \text{Number of earning members} \\
X_3 &= \text{Level of employment (In days)} \\
X_4 &= \text{Productive Assets} \\
X_5 &= \text{Dependency Ratio} \\
U &= \text{Disturbance terms}
\end{align*} \]

\( \beta_0, \beta_1, \ldots, \beta_5 \) are the parameters to be estimated.

In order to quantify the economic and social impacts on women members, the Economic and Social Empowerment Index was computed for each member combining the social and economic parameters using the scoring technique applied by Sing, Padam and Rattan Chand (2000)\(^1\).

The index of social indicators of \( h^{th} \) member \( S_h \) is given by

\[ \frac{\sum S_i}{\sum S_{i(max)}} \] \hspace{1cm} (1)

And the index of economic indicators (En) is given by

\[ \frac{\sum E_j}{\sum E_{j(max)}} \] \hspace{1cm} (2)

Combined index (ESE model) SLI\(_h\) is given by

\[ W_1S_h + W_2E_h \] \hspace{1cm} (3)

Where \( S_i \) and \( E_i \) represent \( i^{th} \) social and \( j^{th} \) economic indicator, respectively.

\( S_{i(max)} \) and \( E_{j(max)} \) are the maximum scores of \( i^{th} \) social indicator and \( j^{th} \) economic indicator can take.
Weight $W_1$ is given by $\frac{\sum S_{i_{\text{max}}}}{\sum S_{i\text{max}}} + \sum E_{j\text{max}}$ and $W_2$ is $(1-W_1)$. The values of $\sum S_{i\text{max}}$ and $\sum E_{j\text{max}}$ worked out to 7 and 20 respectively. $W_1$ and $W_2$ are 0.26 and 0.74 respectively.

### 1.19 Limitations of the Study

1. This study has covered one district namely Ramanathapuram district which has diverse nature of activities and the findings may not be generalized to macro level.

2. Since some of the beneficiaries were illiterate and were reluctant to furnish the data, a lot of persuasion had to be done for getting their response.

3. Even though care was taken to reduce recall bias through cross check, questions in interview schedule, the formation furnishing by the sample respondents may be subjected to recall bias.

### 1.20 Chapter Scheme

Chapter I introduces the subject and discuss the concept of microfinance, micro-fiancé and women, emergence of microfinance, microfinance in India, microfinance and NGO, microfinance institutions, the bank credit linkage, statement of the problem, objectives, methodology of the study, limitations of the study and the scheme of work.

Chapter II makes a clear picture of review of literature related to the study.

Chapter III deals with the profile of the study area and theoretical frame work and concepts used for the study.

Chapter IV discusses the role of microfinance and women empowerment.
Chapter V discusses the socio-economic characteristics of the respondents and their family background. Further, it examines the relationship between family characteristics and economic benefits obtained through microfinance.

Chapter VI evaluates the impact of microfinance on income, savings and assets holdings of the respondents among various activities and it analyses the impact of microfinance on empowerment of women beneficiaries, different variables influencing the decision making empowerment of fisher women.

Chapter VII records the summary of findings, suggestions and conclusion.
REFERENCES


