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Microfinance Challenges: Empowerment or Disempowerment of the poor?

Edited by
**Isabelle Guérin &
Jane Palier**

**MICROFINANCE CHALLENGES:
EMPOWERMENT OR
DISEMPOWERMENT OF THE POOR?**

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Isabelle Guérin & Jane Palier

General Introduction

Isabelle Guérin and Jane Palier

Microfinance continues its insane expansion. While the year 2005 has already been declared “Microcredit Year” by the United Nations, the G8 Member States have just reaffirmed the crucial importance of microfinance as a development tool. The 2004 action plan of the G8, adopted at Sea Island in June 2004, is entitled “applying the power of entrepreneurship to the eradication of poverty”. To reinforce the private sector is thus a priority, and the development of financial markets and microfinance constitutes the heart of it. “Facilitating Remittances to Help Families and Small Businesses”, “Improving the Business Climate for Entrepreneurs and Investors”, “Providing Housing and Clean Water by Supporting the Development of Local Financial Markets” and “Expanding Access to Microfinance for Entrepreneurs” are the four strategies announced. The action plan also mentions that “*Sustainable microfinance can be a key component in creating sound financial market structures in the world's poorest countries*” and foresees that “[...] *with the support of the World Bank-based Consultative Group to Assist the Poor (CGAP), G8 countries will work to launch a global market-based microfinance initiative*”¹.

This will to create “global market-based microfinance” echoes processes already well under way. Two recent publications, one of the International Monetary Fund (Littlefield and Rosenberg 2004), the other of the Asian Development Bank (Nimal 2004) also plead for a complete integration of microfinance in formal financial systems. In 1992, the transformation of the NGO Fundación para Promoción el Desarrollo of Microempresa into a financial institution (Bancosol) in Bolivia started the process of integration between microfinance and the formal financial system. Since then, the line between microfinance and the formal financial sector continues to fade. According to the study carried out by the International Monetary Fund, IMFs increasingly allow market forces to come into play, while basing themselves on the techniques and rules of commercial finance. They invest in more sophisticated systems of management and information,

¹ The complete text is available on the following website:
http://www.g8usa.gov/d_060904a.htm

apply international accountability standards, entrust the annual auditing of their accounts to traditional auditing organizations and subject themselves to the evaluation of commercial grading agencies (Littlefield and Rosenberg 2004). New technologies reduce the costs and the risks, thus making the provision of services to poor clients more profitable. The commercial success of certain IMFs started to attract new operators from the traditional sector. Financial information, evaluations and audits are today better and easier to compare, and national and international investors invest in this sector. For instance, in July 2004, the USA Grameen Foundation (GF-USA) announced the launching of the first significant micro-finance investment by the American capital market. This transaction, valued at \$US 40 million, is regarded as the most important ever realized in the world of microfinance².

India does not escape this scenario. The entry of the banks into the microfinance sector happened first under pressure because of the guidelines of the Reserve Bank of India (RBI)³. Nevertheless more and more banks go beyond those guidelines and innovate in order to conquer new market shares in a sector which they regard now as lucrative. The ICICI Bank is probably the one which displays the most aggressive attitude. Apart from various specific products as well as partnerships with multiple IMFs, at the beginning of 2004 ICICI concluded two security deals with two leading IMFs: Bhartiya Samruddhi Finance Ltd of the BASIX group and SHARE Microfin Ltd. If ICICI is the likely pioneer in this sector, others have followed. For example the Andhra Bank (District of Coimbatore, Tamil Nadu) has recently launched a credit card scheme⁴ for the SHGs, allowing them to withdraw up to Rs.200,000 in credit (*revolving* fund with an annual rate of 8%). The credit card holders can also benefit from free insurance issued by the *Life Insurance Corporation of India* as well as scholarships for their children's studies. Obviously, the RBI guidelines are not the sole argument anymore: the "poor" truly are considered a new market niche. It should be noted that, if this "niche" is lucrative, it is because it relies on the

² This commitment, which will finance IMFs in 9 developing countries, is guaranteed by the Overseas Private Investment Corporation (OPIC).

³ For nearly thirty years, rural banks have had to fulfill credit obligations in the so-called "priority sectors" and for the "weaker sections". Since the 90s, the banks have been encouraged to open accounts for the SHGs (RBI circular Ref. DBOD. 2, No. BC. 63/0: 01 PM: 08/92-93) but also to lend to them. Now these loans are considered part of the priority sector, thus allowing banks to keep to their quota.

⁴ *The Hindu*, 'Banks wooing SHGs with credit cards', Coimbatore, 4/2/04.

famous concept of Self-Help Groups – the loans are not given individually but to groups – and that most of the time, an NGO takes on the role of social intermediary between the bank and the borrowers. We can then easily understand the enthusiasm of the banks for which the transaction costs and risks are greatly reduced. Anyway, the banks are very clear on this point: if they continue to invest in the microfinance sector, it is because the SHGs are “good clients”⁵. On the national level, NABARD estimates the reimbursement rate at 95%.

Should one rejoice or, on the contrary, be worried about this “commoditization” of microfinance? The massive engagement of the banking sector let us anticipate huge prospects in terms of growth of the microcredit supply and in terms of financial sustainability. In March 2004, the number of SHGs linked to the banks reached 1,079,091, that is to say approximately 17 million people and an increase of 50% compared to 2003 (Sa-Dhan 2004). Isn't it dangerous to be focused on quantitative objectives (number of clients, volume of disbursed loans, etc.), when one knows that the success of microfinance depends on many other conditions? Doesn't this depend on other priorities, in particular the sustainability of the clients themselves or on their empowerment? The objective of this book consists precisely of underlining the complexity of the links between microfinance and empowerment. As the promoters of the Sa-Dhan network⁶, inspired by the work of Linda Mayoux, indicate:

“While women's empowerment is claimed as an important concern and outcome of their participation in modern microfinance, it does not figure in the debate on sustainability. This is because an increasing contribution to women's empowerment may generate conflict, requires change at many levels and is likely to entail costs. It is not

⁵ As an example, Indian Overseas Bank (Perambalur District, Tamil Nadu) regularly reaffirms its willingness to cooperate with SHGs regarded as “good customers”. See for example *The Hindu*: ‘Loans distributed to SHGs’, Mayiladuthurai, 1/25/04; ‘RASI units to be manned by women SHGs’, Perambalur, 3/21/04; ‘DRDA to release revolving fund to SHGs’, Perambalur, 3/29/04.

⁶ The Sa-Dhan network contains the principal Indian operators of microfinance and pursues two principal goals: to lobby the authorities for a more favorable institutional and legal environment, to accompany the sector's growth by offering capacity-building services to its members.

therefore easily incorporated, especially into programmes based on the financial self-sustainability paradigm" (Sa Dhan 2003: 14-15).

Microfinance players are the first to question the justification of this increasing commercialization. Already in 2000, Mahajan Vijay and G. Nagasri, representatives of Basix, one of the Indian IMF leaders, worried about the incipient competition from the banking sector: "Even though the unmet demand is large, the emerging "competition" from mainstream banks can overwhelm IMFs, which are still in their nascent stage" (Mahajan and Nagasri 2000: 4). More recently, and where the banking presence is a current, well established fact, the question of interest rates causes a lot of controversy, even actual conflicts. That was the case particularly at the time of the "Microfinance India 2008", conference organized by CARE India and which was held in New Delhi in February 2004, where microfinance experts did not hesitate to accuse the bankers of unfair competition. Whereas the economic situation authorizes the banks to decrease their interest rates considerably, how can IMFs, subjected to economies of a smaller scale and especially to a role of social intermediary that the banks seldom assume, preserve their competitiveness? The recent interest expressed by the banking environment in microfinance also deserves to be relativised in comparison with the super-elitist policies which prevailed during the previous ten years. A massive study of the Indian banking sector from 1972 to 2003, undertaken by the *Economic and Political Weekly Research Foundation*, shows alarming results. Whereas the share of farm credit reached 18% of the total credit disbursed at the end of the 80s, it accounted for little more than 10% in March 2003. In the same way, in the small-scale and village industries sector, the share of credit allocated fell from 14% at the beginning of the 90s to less than 6% in March 2003 (EPW Research Foundation 2004: 2072). The authors of the study offer the following conclusion:

"The increasing vacuum in the rural credit system, continuing neglect of underdeveloped areas, low levels of credit flow in favor of agriculture, small-scale industries and other informal sectors including small borrowers and reluctance of the banking industry to pass on the benefits of the reduced cost of funds to bank borrowers, have been some of the most glaring drawbacks in the functioning of scheduled commercial banks in the post-reform period" (*ibidem*).

When it is known that 70% of the Indian population lives from agriculture, this report is worrisome. In the same vein, other data show that the small borrowers have more and more been denied access to bank credit (Shetty 2004). Using data from the Reserve Bank of India, Shetty demonstrates that a distinct feature of the credit delivery record in the 1990s has been the persistent and drastic decline in the number of small loan accounts: the number of small borrower accounts with a credit limit of Rs 25,000 or less has reached 62.55 million in March 1992, but it was followed by a steep downward trend to reach 36.87 million – a loss of nearly 26 million accounts or 60% by March 2003 (Shetty 2004: 3265-3266). The author also notes strong inequalities from one state to another and one district to another, the more isolated and less economically dynamic districts being obviously much more neglected than the others. Is it really legitimate to rush into the microfinance sector, if it means abandoning even further other sections of marginalized clients, who have as much reason to be empowered as the others?⁷ Admittedly, to be interested in women is commendable – the last data available on the SHG movement in 2004 indicates that 90% of the members are women – but what about the small farmers, for example, whom one knows very well were the big losers of economic growth over the last ten years?⁸

At the same time, microfinance has probably never received so much support from the Indian public authorities. The commitments of the Common Minimum Program, whose main guidelines were announced by the *United Progressive Alliance* in June 2004, allowed the anticipation of strong support to the credit supply, in particular for the informal sector, small-scale industry and self-employment sector, and finally to rural credit, which is destined to be “reborn”. It has to be seen how those promises will translate in practice. For the moment, let us content ourselves in reviewing the public policies of these past years. The recent expansion of the SHG movement and of the “banking-linkage model”, is largely the result of a strong interventionist policy, with on the one hand, the massive support of diverse public financial institutions (namely NABARD, SIDBI or HUDCO) and on the other hand the establishment of specific public schemes. Now, this public

⁷ The contribution of Parveen Mahmud in this book insists on this point and evokes the term “missing middle”, those who are too “rich” to profit from microfinance and too poor to benefit from bank credit.

⁸ L. Prasanna mentions this problem in her contribution to this book.

interventionism has not always been approved of by the practitioners of microfinance. It is particularly the case of the SGSY scheme (*Swarnjayanti Gram Swarozgar Yojna*), begun in 1999⁹. This programme of subsidized credit replaces the largest Indian poverty eradication program, the *Integrated Rural Development Programme* (IRDP). Started at the beginning of the 80s, the IRDP programme wanted to facilitate access by the poor to formal credit by relying on an individual approach. The failure of this programme has been unanimously acknowledged (bad selection of beneficiaries, cases of embezzlement) and has translated into a catastrophic reimbursement rate. The SGSY assumes the same aims (subsidized credit for the poor) while modifying the method. Only the SHGs are now eligible¹⁰: social pressure and joint liability are supposed to correct the flaws of the previous program, that is to say, targeting the “good clients” and encouraging reimbursement. There is no doubt that a part of the objectives has been reached – the results are in any case much better than those of the IRDP, if only in terms of the repayment rate. On the other hand, numerous promoters of microfinance stress – here also – the unfair competition of programmes combining microfinance and subsidies, claiming, and rightly so, that this type of programme is more interested in clientelism and bank votes than in the genuine objective of long term and sustainable development¹¹. How to make borrowers understand that credit has a cost, if at the same time there is a public programme which offers subsidized credit? As is pointed out by Mahajan and Nagasri, this type of public scheme necessarily has “a great impact on the minds of the borrowers and has spoiled the repayment culture” (Mahajan and Nagasri 2000: 15). In many villages, it is not uncommon to witness ferocious competition between “governmental” and “non-governmental” SHGs, the latter accusing the former of benefiting from numerous privileges which the NGOs are not in a position to offer¹². That the

⁹ See Malhotra (2000) and Ghosh (2001) on the SGSY program.

¹⁰ After 6 months of “autonomous” SHG operation (ten criteria are used to evaluate the group), a revolving fund granted 25,000 Rs including 15,000 in the form of a bank loan and 10,000 in subsidy from the *District Rural Development Agency* (DRDA).

¹¹ See the text of K. Kalpana in this book.

¹² This type of conflict has been observed largely in one field study carried out recently in Tamil Nadu (Mino 2004). Note that the privileges in question are often connected to the status of Scheduled Caste or Scheduled Tribe. The conflicts evoked here raise more general problems connected to the policies of positive discrimination.

borrowers commit themselves to not benefiting from public schemes is sometimes a condition set by the IMFs. Do we not incur the risk of promoting the creation of artificial and short-lived groups, motivated only by the lure of subsidies? The very essence of the SHG, supposed to be a group giving aid on the basis of mutual reciprocity, is thus greatly jeopardized. To the point where certain NGOs have chosen to drop the term “SHG” which they consider hackneyed. It is the case, for example, of MYRADA (Karnataka), which now uses the term “Self-Help Affinity Groups”¹³. It is equally the case of WWF in Tamil Nadu which uses the term “neighborhood solidarity groups”¹⁴.

This galvanization of the SHG concept deserves some attention. The notion of *self-help*, popularized largely by Gandhian philosophy, certainly isn't new¹⁵. Nevertheless, it takes a new direction, which makes one wonder whether it has not been a little perverted by this vast SHG movement. The notion of self-help is very ambivalent and can be understood in many ways¹⁶. In the Gandhian tradition, the term appears in an implicit way in two of the concepts which forged the thought of Mahatma¹⁷. The first one is that of *Swadeshi*, which is usually translated in English by self-reliance, and which refers to the material concept of self-sufficiency (on the individual, family or even national level) as much as to the self esteem of the human being. As emphasized by Gandhi himself, *Swadeshi* also means “reliance on our own strength”. The term “self” comes then in the notion of *swaraj*, and is translated in English by “self-rule”. In the Gandhian spirit, to manage oneself aims especially at self emancipation from numerous forces of coercion, even of exploitation. In the context of the times, the notion of “self-rule” expressed as much a resistance to colonial power and foreign materialist imperialism, as to castes and dominant classes. To insist on the capacity of self-determination is also a gamble staked on the qualities and innate strength of each person, whatever he/she is, whether it is in relation to the body, the mind or even the soul. Finally, according to the Gandhian spirit, to be self-determining and self-managing is therefore not synonymous

¹³ See the publications available on the site: www.myrada.org

¹⁴ See the report of activities: WWF, 2000 or the site: www.workingwomensforum.org

¹⁵ See on this subject Palier (2002).

¹⁶ We thank Thierry Pairault for having drawn our attention to the very ambivalent and ambiguous dimension of the term self-help.

¹⁷ We are supported here by the book of Raghavan (1993).

with individualization. Personal growth is conceived as a process indistinguishable from relationships of solidarity and co-operation. At the same time, and it is here that the self-help term becomes ambivalent, being self-reliant can also mean to count on oneself and nobody else, to affirm one's independence or to be condemned to lack of support from one's circle. The border between affirming self-control, freeing oneself from bonds of subordination and being isolated from the rest of the world is quickly crossed. If the notion of self-help has been very successful in the United States, it is because it falls under another tradition than the Indian Gandhian tradition¹⁸. It is much closer to the Calvinist heritage, according to which individuals themselves must realize their own salvation, God helping only those who help themselves. Super-individualism overrides largely the will to develop the individual. Admittedly, self-help, American-style, is often put forward to explain the success stories of entrepreneurs having made fortunes starting from nothing, and to whom American society gave the freedom to take initiatives. But self-help, American style, is also, and more and more it seems, the millions of poor ordered to take care of themselves and be self-sufficient, because no one, neither their family, nor the State, can do anything more for them. By all evidence, super-individualism overrides the valorization of individual potentialities. With the rapid spread of poverty eradication programs, consisting of providing large-scale employment to the poorest, the concept of self-help has probably never been so popular in the United States. This plea for self-help goes hand in hand with an increasing atrophy of public expenditures and a generalized scarcity of employment contracts, permanent insecurity having become the so-called motive of personal ambitions and aspirations.

Let's go back to the Indian Self-Help Groups. An instrument to encourage individual responsibility in the daily struggle for survival or a good tool for the promotion of individual and collective power? Not only would it be premature to judge right now, but even more, the answer is probably much more complex and it is not certain that it is possible to respond in a clear and definitive manner. Let's content ourselves with insisting on the risks of instrumentalizing the phenomenon¹⁹. Because it is indeed a question of instrumentalization. The public authorities, whatever

¹⁸ To a great extent, we continue the analysis of the French sociologist Pierre Bourdieu (1999) to whom Thierry Pairault drew our attention.

¹⁹ See on this subject Guérin and Palier (2004); Hofman and Marius-Gnanou (2004).

their degree of centralization, delegate more and more tasks to the SHGs. Beyond their role of financial intermediary, a large number of SHGs find themselves transformed into real conveyors of public schemes and become – or at the least are supposed to become – key players of local social and economic development, or even sustainable development, as well as key players of the local democratic life. The following examples, borrowed from Tamil Nadu, will serve as illustration.

First of all, one relies on SHGs to spur the local economy: processing of tea leaves in the Nilgiris, milk production, fish breeding, coconut fiber production or electric appliances repair are some of the economic activities which are now entrusted to SHGs in the framework of public programs. One relies also on SHGs to promote entrepreneurship. Beginning in 2004, 130,000 women have thus benefited from the Entrepreneurship Development Program²⁰, provided they are members of SHGs²¹. Fifteen hundred men's SHGs have been created in Pudukottai District and 330 members will be able to benefit from this same program. Other local initiatives follow in the same direction: competition for the “Best Business Idea”²² organized in the villages and then at the block and district level in Coimbatore is also intended for members of SHGs. SHGs also become promoters of sustainable development. One can mention programmes to promote organic farming (growing of medicinal plants alternating with rice), food security or fair trade²³. SHGs are also solicited as public suppliers: thus, in ten blocks of Perambalur District, ten SHGs have been identified to provide firewood to school canteens and ten others to provide *sambar powder*²⁴. Every year, International Woman's Day, celebrated on March 8, is a pretext to launch various initiatives in favor of local development and here also, the SHGs are the first players to be mobilized. Let us mention, for example, the cleaning of water tanks in the village of Essanai: thirty women from six SHGs have

²⁰ See the site of the TNCDD: www.tamilnaduwomen.org/edpreports.htm

²¹ *The Hindu*: ‘Entrepreneurship development programme for men SHGs’, Pudukottai, 2/19/04.

²² *The Hindu*: ‘SHG movement has been successful’, Coimbatore, 3/26/04.

²³ *The Hindu*: ‘SHGs to run eight fair price shops’, Perambalur, 1/19/04; ‘SHGs should promote natural farming’, Thanjavur, 1/26/04.

²⁴ An essential ingredient found in the composition of sauces accompanying rice in the traditional meal of Tamil Nadu.

been recruited²⁵. SHGs are also solicited for the maintenance or management of collective assets: maintenance of public taps, construction and management of latrines in public hospitals, management of subsidized food shops (PDS shops) etc.²⁶

One also counts on SHGs to facilitate the flow of information relating to public programs. Whereas India abounds in all kinds of public programs, it is known that the access and use of the programmes in question by those who are supposed to profit from them is much more problematic²⁷. Corruption, embezzlement and various diversions, mis-identification of the potential recipients partially explains the very mixed success of these programs. The lack of information also plays a big part. A good number of people, in particular the most marginalized (whom the public authorities qualify as *weaker sections*) are totally ignorant of their rights. It is well known that a major part of the funds intended for them remains unutilized. Why not use the SHGs, presumably close to the populations and probably more impartial than questionable public officials, to disseminate information and to play a role such as “social mediator”? Take for example the RASI programme – *Rural Access Service through Internet* – launched recently in order to improve the spread of information from the State government to the villagers, but which can also be used to transmit their requests to the authorities²⁸. This direct interaction would be facilitated by acquiring a computer worth Rs.60,000 (1,200 Euros) by literate women, members of SHGs, and financed 50% by a public subsidy and 50% by a bank loan. In the same way, “complaint” days were organized at the beginning of March 2004 at Dindigul to allow SHGs which had not profited from any scheme to file a petition²⁹. In a general way, one counts on SHGs “to disseminate information in connection with public social programmes among the rural population”³⁰: they are then charged within the *Village Development Committee* to locate

²⁵ *The Hindu*: ‘Women self-help groups to clear bushes, weeds’, Perambalur, 3/22/04.

²⁶ Examples taken from the Cuddalore and Villipuram districts (Tamil Nadu).

²⁷ For a general analysis of this problem, see Drèze and Sen (2002: 347 sq.)

²⁸ *The Hindu*: ‘RASI units to be manned by women SHGs’, Perambalur, 3/21/04; ‘Learn computer, SHGs told’, Ramanathapuram, 2/14/04. See also *The Hindu*: ‘Self-help groups encouraged to set up computer centres’, Cuddalore, 1/8/04.

²⁹ *The Hindu*: ‘Entrepreneurship development programme for men SHGs’, Pudukottai, 2/19/04.

³⁰ *The Hindu*: ‘SHG movement has been successful’, Coimbatore, 3/26/04.

children in their village suffering from malnutrition and to identify the handicapped or poor people likely to benefit from public programs. They are also encouraged to get involved in the fight against female infanticide³¹. Sometimes, they take part in the fight against the illegal distillation of alcohol by denouncing the clandestine producers to the local police³².

SHGs are also solicited in order to facilitate the participation of women in local political life. Since 1992, two constitutional amendments have made obligatory a women's quota of 33% in the elected assemblies of the *Panchayatis Raj Institutions*³³. Whereas this legal provision is still short of being translated into action (Sekher 2001), one now counts on SHGs to inform their members and to encourage them to stand as candidates. According to the estimates of Gariyali and Vettivel (2004: 130-131), 2,612 women members of SHGs were elected during the last local elections organized in Tamil Nadu in 2001, knowing that 131,135 seats were available, including 44,045 reserved for women. If these figures appear ridiculous at first sight, it is nevertheless probable that they would be more so without the involvement of SHGs. Without standing as candidates, women members of SHGs are greatly encouraged to express their claim, either by means of *Panchayat Level Federations* when they exist, or by taking part in *Gram Sabha*, village councils whose function is only advisory. At the time of the last national elections in the spring of 2004, SHGs were largely mobilized in the "right to information" campaign, which aimed at ensuring – or at least improving – the transparency of electoral procedures. All those examples show that SHGs are also a mean to improve the functioning of local democracy. The opposite scenario, *i.e.* the utilization of SHGs in the service of political candidates, is unfortunately all too probable. Women have been neglected a long time by the election campaigns. However the local elections of December 2003 revealed a massive female vote. Since then, the two principal parties *Bharatiya Janata Party* (BJP) as well as the Congress Party, compete for proposals intended to attract female votes. Some of these proposals are directly related to feminist issues (for example, raising the minimum age of marriage, a law prohibiting female

³¹ *The Hindu*: 'Total transformation in villages, thanks to SHGs, says Gariyali', Tiruchi, 1/12/04; 'SHG's savings cross Rs.7.3 cr.', Theni, 3/31/04.

³² *The Hindu*: 'SHGs, youth forums play active role in checking illicit liquor', Perambalur, 3/27/04.

³³ It concerns the Village Panchayat, the Panchayat Union (at the block level) and the District Development Council.

feticides), while others are much more pragmatic (ration coupons for rice worth a few rupees, the prohibition of alcohol). In this process of collecting female votes, SHGs, one suspects, represent an un hoped-for opportunity of lowering the cost of mass campaigns. The use of SHGs as voting banks was a source of permanent controversy during the weeks which preceded the spring 2004 national elections. In Tamil Nadu, the commission charged to supervise the smooth running of the elections was seized by the CPI(M)³⁴, who accused the party in power, the AIADMK³⁵, of trying to monopolize the votes of SHG members by promises of rewards, by the distribution of saris or even by threat. AIDWA³⁶, a women's organization having connections with the CPI(M), also strongly denounced the influence peddling strategies of the political parties. It invites the women to reflect more on the meaning of their vote and to take into account, while making their choice, that certain promises were not fulfilled by the politicians in power. Many NGOs mention the harmful effects of politicians who offer gifts to the women of SHGs which goes against their policy of being responsible and autonomous³⁷. NGOs, conscious of the impossibility of avoiding such interferences, consider that their role consists of informing SHGs of their voting rights and of the various involved parties and encouraging them to assert their claim against the party leaders³⁸. Let us finally recall the fact that many groups regularly dissolve at election time following political disagreements. In other words, the politicization of SHGs is a fact which cannot be denied. Pretending to avoid it would be unrealistic; on the other hand, benefiting from this opportunity to use SHGs as "training camps" for democracy is probably the best option.

Financial intermediation, local economic and social development, management of collective infrastructure, improvement in the transparency of public institutions, improvement and reinforcement of local democratic life:

³⁴ CPI(M): *Communist Party of India (Marxist)*. *The Hindu*: 'Stop use of self-help groups, EC told and Stop use of SHGs for poll campaign: CPI(M)', Madurai, 3/30/04. A few weeks earlier, the Collector had affirmed that no complaint had been registered against the diversion of SHGs to political ends: '*Parties don't try to misuse SHGs for election purposes*', Madurai, 3/17/04.

³⁵ AIADMK: All-India Anna Dravida Munnetra Kazhagam.

³⁶ AIDWA: All-India Democratic Women's Association.

³⁷ This point was thoroughly discussed with microfinance experts at the round table organized at the French Institute of Pondicherry, February 2004 around the topic: "Microfinance in its environment".

³⁸ Some NGOs think of organizing meetings confronting several candidates.

there are many missions delegated to SHGs, which thus go far beyond only access to institutional credit. How to interpret this phenomenon of increasing delegation? The supporters of empowerment are the first to assert a global and holistic approach to microfinance, *i.e.* consisting of combining financial and non-financial services (entrepreneurial, marketing, local development, etc.). In theory, it is certain that the advantages could be measured in terms of individual empowerment as well as collective efficiency. Several questions nevertheless arise. First of all, who pays the cost of this delegation of responsibilities? That the poor – and *a fortiori* poor women – have to accept new obligations in the name of their empowerment too often seems self-evident. It is commendable to want to offer new opportunities for employment to the most marginalized populations – let us note that the SHGs of parents of handicapped children, HIV-positive people, eunuchs or prostitutes are also trained³⁹ – but at what price? The time offered by these women is often regarded as free: most of their activities thus involve volunteer work and unpaid work. And even when they are paid in exchange for their work, such as for example the production of umbrellas in Kerala, it is often below their effective contribution to the production⁴⁰. There are also hidden costs which are probably considerable. For example, when women are responsible for managing certain public markets, the payment of *baksheesh* to intermediaries is systematic. When the women manage the PDS shops, it is quasi-systematic that part of the food supply is stolen at the time of its routing, and it is obviously incumbent on the women to make the refund. Finally, the delegation of responsibility does not always mean real delegation of power: up to what point do SHGs really have the choice of their new functions and the methods of their implementation? Various impact studies relating to the so-called participatory approach give mixed results: whereas the participation of the population in various development projects is supposed to optimize the effectiveness of the projects while contributing to the empowerment of those who “participate”, the analysis of the projects in question lets us think that the argument of the economy of

³⁹ *The Hindu*: ‘SHGs of marginalized sections to be formed’, Tiruchi, 1/12/04; ‘Move to form special SHGs evokes good response’, Tiruchi, 3/16/04.

⁴⁰ See the contribution of S. Mohanakumar and S.S.George in this book.

means probably has more priority than that of the redistribution of powers, which is much more rarely observed⁴¹.

All depends finally on the way in which these processes of delegating responsibility are implemented. One can imagine the worst: a heavy burden of obligations which weigh on the women, without there being a better collective effectiveness. After all, are the members of SHGs more honest and impartial than government officials? Perhaps, but one cannot be satisfied with naive assumptions. One can also imagine the best, with a convergence of positive individual and collective effects. In short, a precise evaluation of costs – direct and indirect – and of the impacts of these actions proves essential and urgent. In this way, it will be possible to judge the legitimacy and effectiveness of these new forms of public programme subsidies.

Let us come to the objective of this book. This document shows certain contributions presented during a conference held in January, 2004 at the French Institute of Pondicherry. For two days, researchers and experts discussed the very general topic of “Microfinance and Empowerment”. Whereas the legitimacy acquired by SHGs as institutional finance players, as actors in local economic and social development and as actors in local democratic life is questioned very little, neither by the market sector which seizes more and more, nor by the public authorities, the reality shows a picture much more complex and mixed. Whereas empowerment is often regarded as the automatic fruit of the access to finance, the reality shows that the link between microfinance and empowerment is neither linear, nor unequivocal and even less systematic. This argument is not new: numerous studies published during the last decade attempted to stress the ambiguous and sometimes questionable character of the link between microfinance and empowerment. This book is only a modest continuation of this vast literature, which we will have the occasion to quote throughout these pages. Combining theoretical reflections and case studies, the work presents to some extent the state of the knowledge centered on the Indian context, and more particularly on south India, simple illustration owing to the fact that microfinance is very much developed in the South. Some foreign

⁴¹ Various studies were undertaken in the field of shared resource management (water and forest). See for example Krishnayan (2004); Kurian *et alii* (2003); Murali *et alii* (2003).

perspectives (Bangladesh, Indonesia and the Philippines) will be introduced here and there to enrich the debates.

Neither does this book intend to propose a consensual discourse. Quite to the contrary, on many occasions we will have to underline the differences of opinions and positions. Whereas for some, SHGs represent an example of the unbounded expansion of neo-liberalism, for others they truly represent a new form of solidarity, reciprocity and mutual assistance. This divergence of points of view shows very well at which point microfinance is far from being a neutral “object” stripped of any ideological consideration.

The book is organized into three parts. First of all, we consider the question of *definitions*: what does one understand by “empowerment”? The diversity of definitions suggested here confirms that under no circumstances does a universal definition of empowerment exist, even if everyone agrees that the concept refers to notions of choice, of power and of change. This diversity of definitions can in part be attributed to discipline: anthropologists obviously do not have the same definition as managers and management theorists. It is also a cultural question; we will thus have the occasion to underline the dangers of an ethno-centric definition of empowerment. This diversity of definitions also quite simply has an ideological origin: following the example of all that concerns the social sciences, to pretend to neutrality would be an illusion.

The second part insists on the central role of the *environment*. The link between microfinance and empowerment is all the more subtle, and sometimes unforeseeable, as microfinance projects take place within an economic, social-cultural and political context that is itself complex, evolutionary and which partially conditions the results obtained. Microfinance projects, as any development projects, should therefore be understood and analyzed as *endogeneous* processes. We return to the term suggested by Hirschman, taking into account the unintentional effects of the action, the linkage effects or even the diversity of the externalities, positive and negative, caused by microfinance.

Finally the third part relates to the question – crucial, we should instantly add, of *evaluation*. Here still, the diversity of the results is striking: certain experiments are very positive and are connected with true success stories, while elsewhere the results are very mixed and sometimes even

worrying. One does not speak any more of empowerment, but of “disempowerment” or even “over-empowerment”. This heterogeneity of results is due as much to the diversity of the projects, their methods of action, the target public, and the context of intervention as to the methodologies of evaluation.

Whatever the angle of attack adopted, relativism seems a kind of constant. Must one have to infer as much with an absolute relativism, in virtue of which it would be impossible to generalize taking into account the diversity of definitions, of contexts and of projects? It is certain that no universal truth stands out, and this work will definitely banish the concept of “best practices”, which implies that what functions here would be transferable elsewhere. Absolute relativism is nevertheless excessive. The conclusion leads us to go beyond a certain number of contradictions evoked throughout the book while proposing to think of empowerment using the French concept of “solidarity-based economy”. This concept of solidarity-based economy, which is theoretical as well as normative, is a framework for analysis and action, which, according to us, can make it possible to guard against the risks of failures and perverse effects mentioned throughout the book.

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PART I

***Questions as to definition:
what is understood by empowerment?***

Introduction

Defining the concept of empowerment through experiences in India

Jane Palier

The term empowerment¹ has been widely employed for over a decade, both in the discourse of international organizations and by politicians and actors in the field, notably by those promoting microfinance schemes throughout the world. Generally speaking, empowerment refers to greater access to power by underprivileged or vulnerable segments of the population. In India, therefore, this includes the poor, women, and also the scheduled castes (SC) and scheduled tribes (ST). In its initial judicial meaning (Oxford Dictionary), to empower is *to give somebody the power or authority to do something*. Here however, we are discussing the concept of empowerment in reference to its second meaning, *i.e. to give somebody more control over his/her own life or the situation he/she is in*. In development discourse, this term is commonly used in reference to gender inequalities. The Government of India took this position when it declared 2001 as the year of the empowerment of women and undertook various measures towards achieving greater equality between men and women².

It is difficult to define this concept in a universal and unequivocal manner. Empowerment does not carry the same meaning, nor does it correspond to the same manifestations for everyone. Thus, the causal link between microfinance and empowerment that has been almost systematically established appears quite paradoxical. Whether one peruses the working

¹ There is no direct translation of the term “empowerment” in the French or German languages, although there is in Spanish (*empodamiento*). The absence of an equivalent was all the more reason for researchers at the French Institute in Pondicherry to examine the meanings that are given to this concept.

² Government of India, National Policy for the Empowerment of Women, 2001. The Indian government, moreover, ratified the international convention on the elimination of all forms of discrimination against women – CEDAW – in 1993.

documents of the World Bank or the activity reports of a small microfinance organization in India, this causality often appears to be self-evident and its very existence is scarcely doubted. As such, the questions being raised are usually focussed on the ways of optimizing empowerment by means of micro-finance. It is for this reason that we feel an inquiry into the definition and meanings attributed to the concept of empowerment is indispensable: to look more deeply into the meaning of the concept of empowerment necessarily leads to an examination of this causal link that is too often taken for granted. The issue here will therefore pertain more to the discourse held on this process of empowerment through microfinance as rather than an evaluation of the diverse effects resulting of microfinance practices (cf. Part 3). The following part will extend this discussion by showing the importance of considering the whole socio-economic context in which microfinance practices take place (cf. Part 2).

In this introductory section, we shall begin by focusing on the dominant discourse of empowerment, that is, the discourse of international organizations and above all of the World Bank (1). Following this, emphasis will be placed on the ambiguity of the concept of empowerment: is it a question of a neutral or conflictual process; an economic or socio-political process; or, an individual or collective process? (2).

Before treading further into this discourse of development, it is perhaps useful to call to mind that, well beyond the developing world, management theories³ are one of the fields in which the term empowerment has been commonly used for a long time. In fact, in managerial language, empowerment refers to a process of delegating responsibilities and imparting autonomy to employees in an enterprise. The introduction of this process aims at optimizing the efficiency of the workplace. This is accomplished, by freeing employees from supervision in order to generate greater interest in their work through encouraging greater responsibility and initiatives that come from the bottom, thereby allowing an increase in workload⁴.

³ Besides, in 1989, empowerment had been elected as the "management concept of the year" (Michailova 2002: 180). For further references, refer to the bibliography at the end of this part: see, for example, J.F. Vogt and K.L. Murrell (1990); H. Itzhaky and A.S. York (2000); or C.L. Brown (2002).

⁴ The text by I.W. Suadnya *et al.* in this part reviews different definitions of empowerment borrowed from the discipline of management and administration.

For our part, we take the definition given by Snezhina Michailova (2002) as a basis: “*Empowerment refers to the degree to which employees are encouraged to make certain decisions without consulting their superiors and to which organizational dynamics are initiated at the bottom. The notion is associated with delegating, or, more broadly, with enabling*”. Michailova also underscores the fact that this concept has a Western origin and that the technical “recipes” which it entails are also Western, while the question of the imposition of cultural values on an organization does not really arise. The universality of the concept of empowerment is also criticized in the field of development in general, and in that of microfinance in particular. In the same way that some promoters of microfinance display naïveté when they posit a self-evident link between microfinance and empowerment, authors discussing organization at times appear to be astonishingly optimistic, providing simple recipes assumed to further this process with necessarily positive consequences. In both fields there is a desire to define *good practices* that, subsequent to validation, are easily replicable.

In the field of microfinance in Southern countries, the concept of empowerment is primarily focussed on women. We shall not mention here the numerous studies pertaining to the feminization of poverty⁵, but they should be kept in mind in order to understand why microfinance has been largely concentrated upon women. Moreover, a few weeks spent in India is suffice to convince one that the key word used by NGOs in the matter of microfinance is women’s empowerment, though unfortunately, without veritable gender strategies having been put in place (1.1). Also unfortunate is that the other categories of marginalized populations have received much less attention, in particular the Dalits and the Tribes. The case study described here, which focuses on a specific Tribe, – although it does not permit generalization – shows to which extent the adopted method is unsuited because it is fundamentally ethnocentric (1.2). Not only do actors in the field associate microfinance with women’s emancipation or power of participation, but international organizations and donor agencies promote it, establish *good practices*⁶ and orient their activities toward the establishment of *good institutions*, a necessary prerequisite for the process of empowerment that becomes inseparable from such concepts as “good

⁵ See, for example, M. Das Gupta *et al.* (2000); J. Deshmukh-Ranadive (2002b); E. Hofman *et al.* (2001); I. Guérin (2003); and the body of gender studies; for example, consult the *Review of Women Studies, Economic and Political Weekly*.

⁶ See, for example, D.M. Burjorjee *et al.* (2002).

governance” and “social capital” (1.3). We shall later have occasion to show that defining the process of empowerment implies taking a position between a neutral approach and a more political one of “social change” (2.1). This opposition gives rise to another: must empowerment be an individual or a collective process? While these two approaches are often presented as antinomic and characteristic of actual “schools of thought”, in practice it seems obvious that the articulation individual/collective – analogous to the linkage of the economic, social and political dimensions of the process – is the only means of promoting a process of empowerment worthy of the name (2.2).

1. Empowerment: key word in the discourse on development

1.1. Empowerment, synonymous with women emancipation?

As with concepts such as good governance or participation, the use of the concept of empowerment by international organizations, can be seen to have emerged out of the evolving definitions and measurements of poverty and policies aimed at its reduction⁷. Since the 1990s, the discourse of international organizations has emphasized the fight against poverty rather than development strategies as such (Lautier 2002a; 2002b). In addition, the recognition of inequalities⁸ and gender discrimination has led the same organizations to establish indicators that take gender into account so as to refine the measurement of human development. The UNDP report of 1995 emphasized gender⁹ by introducing two new complementary indices: the Gender-related Development Index (GDI) and the Gender Empowerment Measure (GEM). Whereas the GDI employs the indicators that constitute the Human Development Index to measure the inequalities between men and women in terms of access to basic needs, the GEM evaluates women’s

⁷ See a box concerning the four essential components of the paradigm of human development in which the link between empowerment and participation clearly appears: “*Empowerment, Development must be by people, not only for them. People must participate fully in the decisions and processes that shape their lives*” (UNDP 1995: 12).

⁸ The economic analysis of inequalities gave rise to a renewed interest among economists in the 1990s. See R Kanbur and N. Lustig (1999).

⁹ See the critical evaluation by J. Falquet (2003a; 2003b) on the used of gender indicators.

access to political and economic posts¹⁰. The UNDP, on the basis of the conceptual framework of Amartya Sen, establishes the following distinction concerning the range of the two indicators: “while the GDI focuses on the extension of capabilities, the GEM is concerned with the use of those capabilities to take advantage of the opportunities of life” (Human Development Report of the UNDP 1995: 73). The measurement of women’s political representation by these indices is always limited (Bardhan 1999). Notwithstanding a large proportion of elected women, a national parliament can only have few real powers¹¹. The participation and involvement of women in local political institutions are not taken into consideration, and neither is their visibility within NGOs and other bodies of civil society. The example of India is significant: in 2000, the share of elected women in the two chambers of parliament was only 8.9%. The constitutional amendments of 1992 had, moreover, fixed a quota reserving one-third of the seats for women in the local political institutions (*Panchayati Raj Institutions*)¹². Thus, even if the construction of these two indicators marks an advance in the consideration of gender inequalities¹³, political participation does not in itself suffice to define empowerment.

The interest shown in the gender dimension of poverty is not sufficient to explain the fact that a large number of microfinance schemes have chosen to target a female-only clientele¹⁴. There are other more or less explicit justifications¹⁵ enabling one to understand the fact that empowerment is often synonymous with women’s emancipation. The analytical microfinance,

¹⁰ The three indicators retained are the share of seats held by women in the parliamentary assemblies, the share of supervisory posts, high administrative posts and technical posts assumed by women, and the estimated share of income from work of women compared to that of men.

¹¹ *Ibid.* p. 1001: the most significant examples are China with 21.8% and Cuba with 27.6% (2002 data).

¹² See notably M. Sekher (2001).

¹³ Refer to the assessment made in Chapter 3, “Evaluation of women’s progress: linking objectives and indicators”, in the report, *Progress of the World’s Women*, UNIFEM 2002, pp. 63-85.

¹⁴ According to a study conducted by the IFPRI (International Food Policy Research Institute) among approximately 1,500 microfinance organizations, an average of 78% of the clientele is female, but weighting this result by the size of the organizations, the rate is not more than 45% (Lapenu and Zeller 2001).

¹⁵ See S. Cheston *et al.* (2002: 7-11).

this distinction, which is rarely made¹⁶, makes it possible to classify the four principal series of arguments usually advanced. On the side of the substantial approach, one finds: the problem of the feminization of poverty (1) and the feminist argumentation (2). On the instrumental side, one finds the role of women in economic growth and development (3) and their respect of financial commitments, in other words, the fact that they would be “good” borrowers, disciplined and amenable as concerns their repayments (4). Let us view these four arguments successively.

1. The phenomenon of the feminization of poverty: women are held to be among the poorest of the poor and above all the most vulnerable. They must therefore be helped as a priority, for they are the most underprivileged. The interviews we conducted with different promoters of microfinance schemes in India were along these lines. To the question: *Why target these women?*, many were surprised, as the response seemed to be self-evident. They then drew up a list of the forms of discrimination to which women are subjected.
2. Women’s access to fundamental human rights: from a feminist point of view, financial services represent an opening/opportunity for greater empowerment. SEWA (Self-Employed Women’s Association – Ahmedabad), WWF (Working Women’s Forum – Chennai) or the FWWB (Friends of Women’s World Banking – India) explicitly put forward the use of microfinance to fight for the independence, autonomy and the rights of women.
3. Gender discrimination and inequalities impact the economic growth of a country. Women must be helped because of their contribution to development: investing in women’s capabilities and empowering them to exercise their choices is not only valuable in and of itself but it is also the surest way to contribute to economic growth and overall development¹⁷. Furthermore, women make greater use of their resources for the well-being of the family: expenditures for food,

¹⁶ A good example is found in the formulation of Daniel Cohen: “The exploitation of women is not only an insult to the rest of humanity that hypocritically accepts its existence. It also induces a self-sustained circle of poverty and exploitation” (Cohen 1997: 19).

¹⁷ UN, *The World’s Women 1995: Trends and Statistics*, New York: United Nations. Cited by Z. Oxaal and S. Baden (1997: 2).

education and health¹⁸. Men, notably in India, are accused of squandering their income on non-productive consumption (alcohol, tobacco, gambling, etc.). To help women would thus have a multiplying effect on the whole family. From the point of view of the development of microfinance in order to combat poverty¹⁹, women are thus targeted because they count among the poorest and are responsible for the well-being of the household. Jacqueline Brown calls our attention to the fact that it is not always certain that an improvement in the living conditions of women would always be actively sought were others not also to benefit²⁰.

4. It is assumed that women are more cooperative and make a point of honouring and respecting their commitments and are thus better at repaying their debts. The objective of financial viability of the MFIs goes hand in hand with the valorization of empowerment of the economic type that involves the broadening of possibilities of individual choice and a greater financial independence. To strive for financial viability leads one to target women as the most reliable borrowers²¹.

What, in practice, are the objectives – explicit or implicit – of the promoters of micro-finance? The contribution by Meera Sundararajan sheds light on this matter in India. Her article provides the results of a study conducted by the Friends of Women's World Banking (FWWB) among its partners. The explicit aim of this study was to evaluate the extent to which

¹⁸ Numerous empirical studies have undertaken to show that women allocate a greater part of their income for familial well-being. For a review of the literature, see Guérin (2000).

¹⁹ See the three paradigms of microfinance identified by L. Mayoux (1998b; 2000; 2003; 2004).

²⁰ "Women's empowerment is commonly linked to other agendas which happen to take priority. As long as women's empowerment is conceived of as a possible by-product of other goals, it is not convincing that the end result will not in fact be disempowering" (J.M. Brown 2002: 38).

²¹ See the hidden reasons for the targeting of women by the Grameen Bank (Rahman 1999: 69-71). A considerable number of works have been devoted to the informational advantages of the constitution of groups of savers and borrowers. See, for example, C. Anderson (2002); B. Armendariz de Aghion (1999); N. Bhatt (1998); J. Conning (1999); M. Ghatak and T.W. Guinnane (1999); I. Guérin (2000); J.E. Stiglitz (1990); E. Van Tassel (1999).

partners were taking the gender dimension into account in their interventions, the final objective being to evaluate their lacunae as regards gender so as to elaborate training modules adapted to and destined for staff members of the MFIs. The results of the study are somewhat disappointing. While the mission of the FWWB consists precisely in facilitating women's access to financial services – to this purpose, the FWWB financially and technically supports MFIs addressing women as a priority –, there are ultimately very few MFIs which really have a gender policy worthy of the name. This finding is particularly valid for small microfinance organizations. Even should they follow an approach termed “credit plus”, they have difficulty applying it; they are but little aware of the discrimination that weighs upon women borrowers and have yet to develop any specific activities or services to promote women's rights. If these organizations target female clientele, it is primarily because they consider women to be credible borrowers – this is the fourth argument mentioned above. These MFIs also assume that a better access to financial resources automatically improves the social status of their clients. However, to accuse these MFIs of negligence, of naïveté or of irresponsibility would be to exaggerate; one has too often the tendency to forget to what extent combining finance and development presupposes adequate means, human as well as financial. Small organizations often have difficulty in sustaining their programmes, and donors are not always aware of this. Such conclusions also accord with those of a recent synthesis based on different impact studies conducted in India (Singh 2003)²². Here again, the appraisal in terms of gender was rather negative. In short, the study indicated a near total absence of gender strategy, whether in terms of financial or non-financial services, of criteria of evaluation, or of personnel training. The majority of the MFIs are content to target women, assuming that the consequences in terms of the fight against gender inequalities will take place automatically. Returning to the study conducted by the FWWB, a few organizations nevertheless distinguished themselves, in particular the largest MFIs located in Andhra Pradesh. These MFIs were able to adapt their financial services according to the specific needs of women borrowers, to provide separate financial and non-financial services, and to acquire competent staff in the different domains. This article thus raises the thorny question of the professionalization of microfinance

²² This report is a review of selected impact studies conducted in the recent past by SFMC, NABARD, SHARE, BASIX, FWWB and CARE India. See also the contribution of M. Patole and F. Sinha in the Part 3.

organizations, which is, according to the study, still only a possibility for a minority of MFIs. Apart from establishing training modules intended to professionalize the personnel, the authors advocate a holistic approach, above all in partnership, as the only means to mitigate the inherent weaknesses of organizations that claim to be multi-purpose.

1.2. Empowerment: an ethnocentric vision?

As we have mentioned, empowerment is often confused or equated with women's emancipation. In a context such as India – though this statement would indeed also be valid elsewhere –, women are far from being the only marginalized categories. The last census clearly showed that scheduled castes and scheduled tribes are still largely underprivileged in terms of wealth, education and access to basic services, in particular health services. Some MFIs or public schemes have explicitly chosen to target these categories. The text by M. Thanuja describes the example of the Velugu Project in Andhra Pradesh, part of which is intended for the Konda Reddis, a tribe of shifting cultivators. This text is an excellent illustration of the extremely subjective and relative dimension of the concept of empowerment. Based on a very fine ethnographic analysis of the economic, political and socio-cultural practices of this tribe, the author demonstrates the extent to which *a priori* conceptions of strategies to promote empowerment through microfinance can prove to be naïve. In fact, when one attempts to promote the empowerment of the most vulnerable, one must have an accurate understanding of who is vulnerable, and according to which criteria. Empowerment is often reconciled with the ability to make and implement choices. Here, as it happens, when considered from their own frame of reference, the Konda Reddis are not at all deprived of the power to act or to choose. On the contrary, they display a mastery of their own environment that is quite remarkable, although this is according to very specific techniques that are often quite foreign to the norms in force in the dominant world, but which are nevertheless highly efficient. Can one really claim to promote empowerment through loans to women's groups in a context such as this where collective property continues to be predominant and organized by lineage, where an extremely precise sexual division prevails in terms of production and resource management, and where the use of money is still very limited and compartmentalized (that is to say, reserved for certain uses)? When the Velugu Project, a leading development project in Andhra Pradesh, includes tribes in the name of so-called empowerment, but is

content to offer standard microfinance services without inquiring as to the specificity of the power structures of the tribes, or of their relation to property, money and finance, one can only be very sceptical regarding the potential success of the project.

1.3. The *sine qua non* of empowerment: the establishment of good institutions?

Let us return to the specific question of women. If it is necessary to better discern the specificity of their needs (and not be content to just “target” women), this is because women are subject to numerous discriminations connected with social rules and social norms. These rules and norms can be qualified as “institutions” in the sense that they are firmly established and display a very strong inertia²³. The weight of institutional constraints on the extension of women’s capabilities is one of the points common to the majority of contributions in this chapterpart. The response given to this situation is the establishment of *good institutions*, and the strategy of the World Bank is very clear on this point.

The World Bank has produced numerous working documents that make it possible to clarify the meaning of the term empowerment such as it is employed today. The general definition retained is the following: *“Empowerment is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets”*²⁴. The World Bank has also identified four key elements of empowerment to guide the drafting of institutional reforms²⁵: access to information; inclusion and participation; accountability; and local organizational capacity. These terms form the core of the present discourse on development. In terms of area of applications, the World Bank provides a selection of its activities classified as follows: provision of basic services; improved local governance; improved national governance; pro-poor market development; and access to justice and legal aid. The definition of the World

²³ On this point, see also M Gilardone *et al.* (2004).

²⁴ <http://info.worldbank.org/etools/bspan/PresentationView.asp?PID=936&EID=482>

²⁵ <http://Inweb18.worldbank.org/ESSD/sdvext.nsf/68ByDocName/WhatIsEmpowermentFourAreasofPractice>

Bank is above all operational; such a definition allows it to establish a strategy of action, notably in terms of institutional reforms. Empowerment thus provides an articulation between the individual (human and social capital) and institutional (good governance) levels of the fight against poverty: the principle of participation and control of institutions makes it possible to more effectively combat corruption (held to be the first obstacle to development) and to better define the content and methods of the fight against poverty (through the Poverty Reduction Strategic Papers) (Prévost 2004).

It is observed, on the one hand, that the key terms are defined in reference to each other and, on the other hand, that the connection between the four objectives and the declared policies lacks explicitness. In the final analysis, what justifies these strategic choices is an ideology formulated as an obvious fact and a technical imperative: the ideology of good governance, the principles of which are held to be universally valid²⁶. The terms have a limited conceptual significance insofar as, in the same way that no one is in principle opposed to the reduction of poverty, no one is opposed to good governance or to the process of empowerment.

The contribution by S. Banerjee and S.J.S. Swamidoss provides an upstream consideration, though not by examining the institutions that would have to be promoted in order to facilitate empowerment, but rather the existing institutions which are capable of furthering or, on the contrary, of restraining the process. In other words, the question posed/raised is the following: what are the formal or informal institutional restraints constraints that weigh upon the most vulnerable and prevent them from *leading a life of dignity*? On the basis of data collected in Tamil Nadu, the authors put forward a few points in response. Even if one adopts an economic definition of empowerment (the choice of the authors, who consider financial independence to be the first sign of empowerment), numerous “structural” constraints, to use the authors’ term, condition the establishment of a genuine process of empowerment. These “structural” constraints are first and foremost of a socio-cultural type (traditional beliefs, matrimonial systems, caste membership, etc.). For some categories of the population, the onus of these constraints is such that it stifles any possibility of personal choice.

²⁶ To convince oneself of this it suffices to analyse the criteria employed by the economists in their comparative studies on the economic effects of good governance. See, for example, J. Aron (2000).

Empowerment is thus necessarily a chaotic process that progresses and regresses; at any given time, the institutional barriers can curb the process or even bring it to a halt, which also explains the numerous client “drop outs”, from which the majority of MFIs are victims.

The contribution of I.W. Suadnya *et al.* also focuses on the crucial importance of “good institutions”. The Indonesian example, upon which the authors base themselves, is very rich in lessons. First of all, in the context marked by a history of strong and extremely centralized planning, the introduction of participatory, “bottom-up” approaches based on the responsibility of the beneficiaries proves to be a veritable challenge. A fair number of microfinance programmes claiming to base themselves on participatory approaches have thus resulted in resounding failures. On the basis of working documents from the World Bank, the authors dwell at length on the necessity to support all processes of empowerment with actions simultaneously aiming at reinforcing relations of cooperation and coordination – which they describe as “social capital” –, while relying on local human resources (what they call “community-driven development”). In the absence of such measures, the result can prove to be largely negative. The power relation presumed to promote empowerment can, on the contrary, turn into a relation of domination of the patron-client type – in this regard the authors mention the term “over-empowerment”. Their conclusion agrees with the position of the World Bank in affirming that the promotion of a *supportive enabling environment* at the national level is essential, as much at the national as at the local level, and they thus emphasize the importance of decentralization and local governments.

2. Empowerment: a neutral process or by nature political?

2.1. Empowerment: power over oneself or over others?

Agreement on a clear and consensual definition of the term empowerment, as is seen, is hardly realistic – nor even desirable considering its subjective and relative dimension in a given socio-cultural context. It is nevertheless possible to distinguish two main tendencies, often implicit, that underlie all attempts to provide a definition: that which speaks in favour of a neutral conception of the process of empowerment, and that which, on the contrary, makes of it an intrinsically political and conflictual process. While there is a consensus tending to define empowerment first as the extension of individual capabilities, the means to achieve that end is not clear-cut.

Roughly speaking, for some it is a question of enabling everyone to become aware of and exercise one's rights, but also of being able to formulate and concretize one's own choice by virtue of an appropriate institutional framework. For others, the process of empowerment is necessarily conflictual, insofar as it leads to a challenging and modification of power relations existing in a society. Thus, the difference resides less in the desired result or final objective – which is ultimately simply the constitution of a society of human beings with equal rights and capable of acting – than in the *means* of achieving it. The discussion on the definition of empowerment involves, in fact, two essential problems of modern societies that are long-standing themes in political economics: the definition of the common good and of justice (empowerment as an end in itself) and social change (empowerment as process)²⁷. These points should be kept in mind when attempting to analyse in a more detailed manner what lies behind the concept of empowerment. To favour one or the other of these approaches obviously engenders very different results.

Let us first note that the term empowerment as has generally been used for the last decade does not imply radical changes in the existing power structures or liberation from different forms of oppression; it rather implies the creation of a stable environment in which each has an equal right to participate²⁸. Thus greater emphasis has been placed on the creation of organizations representing civil society, or participation in the existing institutions, than on calling them into question. Parallel to this, the focus on gender has given rise to an increase in international funds thus leading to conflicts among NGOs to appropriate this new financial manna, all the more so as these funds are linked to selection criteria. NGOs must therefore privilege and give evidence of their competence, of their professionalization and of their efficiency, rather than their (at times) radical activist commitments²⁹. By the same token, the term empowerment has been widely

²⁷ One finds here the definition of good governance as “the exercise of authority by means of traditions and formal and informal institutions for the common good” (Banque Mondiale 2002: 152).

²⁸ See the critical analysis of this concept by M. Mohanty (2001), the analysis of the discourse of the World Bank by B. Lautier (2002a; 2002b), and that of the discourse of international organizations at the micro-credit summit and of NGOs by J. Brown (2002: 66-90).

²⁹ *Activism* and political demands are not always appreciated by the donors, and it is therefore better to demonstrate technical abilities and results with supporting figures. See J. Falquet (2003).

adopted by government agencies, and India does not escape this tendency. Empowerment as mediated by an alliance between NGOs and governments is not politically neutral and can be interpreted as a means of diverting people from the demands they make of the state. For Manoranjan Mohanty, empowerment thus implies that an outside agent gives or accords power to the most underprivileged and is therefore not a real process of redistribution of power (Mohanty 2001). Given this conceptualization of empowerment, it is possible to increase the power of all without removing it from others. In other words, it is a positive-sum game. As aptly stated by Bruno Lautier, taking up the arguments of Hartmut Schneider, the concept of empowerment is hollow and does not imply assuming power over someone else because, as *"the power of the poor, it is first for them to give it to themselves and they will only have power over themselves"*, so *"the poor must 'take power', but not from anyone"* (Lautier 2002b: 21). Finally, one finds again in the individualist perspective of standard economics which consider and analyse individual choices within a desocialized environment, empowerment is a reinforcement of the capacity to effectively act in an environment where resources are held to be scarce and limited.

Both senses of the term empowerment (*i.e.*, the neutral vs. the conflictual sense) consider empowerment to be connected with the rights of citizens and with the respect of these rights and obligations (enforcement). Then, empowerment is invoked in order to allow for the economic security of underprivileged people, that is to say, in order to limit risks and uncertainty or to reduce their vulnerability³⁰. In common use, the change in terms – from "underprivileged" people to people "without power" – can however imply a shift in meaning; the solution would no longer reside in the application of poverty alleviation strategies, but in a redistribution of power. Here, empowerment can give rise to a less placid and more conflictual interpretation than was previously the case; it goes beyond the access to basic needs³¹ and emphasizes access to political liberties. The sociological analysis proposed by André Beteille (1999) is very helpful for our discussion. India, where the term is extremely popular, is a textbook case of the contradiction between an egalitarian political order and a hierarchic social structure³². In substance, every individual has the same value

³⁰ See, for example, R Kandur and L. Squire (2002: 175-185).

³¹ The access to basic needs such as measured by the HDI can be viewed as a narrow interpretation of the concept of capabilities as developed by A. Sen.

³² Refer also to the analysis by L. Dumont (1966; 1977).

politically – one person being equal to one voice –, while everyone is socially and culturally situated on a non-egalitarian hierarchic scale. The popularity of empowerment is linked to the recognition of the inability of political measures alone to surmount this contradiction. Economic, and above all, social inequalities rooted in traditions and cultural norms remain just as significant, despite the significant legal changes since independence. The Indian constitution was conceived as a new project of society based on the principle of equality and justice. But, for half a century, the slowness of change has generated a disillusionment regarding what is possible to obtain through political and legal actions alone. If social change cannot be brought about thorough politicians or technical experts, then the people must take over: empowerment being thus conceived of as both a means and an end in itself. Those without power (the disempowered) can either individually or collectively develop the capabilities necessary to change their way of life. Microfinance organizations that follow this second approach do not adhere to a philosophy of the charitable or philanthropist type but to an ideology of solidarity based on reciprocity; it is not a matter of acting “for” but rather “with”. Sri Padmavathy Mahila Abyudaya Sangam, a federation of women’s self-help groups in Andhra Pradesh, for example, declares itself to be an organization of women directed by women for women (World Sanitation Programme 1999). The target population of SEWA³³ – which is explicitly directed at women’s access to more powers – is constituted of poor women, independent workers in the urban and rural informal sector, “the invisible”, that is, those without status other than “daughter of”, “wife of” or “sister of”, and whose work and income are very often ignored by official statistics³⁴.

What about the self-help groups movement? Should this be considered a neutral movement favourable to the *status quo*, or can we consider it to contain the seeds of a veritable opposition to the structural causes of inequality? The contribution by S. Rabindranathan offers a few points in response to this question. The author adopts a historical perspective and compares the movement of self-help groups to other, older Indian social movements that are also centred on the notion of self-help. The difference,

³³ On the Self-Employed Women’s Association (SEWA), see among others Chen *et al.* (1999); IRED (1999: 53-111); J. Brown (2002: 111-117).

³⁴ Let us note that the antiestablishment dimension of an organization can be more or less pronounced; thus, some reproach the SEWA for not going far enough in its opposition to the existing order. It nevertheless seems to us that it really does fall within an approach aiming at the redistribution of power, even if not at all levels.

according to the author, is fundamental. Whereas the older movements belong to genuine militant movements around collective actions, a large number of SHGs are focused only on the economic needs of women alone. The constitution of a SHG to promote women's empowerment should thus been seen as a politically neutral undertaking and would not sustain in its midst the conflictual dimension characteristic of the earlier initiatives.

The contribution of S. Mohanakumar and S.S. George goes still further in the critique of the current movement of SHGs. Basing themselves on the example of Kerala, the two authors attempt to show that not only do the micro-enterprises created by SHGs not improve the income and employment of women – or their economic empowerment –, but that they accentuate their exploitation, namely through an increased workload and lower wages. According to them, the manner by which public policies that support the SHG movement are considered and conceived of plays a determining role. Whereas the first initiatives of the SHGs were in line with a global approach and were favourable to a real redistribution of powers, the change of government in 2001 was reflected, according to the authors, by a radical modification of the ideology underlying the movement of SHGs, transforming the latter into a simple tool to create micro-enterprises. The analysis put forward by the authors is a good illustration of the distinction between accepting empowerment as a neutral or a conflictual process. Depending upon the meaning that is given to the term empowerment – to “gain”, “give”, “redistribute”, “take” or “share” power –, the significance and consequences, as well as the evaluation of empowerment arising from participation in a microfinance scheme will not necessarily be the same. It is seen here how important it is that an impact study examine the underlying ideology of a project. To understand the results attained necessarily requires that the motives underpinning the set-up of a project and the implicit definition entertained by the project's initiators are made explicit beforehand.

2.2. Empowerment as an individual or collective process? Towards a transcendence of this opposition

The preceding opposition (empowerment as a neutral or conflictual process) is in part superposed on the individual/collective opposition. In the feminist paradigm, empowerment surpasses the economic domain and the improvement in well-being, by taking on strategic gender interests. Empowerment is thus perceived “*as a process of internal change (power*

within), *augmentation of capabilities (power to)* and *collective mobilization of women, and when possible of men (power with)* to the purpose of questioning and changing the subordination connected with gender (*power over*)” (Mayoux 1998: 76). These four meanings of power are taken up in numerous contributions concerned with the links between microfinance and empowerment (Deshmukh-Ranadive 2002; Mayoux 2000; Oxaal 1997; Sabharwal undated) and provide an apposite perspective for the analysis of this phenomenon.

Table 1. Empowerment and the different forms of power: definitions and implications

Forms of power	Definitions	Implications
<i>Power over</i>	Implies a relation of domination or of subordination that calls for active and passive resistance.	Is associated with the idea of a zero-sum game: the redistribution of power is necessarily conflictual.
<i>Power to</i>	Implies a power to make decisions and resolve problems, the capacity to create and to act.	Implies the reinforcement of capabilities, participation in decision-making, the development of leadership qualities.
<i>Power with</i>	Implies the organization of people with a common objective or a common agreement to attain collective goals.	Is associated notably with feminist movements with collective organization, social mobilization and the construction of alliances, coalitions or networks.
<i>Power within</i>	Implies recognition, through the analysis of experience, of the manner in which power acts in daily life and the gaining of self-confidence to change power relations.	Implies increased self-esteem and self-confidence, a form of awareness of one's rights and capabilities.

Following the analysis of Gita Sabharwal (undated), the different definitions of empowerment form a continuum extending from individual or personal empowerment (associated with the power to, with and within) to political empowerment (power over). The various authors can thus be situated according to their proximity to one or the other of the poles of this continuum.

Those who support personal empowerment³⁵ view power as a positive-sum game, such that empowerment can be obtained within the existing

³⁵ Viewed as belonging more to this category are: N. Kabeer (1995); C.O.N. Moser (1993); J. Rowlands (1997).

social order without calling power structures into question. This corresponds to the right to make one's own choices, to increased autonomy and to control over economic resources. But self-confidence and self-esteem also play an essential role in change. Empowerment signifies not only increased participation in decision-making, but above all the process through which people feel themselves to be capable of making decisions and having the right to do so (Kabeer 2001). This approach does not, however, disregard the importance of collective action in the sense that *institutions* which oppress women would be called into question. Public spaces of collective word and deed (Guérin 2003) are therefore essential to personal empowerment. The latter is the key to collective empowerment, even if the personal and the collective reinforce themselves mutually: "power to" and "power within" make it possible to achieve "power over".

Political empowerment³⁶ corresponds almost solely to the notion of "power over," and implies a relation of domination: one cannot augment the power of a person without taking it from another. Empowerment becomes synonymous with challenging existing power structures, with the overturning of norms and, more generally, of all barriers to equality between men and women. It is essential that women become involved in the political scene at all levels, speaking out³⁷, acting collectively and participating in local and national political institutions. Gita Sabharwal criticizes this concept for neglecting the other dimensions of the process of empowerment and for not making clear the mechanism that will enable the attainment of these goals.

More fundamentally, it appears to us indispensable to surmount this individual/collective opposition. This opposition is just one expression among others of the eternal cleavages characteristic of the social sciences, opposing on the one hand the supporters of methodological individualism, focused on the analysis of the processes of individual choice and arbitration and, on the other hand, the supporters of methodological holism that, on the contrary, emphasizes the effects of structures and the role of institutions³⁸.

³⁶ Viewed as adhering to this approach are: J. Friedmann (1992) or K. Young (1993).

³⁷ "Voice" as conceptualized by A.O. Hirschman – in interaction with "exit" – is particularly useful in considering this dimension of empowerment. Regarding these concepts, see C. Ferraton and L. Frobert (2003: 158-203).

³⁸ Let us note that the theoretical frameworks proposed by some authors, notably N. Folbre (1986) and N. Kabeer (1995), largely assume this point of view.

As unrefined as it might be, this cleavage nevertheless displays a remarkable persistence that is found here in the debates on the notion of empowerment.

The contribution by J. Deshmukh-Ranadive (even should the author not take a position explicitly in relation to the different schools mentioned above), can be interpreted as attempts to overcome the individual/collective opposition by integrating the different dimensions of the process. J. Deshmukh-Ranadive proposes a theoretical framework for the analysis of the process of empowerment centred on the concept of *space*. She shows the interrelations among the different forms of women's space – *the place/freedom/margin to do what she intends to do* – in a macro-environment and in a domestic environment. She uses this analytical framework to show that the expansion of one space – for example, the expansion of economic space is expressed by increased income – does not necessarily entail the extension of other spaces and thus the empowerment of women. It is therefore the interaction among the different spaces that is determinant. Her approach brings her closer in line with authors favouring personal empowerment insofar as she considers that “*the most important condition for empowerment to take place is an expansion of the person's mental space*”. Nevertheless, she considers that it is a question of a necessary but *insufficient* condition: the interactions with other spaces, notably those that concern the macro-economic context, condition the effectiveness of the process of empowerment.

We shall return in the general conclusion to the type of theoretical framework capable of surmounting the individual/collective opposition.

‘Engendering’ microfinance

Meera Sundararajan

It has been estimated that India has 37% of the world’s population earning less than \$1 a day, of which 60% are women (Human Development Report 2003). This manifests itself in the form of illiteracy, limited access to basic needs and growing health problems. Most of the deprivation comes from lack of access to economic resources as well as being subordinated at the level of the family, community and the socio-political arena. The first International Women’s Conference in Mexico in 1975 gave particular emphasis to credit as a means for women’s empowerment.

Today, after three decades, microfinance in the country forms a part of almost all development intervention targeted at poverty alleviation. Government-led poverty alleviation programmes such as the Swarnajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions. Non-governmental organisations (NGOs) integrate this component into almost all their interventions.

However, the formation of microfinance groups is a difficult and costly process that is often dependent on external funding in the form of a grant. The process of linking the group to the bank is also a tedious one, testing the patience of the group members who have little incentive to continue being part of the group. Grant funds, too, are limited. All this has led to the changing role of NGOs from social intermediaries to financial intermediaries.

In this context, there are a number of issues and challenges facing the sector. Considering the fact that a large majority of microfinance “clients” are women, the sector is often chided for not looking at questions relating to their empowerment. The microfinance sector in itself appears to be unsure about its own positioning – whether to view itself as a developmental tool or

as a financial one. While there are a number of organisations that play the roles of both social and financial intermediaries, they are often not able to do justice to both, and the financial role is usually given priority.

There has been considerable gap between the demand and supply for microfinance in India. While there are a large number of poor households who eke out a living from the informal sector, the credit availability to enhance their participation and add value to their inputs is not available. The National Bank for Agriculture and Rural Banking (NABARD) bank linkage programme has achieved only 1.4% of the potential demand, reaching out to seven million households with an average credit of Rs.2,000 a household, as against the need to reach 100 million with Rs.10,000 a household. The microfinance institutions (MFIs) on the other hand, have been able to meet only 0.25% of the demand (Mahajan 2002). On the whole, only 2% of the entire demand is being met from the formal and the semi-formal financial institutions in the country. The challenge is therefore to expand the range of services so as to reach out to more households.

Though the SHG model is the most prevalent in India, the Grameen model, with its financial efficiency, is often preferred by MFIs. This brings with it institutional and other model-specific constraints, which offer less scope for addressing the gender and development agenda.

As an apex financial institution and sector leader, Friends of Women's World Banking (FWWB) has been taking into account the above concerns and initiating strategies within its existing programmes to address the question of women's empowerment.

1. About the role of FWWB with its partners

Box 1. About FWWB

Established in 1982, as an affiliate of Women's World Banking, Friends of Women's World Banking, India (FWWB) is a non-profit Trust that seeks to promote '*direct participation of poor women in the economy through access to financial services*'. It is committed to building a society based on equity and social justice where women are leaders of social change. Its strategy focuses on building the capacity of MFIs in India to provide quality financial services to larger numbers of the poor.

FWWB plays an important role in the development of institutions providing financial services to the poor and its comparative advantage lies in its ability to identify small, promising MFIs and build their capacity with funding and technical assistance to enable them to graduate to a stage where they have the systems and the capacity to become a sustainable financial institution capable of reaching a large number of poor clients.

Currently, FWWB works with 88 partner institutions that are reaching out to a total number of 1.3 million women through one or more financial products (savings, credit, insurance and pension). FWWB has disbursed a total amount of Rs.108 crores through its partners, which has reached more than 2,60,000 women.

The other core activity of FWWB is to build the capacity of its partner MFIs and that of community-based financial institutions (SHGs/Federations), which are managed by women themselves.

The following are some of the important criteria that guide the selection process of organisations by FWWB for partnership in its credit programme.

- Membership – FWWB only works with organisations that reach out to poor women organised in collectives.
- Leadership – FWWB prioritises lending to organisations that have a mandate to promote leadership of women at the grassroots and at the institutional level.
- Scope for institution building – FWWB works with organisations that have a strong vision and mission focused on economic development of poor women, as this forms the basis for future institution building support.

FWWB partners can be classified into three groups:

- **Big Partners:** Those who have a loan portfolio of over Rs.5 crores and an outreach capacity of 10,000 women or more. They have a clear vision and growth strategy.
- **Institutional Development Partners:** These are organisations with a committed leadership, a clear strategy outlining a growth plan for the next five years, and a commitment to generating information and putting systems in place. Their outreach capacity is over 5,000 women with a potential to reach out to 10,000 or more women at the end of three years of support from FWWB.
- **General Partners:** Those who need training and loan support to facilitate their entry into microfinance activities. They reach out to 500-1,500 women, and have the potential to graduate to the Institutional Development Partner category over time.

FWWB partnerships with any new organisation begin in the General Partner category, and with training and technical assistance, the institution building processes are put into place, creating an opportunity for the concerned organisation to streamline its systems and graduate to the higher category, thus reaching out to more women.

Institution building is undertaken through the following inputs:

- **Technical assistance:** This is done at the organisational level by the FWWB programme officers, to cater to individual organisational training needs. These have been found to be more helpful in the case of organisations that have a predominantly female staff who have mobility constraints, which results in their limited participation in structured training programmes.
- **Structured training programmes:** These training programmes are residential and provide the necessary capacity building inputs required. The technical assistance visits and the structured training programmes reinforce one another through forward and backward linkages.
- **Exposure visits:** Opportunities for observing best practices are provided through national and international exposure visits.

2. Engendering strategies

An assessment of the FWFB portfolio shows that more than 80% of the partners were in southern India. The approach followed in Andhra Pradesh is more financially focused, while in the case of Tamil Nadu, the approach is mainly of the “credit plus” variety. Whatever the approach, the number of members reached out to vary. In the case of the larger organisations that address both social and financial concerns, it is seen that there are two distinct entities – one, which addresses social concerns, while the financial concerns were addressed by another, complying with the recommendations of microfinance literature which stresses on the importance of segregating the social and the financial functions of microfinance. However, in the case of smaller organisations following a “credit plus” strategy, the lack of adequate manpower often resulted in the same staff having to deal with both programmes.

2.1. Building a gender perspective adapted to the partners who adopted a ‘credit plus’ approach

One of the first steps taken was to look at a group of nine of the smaller partner organisations in Tamil Nadu, which follow a “credit plus” approach, and understand their human resource profiles and their views on women’s empowerment through microfinance, and to document the same. The rationale for selecting smaller organisations was that their staff had greater overlap in financial and social functions, and their views on women’s issues at the grassroots level was likely to give some pointers on the existing gaps in the approach followed.

The methodology used was to develop an organisational profile by:

- Documenting individual organisation and staff profiles in the concerned partner category.
- Looking at the systems by which these organisations play their financial and social intermediation roles.
- Examining their governing structures to see the level of their involvement in the activities.
- Understanding the levels of awareness on gender and poverty issues. This was done through a focus group discussion with staff of the credit programmes, with discussion being facilitated around the

following areas – understanding the need for microfinance, the social issues relating to gender and caste inequalities, institution building through microfinance, linkages with other institutions and health and education related issues.

Below are the key findings from the study:

- There was limited understanding about the dependence of poor families on a woman's income.
- Initial responses to questions on "the need to focus on women in microfinance" almost always elicited the response that women are more creditworthy. It was only on probing that other issues came out, but even here responses were rather simplistic, suggesting that with access to financial resources, social status would improve. The complex linkages between gender, society and power were not understood at all by almost all the groups.
- The fact that economic development is only a part of the complete process of empowerment was not understood by most.
- About the concept of women's work – most responses could not identify non-remunerative labour as work (*i.e.* domestic work).
- The need to help women do something in their "free time" was something that many suggested. This is really a serious issue that needs to be addressed because a time disposition study from a gender perspective has shown clearly that women in general have lesser leisure time when compared to men, and that microfinance programmes tend to eat into this leisure time further.
- Regarding problems being faced by women, responses were almost always about sexual exploitation. Considerable probing helped in bringing out other issues.
- There was limited understanding of and analysis about caste.

Given the fact that these were responses from organisations that were also undertaking social development programmes, it was felt necessary to formulate interventions that would build a more holistic perspective about women's empowerment, as the organisations had the scope to address these issues within their organisational framework and existing programmes.

Based on the findings, an introductory gender-training module¹ has been proposed, which would deal with

- Sex and gender – differences.
- Patriarchy and the socialisation process – how it impacts on gender roles and relations.
- Reproduction and production with a focus on time-utilisation patterns of men and women.
- Practical gender needs *versus* strategic gender needs, and where microfinance fits in.
- Poverty and gender – how it affects men and women differently.
- Access and control over productive resources – gender imbalances.
- Areas where women have control.
- Ability to control and influence decisions at the household level.
- Access to services such as health and education – problems and solutions.

2.2. Building a gender perspective, adapted to the partners that adopted a financially focused model

While financially focused models are constrained by the fact that they have no scope to implement a social intervention, FWWB has addressed this issue by promoting the development of financial products, which cater specifically to women's needs. It started with the recognition that women face a different set of risks than men. In order to design successful products for women, MFIs need to understand the financial needs of women members and how to help them cope with their risks better. Spandana, a partner of FWWB in Guntur, Andhra Pradesh, has addressed this concern effectively, by offering different loan products, which address the different needs of women. All of them aim to reduce the drudgery of women. Spandana, which works in the urban slums of Guntur, has a large number of members who are employed as domestic workers. One of the main problems they face is lack of mobility. They often have to walk long distances from their slums to the middle class

¹ The module has been developed and the first round of training was conducted in February 2004.

localities for employment. To address this question, Spandana designed specific loans for the women to purchase bicycles. Designed in close consultation with the user group, this loan product includes small instalments, which the woman can repay easily. In response to member demand, Spandana also arranged for gas connections and pressure cookers through easy loan instalments.

FWWB has introduced, through its microfinance programmes, a number of insurance products, which have helped women deal better with risks such as death and loss of assets.

Conclusion

While microfinance has definitely addressed the question of access to economic resources for women, the market-centred approach of financial intermediaries tends to undermine the complexity of the social systems that the clients are a part of. This, coupled with the challenge of increasing outreach, often results in its inability to concentrate much in the area of social and political interventions, which need to be put in place for better credit absorption, so as to result in the empowerment of women.

There is a need, therefore, for a more integrated approach at a geographical level with all organisations – MFIs and others – to work hand in hand, using their individual areas of core competence in addressing the needs of women in that particular area.

It must be recognised that the holistic empowerment of a woman occurs at various levels – individual, household and community. Their needs at each level are different, and cannot be addressed by one organisation alone, and it becomes necessary to bring together other local resource organisations to address these concerns. Also essential to holistic empowerment is a conducive policy environment, which promotes better growth of the sector.

2

Relevance of microfinance and empowerment in tribal areas: a case study of the Konda Reddis

M. Thanuja

The concept of 'empowerment' has been widely used since the early 1990s as an approach in poverty reduction programmes. The purpose of this paper is to emphasise the importance of the socio-cultural environment of the population for whom poverty reduction programmes, specifically through microfinance and empowerment, are planned. This case study focuses on the Konda Reddis¹, a Primitive Tribal Group² (PTG) found in the three adjoining districts of Khammam, East Godavari and West Godavari in the State of Andhra Pradesh in India. Interestingly, the Konda Reddis neither think of themselves as 'poor', nor needing 'development'. In fact, both these terms do not exist in their purview, and they now consider them to be unasked-for external intervention. They say:

"We have all that we need for survival and have survived till date without external support... we understand our forests, own and protect them and know how to utilise them to ensure our food supply... we do not understand why officials volunteer to help us when we have not asked for help, and insist on satisfying all our needs, which we have already done for ourselves"³.

¹ The Konda Reddis here refer only to the 1,322 individuals who comprise the sample of this research.

² This term has been used here to show the administrative category under which the Government of India has classified this group. This category was created on the recommendations of the Shilo Ao Committee set up in 1969. The criteria used by the Committee to identify Primitive Tribes were small population size, pre-agricultural levels of technology, and extremely low levels of literacy. In Andhra Pradesh, eight hill tribes have been identified as PTGs.

³ Fieldwork notes taken by the author.

Microfinance has been incorporated into the 'Rural Poverty Elimination Programme' of the State development policy, 'Swarna Andhra Pradesh Vision 2020'⁴. This programme, named *Velugu* (literally meaning 'light' in Telugu), has been modelled on the South Asia Poverty Alleviation Project (SAPAP) of the United Nations Development Project (UNDP). *Velugu* aims to promote self-help groups (SHGs), common interest groups, microcredit, savings, health, education, and agriculture through empowerment. This implies that *Velugu* enables people to actively involve themselves in the process of decision-making and leadership by establishing a credit mechanism, generating additional incomes, enhancing livelihood opportunities and creating access to market spaces⁵. But this ignores the fact that some people and communities are already naturally empowered, and the empowerment that *Velugu* claims to create is already present. The approach of this paper with respect to empowerment is that it is a process; it is never fully absent nor fully achieved by a community, but is always in a state of flux. With *Velugu* (as in many such programmes), the concept that people are naturally empowered is negated, and as a consequence, the socio-cultural component, which should be the starting point for such programmes, is ignored. Thus it becomes necessary to make clear what the socio-cultural component really means.

The Konda Reddis: production-consumption pattern and resource ownership

This paper is specific to the Konda Reddis who live in the hills of Khammam district. These hills are inhabited exclusively by the Konda Reddis and the settlements are called *gumpus* (clusters). Focused development planning for the Konda Reddis started in the late 1970s, coinciding with their recognition as a PTG. The geographical isolation of the hill villages, the absence of transport and communication facilities and the physical strain involved in reaching the *gumpus*, accessible only by foot,

⁴ It is too early to anticipate changes to this policy with the change in the State government since May 2004.

⁵ <http://www.velugu.org>

were considered strong obstacles to development by the extension agency, in this case the Integrated Tribal Development Agency (ITDA)⁶.

On an average, each *gumpu* has five households, and are situated on more or less level ground, while a few are situated on hill slopes, forming a terraced pattern. The fewer households in a *gumpu* is to enable its inhabitants to choose *podu* (shifting cultivation) plots in the vicinity of the settlements. Shifting cultivation is practised on hill slopes where flat land and irrigation facilities are not available. A plot of land is selected on the hill slope for cultivation, the vegetation there is cut (though not entirely) and then burnt just before the onset of the rains and the seeds are then dibbled and broadcast on this plot⁷. After the harvest, the cultivated plot is left fallow⁸. The following year, another plot is selected. In case the number of households in a *gumpu* increases, forcing its inhabitants to practice *podu* on hills far away from the habitation, then either a new/subsidiary *gumpu* is formed or temporary houses are constructed in the *podu* field to enable accessibility. Another interesting aspect of the settlement pattern is the ownership of the *gumpus* and the *podu* plots around them. Each *gumpu* is owned by a lineage, the members of which are identified as the patriarchs of the *gumpu*. The Konda Reddis are grouped into many patrilineal groups. In this study 28 patrilineal descent groups are present. But the rule of residence with the Konda Reddis is not unilocal⁹. This results in *gumpus* being multilineage *gumpus* and the patriarchal lineage of a *gumpu* need not be the most populous lineage of the *gumpu*. Figure 1 shows both the spread of lineages in different *gumpus* and the number of lineages present in each *gumpu*. The figure is divided into 31 spokes, each representing a *gumpu*.

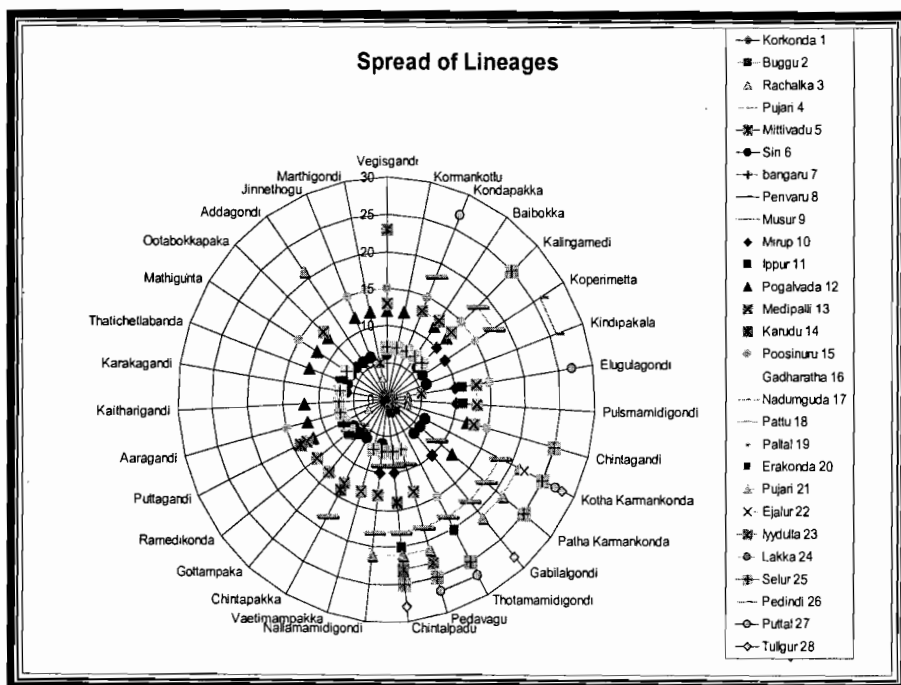
⁶ The ITDA was set up under the tribal sub-plan strategy during Fifth Five Year Plan for development of scheduled tribes.

⁷ Two varieties of beans are dibbled while millets (four varieties) are broadcast.

⁸ The minimum fallow period is six years.

⁹ It includes uxorilocal, matrilineal, virilocal, patrilineal and avunculocal residence.

Figure 1. Spread of lineages



The question of the patriarch seems to be important to the Konda Reddis and this explains the presence of the lineage *gudisae*¹⁰ (hut) in the *gumpu*, which is named after the lineage and is a miniature version of the dwelling unit. In this *gudisae* is placed an earthen pot and a makeshift hearth, used for cooking the ritual sacrifices (usually chicken). The lineage *gudisae* is especially useful in tracing the movement of lineage residence and in distinguishing original *gumpus* from more recent ones. This is possible since the lineage *gudisae* is not shifted with the movement of its members. Moving to the marital residence or forming subsidiary *gumpus* for *podu* are the common reasons for members of a lineage to leave the patriarchal *gumpu*.

Each lineage has a *kulam peda* (political head) and a *pujari* (religious head). The *kulam peda* of a lineage is also the head of his patriarchal

¹⁰ The lineage *gudisae* is also referred to as *gudi* (temple) and *deiyal gudisae* (hut of spirits).

*gumpu*¹¹, provided he resides there. The roles of political and religious heads are assigned only to men. Membership of an individual in the tribe is determined by descent, exemplified by identifying oneself with the lineage. The lineage in turn claims ownership of the *gumpu*, symbolised by the presence of the lineage *gudisae*. When members of the patriarchal lineage do not live in their *gumpus*, the ownership of resources within this *gumpu* territory will continue to remain with them; however, usufruct rights are given to the inhabitants of the village.

The *podu* system of food-supply includes a year-round cycle of activities and is supplemented with hunting, collection of forest produce and rearing of livestock (see fig. 2). Along with *podu* the weaving of bamboo items, as in baskets, mats, and winnows is also a year-round activity. However, the labour demands of these two productive activities are different. *Podu* at the least requires the cooperation of the household, which at a minimum could be a couple with or without children. It is also common to find a couple of households working together on a single plot. The size of the plot varies with the number of the households and its members. *Podu* can demand communal labour on three different occasions, *i.e.* for weeding in August and November, harvest in January and felling trees between February-April. The rearing of livestock, especially pigs, satisfies the dual needs of financial transactions and direct consumption. As payment for communal labour, an adult pig is killed and divided among the individuals who form the labour force. Each individual is given one share, showing no bias in the quantity of meat with respect to age or gender. Most households rear pigs. In case a household lacks an adult pig for payment on such occasions, then one of its members (usually the head of the household) negotiates with another household in the same *gumpu* or elsewhere to spare them an adult pig, promising to repay them with another adult pig. Usually, adult pigs are not bought with cash. Instead, a piglet is bought for cash or kind, and is used for repayment when it is adult. Interest for the time lost in repayment is paid by allotting a portion or two of the meat to the original owner of the pig.

As opposed to this, the labour involved in weaving bamboo ware is at the individual level, irrespective of age and gender. Weaving bamboo ware

¹¹ New/subsidiary *gumpus* continue to accept the head of the parent *gumpu* as their head. Thus new *gumpus* identify with the parent *gumpu*, sharing all its resources except for the *podu* land.

is a long process. It first requires cutting and carrying full-grown bamboo poles from the forest to the habitation, where it is stored and later split into appropriate sizes, which are in turn slit into fine strips. These strips are sun-dried and stored in the houses for later weaving. As fresh strips of bamboo are not flexible for weaving, it is necessary to maintain a stock of sun-dried bamboo strips. Besides household use, these bamboo articles are bartered with the Koya tribe dwelling in the plains for *khallu* (palm wine) and *sara* (country liquor). Also, a few Koya men sell bamboo articles bought from the Konda Reddis at the weekly shandies (weekly market in the plains). These Koya men have evolved as cash providers, linking the Konda Reddi artisan to the market. They also provide credit to the Konda Reddis, which is recovered through the bamboo articles. Another important source of cash for the Konda Reddis is through the sale of honey and non-timber forest produce (mainly resin) at the Girijan co-operative stores run by the ITDA at the shandy villages. Tamarind and lime from the hills are also sold at this store. All these products generate cash, which is owned by individuals.

What is interesting here is to see how this individually owned monetary economy is consumed opposed to other forms of resources owned at the household level, *gumpu* level, and community level. The table 1 below details the resource ownership pattern.

Table 1. Level of resource ownership

Level	Ownership
Individual	Money generated through sale of NTFP ¹² (mainly resin) and honey (men only); bamboo articles (both men and women); and tamarind, lime and mango (women only).
Household	Livestock (chicken, goat and pigs) and harvest of shifting cultivation (includes four varieties of millet, two varieties of beans, three varieties of gourds and one variety of green leafy vegetable), kitchen garden (includes bottle gourd, chillies, fruit trees such as papaya, sweet lime, custard apple, etc).
<i>Gumpu</i>	Land for <i>podu</i> ; fruit trees such as tamarind, mango
Community	Forest for hunting, honey and tuber collection and collection of NTFP

What emerges from this table is that a resource for consumption owned at one level, goes through a stage of production, shifting the

¹² Non-Timber Forest Produce.

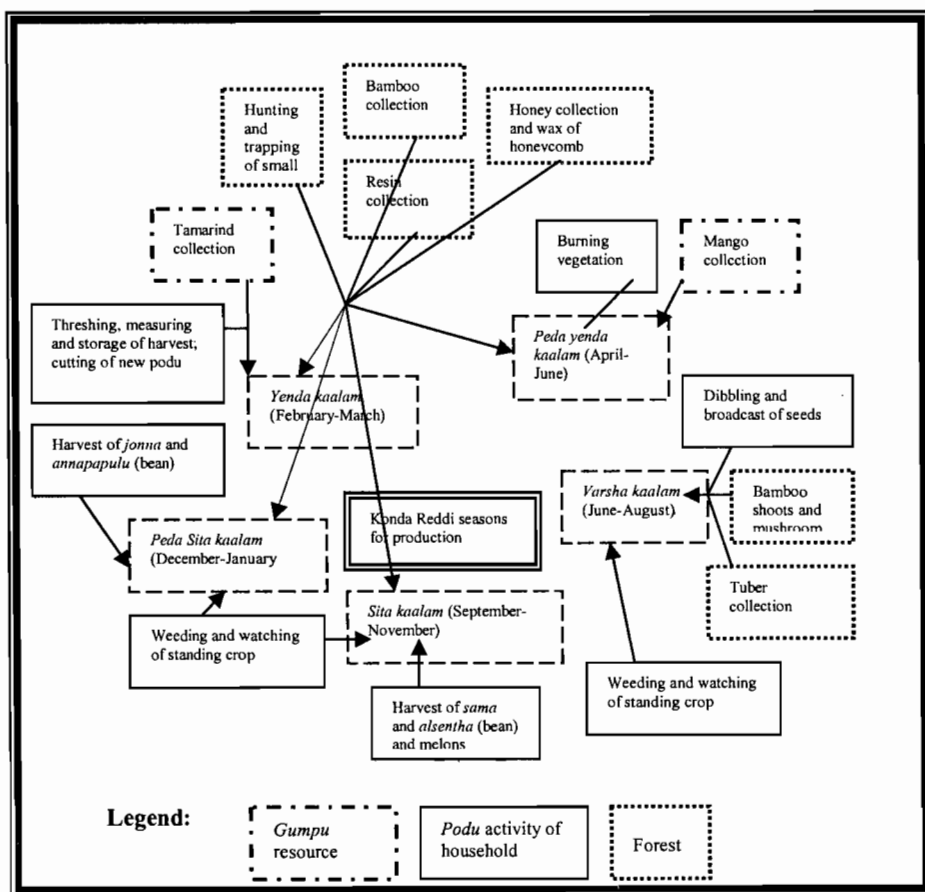
ownership to another level in the process. How does this happen? The forest area, owned at the community level, is utilised for hunting and collection of honey either by the individual or a group of individuals (not necessarily from the same *gumpu*). The hunted game is shared among these individuals and consumed by the household. In the same way, honey collected, after keeping aside a share for household consumption, is sold at the Girijan store for cash, retained by the individual. With fruit trees like tamarind owned by the *gumpu*, the collected tamarind is shared by the households of the *gumpu*, where a portion is kept aside for household consumption and the rest is sold to the Koyas, who in turn sell them at the shandy. Here again, money is generated for individual ownership, in this case for women. But the case of *podu* is different. Here *podu* land is owned by the *gumpu*, and used for production by the household. The crops produced are not sold¹³ as in the case of tamarind or honey, or shared for consumption, as is the case of small game, but stored to sustain consumption till the next harvest. Where a couple of households together have cultivated on a single *podu*, then the harvest is shared on the basis of individual labour input. This implies that the share of harvest is not proportionate to the household size but to the number of individuals from a household who have contributed the labour. Another question arising from this is whether it is possible for members of a household not to contribute labour. If so, what are the reasons for this, and how can the harvest be shared within the household? The members of the household excused from *podu* labour are children (roughly below 10 years) and the physically disabled. All other members are not forced to work, but participate on their own initiative. When a single household cultivates a plot, the harvest is not shared on the basis of labour input, but belongs to the household collectively. Thus land belongs to the *gumpu* and is utilised for production by a household/s, which both own and consume the harvest.

Thus resources owned at different levels are brought to the level of the individual or household for consumption. A different picture emerges when one looks at resource ownership and consumption with respect to rituals. Besides life-cycle rituals, all other rituals observed by the Konda Reddis mark an event of production or consumption. Here I will discuss the *pacha pandaka* (green/harvest festival) and the *mamidi pandaka* (mango festival). *Pacha pandaka* is celebrated in January when the *jonna* (great millet) is

¹³ Though direct consumption is the purpose of *podu* crops, one cannot rule out their role as a commodity for barter.

ready for harvest, in a similar way the *mamidi pandaka* is celebrated in April-May when the mango fruit is ready for consumption. For both festivals, two chickens are sacrificed in the lineage *gudisae* with the first offerings of *jonna* or mango (as the case may be) to the lineage gods (ancestors). The sacrificed chickens and *jonna* are cooked in the lineage *gudisae* and eaten by the lineage head and *pujari* who performs the ritual. Members of the lineage from different *gumpus* gather for the ritual with their contribution of *jonna* and chicken and partake in communal eating.

Figure 2. Production cycle of the Konda Reddis



A nightlong dance is organised on the evening of the ritual for which members of other lineages are invited. Once in three years, each lineage

performs a larger sacrifice for the *mamidi pandaka*, which includes five chickens, a goat and a pig. The members of the lineage consume the sacrificed animals. The next morning, households of all lineages are invited for a communal lunch, where each household contributes a chicken and two kilos of *jonna*.

Every household of the lineage need not contribute the resources needed for the rituals as they are limited. The resource contribution is voluntary and it will suffice if a few households contribute, though it is consumed by any lineage member who attends the ritual. If more members attend, then the lineage members cook more food in their respective households, but the number of sacrificial animals remain the same. Thus, with rituals, the resources (livestock, *podu* crops and *sara*) are contributed at the household level but consumed at the lineage level.

What has been discussed above is the pattern of resource utilisation in production and consumption. What is missing is how the money generated is consumed. Money is not borrowed or lent among the Konda Reddis. This could also mean that money is not stored or saved. Therefore money is spent, but where and how? The Konda Reddis visit three shandies. They buy rice at subsidised rates through the ration cards issued to each household, at the Girijan Cooperative store. Bathing and washing soaps sold at this store are also popular with the Konda Reddis. The priorities at the shandy seem to be the same for both men and women, and their favourite stops were at the *khallu* and *sara* stall, the second-hand clothes stores, and places that sold sweets, chillies, tobacco and dried fish. Also popular are the trinkets stall visited by women. With men, the stall with radios and watches is popular. Though vegetables were abundantly available at the shandy, the Konda Reddis seldom bought any. Occasionally, they bought utensils.

Conclusion

I have discussed above, a part of the socio-cultural system of the Konda Reddis. The fact that the Konda Reddis are empowered¹⁴ even before developmental intervention is clear from their system of resource utilisation,

¹⁴ I have not attempted to discuss the various connotations that this concept has been subjected to. Here the concept has been used to mean "to give power", again in a limited sense, where power means decision-making.

where they are in control of ensuring their food supply. Money is used in the place of barter articles (as in NTFP and bamboo ware) but it does not contribute to the food supply¹⁵. It is thus crucial to understand this system before intervention, to enable developmental programmes, microfinance or otherwise, to adapt to the system. Microfinance is an important tool for empowerment in the Velugu programme, and it should take into consideration all forms of savings, cooperation of individuals at different levels of production activity and resource utilisation and ownership, which are embedded in the socio-cultural system. There is also a need to look at the need or motivation behind these forms of savings.

¹⁵ Though rice is bought at the Girijan store, it does not last for more than a week for an average household made up of four individuals. Also, rice is not considered as staple food by the Konda Reddis.

3

Structural issues in empowerment under microfinance

Sreejata Banerjee and S.J.S. Swamidoss

The primary objective of microfinance is the provision of financial aid on a small scale to those who are on the fringes of society, too overwhelmed by the formal restrictions and procedures of the organised sector, too vulnerable to help themselves, and left out of the mainstream. Microfinance provided to vulnerable section of society has to be synonymous with the empowerment of the beneficiary groups in order to sustain their income flow and make them economically independent. The affirmed objective of microfinance, therefore, is empowerment, which enables a beneficiary to live an acceptable quality of life, with dignity.

The proponents of the financial systems approach hope that microfinance will provide sustainable financial services to low-income groups. On the other hand, proponents of the alternative poverty lending approach hope that microfinance will lead to poverty reduction and empowerment (Guilli 2002). In this paper, we focus on the second approach, to understand the barriers to empowerment, and to analyse structural issues of empowerment within the framework of new institution economics pioneered by North, Olson and others.

The microfinance movement, introduced in India in 1992 and adopted in Pondicherry in the late 1990s, is perceived as being successful from the point of view of high loan recovery. The contribution of voluntary organisations in promoting self-help groups (SHGs) has also been widely recognised. If members in SHGs are able to lead a life of dignity and quality, then the rural poor are truly empowered.

The objective of this study is to first understand how far the beneficiaries of SHGs have been empowered. Second, we examine structural

issues that are impediments to empowerment. Finally, we try to identify steps that can be adopted to enable the vulnerable people to be economically strengthened in the road map to empowerment. We had informal discussions with SHGs in Villianoor (Pondicherry) to explore the possibility of collecting anecdotal evidence.

1. Empowerment: what it implies

We define an empowered individual as one who would be self-motivated to explore and earn future streams of income so that he or she does not take a loan to repay another. Therefore, empowerment goes beyond giving loans and creating assets, or forming thrift or credit societies. Our research becomes unambiguous if empowerment is defined in terms of welfare. Although we know that empowerment has been described in terms of power to, power over, power with and power within, the nature of empowerment can be diverse, depending upon the parameters that define the lack of power within the institutional framework in operation. Institutions are humanly devised constraints that shape human behaviour; they structure incentives in human exchange, whether political, social or economic (North 1990). A range of informal constraints, of "codes of conduct", "norms of behaviour" and "convictions" exists, which have evolved from "*socially transmitted information and are a part of the heritage that we call culture*" (Ibid). Boyd and Richardson (1985) define culture as "*transmission from one generation to the next via teaching and imitation of knowledge values and other factors that influence behaviour*". The social or cultural environment establishes the degree of empowerment possessed by different members of the society, which are broadly determined by formal constraints, such as rules of law, and informal constraints, such as the codes of conduct. The rights over private property and the public domain in any society have evolved over a long period of time, and whether in a feudal or democratic system, certain sections remain outside the mainstream, deprived and neglected. The objective of any microfinance programme should be to ensure that such people are uplifted and empowered to lead a life of dignity.

The rural poor are victims of debt traps, embedded in the social structure of economic institutions. Economic theory is replete with theories of choice and decision-making, but for the poor there is no choice, and their inability to access credit makes them vulnerable. Rural banks provide loans for land purchase, but reject loan applications for marriages. The banking

system, which is one of the formal constraints, deprives the poor, and the informal constraints of inadequate property rights and social systems render them weak and marginalised.

Empowerment is generally linked to gender bias and poverty, but in India it has been further specified in terms of caste-based poverty. Beteille (1999) points out: *"empowerment is invoked in the context of economic weakness and insecurity, particularly of marginalised, unorganised and other disadvantaged groups"*. There are various structural characteristics such as caste, regional and economic development, geographical features, social customs, religious beliefs and so on that have a significant impact on efforts made by various agencies, including the government. Therefore, any microfinance scheme should take them into consideration for its consistency and success.

2. Structural issues in empowerment

The success of a microfinance programme should be measured not only from the standpoint of high repayment ratio but also from the perspective of how far self-sufficiency has been achieved. We have identified four basic factors that influence the consumption behaviour of marginalised people, which impinge on the success of microfinance. They are awareness, self-esteem, dependence and sustainability. We analyse each of these factors in relation to their impact on the ability of the SHG member to be self-sufficient and lead a better quality of life.

2.1. Awareness

Lack of awareness about empowerment is the first structural hurdle. Awareness has to be created among beneficiaries so that they become motivated and cognizant of the outcome of empowerment. SHGs are promoted to disburse funds at a micro-scale in the rural areas, and they are not an integral part of rural society. However, the SHG movement has gained momentum and is forging ahead despite being superimposed for providing credit to the rural poor. Observing SHGs from the angle of institutional economics, we find North's (1990) arguments illuminating. He says internally *"enforced codes of conduct have a meaning in terms of informal constraints"*. These *"informal constraints, which are self-enforced, make norms of cooperative behaviour effective"* and this is perhaps the

source of the success of the SHGs. This also may be observed from the perspective of low dropout rates, since in times of adversity such as death or chronic illness, other members come forward to ease the burden.

The social and cultural heritage that imposes stringent behavioural customs, such as conducting a daughter's marriage, and a range of other social practices, imposes a severe economic burden on members of society. Real empowerment will enable them to provide for their social obligations from their own income. Beneficiaries need to be aware of opportunities through empowerment and understand the incentives that allow them to lead a better quality of life. Transmission of knowledge and active and passive persuasion has to be a key component of the programme for the first-level success of empowerment. The argument here builds on the line of reasoning that an institutional transformation is imperative for greater awareness.

Our interaction with SHG members of Villianoor (Pondicherry) revealed that banks advance loans at an interest rate of 12%, but members borrowing from the SHGs corpus are charged 24%. A lower interest rate would substantially reduce the interest burden of members. They are not aware of their power to bargain for a lower interest rate from the banks, which have low default rates, unlike blue-chip corporate bodies that have high credibility and which borrow from banks at only 6 or 7% per annum.

2.2. Self-esteem

Traditionally, the trade carried out by individuals in rural areas is hereditary, and this imposes informal constraints on their lives. All those who carry on certain trades are ineligible for some privileges such as property rights, or have no access to public spaces or common areas, for example to graze cattle or use a common water source. The rulers or politicians are instrumental in creating the structure of property rights. Because politicians make and enforce economic rules, it is not surprising that property rights are seldom efficient (North 1990).

Having been continuously neglected by society, these people are likely to have low self-worth. Inculcating a feeling of self-esteem in them will generate a much greater success of the programme. Non-governmental organisations (NGOs) that played the role of self-help promotion institutions (SHPIs) have been found to be more successful than the government or banks as they have greater flexibility built into their

operations (Satish 2000). From the empowerment point of view, the success is limited when dropout rates and group disbanding are high.

Generations of being subjected to restrictions of this kind, has caused a deep-rooted wound in the psyche, which has resulted in low self-esteem. It is these people who are more likely to drop out. Conveying the message to them that being a member of a backward community would not prevent their family from attaining a higher quality of life would lead to empowerment.

In our discussions with SHG members, we found that they had had a sense of well-being and confidence after joining the SHG movement, with the freedom to avail of loans without harassment by moneylenders. Despite this positive outcome it must be noted that several members took loans for consumption instead of investing in micro-enterprise.

2.3. Dependence

Third, it is observed that social beliefs and customs are too strong for individuals to appreciate the benefits of self-reliance. For instance, it is believed that sons must support their parents in their old age; this is a deep-rooted phenomenon in Asia, where family ties are strong. Unfortunately, the son himself may be below the poverty line, and in need of help. Indian society is 'notoriously' hierarchical (Beteille 1999) and this *dependence* on familial ties for succour is a deterrent to independence. There are innumerable cases where the members fail to be self-sufficient after withdrawal of the donor agency, so microfinance does not always lead to empowerment.

In our discussions with SHG members, we observed that they believed they were independent. But in reality, they are not, since they cannot make consumption or investment decisions without the SHG's help. They later acknowledged their dependence on SHGs. Simanowitz's (2001) experience of South Africa finds that group members continue to depend upon loans having taken their fourth loan in two years after repaying the earlier loans. We found that dropouts suffered from family problems of alcoholism and chronic illness, requiring continuous expenditure of medication, making them more vulnerable. Hence, their inability to repay the loan amount forced them to quit the group.

2.4. Sustainability

Sustainability is the fourth issue; here we need to distinguish between thrift and savings. While thrift refers to the amount generated from deferred consumption, savings are generated from surplus. However, those who are marginalised neither have access to credit nor possess personal savings, therefore, they are vulnerable in times of unexpected calamity such as sickness or morbidity. In times of critical financial adversity they are forced into bonded labour. Sustainability will be possible only when the microfinance provider ensures that the source of income is self-generating. An experiment conducted by one of the authors is narrated here to illustrate the problem. A fruit vendor in Chennai was provided with a loan from a moneylender of Rs.2,000 at 0% interest when he was in dire need and unable to manage his business. Soon afterwards, he was in distress again, having to pay for an illness in the family; another loan of Rs.1,000 was given to him by the author, but this did not give him any sort of long-term solution. The inability to sustain income flow is a major impediment to empowerment.

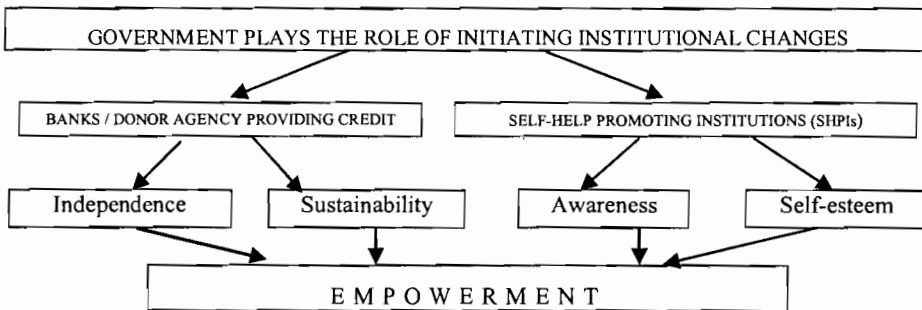
Dropouts from SHGs are an indication of the failure of the microfinance programme. Dropouts are likely to be a direct or indirect result of the inability of microfinance programmes to work in such a way that the client comes out of poverty (Simanowitz 2001). The exit of the client can be due to business collapse and difficulty in maintaining repayments. It is imperative to understand these dynamics and address it before we can claim that microfinance has been successful. Despite the difficulty in gathering information, studies on dropouts indicate that the exit of clients are due to “family problems” and “failure of business” within the group in terms of relationship equations. The structural issue here is the unsustainability of existing microfinance programmes.

Conclusion: a road map

Structural factors identified, that impede the empowerment of beneficiaries under microfinance, point towards the need to address these issues by the government, financial institutions and NGOs. Farsighted policy measures need to be adopted in a holistic manner to overcome the hurdles of empowerment for the poor who become members of SHGs and

aspire to break free from the stranglehold of poverty. A road map for empowerment is given in the chart below.

Diagram 1. A Road Map



Voluntary organisations and NGOs have done exemplary work in creating awareness about SHGs and being instrumental in forming the groups. Groups or associations are very difficult to form and maintain a) because there is a cost involved in forming organisations in the logic of collective action, and b) once a group is created there are opportunities for free-riders (Olson 1982). Despite such hurdles, SHGs have grown and are here to stay.

Creating awareness about the need to understand the implications of empowerment is the job in hand for the SHPIs. Members must understand that simply knowing how to handle a cheque book or opening a bank account does not empower them. They have to understand that:

- Their power stems from the way they manage the resources provided through the group.
- They need to be involved in those micro-enterprises that assure them a stable income.

Second, to increase their self-esteem, the members of the SHGs must be conscious of their power as a group and power as individuals. We perceived that some members were reluctant to speak against the president or secretary of the group even if they had genuine grievances. This shortcoming can be overcome by changing the byelaws of SHGs so that an individual is not penalised for expressing dissent. Checks and balances within the system have to be re-enforced.

Third, dependence on families can be changed only through persistent efforts, using, for instance, the electronic media and street plays. We found that even when people do become members of the group they are not able to visualise independence from family ties, for they become a source of emotional and economic support. Inculcating independence as a mindset involves a long-term policy measure from the government and voluntary organisations.

Finally, the crucial component for empowerment is sustainability, both from the point of view of SHGs and individual members. An assured source of funds by donor agencies will help considerably in sustaining the programme. But members are vulnerable to shocks such as illness or failure of crops or death of a milch cow, inclement weather, and so on. During such adversities, NGOs that promote the SHGs need to be with them and nurture them. Moreover, the role of the government in coming forward to provide health insurance to the needy would substantially enhance the quality of life. The road ahead is uphill and arduous. Sincere and committed effort from all participating agents only can eventually lead to true empowerment.

4

Empowerment and microfinance: an analysis of theoretical concepts and practices – Reflections from a microfinance project in Indonesia

Wayan Suadnya, Shankariah Chamala,
Muktasam Abdurahman and Rosiady Sayuti

One of the specific characteristics of rural life, and especially for the rural poor, is lack of capital. *Inter alia*, rural productivity has been relatively low due to the lack of capital. The financial liberalisation measures introduced in Indonesia in 1983 have brought a number of new rural banks into operation in the Indonesian rural financial system. However, these institutions are mainly concerned with non-agriculturalists.

On the basis of this assumption, attempts were made to provide capital/credit through various government programmes with top-down approaches to achieve specific targets for dispersing the credit, such as poverty alleviation programmes (IDT) by the Department of Internal Affairs, Small Farmer Income Generating Project (P4K) by the Agriculture Department, Social Safety Net (JPS) by the Social Department, Farm Credit (KUT) by the Department of Agriculture, and others. All these programmes offer credit with low interest rates to rural communities. Sometimes it is channelled through cooperatives and other banks. When the banks act as a channelling agent, funds and risks are fully undertaken by the government. When the banks act in an executing role, they provide the funds and the government takes the risks of non-payment by providing a guarantee (Suwardi 2003). This has resulted in high levels of non-performance and non-payment of credit, and many programmes failed. Most of the studies regarding programme failure in Indonesia have not discussed empowerment as one of the possible causes of failure. As the concept of empowerment has recently been introduced in Indonesian development programmes, it is a challenge for researchers to understand the reasons for failure as seen by the stakeholders,

and the analysis of several theoretical factors and concepts can be used to explain the link between empowerment and microfinance programmes.

The University of Queensland, in collaboration with the Research Centre for Rural Development (P3P) at the University of Mataram (Unram), conducted a two-year research project to formulate a sustainable and innovative model of credit delivery systems in rural areas. The Australian Centre for International Agricultural Research (ACIAR) has funded this project, which used a three-phase participatory action research methodology.

In the first phase, a study was undertaken to identify issues and opportunities of existing credit systems, possible reasons for failure, and methods for developing a sustainable microfinance institution (MFI). Following this, in the second phase the aim is to develop a sustainable microfinance model based on stakeholders' ideas and experiences. Ten credit programmes were examined to identify the issues and opportunities for developing sustainable MFIs to act as an intermediary system for one of the commercial banks in Lombok, West Nusa Tenggara province, Indonesia. Some of the findings are examined within the perspective of an empowerment paradigm. Hence, it is important to understand the empowerment process as it is known and practiced in developing countries and especially in the Indonesian context. It is believed that these differences may help us to understand why empowerment concepts and processes would not achieve similar results in Indonesia, at least in the initial stages of implementing empowerment processes. However, this paper focuses mainly on the conceptualisation of empowerment and microcredit failures. An attempt is also made to link empowerment and other concepts such as Social Capital (SC) and Community Driven Development (CDD), which are used to explain programme failures or successes.

1. Understanding the meaning of the empowerment process

The meaning of the term empowerment is explained by Vogt and Murrell (1990: 8):

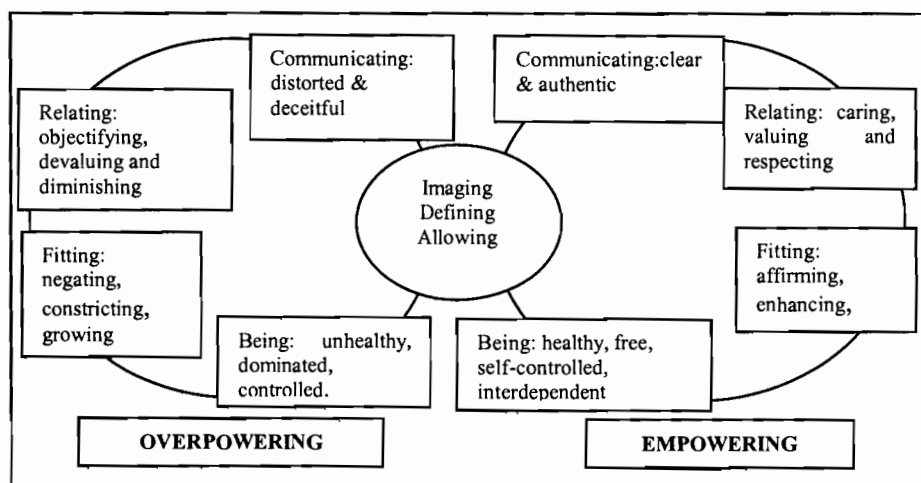
"In simple definitional terms, the verb to empower means to enable, to allow, or to permit and can be conceived as either self-initiated or initiated by others. For social agents, empowering is the acts of building, developing and increasing

power through cooperation, sharing and working together. It is an interactive process based on a synergistic, not a zero-sum, assumption of power; that is, the process of empowerment changes the power in the situation as opposed to merely redistributing it”.

Itzhaky and York (2000) note that empowerment as a concept has been recognised in a number of ways for many years. Some authors have seen empowerment as a process (Perkins and Zimmerman 1995; Titi and Singh 1995); another defines it as a product or outcomes (Friedmann 1992), while others perceive it as an approach to social work practice and an aim of social work research (Hess 1984; Rapp, Shera and Kisthardt 1993; Hegar and Hunzeker 1988).

Figure 1. The powering process: creating power through relationship

Adapted from: C.L. Brown, (2002)



Brown (2002) – based on her research in the nursing sector – developed a theory of the process of creating power in relationships. Her model consists of two mirror images of dialectical processes: empowering and overpowering. Each side of the mirror consists of four steps: communicating, relating, fitting and being. The inner cycle of this process is the intra-personal process composed of three steps: imaging, defining and allowing. The empowering and overpowering processes that affect the internal perception as conceptualised by the author are shown in Figure 1.

This model started with the reflection of the relationship between people in an organisation. From this reflection, people form an image of what happens in the relationship. Based on this image, people define the situation and make a judgement, thus defining what they will allow to happen in future interactions. According to Brown (2002), this stage is set for either empowering or overpowering. The process will then go through the four steps mentioned previously. In the microfinance situation, particularly in subsidised government credit programmes (findings from the first phase of the study), the conditions put forth by the community leaders, government and credit agencies (even though it is unfair) are accepted by the farmers even though they know very well that they are overpowering and feel powerless. However, they will still try to fit into the conditions to obtain the credit because of the potential benefits to be gained from the cheap credit. It is an exchange process between the power holders and powerless clients. People accept the situation or “play the game” to obtain personal benefits, knowing it is unhealthy, dominated and controlled. Moreover, in the context of the patron-client relationship, the client feels that being and fitting in the relationship with the people who have power is safe and beneficial. This is not just about simple personal ethics and the moral values one holds, but is also about the power structure that pervades society at every level. It is a trade-off situation with economic/survival rationality.

In Indonesia, the word “Pemberdayaan” (empowerment) has existed in the Indonesian Dictionary for a long time, but it was not used for 52 years from 1945 to 1997. Its use started at the beginning of the reformation era in the mid-1990s and became popular in 1997. During this stage (1997-1999) the word empowerment was widely used but only as rhetoric or in a token way and action was not carried out by the development departments. The President, Abdurrahman Wahid, introduced empowerment programmes in 1999. During his presidential period (1999 to 2001) the laws for decentralisation, autonomy and fiscal decentralisation were implemented (Suadnya 2003).

However, like many developing countries, the development programmes have a long history of using the paradigm of a centrally planned technocratic approach. They were implemented from the top down and, *inter alia*, created dependence at the grassroots level. The poor became dependent on government projects for their survival. They became hopeless and powerless (Suadnya *ibid*). The old paradigm used

by the development agencies is slowly being replaced by the new paradigm of empowerment and participation.

It created a new perception, where the development agencies and the community perceived empowerment as "support - money" to improve their economic capability and capacity to achieve a better life. Therefore, in order to empower the poor, the government should provide them with financial support. It is not inappropriate in relation to this development initiative, as long as it is combined with good governance.

Good governance is the essential part of the development of empowerment, which leads to genuine community participation. Governance and professional management are important aspects of the empowerment process. Rock, *et al.* (1998) clearly document the principles and practice of microfinance governance, and provide good guidelines for the effective development of microfinance programs.

Davis and Mills (1999) distinguish pseudo-empowerment from genuine empowerment. They identify two perspectives that lead to pseudo-empowerment. The first, which they term the pragmatic approach, considers empowerment to be just another tool for enhancing competitive advantage. It is introduced in response to market and organisational requirements and employees can be disempowered as readily as they are empowered if conditions were seen to demand it. They argue a second perspective, which is rooted in labour process theory. This regards empowerment, in line with other management strategies, as a means of enhancing the control of capitalists – represented by their agents (managers) – over the workers. In communist countries such as China, they rarely use the word empowerment but since the beginning of reforms in 1997, Deng Xiaoping, a paramount leader, introduced the "household responsibility system" replacing "collective responsibility". Economic reform was liberalised, but without much political freedom. It is interesting to note that the emphasis is on "responsibility" for their livelihoods, which rests on the family instead of the state. Decentralisation also places emphasis on the responsibility aspect of the empowerment process, to reduce dependency and to make creative choices that will help them to develop (hopefully they will not be blamed for their lack of development).

Even though this paper focuses on microfinance and empowerment, it is important to understand some related concepts such as Social Capital (SC) and Community Driven Development (CDD). There is much literature on empowerment, SC and CDD but not discussed together. In an effort to better

understand these concepts, the World Bank commissioned five consultants (Krishna, Grootaert, Agrawal, Esman and Poteete) to write “think pieces” that examined the meanings of these and their interrelationships. Their findings were presented at a round table discussion moderated by S. Jorgensen, Director of the World Bank’s Social Development; the event also featured comments from World Bank task managers working in these fields: Ruth Alsop (empowerment), Robert Chase (SC) and Dan Owen (CDD). The *Summary of Think Pieces* (World Bank 2003) provides conceptual definitions, linkages and major points of agreement and divergence. We have selected from this *Summary* the definitions of these three concepts.

Box 1. Conceptual definitions

Empowerment: Increasing the capacity of individuals or groups to make effect development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome (Krishna).

Social Capital: features of social organisation such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. It is by nature a stock (Krishna).

Community Driven Development: A methodology of undertaking development enterprises that gives control of decisions and resources to community groups. It is by nature an activity (Krishna).

Conceptual linkages between these three concepts are given in this summary and we have selected the following: *“These three are interconnected concepts and activities. Building social capital facilitates empowerment. Viewing social capital and empowerment as multi-level concepts facilitates the link to poverty reduction. CDD is a manifestation of social capital and empowerment”* (Grootaert, World Bank 2003).

Krishna (World Bank 2003) summarised four key operational points:

1. The three concepts need to be pursued separately as objectives.
2. For SC, the emphasis should be on building stronger cognitive and structural links among community members.
3. For CDD, the emphasis is on making complementary resources and formal authority available to communities – helping form community organisations, delegating authority to them and providing resources to them.
4. For empowerment, emphasis is on improving governance and making individuals and communities better agents of their own development.

2. Results and discussion

Three out of ten projects were found to be successful. Among other factors that contributed to the success, the empowerment concept was also implemented properly. Failures of the microfinance programmes in Indonesia were linked with 19 factors¹. These factors were retrospectively classified into three categories:

1. Empowerment factors (lack of commitment and responsibility, lack of knowledge and top down approach, lack of good governance (ineffective use of credit, low repayment rate, mis-targetting, ineffective partners, complex credit procedures, corruption, manipulation/fictitious data, credit disbursement not on time);
2. CDD factors (project and target approach to development, negative perception of government credit/credit perceived as a grant, low production and low prices); and
3. Social capital factors (ineffective groups, use of wrong reference groups as reason for not returning credit, and lack of supervision).

Historically, technocrats, the policies and programmes implemented from the top down, with each department providing parallel services, dominated the centralised planning process. This development culture existed within the stable hierarchical organisational structure in the Indonesian government. The introduction of the empowerment process into this organisational culture has been encountering many issues and problems and the empowerment attempt – at least in the initial stages – produced negative results. We believe that the interpersonal relationships between departmental personnel and the community more closely resembles “overpowering” than empowering, as explained by Brown in her theory of the empowerment process. As the project and financial flow goes through a hierarchical bureaucratic channel, interpretation and distortion of the concept could take place at each level of government, as they attempt to fit empowerment into their old paradigm. Consequently, good governance is not practiced and the system is corrupted. Changing the organisational and community culture to introduce the new paradigm of empowerment with an emphasis of ethics and good governance, participation and social capital into

¹ Details of the project findings are published in the *Komunitas a Journal of Rural Studies*, vol. 5, n°1-2 June, 2003. A Special Issue on Micro Finance Programmes in Indonesia.

the society is an immense task. It requires time for all the concerned actors to learn about the empowerment process, and then to implement the programmes. Thus, the concept of empowerment sounds good theoretically, but is hard to implement and takes a long time to become the practice in many developing countries, including Indonesia.

Conclusion

The Indonesian government's attempts to provide microfinance to improve agricultural productivity and reduce poverty in the centralised planning system met with limited success. After the reformation, the government's introduction of empowerment as a new paradigm in microfinance programmes was theoretically sound. However in practice, different agencies and people did not uniformly practice the concept of empowerment in microfinance development programs. The theoretical concepts and empowerment policies – when communicated from the national government to the village level (as well as from the agencies to the group and individual) – could be distorted and modified to fit into the old model of development. Manipulation of the concept may occur in every layer to suit old habits and culture. If we reflect on Brown's theory of the relationships among people, or government agencies, it seems that more of the overpowering process has taken place in the early stages of implementation. As a result, theoretical disposition is different from the practical realities. The findings also demonstrate that when empowerment is practiced with an emphasis on ethics and good governance, it produces good results. In addition to the lack empowerment, other factors such as lack of social capital and problems in community-driven development also contribute to the failure of the programmes.

However, the recent Indonesian government's approach to implementing a genuine empowerment process, financial liberalisation and the prosecution of corruption cases promises to create a better climate for promoting effective microfinance programs. Changing the pseudo-empowering culture into a proper empowerment process requires a fundamental paradigm shift in values and ethos to bring about a culture of social responsibility among all the actors. In addition, microfinance institutions need to change other related policies such as legal framework guidelines for credit dispersal at the provincial – and regional – level. A provincial-level government has already funded the project team to develop legislative frameworks, and the project team is helping provincial banks to develop guidelines to work with MFI intermediaries to increase the outreach to rural areas.

5

Historical analysis of empowerment and its present understanding in the context of microfinance¹

Sunita Rabindranathan

Since 1980, there has been a mushrooming of microcredit-based self-help groups (SHGs) in the country, organised initially by non-governmental organisations (NGOs), and by the late 1980s, by government organisations. The Indian government, aid agencies and several NGOs view SHGs as the panacea for poverty reduction and women's empowerment. Microfinance is the provision of very small loans offered to a collective savings group that need to be repaid within a short period of time. The group guarantee allows a person to take a collateral-free loan.

Interventions to integrate women's economic roles have taken various shapes before arriving at the SHG format. Initially, women's *sanghas* were promoted to organise women to improve their bargaining power at the personal, societal and political levels. These were further developed into savings and credit groups or thrift groups to promote access to credit facilities. SHGs grew out of these two interventions.

Evaluation studies carried out in the recent years in India have clearly shown that while members of SHGs are slightly better off than non-members, and the process of their coming together builds the confidence of women members, there are limits to what microcredit-based SHGs can achieve without other interventions. Critics have often pointed out that there has been a de-politicisation of development and activism as a result of the mushrooming of microcredit-based SHGs, but there is no documented evidence of this.

¹ I would like to thank Ms. Ranjani K Murthy, Researcher, Gender and Development, for her comments and suggestions on an earlier version of this paper and Dr. Neelavalli, Director, IWID for her continued support.

Historically, there have been different traditions of initiatives that built upon resources of the 'self', and tried to promote self-assertion, self-respect, self-governance and so on. Hence, it is essential to have a comparative understanding of the modern SHG with these initiatives.

The terms 'self-help', 'self-sufficient', 'self-reliance', 'self assertion', 'self-respect' and 'self governance' are often used interchangeably in literature, though some of these terms mean different things. 'Self-help' means aiding one's self without depending on the aid of others. It is also quite similar to phrases such as 'self-sufficient', which means sufficient for one's self without external aid or cooperation and 'self-reliance', which means reliance on one's self and power, trust on one's self. While 'self-respect' is respect for one's self irrespective of background and regard for one's character, 'self-assertion' is a natural process for individuals who are confident and aware. Assertiveness is the ability to clearly represent one's thoughts and feelings in a mutually respectful way, and claim rights from different institutions of society. 'Self-governance' refers to autonomy, self rule without outside interference. 'Self-empowerment' is when we realise our true potential within and make a conscious effort to transform that power to increase the quality of our life.

1. Definition of empowerment and historical perspective

People's perceptions of being empowered vary across time, culture and circumstances: in India, a low caste woman may feel empowered when she is given a fair hearing in a public meeting comprised of men and women from different social and economic groups; in Brazil, in Porto Allegre, citizens – both men and women – feel empowered if they are able to engage in decisions on budget allocations².

Empowerment is, first and foremost, about power. It is about changing power relations in favour of those who previously exercised little power over their own lives. The idea of power is at the root of the term empowerment. Power can be understood as operating in a number of different ways (Williams *et al.* 1994):

- *Power over*: involves an either/or relationship of domination/subordination;

² See the World Bank Website: <http://www.worldbank.org/empowerment>

- *Power to*: relates to having decision-making authority, power to solve problems and can be creative and enabling;
- *Power with*: involves people organising with a common purpose or common understanding to achieve collective goals;
- *Power within*: refers to self-confidence, self-awareness and assertiveness. It relates to how individuals can recognise how power operates in their lives through analysing their experiences.

Power has two central aspects – control over resources (physical, human, intellectual, financial and the self) and control over ideologies (beliefs, values and attitudes) (Batliwala 1993). If power means control, empowerment is therefore the process of gaining control. Empowerment is not something that can be done to a person by someone else.

Empowering the self dates back to people's movements, sustained efforts made through collective mobilisation to bring about change based on a pre-determined or emerging ideology, that emerged in different parts of the country.

In 1925, Periyar E.V. Ramaswamy started the Self-respecters Movement in Tamil Nadu, based on the philosophy that different sections of society should have equal rights to enjoy the fruits of the resources and the development of the country. He also stressed the need to abolish the hierarchal, graded caste structure based on birth, as a prelude to building a new, egalitarian social order. He wanted to lay a sound socio-cultural base, before raising a strong structure of a free polity and a prosperous economy. The self-respecters' movement can also be seen as a movement in self-assertion.

While the Periyar movement was predominant in Tamil Nadu, the Gandhian Movement spread all over the land from the 1920s onwards. Gandhi's movement emphasised the need for self-governance by citizens of the country. Gandhi emphasised that even the last person in society should be given a fair chance. He believed in 'antyodaya', which he later promoted as 'sarvodaya', meaning 'everything for everyone'. He firmly believed that people should rule themselves and that there should be no centralised power. He believed power corrupts, and that absolute power corrupts absolutely. He emphasised the de-centralisation of power, and propagated 'Gram Swaraj' and self-governance.

In 1944 there was a Marxist-oriented peasant movement in Telengana, now Andhra Pradesh. The Telengana Movement, involving about 3,000

villages and 41,000 sq km of territory, was the outcome of a strained social and economic fabric and an iniquitous political economy in which powerful *doras* (landlords holding large holdings of land) extracted free labour from Dalit men and women. This can be seen as a self-assertion movement, with a thrust on claiming land rights by labourers, in the context of the failure of the state to protect their rights.

The Chipko Movement, which symbolised tree protection, emerged from the need to protect the existence and self-sufficiency of the local people. The first Chipko (the Hindi word for embrace) action – the villagers hugged the trees to save them from the contractors' axes – took place spontaneously in April 1973 in Uttar Pradesh, now called Uttaranchal, and over the next five years spread to many districts of the Himalayas in the State. The protests achieved a major victory in 1980 with the Prime Minister ordering a 15-year ban on green felling in the Himalayan forests in the State. Since then the movement has spread to Himachal Pradesh in the north, Karnataka in the south, Rajasthan in the west, Bihar in the East and the Vindhyas in central India. The movement can thus be seen as a self-assertion movement, vis-à-vis state and market forces.

Similarly in Karnataka, in 1965, five people initiated a farmers' movement, which was to give birth to the Karnataka Rajya Raitha Sangha (KRRS) or Karnataka State Farmers' Association in 1980. They went beyond farmers' problems and aimed for total social change. They saw the movement as part of a long process of construction of a new society, driven by people at the local level but aiming for the global level, which cannot take place without the active and direct involvement of society as a whole. They dreamt of a 'Village Republic', which would ensure equal participation of all in the economic and political process. This movement can be seen as a self-assertive, self-governance movement, and very progressive towards women.

Yet another powerful movement of opposition sprang up in the last decade against the hydroelectric projects on the Narmada river in western India, spearheaded by the Narmada Bachao Andolan. More than one crore people were displaced due to development projects and became refugees in their own country. The NBA agitated against this, emphasising the rights of local people over local resources – land, water, and so on.

While different movements and traditions have contributed to an understanding of power and empowerment, the Feminist Movement has

emphasised collective organisation and been influential in developing ideas about power within.

The Anti-arack (State-supplied distilled liquor) Movement that led to the eventual ban of arack sales in Andhra Pradesh in 1995 started when a group of women participating in a literacy programme started questioning their oppressed status. Spurred into action by the killing of a village woman who was beaten to death by her drunk husband, they took on the men of the village, the powerful arack contractors, and the repressive State machinery in a valiant struggle, and demanded a stop to the endless supply of arack to their village (the only village tap dispensed water once in two days, while the arack shop received its supplies twice a day). The movement took hold and spread across the State over a period of four years. This was a true grassroots movement; even today it has no identifiable leaders. It is a mark of the inherent self-dignity of women to say 'no' to their ill-treatment. The women were empowered by their incredible political and social consciousness and courage, and their steady realisation that through struggle, they could control their own destiny.

2. SHGs and women's empowerment

The spate of social movements has come down significantly in the last two decades, the reasons for which merit attention. The same period has seen an increase in the emphasis on implementing development interventions at the micro level both by the government and NGOs. The microcredit-based SHG is the most common development intervention that has mushroomed throughout India.

The self-help model of microfinance promotes SHGs and other types of smaller affinity groups composed predominantly of women, to start with pooled savings for internal rotation. Through a process of social mobilisation, they eventually receive and repay loans.

There are basically three types of approaches for incorporating microcredit in the programmes:

First, NGOs or government agencies with different primary objectives – promoting literacy and education, maternal and child health and nutrition, reducing female infanticide or child labour, encouraging watershed development, taking up women's empowerment and so on – have used microcredit as an entry point or as a complimentary activity, recognising that

it is harder to mobilise poverty-stricken people and sustain their interest around other issues. Second, there are also NGOs and government agencies primarily concerned with poverty alleviations, which use microfinance as their main tool. Third, there are approaches where the relative strengths of the government, NGOs and banks are combined under an umbrella organisation promoting multi-purpose SHGs where microfinance is one of the inputs, along with systematic training and capacity-building in virtually any subject of concern and interest to the members (Rajivan 2001).

Its proponents see microfinance as empowering women since a large segment of microfinance clients are women. The pro-microcredit SHG lobby argue that SHGs open up channels of credit to women, as moneylenders and banks do not lend to them as they have little collateral to offer. Its opponents argue that women have been targeted for more practical reasons – that women are more likely to repay on time than men, women are more pliable and patient than men and so less likely to make awkward demands of the credit scheme managers and they can be serviced by women staff who are cheaper to employ than men.

There are around a million SHGs in India with membership of about 15 million rural homes, of which SHGs linked to banks is around 7.18 lakhs, involving a cumulative bank credit of Rs.20,500 million.

Critics of microcredit SHGs also observe that while the historical movements in the country have always been the collective efforts of men and women together, the SHGs of today focus only on issues related to women's empowerment, with the hypothesis that men would always oppose or discourage the empowerment of women. While some of the movements have also been the effort of only women (for example, the Anti arrack Movement), the formation of micro-credit SHGs have led to competition among groups to procure loans. In recent years the success of some microfinance institutions in enlisting large numbers of women as their members has suggested that microfinance is an intervention uniquely beneficial to the needs of women.

Even seen from the lens of its impact on poverty, when one considers the economic conditions of the members of these groups, the amount the members mobilise within themselves is insufficient to meet even their consumption needs. This leaves hardly any scope for production or investment credit. It has been recognised that credit is only one of the many services the poor need to increase their income, and increased

income is itself not sufficient to eradicate poverty (Nair 2001). As Amartya Sen said: *"Poverty is not merely insufficient income, but rather the absence of a wide range of capabilities, including security and ability to participate in economic and political systems"* (Sen 2000). Just as the poverty of some does not imply an overall shortage of satisfiers, so in the extreme case the starvation of some does not imply an overall shortage of food, but rather those people's shortage of convertible claims, entitlements, and acquisition power.

Conclusion

There is no doubt that microcredit-based SHGs enhance the opportunities to earn a livelihood and increase the woman's physical space due to her membership and activity in the SHG. However, empowerment does not necessarily take place when incomes are generated or when livelihoods are enhanced or, for that matter, when groups are formed. Even though history records the existence of social movements that contribute to the self-assertion, self-governance, self-reliance and self-empowerment of people, the concept of the self has narrowed down to self-help and more so, self-help groups, which are considered to be empowering.

The self-based movements reflected a 'collective spirit', with the feeling of self-worth part of a bigger change. SHGs, however, though they appear to be collective, often lack this spirit, as their members are more concerned about personal gain, rather than a common purpose. The disparity in issuing of loans, or the difference in profit making among the group members, invariably produces a competitive feeling that challenges the collective spirit. Though SHGs help in asset building and relatively good relations among the members, they bring a constant 'debt pressure' to the groups. Women even hesitate to go in for big business ventures, as they know that once their business is successful, the male members of the family will take charge of it. This clearly indicates that women's empowerment cannot be ensured through micro-credit alone. Social constraints, too, need to be properly addressed.

The argument that today's microfinance is empowering to groups does not justify the concept of empowerment that earlier movements in the country fought for.

Micro enterprises of self-help groups and State policies under a neo-liberal regime: Evidences from a village in Kerala

S. Mohanakumar and Suja Susan George

Microcredit, neighbourhood group (NHG), self-help group (SHG) and micro-enterprise are a few mantric nostrums frequently voiced by policy makers and bureaucrats of developing countries undergoing structural adjustment programmes (SAPs), and non-governmental organisations (NGOs). The spread of the concept of microcredit dates back to the much-acclaimed Grameen Bank experiment in Bangladesh in 1984. Since then, microcredit has been the universally accepted panacea for resolving *unemployment and poverty*, the twin issues plaguing third world economies.

Microcredit is a mechanism through which poor people can lend and borrow money at the market rate, enabling the state apparatus, in turn, to get rid of its responsibilities with market distorting priorities and subsidies. Theoretical postulates underline the fact that microcredit can be a potential source of mobilising savings for investment, for self-employment and for income generation, which would in turn have a strong bearing on poverty reduction. Such theoretical postulates evolve from the generalised proposition that the non-accessibility of the poor to credit, in the absence of possession of creditworthy assets, is one of the major bottlenecks to development. It draws its ideological roots from the neo-liberal paradigm vouchsafed by international donor agencies such as the World Bank and the International Monetary Fund. Neo-liberalism advocates a minimal role for the state and has been extremely selective in the choice of roles prescribed. Accord to this paradigm, the state should withdraw from its commitment to providing basic services, while at the same time preparing an environment conducive to investment and production.

However, a review of two decades of the implementation of neo-liberal ideas has convinced its proponents that the globalisation process has

singularly contributed to widening disparities, not only between countries but within nation states as well (Agnihotri 2003). For instance, by the late 1990s, one fifth of the population living in high income countries accounted for 86% of the world's gross national product (GNP), 82% of the market for exports and 68% of foreign direct investment (FDI). The assets of the developed world's three million people count for more than the combined GNP of all the least developed countries and their 600 million people. In the economies of developing countries, neo-liberal economic policies have led to the feminisation of poverty, re-emphasising the observed and empirically proven fact that the brunt of any social evils impinge more on women (Isaac *et al.* 2002). Having realised the impending danger of global immiseration, the World Bank, on behalf of global finance capital, sponsored a Microcredit Summit in Washington D.C. in February 1997, in which international NGOs and transnational corporations participated. Microcredit programmes thus targeted mainly women, and the recommitment of mobilised savings into productive investment became the catchword from the 1980s. Such a shift within the neo-liberal paradigm is based on the premise that gender discrimination is an economic phenomenon and, therefore, the generation of employment and income through micro-enterprises would empower women. This idea has been incorporated in the anti-poverty programmes of developing countries to draw women closer to the neo-liberal agenda.

The strategy of poverty reduction with microcredit, microfinance and women's empowerment, is expected to defuse the impending danger posed to global capital and thereby ensure that the existing structure and distribution of wealth remains unaffected. It has also been argued that the promotion of microcredit, SHGs and micro-enterprises, besides linking microcredit with international finance capital, are powerful tools designed to deregulate the labour market. It enables global finance capital to return to the 19th century form of labour exploitation by both lengthening the working day and reducing the wage rate. As the cheap labour force get released into the "free labour market" existing reservation wages could be drive down.

Yet another point of disagreement with the World Bank proposition is that the promotion of microcredit-linked micro-enterprises of SHGs by women have not contributed to additional employment opportunities. For Kerala, this hypothesis can be tested empirically with the data available from various rounds of the National Sample Survey in the 1990s. Microcredit and micro-enterprises spread widely during the 9th Five year plan period and therefore, it is justifiable that the rate of growth in employment in the rural

sector, particularly for women, should have scaled up during this period. The results of employment data showed that employment in the informal sector (agriculture) registered a negative rate of growth to the tune of (-)1.63% during the period 1990-91 to 1999-2000 (Sen 2002).

Box 1. Study area and sample selection.

The area selected for the study is Kunnathukal Grama Panchayat, a village in the southernmost part of Thiruvananthapuram district in Kerala. The choice of the village for the study has been influenced by the following factors: (i) Innovative development projects implemented in the village attracted wide attention under the People's Plan during the LDF regime from 1996-2001; (ii) The Labour Bank model in the agricultural sector and micro-enterprises of SHGs in the industrial sector introduced in the village were emulated by many other local self-governments in Kerala (Mohanakumar and Gireeshkumar, 2000); (iii) The village has succeeded in mobilising women in large numbers under a federating structure of SHGs.

Sample units of micro-enterprises selected for the study included umbrella, bathing soap, *agarbathi* (incense), emergency lamp and coconut oil extraction units. A preliminary assessment of the working of the sample micro-enterprises revealed that barring coconut extraction units, the rest of them became defunct on account of policy changes initiated from the fifth year of the 9th Plan by the UDF regime. However, preliminary observation compelled us to restrict the analysis to the coconut oil extraction micro-enterprises. The primary survey for the study was conducted from April to June 2003.

Seen against this backdrop, the present study is an attempt to examine the impact of policy changes on the formation and activities of SHGs. The policy changes under question are those of the regimes of the Left Democratic Front (LDF) during 1996-2001 and the United Democratic Front since 2001. The study also examines the changes in employment, income and hours of work of those involved in the activities of SHGs. In Section 1 is discussed the political and economic environment existing at the time of the formation and functioning of SHGs under two different regimes in Kerala. Section 2 discusses the socio-political background during the formation of SHGs and micro-enterprise in the study village. The experiences of SHGs functioning at Kunnathukal Grama Panchayat is discussed in Section 3, followed by a conclusion.

1. Change in policies and SHGs

Though NHGs and SHGs of women were formed even prior to the introduction of the Kerala Panchayat Raj Act in 1994, such institutional set-ups could never be a focal point of debate until the experiments carried out with the financial assistance of UNICEF at Alapuzha district in 1993. Mobilisation of women, particularly of the lower strata of society, into small SHGs and their venturing into micro-enterprises, received a face lift by the second half of the 1990s, specifically with the earmarking of 10 per cent of the plan fund, for the implementation of exclusive women-oriented development projects, which devolved to local self-governments during the 9th plan period. In this section, the discussion is focused on the policies of the State government with respect to SHGs, micro-enterprises and women's empowerment. Even though a detailed discussion of a wide array of policies introduced since the commencement of the People's Planning is beyond the scope of this study, we shall discuss the changes in policies brought in by two successive governments from 1996 and the implication of such policies for SHGs and micro-enterprises. The policies introduced with respect to the formation of SHGs and setting up of micro-enterprises were premised on the basic social objective of women's empowerment. The important policies of the government, which introduced the women component plan in 1997, bore certain features, which have wider implications for SHGs and their micro enterprises. The policies are described below.

1. In the plan fund devolved to local self-governments, 10% was earmarked for the formulation of projects exclusively for women's development; under any circumstances, no dilution or diversion of the fund was permitted;
2. The women component plan fund could be utilised by local self-governments for the promotion of any form of micro-enterprise on the condition that it helped women overcome social discriminations and improve their social status;
3. In the total strength of the task forces constituted in every local self-government for the formulation and implementation of development projects, directives given through plan guidelines stated that one third of the total strength of the task force should be women;
4. In every development project formulated in local self-governments, the impact of development activities on women ought to be clearly spelt out for the approval of the project.

In brief, the primary objective of the women component plan and micro-enterprises initiated by the government during the 9th plan were aimed at improving their social status and promoting income generating activities through micro-enterprises.

Following the general elections, the newly elected government assumed power in May 2001, and issued guidelines for the formulation of plan by local self-governments for the 5th year of the 9th Plan. Budget allocation, rules governing the utilisation of plan funds, formulation of development projects in local self-governments and plan fund to SHGs were laid down in the plan guidelines issued by the State Planning Board on behalf of the Government of Kerala (Government of Kerala 1999). Local self-governments could allot fund to SHGs, or for that matter, any development activities could be undertaken, strictly in accordance with the rules laid down in the plan guidelines. There were apprehensions that the new government would water-down the decentralisation process on which SHGs, microcredit and their enterprises had sprung up. To a very great extent, after the new government assumed power, devolution of plan fund to local self-governments became highly irregular and unreliable. Consequent to this, the local self-governments lost confidence in undertaking or launching fresh development projects, which has adversely affected micro-enterprises. The general features of decentralised planning, which disrupted the initiative of SHGs and micro-enterprises are given below:

1. Local self-governments were prevented from forming co-operatives or allotting funds for any projects for the co-operatives or federations. This clause in the new guidelines prevented SHGs from forming an apex organisation like *Samatha* at Kunnathukal. As a result, production and marketing for all SHGs functioning in a village could not make use of the economies of scale, virtually stalling all micro-enterprises.
2. In tune with a directive of the World Bank, local self-governments were given strict instructions not to allot fund under the women component plan to those SHGs, which included members from Above Poverty Line (APL) families. Such demarcation has gone a long way in crippling the effective functioning of SHGs. In effect, this clause in the decentralised planning process led to the disintegration of SHGs and micro-enterprises.
3. Falling in line with the neo-liberal agenda, social activists, who had been the major driving force in organising women for SHGs and micro-enterprises, were replaced with bureaucrats. The process of

bureaucratisation has filtered out the element of activism and people's participation from the decentralisation process.

4. For the LDF government, the very purpose of forming SHGs and micro-enterprises was to mobilise women to the forefront of the social and political arena. The translation of this objective into practice was sought to be realised by placing women in key positions under the people's planning campaign. It has, in turn, helped them create a public space for women and enabled them to avail of plan funds for SHGs and micro-enterprises. The guidelines issued by the new government sidelined women from the mainstream of the decentralisation process and the concept of women's empowerment was redefined to narrow economic objectives (Mohanakumar 2003).

The cumulative effects of the policy changes brought in by the new government started showing by early 2002. The micro-enterprises lost the vital character of people's participation, and by 2002, their gradual demise had occurred. The micro-enterprises that were functioning effectively at Kunnathukal Grama Panchayat did virtually close down, rendering about 150 women totally unemployed. Part of the working capital for such enterprises was met from the microcredit mobilised by poor women, which also sunk with the collapse of the micro-enterprises.

2. Formation of the federation of SHGs at Kunnathukal

In this section, we discuss the political and economic environment that led to the origin, development and demise of SHGs under different political regimes in Kerala between 1996 and 2000. Kunnathukal Grama Panchayat is one of the Panchayats which took the lead in the formation of SHGs. Here, the initiative primarily came from the Women's Wing of the Kerala Sastra Parishath (KSSP), known as *Samatha*. In 1998, to begin with, *Samatha* formed 30 SHGs, in which members representing 15-20 families living in neighbourhood areas constituted an SHG. The newly-formed SHGs were brought under a federating structure called Federation of *Samatha* SHGs at Kunnathukal. Encouraged by the patronage from the State government, 30 SHGs were formed at Kunnathukal Grama Panchayat as early as 1999. Stepping up into the next stage of development, of setting-up micro-enterprises for income generation and employment, called for a detailed study on market potential, products to be manufactured, training to the

members of SHGs, procurement of raw materials, production and marketing of products. Apparently, such decisions could not be successfully carried out by individual SHGs. It was in this context that SHGs decided to form a confederation to undertake the above activities; the rules related to the plan fund were so flexible then that it could even be utilised by the federation on behalf of the SHGs. In 1999, all the SHGs functioning at Kunnathukal were brought under the *Samatha* Federation of SHGs. The federation was envisioned to discharge responsibilities such as the coordination, monitoring and supervision of the everyday activities of each SHG, undertaking market study, procurement of raw materials for micro-enterprises and marketing of products. Based on the market study, the federation was convinced about the economic viability of producing five products, viz., umbrellas, bathing soap, *agarbathis*, assembling of emergency lamps and a coconut processing and oil extraction unit. The federation arranged training to its members, who were selected as representatives of each SHGs. Sixty women were trained in the production of umbrellas and soaps, respectively. Given the nature of the products, training was imparted to 12 members for emergency light assembling and *agarbathi* making.

The federation realised that markets for products such as umbrellas and soap could not be adequately met within the village and that markets outside the village should be explored to ensure the long-term sustainability of the units. In markets for products like bathing soap, where fierce competition existed from multi-national corporations such as Hindustan Lever, winning the battle either in quality or in price was beyond the wildest dreams of the federation. However, the federation carved out a captive market by linking the products of the SHGs with the Labour Bank¹.

The expenditure for the training programme, which was for a month, was met with the plan fund allotted by the Grama Panchayat. The fund allocation was so flexible that the federation could avail of funds on behalf

¹ Labour Bank is another innovative project to provide maximum days of employment to agricultural and other labourers in the unorganised sector at Kunnathukal Panchayat. In fact, Kunnathukal Panchayat became known for its innovative projects of the Labour Bank. Under this project, about 600 labourers in the unorganised sector, primarily agricultural labourers, were given employment for not less than 20 days in a month. Wages for these labourers were paid on a monthly basis, with other benefits such as group insurance and thrift fund (Mohanakumar and Gireeshkumar 2000).

of the SHGs and expand. The working capital for setting up the unit, rent for the building and other initial expenditure could also be met with the plan fund, supplemented with the microcredit mobilised by the SHGs. Umbrella making on a commercial scale commenced by mid 1999 and the raw material for this was procured from a far-away district of Thrissur. The cost of raw material for two months priced between Rs.40,000 and Rs.50,000.

Even though 60 women were trained in umbrella making, constrained by the size of the market, on an average only 15 women were engaged daily to restrict the total production to around 150 umbrellas. The trainer turned supervisor and quality controller would monitor and supervise the production and every morning, the umbrellas, stamped ready for sale after the rigorous quality check, would be taken to the *Samatha* store for sale. Initially, there was sufficient demand for umbrellas and their sale, when linked to the labour market, could bring in a market without much difficulty. Since umbrellas have, to a great extent, a seasonal demand, a new market had to be found outside village, and the *Samatha* could find it in schools and other academic institutions in other Grama Panchayats. The social capital created under People's Planning could be made use of as a potential market source for the products produced by SHGs not only at Kunnathukal, but also for the products produced by other Grama Panchayats as well. Gradually, the number of people employed in umbrella making did go up, as the market widened.

3. Micro enterprises and women's labour at Kunnathukal

In this section, we discuss the experiences of the members of SHGs in micro-enterprises. We put forward the hypothesis that micro-enterprises do not help to augment the income and employment of women labourers, but accentuate the process of labour exploitation. The hypothesis is explained in the light of the experiences of the sample households engaged in the coconut processing micro-enterprises. Table 1 (see annexe) gives details about the type of umbrellas made, piece rate for labourers and the cost of the raw material. SHGs at Kunnathukal made four types of umbrellas, with prices ranging from Rs.105 to Rs.160. On an average, a woman would make five umbrellas, working for not less than 10 hours. The piece rate of making an umbrella priced at Rs.105 was Rs.5, and for other types, the rate was fixed at Rs.7. The average daily wages varied between Rs.25 and Rs.35. The

minimum wage rate for women agricultural labourers was Rs.80 and the actual wage rate was Rs.120 at Kunnathukal in 2000. The cost of raw material accounted for 90 per cent of the final price of the product and the profit per piece was Rs.3. The favourable social, political and economic environment that prevailed in the Grama Panchayat was further boosted-up by the conducive policy package of the State government, which encouraged the SHGs to carry forward the micro-enterprises. Within a short period of 16 months, the number of women workers engaged in umbrella making recorded an increase from 12 to 20. Moreover, the markets for umbrellas became more or less steady. It is also important to note that the daily wage rate for female agricultural labourers (harvesting) that prevailed at Kunnathukal Grama Panchayat was Rs.120 in 1999 and by 2001 the rate had come down to 95.

The coconut oil processing unit was run by a SHG housed in Narani, a small village in Kunnathukal. The SHG selected six women members from the group to run the unit. Among the five micro-enterprises initially envisaged by the *Samatha* Federation, only the coconut-processing unit survives. This particular unit could obtain a sum of Rs.33,000 from the women component plan of the Block and District Panchayats together. This speaks volumes about the way in which SHGs, women's empowerment and micro-enterprises are being viewed by the new government. Table 2 presents a short profile of six women members engaged in this micro-enterprise, who belong to the age group between 30 and 45. It can be seen that women with a relatively poor socio-economic background are interested in such income generating activities under micro-enterprises. Their educational background shows that out of six, four of them have either Secondary School Leaving Certificate – (SSLC failed) or below SSLC. Only one among the six members possessed an Industrial Training Certificate (ITI). Economic hardship was found to be the main push factor for women working in the micro-enterprises. All these six workers reported that their families had only one earning member, and that they were working to supplement their family income. Male members of the family in four out of six cases are daily-wage workers and the other two are farmers with small-holdings or farmers in the sub-marginal category. It has been estimated that average days of employment for daily agricultural labourers in a month is less than 10 days and the average monthly income is Rs.1,200. The asset position of women indicates the holding of less than 50 cents or half an acre of dry land for 50 per cent of the women. The other 50 per cent have a size of holdings of

about one acre. Two prominent crops grown at Kunnathukal Grama Panchayat are natural rubber and coconut².

Table 3 presents the quantity of labour being expended by women workers in the micro-enterprises of coconut oil processing. Two scenarios have been presented here. Scenario 1 illustrates the time at which women rise if there is no work in micro enterprise and scenario 2 presents the time at which women rise if they have work in micro-enterprises. Column 2 and 3 of the table show the time of rising if there is work and no work in the processing unit. It is found that all workers have to get up earlier by an hour or more if they have work in the micro-enterprise. The working arrangement and its scheduling is kept flexible enough for women to take care of their domestic work along with the work in the micro-enterprise. In a working day, members are forced to work for more than 17 hours. The additional workload that they bear is clear from Table 3. Women go to the work place by 7 a.m. and work in the unit till 10 a.m. By 10 a.m., they would go back to performing domestic work at home. Along with the domestic work, two women members worked in the rubber holdings to collect latex to assist their spouses in their work, but the wages for the tapping work was received by the male. One among the six members had to remain in the unit from 7 a.m. to 8 p.m. By 1 p.m., all of them return to the unit and remain there till 4.30 p.m. when they go back home. On serving food to their school-going children and other family members, they return to the unit and remain there till 8 p.m. The tick marks in Table 3 indicate the times during which SHG members shuttle between their home and workplace. It is often alleged that the strategy of micro-enterprises to engage women labour is multi-pronged.

² Natural Rubber (NR) accounts for almost 75% of the area cultivated by sample households. Given the sharp deterioration in terms of trade in agriculture, the farmers find it very difficult to eke out a living with the land under possession. The price of both these crops has encountered violent fluctuations in the 1990s. On introduction of the neo-liberal regime in 1991 in India, the stable price enjoyed by NR started oscillating in a way that to rely on the crop is no longer safe. Violent fluctuations in the price of the crop impacted on the investment and employment, in rubber holdings in particular, and the agricultural sector in general, which hold good for the State as whole as revealed by the rate of growth in employment in the agricultural sector in Kerala (Sen 2002: 411). The sole earning members in four out of six families are agricultural cum tapping labourers and others are sub-marginal farmers. It further confirms the observations made in other countries that neo-liberalism breeds a conducive environment for the exploitation of labour.

Small enterprises set up in habitat areas of poor people to make them available for work for more than 8 hours. It helps deconstruct the notion of oneself being a worker. As long as a worker does not feel that she is working for someone else, there is no way that she identifies herself as a worker and is felt underpaid or overworked. Another advantage of micro-enterprises is that as such units are small in size and scattered, unionisation of workers seldom takes place. The SHG at Narani chose coconut processing to suit their availability of labour time.

The activity chart describes the work in the coconut-processing unit. The chart shows the labour hours required and the existing wage rate for processing 200 coconuts. Every month, on an average, this unit process 700 to 1,000 coconuts (Chart 1). Coconut processing involves six types of activities to be performed. In the chart, the actual wage rate existing if the work is performed by a hired labourer, as well as the labour hours required, are given. Now that we have illustrated the working and functioning of the micro-enterprise at Kunnathukal, we can look into the remuneration these women receive for labour power expended at the micro-enterprise. The group has not maintained proper accounting of their income and expenditure. However, details are available for the last three months. It is found that in July 2003, their business made a profit of Rs.1000, which was shared equally among them. During the subsequent months the unit has consecutively been incurring a loss to the tune of Rs.300 to 500, which should be made up by members engaged in the micro-enterprise. The stipulated condition underlined at the time of formation of this unit is that as profit is shared among the six members, so is the loss. Increase in the price of coconuts in the lean season and the poor quality of coconuts available for processing during this period two important reasons for the loss. Further, the group of uneducated and economically backward women are organised by those relatively better educated and economically advanced, who live in the area. The latter often do not take part in micro-enterprises, but perform the role of office bearers, such as in the case of the sample micro-unit. This woman is reported to have left the SHG with a sum of Rs.7,000. As there was no provision to recoup the amount from her, the money was repaid by these six member to the SHG, whose money mobilised through microcredit and plan funds allotted to the units are used as working capital by the micro-enterprise.

Conclusion

Microcredit and micro-enterprise have been the centre of the development debate, particularly with respect to developing countries, since the 1980s. Microcredit was promoted primarily by the international donor agencies to link it with international finance capital. Moreover, microcredit has been depicted as a panacea for poverty and unemployment in developing economies. The spread of microcredit and the mobilisation of women serve the twin purposes of enabling the state to withdraw from economic activities and diffusing any form of resistance against the state in the context of globalisation. The use of cheap women's labour in micro-enterprises is glorified as women's empowerment by the neo-liberal regime.

Kerala, too, has not been an exception to the popularisation and practice of the agenda of neo-liberal regime. The much acclaimed experiments at Alapuzha District in Karalla under the UNICEF-assisted Urban Basic Service for Poor (UBSP) and Community Based Nutrition Programme (CBNP) made NHGs and SHGs popular in Kerala. However, the introduction of the Kerala Panchayat Raj Act in 1994 and the launching of the People's Planning from 1996-97 opened up ample space for women to get involved in the social and political arena in the state. The earmarking of 10 per cent of the plan fund for the formulation of projects exclusively for the development of women for the first time in the history of planning in India has proved to be a source of funding for SHGs to initiate micro-enterprises. The State government then in power shared an ideological platform with respect to women's empowerment, microcredit and SHGs, in variance with the one propagated by the World Bank. Under the People's Plan in Kerala, SHGs and women involved in micro-enterprises did significantly increase, registered progress and gradually released women from the trap of low wages and exploitation. In May 2001, the new government, subscribing totally to neo-liberalism, reshaped their policies to fall in line with the agenda of global capital. The changes in policy helped to disintegrate micro-enterprises already formed in the State by 2002. The new micro-enterprises, started under the initiative of the new government, overburden women in the name of women's empowerment. It has been found that SHGs are an innovative device at the hands of global capital to bring back century-old production relations, enabling global capital to exploit the members by lengthening the working day and cutting down wages. In fact, SHGs do not empower women and speed up development, but work in the reverse direction.

Annexe

Table 1. Raw material costs and wage rate for umbrella making

Price range (Rs.)	Average raw material cost per piece	Piece rate per umbrella	Average production of 10 hours (nos)	Total daily wage rate (Rs.)
105	85	5	5-10	25-50
125	100	7	5-9	35-63
140	110	7	5-7	35-63
165	150	7	5-7	35-63

Source: Primary Survey.

Table 2. Education, land holdings and occupation of main earning members in sample households

Sl. No	Education			Land holding (in cents)		Occupation of main earning member		
	SSLC & below	Above SSLC	Technical	50 & below	51 to 100	Farmer	Agri. Labour	Others
1	✓	-	-	✓	-	-	-	-
2	-	✓	✓	-	✓	✓	✓	-
3	✓	-	-	✓	-	-	-	✓
4	✓	-	-	✓	-	-	-	✓
5	✓	-	-	-	✓	✓	✓	-
6	✓	-	-	-	✓	✓	-	-

Note: '✓' and '-': yes and no respectively.

Table 3. Activity chart of women working in micro enterprises

Timing Sl.No	Raising		7 to 10 am		10 to 11.30 am		11.30 to 1 pm		1 to 4 pm		4 to 8 pm		From 8 pm
	Working days	Non Working days	DW	SHG	DW	SHG	DW	SHG	DW	SHG	DW	SHG	DW
1	5 am	6 am	-	✓	✓	-	✓	-	✓	-	-	✓	✓
2	5 am	6.30 am	-	✓	✓	✓	-	✓	✓	-	-	✓	✓
3	5 am	6 am	-	✓	✓	-	✓	-	-	✓	-	✓	✓
4	4 am	5.30 am	-	✓	✓	-	-	✓	-	✓	-	✓	✓
5	5.30 am	5.30 am	-	✓	✓	-	✓	-	-	✓	-	✓	✓
6	5 am	6.30 am	-	✓	✓	-	-	✓	-	✓	-	✓	✓

Note: ✓ indicates the work of women in each timings. DW = Domestic work; SHG = Work in coconut processing unit

Chart 1. Activity chart of Coconut Oil Extraction unit of SHG

Activity sequence	Activity (200 coconuts)	Standard time required	Prevailing wage rate (Rs.)
1.	Tracing of supply source, coconut procurement and delivery to the processing centre	Head load 3 hours	25.00 (piece rate)
2.	De-husking and de-shelling	2 + 3 = 5 hours	65.00 (piece rate)
3.	Slicing de-shelled coconut	5 hours	50.00 (piece rate)
4.	Drying coconut (four days of continuous drying in the sun)	40 hours	200.00
5.	Milling of dried coconut and oil extraction	----	30.00
6.	Transporting back to the SHG unit	----	15.00

Note 1. The activity chart is for 200 coconuts. Column 4 of the chart gives the existing wage rate for the work and all such work is traditionally performed by men. In the case of the SHG sampled for the study, all such work is performed by women and virtually for no pay.

Note 2. In the case of drying coconuts, even if the quantity exceeds by another 200 numbers, the rate given would not increase much.

7

Can microfinance empower women?

Joy Deshmukh-Ranadive

Currently, microfinance has become the endorsed solution to poverty alleviation. Over the past few years microfinance has been advocated internationally as the formal route to offering opportunities for livelihoods and pulling the poor out of poverty traps. Small sums of credit are made out to persons who are supposed to put the money to productive use, thereby guaranteeing repayment. Women are seen as more creditworthy than men and hence the bulk of microfinance is directed towards them. In this process, it is argued, microfinance will result in the empowerment of women. This paper presents a framework within which the impact of microfinance interventions upon women's empowerment can be ascertained. The framework is both conceptual and analytical in nature, and can be used in further research as a tool to gauge women's empowerment in the context of microfinance.

1. What is empowerment?

Today, empowerment is the most frequently used term in the dialogue on development. It is also the most nebulous and widely interpreted of concepts. Advocates of microfinance claim that the very process of forming self-help groups (SHGs) is empowering and that a critical mass of people is formed, which can be harnessed to pull households out of poverty traps. The converse side of this is that the same critical mass of people can be manipulated by larger political and economic interests to promote their own agendas, by which women are further disempowered¹. Further,

¹ It has been reported that corporate giants such as Hindustan Levers Ltd., use women from SHGs to help sell their brands of products like shampoos, oils and soaps. (Email communication from dnrn@panchayats.org, November 28, 2001).

empowerment cannot be achieved through the handling of money alone, since credit by itself does not create enough of a bond between women to begin the process of empowerment. Other social and development issues need to be addressed to create a bond between groups so that they can metamorphose into vehicles of empowerment. Another issue of debate relating to microfinance and women's empowerment is that credit can only address practical gender needs and not strategic ones; hence one must not be over-ambitious about the goal of empowerment. The process of a microfinance programme does not directly affect structures within households or attempt to change hierarchies within it. Hence, membership within an SHG does not automatically carry the dynamics of empowerment into the household, even if it has begun within the group. No doubt, women can also get empowered by virtue of membership in a group that is struggling towards a common goal of equity, but often these processes isolate them from the household and increased tensions develop within the family.

In the context of development, empowerment cannot be *given* to anyone, nor is it a goal that can be reached by an organisation or state. It is a process that takes place when inequalities move towards equality. The inequality that has to alter into equality is the inequality in participation in the various processes of development such as education, health services, housing, livelihoods, employment, remuneration and so on. Empowerment is a process whereby constraints that impede equal participation are reduced so that the inequality starts moving towards becoming equality. Often, with development interventions such as microfinance, targets are chased and the achievement of those targets is confused with the achieving of empowerment. A question that comes to mind is, "what are these constraints that impede equal participation in the development processes?" These constraints are most often structural and connected to both the macro environment and the domestic environment that women find themselves in. Since empowerment is connected to structural constraints, the conditions that have to be generated for it are contextual and specific to the location and situation, in all its dimensions – geographical, socio-cultural, and political. That is primarily the reason for the myriad understandings of the term and the fuzziness that affords activists the freedom to interpret and act according to the situation they face in the field.

In order to understand how constraints can be reduced, we have to move on to the concept of "spaces"². The stimuli for empowerment as a process to take place comes when something alters in a person's/woman's life, which expands "spaces" – that which allows a person, the place/freedom/margin, to do what she intends to do³. Initially every person has an allotment of spaces at any moment in time. This allotment is determined by the domestic and macro environment within which the person lives. Both these environments have the same dimensions as spaces, namely, physical, economic socio-cultural and political. Spaces determine a person's capacity to act, and also the ultimate behaviour, both within the household and outside it. A constriction of spaces amounts to a lack of power to act. It also accounts for fewer alternatives within which behavioural decisions can be taken. Constricted spaces negatively affect power over, power to, power with and power within. Spaces are also an end for which negotiations take place. Hence, in domestic power dynamics, it is the expansion and contraction of spaces that explain the relative positions of the members. Spaces include both tangible and intangible features of categories that are economic, socio-cultural, political and physical⁴.

Physical space constitutes a women's access to the physical space of her body, and of mobility across spaces outside her house and within it⁵. Women's ownership, access and control of physical space have a significant bearing upon their position in intra-domestic power dynamics and outside the domestic unit. Economic space allows a woman ownership, access and

² For a detailed outline of the use of "spaces" as a concept to capture power and empowerment, see Deshmukh Joy Ranadive (2002b).

³ Space is different from capability in the sense that the term "capability" as used by Amartya Sen and developed by Martha Nussbaum (1995) signifies characteristics within human beings, which, if deprived, do not allow for a human or a humane existence. Space on the other hand, is that which allows a person to move, maneuver and negotiate to develop capabilities.

⁴ These dimensions of space are not necessarily exclusive of each other. The purpose of demarcating different kinds of spaces is to facilitate analysis and to devise reasonably differentiated categories that can be operationalised in research.

⁵ Physical space has been the focus of analysis within feminist geography, where behaviour and space are recognised to be mutually dependent. One method used is of time geography, where everyday routines of women are traced to ascertain the spaces they occupy. The divide between the "male" public space and "female" private space is seen as one of the most oppressive aspects of women's lives. See Women and Geography Study Group (1997) and Gillian Rose (1993).

control of goods and services, which enhance economic independence. Within economic space are included ownership, access to and control of immovable property (which can alternatively be translated into physical space), movable property, assets, both tangible and intangible and income. This space allows a woman ownership, access and control of goods and services that enhance economic independence. Socio-cultural space enhances women's power within the domestic sphere. This space widens when a person's position within kin-based hierarchies is relatively higher than that of others. The placing within families, of members, is an essential part of the milieu the family is based in. The type of family (nuclear, joint, extended) and the kinship structure (unilateral or bilineal), throw up complex determinants of hierarchies. Age and marital status are also important determinants of socio-cultural space. Caste and class are important determinants of socio-economic status both within society and within a family. Political space can be perceived at two levels, private political space and public political space. The first level relates to the political situation that exists within the domestic unit. The conceptualisation of this space is different from the socio-cultural space since the latter determines the placement and political space deals with the dynamics of the *working* of those placements. Hence when one is concerned with power dynamics within the domestic domain, it is political space that answers questions as to how those dynamics work, while physical, economic and socio-cultural spaces answer questions as to why members are so placed. Political space hence correlates to hierarchical placements of authority and responsibility that are sanctioned by socio-cultural spaces. The second level of political space is related to women's access and control of public office. Political activity takes place within the public domain and is connected with the administration and governance of society/institutions locally as well as in a larger context. This space is not easy to come by. It is also a function of personality traits such as courage, determination and qualities of leadership.

2. Spaces that shift

When spaces expand, it is not always necessary that it will always result in the process of empowerment. It is important to evaluate the *quality* of that space. For example, often it is found that an intervention such as microcredit, which has given economic space to a woman in terms of an income, does not empower her, because she has no control over that income. On the contrary,

it may even lead to an increase in domestic violence, as has been found in the case of studies in Bangladesh (Goetz and Sen Gupta 1996). That is because the intervention has not altered her socio-economic space. We have to remember that the woman does not live in a vacuum. In as much as the microfinance intervention does nothing to alter the socio-economic environment of the household, an expansion of economic space for the woman will not empower her. There is no *linear* relationship between empowerment and the expansion of non-mental spaces. *The most important condition for empowerment to take place is an expansion of the person's mental space.* Mental space is metaphysical in nature and consists of the feeling of freedom that allows a person to think and act. An expansion in this space implies a change in perceptions, which lend a feeling of strength since it precedes action. It empowers even before action is taken since there is mentally a movement away from restriction and constraints. When there is an expansion of this space it facilitates action in a positive direction.

There is, however, no linear relationship between the expansion of physical/economic/socio-cultural/political spaces and the expansion of mental spaces. What then, actually leads to an expansion of mental spaces? It has been found that when women operate through collectives, processes of empowerment are unleashed. The release of mental spaces that allows for action on the part of women is most often facilitated by her membership of a collective that is addressing a similar problem. Microcredit as is practiced currently in India, necessitates the formation of collectives. One has to investigate the actual role of these collectives in the lives of the women members. If the SHG is a forum where common problems can be addressed, and if there is a feeling of solidarity emanating from membership of these groups, then there is hope for empowerment. However, if the group is only centred on the collection and disbursement of money, then there are fewer chances for empowerment processes to begin.

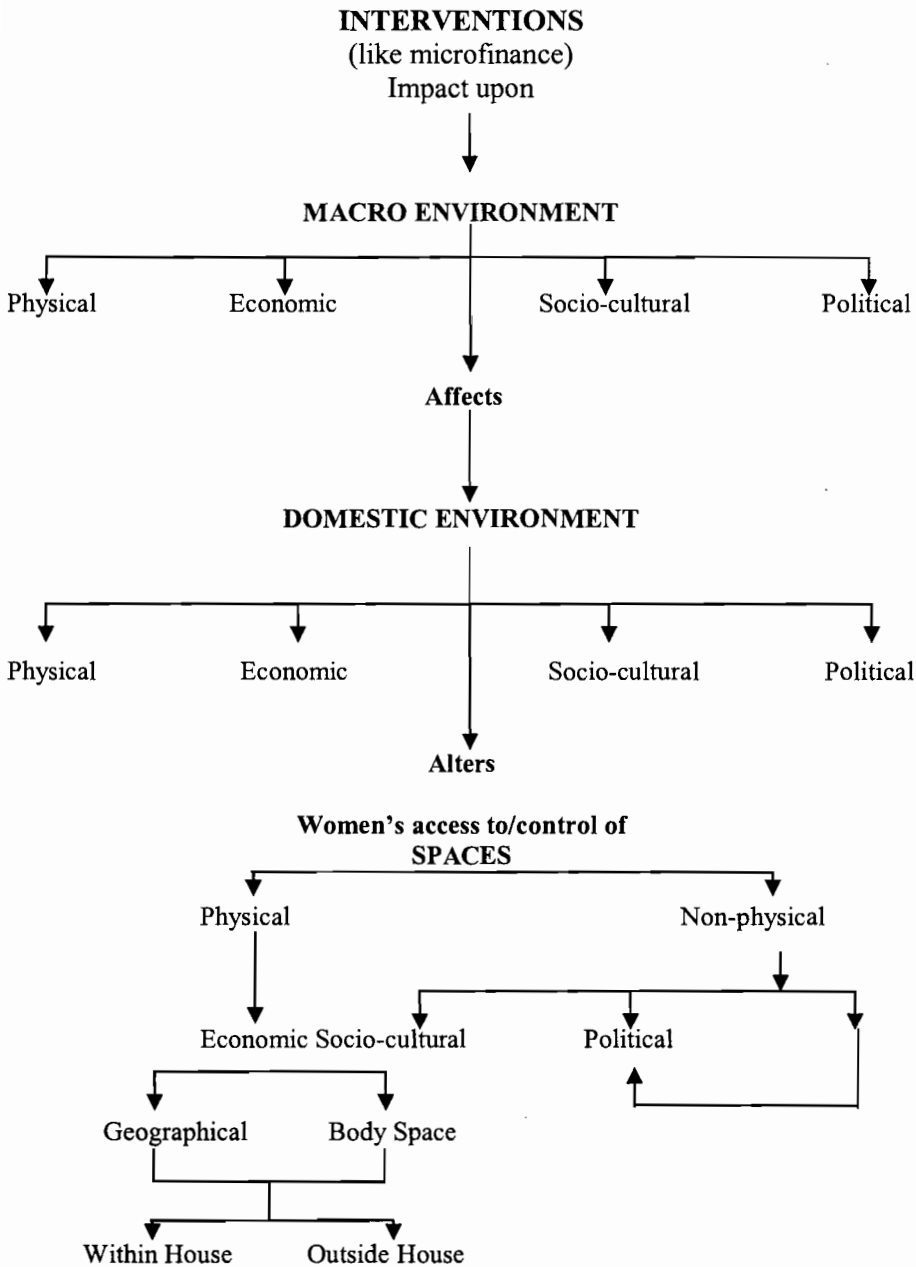
The second factor that leads to an expansion of mental spaces is information. Information is a very important source of power as well as empowerment. Most often, women are oppressed because they are illiterate and do not have access to knowledge. The information that is most critical to unleash a process of empowerment is knowledge of the structures of power within which lives are placed. Another kind of information that is vital is of their rights and duties, both as citizens and also as members within families. This information includes knowing about legal machinery, as well as about

human rights and entitlements. Information is very important in social mobilisation. In sharing experiences, groups like SHGs often gain in strength and solidarity. Apart from these kinds of information, knowledge about matters related to livelihoods, finances, political processes, and so on also equip women to be able to take action in order to change the situation they find themselves in. The intervention of microcredit by definition imparts information to women. This information is about the handling of savings, investments, financial decisions, livelihood choices, and so on, but is not geared to question any existing power structures relating to gender, caste or class. If, however, the facilitating organisation takes into account hierarchical structures that contribute towards poverty and disempowerment, then microcredit interventions can form the catalysts to initiate processes of empowerment.

Just as the individual woman is placed within a domestic environment and has to negotiate her spaces within it, the domestic unit is placed within a larger macro environment, which comprises similar components of the physical, economic, socio-cultural and political. One finds that macro changes, in the nature of state-enforced political and economic interventions, alter micro-level dynamics, thereby changing opportunity patterns of families and individuals. Policies and interventions by state and non-state bodies act upon the macro environment, which in turn alters the domestic environment. This has a consequent effect in altering spaces for the individual. This has been illustrated in the following flow chart.

Interventions such as microcredit succeed in impacting upon the macro environment. However, of all the components of the macro environment, the socio-cultural environment is the most stubborn and difficult to alter and in consequence, the socio-cultural space is difficult to negotiate. The cost of an expansion in this space is often high for an individual woman since it isolates her. That is the reason why collectives and collective action is a more effective vehicle to set into motion a process of empowerment. Further, a process of empowerment cannot accelerate unless there is an expansion of the socio-cultural space. This is because while an expansion in physical, economic and political space can lead to an expansion in mental space, with socio-cultural space the logic has to be turned on its head.

Chart 1. Women's access to control of spaces



There has to first be an expansion in mental space for there to be an expansion in socio-cultural space⁶. In order for this to happen there is need for outside interventions, which supplement economic interventions such as microcredit⁷.

Conclusion

Just because microfinance interventions are routed through women, it does not necessarily imply that gender concerns have been addressed. The mere presence of women does not guarantee that issues of gender are in focus. Microfinance interventions that are limited to addressing only financial transactions have a limited impact upon the expansion of women's spaces. When interventions extend their ambit to focus beyond finances, and in particular also delve into the household, then their capacity to empower increases. Women cannot be understood independent from their domestic environment and even while concentrating on their roles within SHGs, one cannot lose sight of their roles as members of domestic groups. Empowerment has to be understood as a complex process, and one that connects to multiple dimensions, beyond economic considerations of livelihood generation.

⁶ It may seem as if a conceptualisation of power and empowerment in terms of spaces confines empowerment to a static understanding and is in conflict with the actual dynamic nature of its being a process. However, the act of negotiating for more space is the dynamic characteristic of the struggle towards empowerment. Further, in as much as there is action to elbow for more spaces within altered spaces afforded by external stimuli, there cannot be a static understanding of empowerment.

⁷ A project, "Gender Equity in the Family" was conducted in the district of Mahbubnagar, Andhra Pradesh, under the Andhra Pradesh District Poverty Initiatives Projects (APDPIP), which used folk theatre to open up the family and household for questioning before entire villages. This project was initiated since it was observed that the formation of microcredit SHGs aggravated household tensions since women were becoming economically independent and also held positions of power outside the home by lieu of being in the groups. The purpose of the project was to alter perceptions within households, so that mental spaces expand, which would then lead to an alteration of established hierarchical socio-cultural spaces. See Deshmukh-Ranadive (2003).

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PART II
Microfinance in its environment

Introduction

Analysing microfinance as a process of endogenous development

Isabelle Guérin

Every development project, whatever it might be, takes place in a social, economic, cultural and political environment that in part conditions the implementation of the project and, reciprocally, is influenced by the project. Therefore we need to adopt an endogenous concept of change. As suggested by Albert O. Hirschman (1964), to whom one is indebted for the concept of endogenous development, a rigorous and pertinent analysis of development necessarily rests on a careful consideration of all individual and collective capabilities of action at the disposal of the economic, political and social actors who are directly and indirectly involved. To understand the endogenous character of development also entails studying what are called the “unintentional” consequences of action, as well as the “hidden rationalities”. Whatever those who support a linear and unequivocal development may say, “true” development, that which is seen in the field, derives from a multitude of localized actions that are not necessarily anticipated or knowingly calculated, but rather are the result of doubt, uncertainty and the willingness and ability of the concerned populations to adapt. To understand the character of endogenous development also requires the observation of the effects of linkages between different phenomena, which economists call ‘externalities’¹ (and which can be either positive or negative), complementarities and cumulative causalities. Every development project gives rise to unexpected and interlinked results, positive or negative. The issue is not to declare one’s powerlessness vis-à-vis these chains of phenomena, but to learn as far as possible to acknowledge, identify and analyse them. And it is precisely in this that the role of the researcher in the social sciences assumes its full meaning. There is no single and foreseeable schema of change: there are only processes of constant change resulting

¹ In her contribution to chapter 3, M. Indira makes explicit use of social externalities to assess the impact of microfinance programmes in respect to empowerment.

from antagonistic mechanisms that are sometimes opposed to, and which sometimes complement, each other. Development, understood here in the sense of Amartya Sen as a “process of expansion of the real freedoms that individuals possess”, is thus comprised of successive advances and reverses. Uncertainty and learning should therefore not be viewed as mistakes, deviations or solecisms, but rather as normal, inevitable components inherent in every development project.

Based on a few examples, and without any pretence as to exhaustiveness, this second part attempts to show the extent to which microfinance projects are inscribed in a particular context that must be taken into account if one wishes to understand the results obtained. This is all the more so in regards to empowerment, for it is a matter of a multi-dimensional phenomenon.

Among the numerous factors that shape and mould the endogenous forms of appropriation of development projects, the question of *power relations* is obviously seen to be central (1). The analysis of the way in which clients appropriate microfinance services also requires an analysis of all their financial practices, in particular the informal practices, for the latter are still predominant (2). What relations are observed between informal practices and microfinance? Is there substitution, complementarity or superposition? Is an integration of two types of provision (microfinance and informal finance) witnessed in certain categories of clients, or is there a separation? Does the access to microfinance lead to a reduction of indebtedness or, on the contrary, to debt burden? The two texts presented here offer original responses to these different questions, without however aiming at generalization, for it is only a question of case studies. A common conclusion is nevertheless called for: the necessity to continue efforts as concerns financial innovation. Finally, the analysis of the appropriation of financial services is also inseparable from an examination of the entrepreneurial practices that are connected with them, and thus of the market structures (3). The two texts presented lead to the same conclusion: if one really wishes to make microfinance a tool of economic empowerment, it becomes crucial to innovate in terms of services that are complementary to the creation of enterprises, whether this be a question of business development services, of clusters of micro-enterprises or of techniques of commercialization and marketing.

1. Microfinance and power structures

The connection between power relations and empowerment (in its normative definition) is the subject of numerous polemics. In short, must empowerment be considered as-power “over oneself” or as a “redistribution” of powers? We shall not enter into this debate, as it was amply discussed in the first part of this book. What concerns us here is the question of the interplay of powers *in practice*. Whatever may be the ideology and objective of the project considered, and following the example of all development projects, microfinance projects can be viewed as veritable political “arenas” in which the interests of different social groups confront one another (Olivier de Sardan 1995). We are in the presence of actors belonging to different categories and statuses (more or less open to outside realities, more or less well-off), of youth (who have sometimes had an education), of women, notables, representatives of local administrations, loan officers, NGO staff, experts passing through, etc. Some endeavour to retain their power, while others seek the means of acquiring power. Each reacts individually according to the stakes and the opportunities presented by the project and the funds that can be extracted from it. Political leaders, traditional or religious leaders, landowners, moneylenders or upper castes may fear that such a project could challenge their power. Men might well refuse that women or youth be consulted or that they would have direct access to the means of production, thereby escaping their control. Patrician peasants or large landowners can be apprehensive that such an approach would openly contest their traditional advantages, and the same is obvious for moneylenders. Conversely, small producers, who are vulnerable and dependent on large landowners, may hesitate to become involved for fear of possible retaliatory measures by their “elders”, and this apprehension can also be found among marginalized groups (because of their caste or tribe membership). Women can be just as hesitant to circumvent male resistance. All outside intervention is thus seen to be faced with this tangle of powers, with the confrontation of groups and individuals having greater or lesser compatibility of interests. The outcome of this confrontation is the result of a compromise that depends on the ability of each party to assert him/herself in the negotiation. The mode of appropriation depends greatly on the former power relations, even if this plays a part in their evolution. Those who take power are not necessarily those who were supposed to do so. In one instance, a functionary – for example, a block officer – decides to take control of the project and to

intervene as a privileged interlocutor. In another instance, it is an elected representative who seeks to mobilize the female electorate. Elsewhere, it will be the field worker of an NGO.

Although the simple fact of delivering financial services to those who were excluded from them necessarily involves calling into question the existing hierarchies, the manner in which these services are implemented and appropriated – or not – by the targeted populations does not preclude a strengthening of the former hierarchies. In a context such as India, where the hierarchic principle is still inherent in the social structure, this risk is all the more pronounced. As J. Drèze and A. Sen underscore when describing the role of “participatory” or community approaches, the more non-egalitarian the social structure is, the greater the risk of manipulation by the most privileged groups. It is therefore necessary to avoid mythicizing all that comes under participatory and community development (Drèze and Sen 2002: 61). This applies to theoretically homogeneous groups and communities such as self-help groups, the majority of which include persons from the same caste, notably in the rural milieu, as well as to structures such as NGOs that are in principle dedicated to the promotion of democracy and equality. It is therefore not infrequent that one sees field workers or presidents of self-help groups abuse their position of control over information to excessively monopolize power. The text by K. Kalpana examines the actors and partners who are liable to influence the functioning and effectiveness of SHGs. The author provides a framework for global analysis, taking into account the multiplicity of *levels* of action: inter-individual relations within groups, relations between groups and the village environment, notably the other communities/castes, relations between the groups and the partner NGO as well as the federations of SHGs, relations between the groups and the bankers as well as the state authorities and, finally, relations between the NGO and its own partners and interlocutors. At each level, the question of balance – or imbalance – of powers is, of course, decisive. To take account of these different levels and their articulation should make it possible to understand, when they exist, the mechanisms of “voice” and, in so doing, processes of empowerment.

2. Microfinance and informal finance

One of the primary objectives of microfinance consists of “freeing” the poor from dependence on moneylenders. Nevertheless, various studies conducted in India over the last few years have clearly shown that the provision of microfinance services does not necessarily replace informal practices: clients continue to juggle with different sources of financing, using microfinance loans to repay the moneylender, and vice versa, or indeed using microfinance to themselves lend money². One witnesses a complex tangle of relations of debts and claims – each is both debtor and creditor – and all of these financial relations are deeply embedded in social relations³. Different “circles” of financing should nevertheless be distinguished. There is first of all the circle of relatives and neighbours, in which monetary exchanges operate according to the principle of reciprocity. This reciprocity occurs in a very short term (in Tamil Nadu, the word *kaimathu* is invoked, meaning literally “exchange from hand to hand”) and plays the role of a veritable survival net. There is also a longer term reciprocity that takes place over the extended period of social obligations: this is seen to be essential in the financing of events linked to the life cycle, notably marriage ceremonies, which are known to be costly. One then distinguishes financial relations embedded in social obligations of the hierarchic type, illustrated by the regular advances “generously” granted by the landlords to their permanent workforce, some of whom are in a situation of real servitude (the *panyials* of Tamil Nadu). There are then financial relations of a professional or commercial nature. Let us note however that the distinction of this sphere from the preceding (social obligations) is very arbitrary: some behaviours that would have been thought characteristic of the sphere of social obligations recur with a remarkable facility in what is known as the “modern” sphere. For example, it is not uncommon for a moneylender to assume many other functions apart from that of a mere lender: he also gives

² See notably Dhan Foundation (2003), Patole and Ruthven (2002), Shishir and Chamala (2003), Ruthven and Kumar (2002). For analyses beyond the Indian context, see also Rutherford (2000; 2002), Shreiner and Vonderlack (2002). See also the contribution by L. Prasanna (Part 3), who shows the deviant effects of an egalitarian attribution of loans in a SHG.

³ On the notion of the embeddedness of financial relations in social relations, see Guérin and Servet (2003).

advice, helps find employment, settles disputes, negotiates with the police or keeps the savings of his clients. The latter, moreover, consider themselves to be “protégés” and readily describe their lender as “patron” or “guardian”. While the traditional social system based on patron-client relations, a regulatory element in relations between castes, is becoming obsolete, it is striking to observe to which extent the patron-client relation endures and recurs in theoretically homogeneous communities. The most significant example is probably that of labour brokers, notably in seasonal migration sub-sectors (for example, brickworks, sugar cane, cotton, etc.). An “advance”⁴ is systematically given at the beginning of the season. A deduction from the weekly wage (that represents 40 to 60 per cent of the wage) will make it possible to gradually repay the advance. Nevertheless, the deduction continues beyond the repayment, such that at the end of the season, the labour broker is generally a debtor and will pay a balance to the workers. Or, it happens that the workers themselves (at least some of them) appreciate the system: this is for them a means – often the only one – to save sizeable amounts (several thousand rupees). In any case, this type of relationship is, of course, very ambiguous. What the people call savings can also be a delay in payment; most of them are illiterate and can be easily fooled. Between exploitation or, on the contrary, mutual respect and protection, the borderline is very thin and can change at any moment. Nevertheless, most of the people who are able to save are indeed those who benefit from a “guardian” in their circle⁵.

The comparative advantages of moneylenders are known. They are, of course, costly but are accessible and available at any time; they require minimal guarantees and are generally not very demanding as concerns the use of the loan. Several empirical studies conducted in India have widely questioned the prejudice according to which all moneylenders would be “villains” solely motivated by a desire to exploit and oppress their clients (Patole and Ruthven 2002; Shishir and Chamala 2003). The text by Christine Bonnin, based on a Philippine example, accords with this view and confirms the comparative advantage of informal lenders. The women entrepreneurs in

⁴ Here again, the advance is officially gratis. In practice, various methods allow the broker to charge the cost of the advance (the most frequent method consists in deducting a fixed percentage from a part of the harvest).

⁵ We base ourselves here on a study currently being conducted by the French Institute in Pondicherry on informal financial practices in Tamil Nadu.

the slums of Manila, even should they have access to microfinance, to a great extent prefer the “*Bombays*” (the name locally given to the moneylenders because of their supposed Indian origin). The results of the study conducted by R. Sunil in Kerala are more problematical. Not only does microfinance not take the place of informal finance, but it leads to a transfer of the informal debt from the men to the women: the latter are henceforth more credible and have thus become the favoured target of the moneylenders. Of course, this does not exclude positive effects, notably in terms of increased prestige within the family. Nevertheless, women find themselves necessarily forced to assume more obligations and are thus subjected to additional pressures. This kind of deviation reveals how decisive the establishment of follow-up and control systems and regular evaluation can be.

These two articles show that the promoters of microfinance must still make efforts as far as access and outreach are concerned. In the mid-1990s, Paul Hulme and David Mosley (1996) advocated a diversification of financial services, arguing the necessity of adapting products to multiple needs and to display flexibility, in particular as pertains to the poorest. Nearly ten years later, the idea has gained currency and there is general agreement as to the need for innovation and flexibility; this theme was, moreover, one of the central issues of the last world Microcredit Summit⁶. A large symbolic step was taken with the “Grameen II”, initiated at the beginning of this decade. The new approach of the Grameen Bank derives its lessons from more than twenty-five years of practice and recognizes that the previous model was overly uniform and rigid, limiting the access of a large part of the potential clientele, in particular the poor clientele. Central to this new model is an increased flexibility of products. This has been accompanied by an increase in innovations. Let us mention, for example, the door-to-door service provided by the SEWA bank (Gujarat), a financial cooperative with approximately 40,000 members, mostly women. Since the creation of the organization in 1974, the founders have understood that women have need of a domiciliary service. It was soon decided that loan officers, described as *handholders*, would be mobile and would travel to the client’s home or to the place of work. In the course of time, it was seen to be necessary to further strengthen this local service, from the point of view of

⁶ See the introductory text of the synopsis by A. Simanowitz and A. Walter (2002). On the necessity to innovate, see also Murdoch (1999) as well as a special issue of the *Journal of International Development* (n°14, 2002).

both the clients and of the organization (notably to optimize the repayment rate). A service for the daily collection of savings at the place of residence was thus established. At the same time, *banksathis*, who are themselves clients, are delegated to assist the handholders. They collect the savings and the loan repayments at the home, disseminate information and give advice to the families regarding the use of different products, doing this in a language that is accessible to the clients because they come from the same milieu. They walk, travel by rickshaw or bicycle. They do not receive a fixed remuneration, but rather a commission based on their ability to mobilize savings and the repayment of loans. Turning to other micro-experiments, in Tamil Nadu the NGOs IRDS⁷ and MSSS⁸, with the support of the International Labour Organization, are trying out a domiciliary savings system for a very vulnerable clientele of families who are close to, or even in, a situation of servitude⁹. The product is entitled “dumb boxes” and consists quite simply of a moneybox kept by the clients in their homes. The principle is very similar to the traditional informal savings practices current in most families: a clay pot kept in the home, or concealed, is broken when the money is to be spent. The poor are known to constantly seek mechanisms that “force” them to save in order to protect themselves from the numerous entreaties and pressures from the people around them. Here, the simple fact that the key of the moneybox would be kept by a staff member of the organization plays an *incentive* role. Moreover, the fact that savings are regularly deposited in a bank account solves the problem of insecurity¹⁰.

It would nevertheless appear that innovation and diversification are still the privilege of a limited number of large microfinance organizations: those that avail of a real research-action capacity, that have the human and financial means to conduct surveys on clientele satisfaction and also to invest in new products. The strong competition that prevails in some areas (certain regions of Bangladesh or Latin America) has largely contributed to the popularization of the concept of marketing and a demand-driven approach. Pushed into increased competition and faced with a growing

⁷ Integrated Community Rural Development Society.

⁸ Madras Social Services Society.

⁹ Let us point out that some authors (V. Rao, Part 3) do not speak in favour of saving mobilization at the homes of SHG members, and are also opposed to the intervention of outside persons in the group so as to enable of a better group cohesiveness among all members and to promote group actions.

¹⁰ To know more about this innovation, see Churchill and Guérin (2004).

desertion of their clients, practitioners no longer really have a choice. On the other hand, for a majority of small organizations, it must be observed that the supply remains very conventional. In India, for instance, a large number of practitioners make do with the classic "SHG model": preliminary savings, internal loans, and then external loans thanks to a banking-linkage. As concerns micro-insurance, since the pioneering efforts of the SEWA in the early 1980s, it is estimated that today there are some twenty schemes¹¹. Over the last years, insurance schemes intended for the poor have developed significantly because of public entreaties. Now, and in compensation for the liberalization of the insurance sector, the Indian government requires that insurance companies invest a minimum of their portfolio with the so-called "weaker sections" of the population. It is probably too early to come to a decision regarding the suitability of the schemes thus put in place¹². It can, however, be noted that the provision of emergency loans or voluntary saving services, much simpler to implement than micro-insurance, while they are just as likely to help the poor to better manage risks (Churchill 2003), have difficulty in developing. Here one broaches a more general problem in the third sector, also called "voluntary sector": means that are not equal to the ambitions and aims, donors that are pressed to achieve, and more concerned with, short-term results and who are reluctant to finance studies, whether impact or client satisfaction studies (Georgeais 2004)¹³.

3. Microfinance and market structures

In the Indian context, complementing the provision of microfinance services with business development services (BDS) is an absolutely fundamental issue. As shown in the impact studies in the third part of this book, impact in terms of income-generating activities remains limited. If microfinance is really to be a tool of economic empowerment, then the

¹¹ Information from the web site: <http://www.microinsurance-india.org/default.htm>.

¹² The principle of insurance is sometimes misunderstood by SHG members; the contribution is perceived as a fee to be paid to the NGO in order to benefit from a loan. Then, the necessity to renew the contribution each year without having received benefits seems to them incorrect and some of the women expect a reimbursement at the end of the year (Surveys conducted in Pondicherry and in Tamil Nadu in 2004, Jane Palier).

¹³ We shall return to this point in the general conclusion.

provision of complementary services enabling clients to appropriate market procedures is found to be a priority.

The question of business development services is not entirely new. Already in the 1960s, when small and medium-sized enterprises represented one of the favoured targets of donors (not in terms of the logic of combating poverty, but above all with a view to finding substitutions for imports), numerous programmes offered a combination of financial and non-financial services, often associating state development banks and BDS providers. Given the absence of a clear identification of demand, the systematic combination of the two types of services and the lack of profitable prospects, the failure of these programmes was often the rule, on the side of the beneficiaries as well as on that of the suppliers. The concept of the integrated programme was therefore abandoned to the advantage of distinct projects. Microfinance thus appeared, with a strong development in the late 1980s and during the 1990s, but with what is described as a "minimalist" approach, that is, strictly limited to financial services. Today, when competition is beginning to be felt, and while impact studies indicate limited results in terms of small business creation, the satisfaction of the client and the lasting quality of her enterprise are at the centre of concern. The tendency to link the two types of services is now affirmed, however with considerable differences in relation to the first generation: an approach centred more on demand, the covering of costs and durability. A considerable number of NGOs that have become involved in microfinance have already experimented with several types of programmes (water and sanitation, literacy, etc.) and have profited from the microfinance "boom" to embark in SHGs. This explains, on the first hand, that most of the microfinance organizations would not be professionals and, on the other hand, that the microfinance programmes would be linked to other projects, but not always in a very professional manner.

It would be an over-statement to say that nothing has been done in this domain. The work by Fisher and Sriram (2002a), entitled "Beyond Microcredit", precisely undertakes to describe the particularly innovative microfinance practices in India in regards to non-financial services. We shall briefly mention a few of them. BASIX (Andhra Pradesh) is presented as a leader in this field. Adopting the mission "*to promote a large number of sustainable livelihoods, including for the rural poor and women, through the provision of financial services and technical assistance in a technical manner*", BASIX has offered since its creation a panoply of financial and

non-financial services to provide assistance to individual borrowers as well as local communities¹⁴. Some non-financial services directly address producers-borrowers, either to enable them to gain new markets (notably by means of the identification of certain commercial niches) or to help them improve their productivity through the introduction of new production techniques or the improvement of existing techniques (better quality of seeds, cost-saving pest control measures, innovative practices for irrigated agriculture, new crops, veterinary care, etc.). Other services aim at improving the quality of collective infrastructures, in particular irrigation and electricity ("rural infrastructure revival programme"). Finally, let us note that the intervention of BASIX also relies on innovative pedagogic techniques, notably exchanges among entrepreneurs ("inter-borrower expertise exchange programme").

In Gujarat, SEWA has been promoting women's cooperatives since its inception some thirty years ago. With the aim of making poor self-employed women owners and managers of their own organizations, it now has around 50,000 members. There are today some eighty cooperative societies promoted by SEWA that carry out a wide variety of activities (handicrafts, land-based and dairy products, vendors, services). To strengthen the bargaining power of these cooperatives, the federation of women's cooperatives was started in 1992. To initiate a cooperative, particularly with poor women, is easier said than done. The efficiency and dynamism of the SEWA cooperatives varies from one to another and this diversity results as much from the modes of management –to which extent it is known that any collective enterprise is a permanent challenge – as from the influence of the economic situation on the concerned sectors of production.

The recent study conducted by the Sa-Dhan network (Sa-Dhan 2004) among some thirty SHG federations also shows that a not insignificant number of them are engaged in business development services, in particular in the agricultural domain. Some are involved in various income-generating activities (Award, Tamil Nadu), but numerous SHGs are specialized in a specific sub-sector: bulk purchase of agricultural inputs (Sangamam, Karnataka), providing seeds (Grammen Mahila Swayamsiddha Sangha, Maharashtra) poultry farming (Sanyuka Mahila Samiti, Maharashtra), animal husbandry (WFME, Rajasthan), dairy development (PRADAN, Rajasthan), handlooms and handicrafts (Tejpur

¹⁴ We base ourselves here on Fisher and Sriram (2002a: 88 sq).

Dis Mahila, Assam) or marketing services for herbal products (Samukik Mahila Bachat Gat Parisar Sangh Devpayli, Maharashtra).

New approaches are also being taken from the perspective of sustainable development. The notion of fair trade, which consists of ensuring more equitable purchase prices to producers from the point of view of balancing trade relations, particularly between producers in the South and consumers in the North, now belongs to everyday speech. The concept of fair trade, evoked in this part by Arun Raste, is beginning to evolve in India. Without going as far as fair trade, one also speaks of "commercially viable solutions". Starting from the observation that the traditional approaches of business development often lack impact and sustainability, some question the means of promoting commercially viable solutions, basing themselves on sub-sector analysis and endeavouring not to distort private sector markets¹⁵.

Although there are indeed a number of initiatives, one is forced to observe that here again only the most experienced organizations are in a position to effectively combine financial and non-financial services. No one today disputes the necessity of combining financial and non-financial services; however, actually doing so is tricky and probably requires more "art" than technical skills (Fisher and Sriram 2002a). The analysis by K. Singh (2003), based on a synthesis of different impact studies by the major Indian microfinance organizations¹⁶, arrives at a rather negative conclusion in this respect. Not only are there very few livelihood advisors or providers of business development services, not even any real strategies within organizations to help women start their own businesses, but income-generating activities for women have remained conventional (sewing, embroidery, papad and pickle production) and generate very little income, while many of them perpetuate myths about what is feminine and masculine.

The major problem encountered today by SHG members is that of the commercialization of their products¹⁷. A considerable number of women are ready to embark on new economic activities, but are quite powerless when it comes to concretizing their project: What to produce? How to produce? and above all, How to sell? (Guérin and Palier 2004). Some village monographs

¹⁵ See, for example, Lusby and Palibuton (2004).

¹⁶ Selected impact studies conducted in the recent past by SFMC, NABARD, SHARE, BASIX, FWFB and CARE India.

¹⁷ See on this point the PhD thesis in progress by Jane Palier.

conclude that a succession of failures was involved. Whether it be a matter of producing paper, paper cups or breeding cows, in the absence of appropriate advice none of these activities turn out to be profitable (Jamet 2004). Let us not forget that the mobility of women in India is still restricted. It is therefore difficult to imagine women travelling great distances to commercialize their production. Apart from the specific problems encountered by women, the market structures are largely unfavourable to small entrepreneurs. Within the framework of a traditional market, the stages through which the products go – starting with the producer until they reach the consumer – are extremely long and weighed down by a plethora of middlemen. Moreover, the predominance of interlinked markets, where the providers are also the buyers and the financiers, leads necessarily to the exploitation of micro-entrepreneurs. The transportation infrastructure is archaic, the roads are bad or sometimes nonexistent, the producers are a long way from the market and the transportation costs are consequently very high. The fact that there is no planning in the production and that supply to the market is irregular causes either a surplus or a seasonal scarcity of products on the market. Imported products compete with the local production. Sorting and processing are deficient and there is a lack of warehouses and absence of organization of producers and consumers.

The government of Tamil Nadu, which has strongly supported the development of microfinance through the Mahalir Thittam programme, has also embarked on marketing programmes (Gariyali and Vettivel 2004). A number of district collectors have constructed marketing complexes specifically for SHG vendors. This experiment has been started in several districts and is gradually spreading all over the state. Marketing workshops, exhibitions and exposure visits are regularly organized by the State Welfare Board in partnership with local NGOs, usually coinciding with big festivals and celebrations. The purpose is to expose women to the market situation by inviting them to participate in women's fairs (*melas*). In Chennai, the NGO World Vision is experimenting with small outlets for SHG products; the objective is to explore the scope of the market. Even web sites on SHG products have been created. District-wise product information has been put on the web site www.shg-india.net in collaboration with the Women's Information Network (WIN), an NGO specialized in selling SHG products. The Rural Development Department has also created a web site, www.ruralbazar.tn.gov.in/aboutus.asp. All these initiatives are still at the

experimental stage. Most of the marketing complexes show disappointing results and some of them are almost empty.

There are still several challenges to be mentioned. The first concerns the quality of the products that are obviously unsuitable for the well-off clientele. Ensuring quality presupposes that appropriate training is provided and thus that there are qualified personnel in this field, which is far from being the case. Finally, faced with the saturation of the usual markets, the exploration of new commercial niches is also a priority. The areas of tourism (in certain zones), services or the restaurant and catering trade are probably potential niches, either by door-to-door sales or in partnership with enterprises: an experiment is in progress in the town of Cuddalore with the NGO BLESS.

Much has been said about the exclusion of the poorest, but it is seen that other categories of potential clients are also excluded. Parveen Mamhud, in her article on Bangladesh, thus mentions the situation of the "missing middle", that is, those who are too "rich" to be eligible for microfinance services, but nevertheless are insufficiently solvent to request a bank credit. The very large MFIs, in particular BRAC, have already provided for a long time business development services in most of the sectors (poultry, livestock, fisheries, agriculture, forestry and sericulture). Other organizations, smaller and less known, systematically link financial services, training and marketing. For example, TMSS, the headquarters of which is in Bogra, has created several cooperatives, some of which export their products, in particular in the area of handicrafts. More recently, new experiments have seen the light of day, supported by a World Bank programme, and aim precisely at supporting the "missing middle", a few examples of which are given in the article by Parveen Mamhud. Those new microfinance programmes distinguish themselves from the previous one by higher credit amounts, an individual approach and, above all, a linkage with business development services. The author nevertheless advocates a consolidation and expansion of this type of initiative, as well as a strengthening of state intervention on both the local and national levels. Arun Raste, based on an Indian example, also mentions several experiments that are taking place. Apart from the classic business development services, he describes experiments in business clusters and fair trade. He arrives at the same conclusion that was reached in the preceding

text, namely, that these experiments are at present marginal and do not fully answer to the extent of demand.

Before it is the turn of the authors, let us underscore the fact that, whatever the efficacy of microfinance and non-financial services, the existence of a favourable macroeconomic environment suitable to individual entrepreneurship, as well as to the existence of a *demand*, also remains an indispensable condition.

Situating microcredit in India: some reflections

K. Kalpana

Microcredit/finance programmes have inspired substantial critical research examining their claims to effectively address concerns of poverty, empowerment of (largely) female clients and institutional viability or financial self-sufficiency of the lending institution. Research on microcredit programmes, especially Grameen-styled programmes operating in Bangladesh (home to some of the largest and oldest microcredit programmes) has demonstrated that the institutional structures by which microcredit is delivered to the targeted clientele, programme design or the design of financial services and the larger socio-economic context in which microcredit transactions are embedded have critical implications for the impact of such programmes on the livelihoods and overall well-being of clients (Ackerly 1997; Fernando 2001; Goetz 1997; Montgomery 1995; Rahman 1999). The objective of this paper is to propose a methodological framework that helps situate and analyze microcredit within the institutional structures that are central to the practice of self help group based microcredit in India. This paper proposes a framework for research on SHGs which may facilitate a deeper understanding, than we have at present, of power dynamics and intra-group peer pressures, especially with regard to the degree of support extended to individual members in distress, the relationship between the sponsoring non governmental organization or microfinance institution and self help groups and the role of government institutions at local levels that have a critical bearing on the operation of SHGs. The paper also posits that the significant organizational and institutional differences between microcredit programmes in India and Bangladesh may warrant an additional set of research questions to be raised in the Indian context, when seeking to explore the effects of the embedding of microcredit in its local environment.

The self help group, whether sponsored by a government agency, commercial bank or NGO, saves a pre-determined amount every month and lends its savings on a monthly basis to group members, usually on terms decided by group consensus. Group savings, repayment installments and interest income from loans constitute a major portion of the group's loanable funds. Additionally, the group may borrow from external sources in order to supplement its loanable funds. Coordinators selected from within the group maintain group accounts, liaise with banks and government departments. We note the contrast with the Grameen-styled MFI model wherein the group saves with the local branch of the MFI/NGO and borrows loanable funds from the MFI. Borrowing terms are set by the MFI, while paid staff of the MFI manages the group's financial resources. As SHG members maintain their individual accounts with the SHG (and not with the sponsoring NGO), the village-level primary group or self help group is the retailer in the Indian case and performs most of the transaction functions, unlike in Bangladesh, where the microfinance institution is the retailer. Therefore member-controlled and self-managed SHGs, by virtue of being micro-banks, are posited as being financial organizations in their own right (Harper 2002). Linkage of SHGs to the public sector formal lending institutions, especially the nationalized commercial banking structure, is another key distinguishing feature of the Indian experience.

Our attempts to contextualize micro credit in India can perhaps start by identifying the specific institutional terrains that are involved in constituting the practice of self help group based microcredit. Identifying the key institutional arenas in which a study of microcredit needs to be located enables us to raise questions specific to each institution, which can serve as a lens providing glimpses into different facets of micro credit practice. These arenas may be identified as follows:

- At the level of the village, the rural women's micro credit group of 20 members and households of members.
- At the level of the block/district, the apex federation of the village level groups, the NGO or voluntary agency promoting the groups, the local bank branches, block/district level government institutions such as the Block Development Office (BDO) and the District Rural Development Authority (DRDA), and institutions of local self government (the Panchayat structure) at village, block and district levels.

While the considerable research output and reasonably reliable empirical data available on the Bangladesh experience was studied in depth, it was seen that the Indian experience has not yet attracted such rigorous analysis of similar magnitude. Hence this paper raises the many issues that this researcher considers relevant but does not provide rigorous empirical data on any of the themes explored. However, the paper does draw upon some case studies from the earlier work experience of the researcher with a rural development organization – the Tamilnadu Science Forum – that has been mobilizing women in SHGs in parts of Tamilnadu. The current researcher has been actively involved with the Tamilnadu Science Forum (TNSF), a non-governmental organization, as a full time coordinator of its microcredit programmes between August 1997 and November 2001 and has since been involved part time in her capacity as State Executive Committee member of the Tamilnadu Science Forum. The TNSF has been active for over two decades in the state of Tamilnadu in popular science communication, community health and literacy campaigns. A state-wide organization, it has also been actively involved in establishing federations of rural women's self help groups across the state of Tamilnadu.

1. Intra-group peer pressures and power dynamics

Secondary literature on the operation of microcredit programmes in Bangladesh has shown that repayment oriented programme structure and donor-induced programme obsession with lender viability can exclude poorer sections from membership, force MFI staff to deploy coercive strategies for loan collection, induce group members to weed out poorer individuals as bad credit risks, bring to bear punitive pressures on defaulters despite stressful households situations they may face and adversely impact the livelihood and stress-coping strategies of poorer members (Montgomery 1995; Montgomery *et al.* 1996). In the context of the differently organized, more autonomous self-help-groups of India, it is perhaps possible to study intra-group peer dynamics in the absence of excessive external pressure from relatively more powerful and over-bearing NGOs and MFIs driven by donor impulses as in the case of Bangladesh. By suggesting this, we do not imply that SHGs in India are entirely free of repayment pressures imposed by the sponsoring NGO or bank, but only posit that there may be more room for maneuver for groups, which are not subject to the stranglehold of programme staff and non-negotiable loan packages. The greater reliance of

Indian SHGs on group-generated loanable funds, relative to external resources, may imply that groups are able to rely on the strength of their accumulated corpus to bargain for relaxed terms and grace periods for particular individuals even on externally-sourced loans. SHGs may therefore feel less pressured to "discipline" defaulters, and may even be able to "protect" them, should the group perceive the cause of default as warranting support. However, we cannot assume that relative independence from the sponsoring MFI's pressures would necessarily generate more peer sympathy in the case of self help groups. If MFIs in Bangladesh use the threat of cutting off loan access to other members in order to pressure defaulting individuals to repay, the dwindling of loanable resources in SHGs, because of repayment delays by members in distress, could well bring to bear similar pressures on individual defaulters.

The possibility that peer pressure generated within the self help group is of a quite different order, compared to the pressures noted in the case of Grameen-styled Bangladeshi programmes, makes it worthwhile to investigate how exactly intra-group pressures on defaulters operate in SHGs. Branch officers of the local commercial bank might insist on checking group repayment records and making direct visits to groups before sanctioning loans under the SHG bank linkage scheme. The extent of their displeasure with the group's tolerance of laxity in repayment could be an important factor influencing the group's course of action in the event of occurrence of default. It might also be important to factor in the attitude of the sponsoring NGO, which could choose to not dictate policy on default and leave it entirely to the discretion of the group to be settled on a case-by-case basis. Alternatively, the NGO indicate through training programmes and interactions that it would prefer to see more stringent/sympathetic action. Understanding the social consciousness and ideological orientation of the NGO leadership might be significant in this context.

Analysis of the willingness of SHGs to accommodate the crises of individual members requires intensive research that investigates the extent to which group norms make this possible. In the absence of formal regulations, a set of informal practices may have evolved over a period of time. It might be interesting to examine the extent to which these norms apply impartially to all members or whether they appear to be the privilege of some and whether the group's *willingness* to empathize can always match the *ability* to do so, based on the group's resource base.

It may be pertinent here to recount two cases, both relating to SHGs belonging to the MALAR network of Kanyakumari district (Sponsored by the Tamilnadu Science Forum, the Mahalir Association for Literacy, Awareness and Rights (MALAR) is a district-wide network of over 1,500 self help groups operating in Kanyakumari district of Tamilnadu). An SHG member who had taken a Rs.1,000 loan was left bereft when her husband suddenly died in an accident. Responding to her plight, the group decided to contribute Rs.40 per person to repay the principal and waive interest payment. This ability to bear a member's loan might not be possible in a more deprived and poorer area (as in several parts of Madurai and Virudhunagar). In the other case, the suicide of a husband forced a woman to quit as she felt she could not be regular in the monthly savings and would feel ashamed before others who do so. While the other members did sympathize with her predicament, they accepted her decision as the only option available to her.

Understanding the processes by which intra-group peer pressures work to the detriment of poorer members or in defense of their interests in SHGs leads invariably to the issue of examining power dynamics within the group. We note that the more heavy-handed, top-down mode of operation of Bangladeshi MFIs may tend to iron out intra-member differences within groups. As Malcolm Harper (2002) points out, regular supervision by a relatively more powerful MFO can protect weaker members from exploitation by others. However, it appears imperative to pay closer attention to intra-group power dynamics in Indian SHGs. A useful way to explore intra-group power dynamics in SHGs might be to understand the strategies that members deploy and the resources they draw upon in the pursuit of their interests vis-à-vis other group members. What strategies do individual members use to strengthen their respective positions vis-à-vis other members? How do members use their differential access to external institutions (such as banks or Panchayats) to influence bargaining outcomes within groups? (Some members might already have operated individual bank accounts prior to their group membership. Some others might be Panchayat members, Ward members or councillors or relatives of Panchayat members). Members who represent the group at higher level meetings and those with formal literacy skills and a consequent better understanding of group accounts could exercise greater clout in group decisions. Examining individual loan histories of individual members of SHGs may also enable questions such as what makes some members borrow repeatedly while some

others only save. Do group transactions enhance access of the relatively better-off to institutional credit on easy terms and thereby sharpen class related hierarchies among members? Do class differences get reinforced through intra-group borrowing norms that tie loan access to the size of member savings?

A sharp focus on the issue of caste is also warranted. This remains important not only in the case of mixed caste groups but also in areas (as in several parts of Tamilnadu) where the same NGO has organized groups in both the Scheduled Caste¹ and non-Scheduled Caste populations of the villages, adhering to their segregated pattern of residence. The experience of the current researcher in Kanyakumari district included instances where women SHG members belonging to the numerically predominant backward caste stoutly resisted attempts of the NGO to start groups among the much poorer Dalit sections of the Panchayat. Examining the relative access of the most socially oppressed groups to NGO and bank-sourced resources and the role caste plays in the larger federations of SHGs would be an interesting area of entry into this under-researched, yet vital, issue.

2. The relationship between self help groups and the sponsoring NGO/MFI

The concerns raised by the secondary literature in Bangladesh of the undemocratic, non-participatory organizational structure of microcredit programmes (Fernando 2001; Jain and Moore 2003) give rise to important questions regarding the nature of the relationship between the NGO/MFI and the village level primary groups. The relationship between the SHG and the sponsoring NGO needs to be studied to examine whether there are adequate organizational mechanisms in place that ensure representation of the interests of poor women clients in the decision making bodies of microcredit programmes. In India, about 72% of the SHGs linked to commercial banks

¹ The term 'Scheduled Caste' refers to those considered 'untouchable' or 'outcaste' by caste Hindu society and have been socially excluded and oppressed by the Hindu caste system for ages. Pervasive forms of discrimination against Scheduled Castes – social, cultural and economic – continue despite the assertion of Dalit movements for dignity and economic rights and positive discrimination provided for SCs by the Indian Constitution. Scheduled Castes comprise approximately 15% of India's population.

under the bank linkage scheme are sponsored by voluntary agencies (including government departments and NGOs), which engage in promotion, training and monitoring of the groups. In no more than 9% of the linked groups does the sponsor agency also double up as financial intermediary by borrowing funds from outside and onlending to groups (NABARD 2002-2003). Our comments in this section are relevant both to NGOs that are only promoting groups and those undertaking financial intermediation.

Is accountability of the microcredit NGO to the groups it sponsors built within the institutional structure of the NGO? Secondary level federations of primary groups, operating at the level of the block or the Panchayat, could potentially exercise a significant role as a pressure group in advocating members' demands and bargaining with the sponsoring NGO. Given that organizations such as BRAC in Bangladesh are reluctant to create such federations to avoid member pressure for changes in their rigid financial services (Montgomery *et al.* 1996), the case of Indian NGOs that promote federations of SHGs raise interesting questions. Literature informs us that such federations could ensure the sustainability of groups after the sponsoring agency withdraws and that they facilitate training, account-keeping, trouble shooting and access to government schemes (Fisher and Sriram 2002a). An issue that could be further investigated through field research is whether federations also provide some immunity to the groups from certain insidious effects of dealing with governmental agencies and whether they can challenge the more oppressive aspects of NGO operations as well. For instance, are secondary federations able to ensure access to government loan schemes such as the Swarna Jayanti Gram Swarozgar Yojana (SGSY)² without paying bribes to block level government officials? Are federations able to contest official processes of determination of Below Poverty Line (BPL) households (which is critical to SGSY disbursement) and demand inclusion of those they believe have been unfairly excluded? If the

² The Swarna Jayanti Gram Swarozgar Yojana (SGSY) was introduced as a nationwide, self-employment based, poverty alleviation programme in April 1999 and replaced older self-employment promotion schemes such as the Integrated Rural Development Programme (IRDP) and the Development of Women and Children in Rural Areas (DWCRA). The SGSY seeks to use self help groups as channels of delivery of credit-cum-subsidy assistance to targeted below-poverty-line sections. The guidelines of the SGSY, as enunciated by the Ministry of Rural Development, identify the District Rural Development Authority as the key agency of implementation of the SGSY, through the Panchayat Samiti (GOI 1999).

groups perceive the sponsoring NGO as making excessive demands on their resources such as deposit payments, donations to other programmes or frequent attendance as captive audience at NGO-organized meetings, does the federation raise these issues with the NGO/MFI?

A related issue is that of examination of the forms of control that the sponsoring NGO exercises over groups. Are rules on savings, borrowing terms, repayment duration and interest payment determined autonomously by the group or imposed by the NGO? Even where the NGO only facilitates group linkage with banks and does not engage in financial intermediation, it is possible that the lending terms of group funds generated through savings are determined by the NGO and enforced on the group. We would need however to be cautious about the social benefit of completely decentralized *versus* controlled decision making power. Rules determined by an outside agency, sensitive to the concerns of poorer members, may offset exclusivist norms the group may adopt if left to own discretion. Moreover, the NGO's role as an intermediary between the group and other external institutions could serve as another lever of control by which the NGO attempts to discipline groups. In the SHG-bank linkage programme³, the presence of a sponsoring NGO is critical for banks to reduce their work burden and supervision and recovery costs. In cases like the SGSY loans that require more intensive paper work and form-filling by the group, the assistance of the sponsoring agency becomes critical. The control of information about the availability of government enterprise promotion schemes and other social welfare programmes could be another instrument the sponsoring agency may deploy to keep self help groups in line.

Another aspect deserving investigation is the direction of the flow of resources between the group and the NGO, whether it is entirely one way – viz., donor/external funds routed to the groups through the NGO – or whether groups contribute to the operational expenses of the microcredit programme. Some programmes may solicit regular group contribution for the expenses of the larger federation or for NGO services rendered to groups.

³ The self help group-bank linkage project, pioneered and popularized by the National Bank for Agriculture and Rural Development (NABARD) since 1991-92, involves a three-way relationship between the SHG as village-level retailer, the NGO as sponsor or promoter of the group and the commercial bank as financier of the group (Fernandez 2000).

In such cases, it would be instructive to examine whether there is a trade-off to the financial burden borne by groups by way of greater group control over decision-making and ownership of the programme.

3. The importance of government organizations in the Indian context

Research on Grameen-styled programmes in Bangladesh identifies the village level groups, the NGO/MFI and the donor supporting the NGO as the key institutional players. In the Indian context, we need to remember that government institutions at local levels and nationalized commercial banks are significant institutional actors. While banks have been linking up with self help groups since the onset of the SHG-bank linkage scheme in 1992, the block development office (BDO), the District Rural Development Authority (DRDA) and the Panchayats have entered the arena of microcredit only after the introduction of the SwarnaJayanthi Grama Swarozgar Yojana (SGSY) scheme from April 1999.

We need therefore to rigorously examine the terms of interaction between government/bank officials and rural women's groups, the unequal power dynamics likely to structure this relationship and women's capacity to set the terms of the interaction or at least to significantly tilt it in their favour. Literature on the earlier experience with the Integrated Rural Development Programme (IRDP) shows that these institutions have functioned primarily as patriarchal, corrupt, anti-poor bureaucracies (Dreze 1990; Kabeer and Murthy 1996; Mayoux 1989). Field reports indicate that the channeling of credit cum subsidy assistance in the SGSY scheme through self-help-groups threatens to reintroduce the bureaucratic rigidity, red-tapism and corruption documented extensively in the lending practices of banks to the poor through older schemes such as the Integrated Rural Development Programme (IRDP). Insistence by commercial banks on repayment of earlier loans taken (primarily the IRDP) by male relatives of the women SHG members as eligibility criteria for the SGSY scheme has been detrimental for group cohesion. Women, whose husbands or sons have outstanding IRDP balances, are accused of queering the pitch for the rest of the group and have come under pressure by co-members to either quit the group or pay the balance immediately. Turning women SHG coordinators into unpaid debt collectors for the government and taking their assistance even for seizure of

household property against other bank loan defaults have also been reported. In one SHG in the MALAR network of Kanyakumari district, the efforts of a single coordinator of 11 groups in a village ensured that 68 defaulter families in her Panchayat repaid the IRDP outstandings – a feat that paid bank functionaries could never have accomplished. The targeting of government loan schemes to families below the officially designated poverty line exposes women's groups to conflicts emerging from the politics of BPL determination, which is mostly done in a non-transparent manner. In several parts of Tamilnadu, a routine percentage of the subsidy amount of the SGSY is agreed upon as the "cut" owed to the Block office. As noted earlier, there are signs that several structural features that rendered the earlier IRDP non-viable for the poor have also found their way into the SGSY and threaten to destroy the internal cohesion of self help groups by incorporating precisely those features of the traditional banking system that SHG based financial intermediation had helped to ameliorate.

There is also the issue of micro credit programmes sponsored or supported by the state. While participation in such programmes may imply easier negotiation with bank and government bureaucracies, there are fears that local women's initiatives to advance their interests through collective protest action, on issues such as Public Distribution System functioning or male alcoholism may get actively discouraged while groups and sponsoring agencies could be co-opted for varied purposes by the state. It is instructive to note that during the Lok Sabha election campaign of 2004 in Tamilnadu, widespread allegations surfaced that government supported SHGs were utilised to promote ruling party interests.

Conclusion

By way of conclusion, we note that whether in India or Bangladesh, the institutional context in which microcredit transactions are located and the organizational structure through which microcredit is delivered are of great significance and need to be factored in any critical analysis of the effects of such programmes upon members' lives.

9

Women's survival strategies and experiences with support services as home-based micro-entrepreneurs in Metro Manila

Christine Bonnin

As the informalisation of labour markets increases globally, so too has women's participation in them (Chen 2001). Though offering a source of livelihood, informal work is fraught with conditions of insecurity, economic growth stagnancy, below minimum wages, poor working environments and long hours (Joshi 1997). In the context of the Philippines, a combination of local and global factors has contributed to the abundance of the informal economy. The colonial legacy of landlessness and rapid urbanisation of the National Capital Region have created ongoing rural-urban migration, maintaining a constant labour surplus in the city and very low wages. Economic reform and liberalisation policies, executed under Structural Adjustment Programmes, and the after-effects of the Asian Financial Crisis of 1997, have produced a state of chronic unemployment and underemployment and increased commodity prices, eroding the ability of households to maintain an income level necessary to meet their basic requirements (Illo 2002).

Within this changing environment, low-income women in particular must respond by taking on expanded roles and seeking new ways to generate income for themselves and their families. The informal economy provides a space for women to engage in vital income-generating activities, either to supplement the household income or, increasingly, as a survival strategy. According to an ILO (2002) study, informal employment now accounts for 73% of women's total (non-agricultural) employment in the Philippines.

As informal work becomes more notably important as a livelihood source for low-income women, attention from government bodies, non-governmental organisations (NGOs), and other concerned groups, has

increased. The limited successes of large-scale development approaches of the past (Dignard and Havet 1995) and recognition of the profound social costs of economic restructuring has shifted the focus to micro-level interventions, targeting informal enterprises as the viable alternative for poverty alleviation (Rankin 2001). Support services directed towards women micro-entrepreneurs have been expanding, particularly in the form of microfinance. Nevertheless, the diverse activities that women undertake necessitate a greater awareness of their specificities, including particular operating environments (*i.e.*, the socio-cultural, political and economic settings) to ensure that support services adequately address women's interests.

This article provides a sample of some of the key findings from a CIDA-funded¹ research project on a particular gendered informal activity in the Philippines: the *sari-sari* store. Best described as the traditional neighbourhood variety store of the Philippines, the *sari-sari* store is one of the most common types of informal trade micro-enterprise² found there. Women are vastly over-represented as operators and workers, as the stores are home-based and enable productive and reproductive labour³ to be combined (Eviota 1992).

The study explores the specific constraints, opportunities and needs associated with this livelihood strategy for women in low-income urban communities. It also investigates women's experiences with the various support services that they have found available to them, such as informal financiers, microfinance institutions (MFIs), and non-microfinance NGOs.

¹ Funding for this research was provided by the Canadian International Development Agency under their Awards Programme For Canadians.

² The National Statistics Office 1995 *Urban Informal Sector Survey* cited in Joshi (1997) reports that *sari-sari* store operators make up 30% of the total informal sector operators in industry sub-sectors. Of this, women operators represent over 70%, while males make up less than 30%.

³ Reproductive labour entails work undertaken in order to ensure the maintenance and reproduction of the labour force, including childbearing, child-raising, and domestic duties. Productive labour is that work which is performed in exchange for monetary or in-kind remuneration.

Figure 1. Republic of the Philippines

1. Research Methods

Fieldwork in the Philippines was undertaken over a three-month period, from June to September 2003. The study utilised qualitative methods, consisting of in-depth interviews with 24 women *sari-sari* micro-entrepreneurs⁴ and a focus group discussion with a group of 21 women vendors. Interviews and consultations were also held with various representatives of government agencies, local government officials, NGOs and MFIs.

⁴ A total of 30 interviews were actually completed: 24 used in the analysis, plus six pilot interviews.

Greater Metro Manila is composed of several cities and smaller municipalities, which are divided into *barangays*, the smallest political units. Interviews with micro-entrepreneurs⁵ were conducted in three low-income urban communities, all with very sizeable populations experiencing insecure housing⁶: 1) Welfareville Compound, in *Barangay* Addition Hills, Mandaluyong City; 2) *Barangay* University of the Philippines (U.P.) Campus, Quezon City; and 3) *Barangay* Balingasa, also located in Quezon City.

This paper will review some of the major results from the research in the following sections. These will be presented and discussed under thematic headings relating to the following areas: impacts of the economic crisis, gender-related issues, working conditions, housing vulnerability, business strategies and experiences with access to micro-enterprise supports (from both 'formal' and 'informal' sources).

2. Impacts of the Economic Crisis

Some of the experiences of *sari-sari* micro-entrepreneurs are indicative of the larger economic crisis happening in the Philippines. This is most clearly evident from women's responses about the factors influencing their movement into informal employment and on the changing business fortunes they have met with.

Most women reported having waged work⁷ positions prior to opening their business, many making the transition to informal self-employment as a consequence of job displacement. Some reported being laid-off in the period

⁵ Interviews were conducted in English, Filipino or a mixture of both, depending on the participant's preference. Quotes included in this article may incorporate Filipino words (with translations provided) as often interviewees switched between languages during the course of the discussions.

⁶ Data on informal settlers was only available for *Barangay* Addition Hills. A 1996 study conducted by the Comprehensive and Integrated Delivery of Social Services programme of the Department of Social Welfare and Development surveyed 5,544 households (61.2% of the total *Barangay* population) and found all of these to be informal settlers (MIMAP Project Updates, 1998).

⁷ Philippine government labour market statistics do not clearly differentiate between formal and informal work categories. Rather, the categorisations used by the Department of Labour and Employment, which have been used to provide estimates of informal employment, are the divisions between classes of work such

Figure 2. Metro Manila (Mandaluyong and Quezon City highlighted)



following the Asian Financial Crisis of 1997, usually from export-oriented industries and factory labour. Often, women started the *sari-sari* store out of the need to find an alternative source of income when their spouses lost their jobs due to company closures. Awareness of the insecurity of formal waged employment was apparent, as women spoke of how they favoured the

as “wage and salary workers”, “self-employed or own-account workers and employers” and “unpaid family workers” (Dejillas 2000).

independence of being self-employed or one's "own boss", without the fear of being laid-off or fired later. For the majority of respondents the *sari-sari* store has become the main source of income for the household.

Industry closures stemming from the economic crisis can also have a direct impact on informal micro-enterprises. The case of Aling Josie⁸ illustrates how *sari-sari* stores can suffer from the shutdown of surrounding businesses. Since the early 1990s Aling Josie has operated a *sari-sari* store with an attached *carinderia* (food stall). She recalls a time when she used to prepare three meals a day, as well as offer *merienda* (snacks) twice daily, for people employed in the neighbouring businesses. However, many of these companies have since closed down and she has had to cut back, now serving only meals at lunchtime. Her daily customers have dropped from 120 to 20 and her income is dwindling, making her question the future of her business.

3. Gender Roles and Expectations

For most women, having to quit formal employment upon marriage or after having children is another motivating factor behind the decision to open up a *sari-sari* store. Aling Rose, a middle-aged store operator said: *"I used to work in a bookstore in Cubao, but I stopped when I got married... to raise the children... that is the expectation. I thought of going back to work but then my husband said, 'if you work then we will have to get a maid so it's the same thing [financially]'... so its better to open a sari-sari store..."*

Aling Rose's experience corresponds with the gendered expectations that exist within the Philippines, which continue to typify men as the family breadwinners and women as self-sacrificing mothers. Although the labour force participation of women is significant (see Table 1) the expectation remains that once married, reproductive work will assume primacy over other ambitions. Women are regarded as secondary earners, translating into lower wages and gender-based discrimination in the hiring process and during layoffs (Illo 2002).

⁸ Aling Josie is a pseudonym as are all the personal names used in this paper. "Aling" denotes a title of familiar respect for women.

4. Working conditions: long hours and double burdens

The *sari-sari* store is viewed as the ideal means of bringing in income, providing women with the flexibility to engage in both productive and reproductive labour simultaneously. However, along with this comes the burden of having to juggle multiple tasks, requiring that women stretch their workday in order to accomplish everything. Micro-entrepreneurs discussed their long hours of work, fifteen and a half hours per day on average⁹, extending well past the average workday of a formal job.

Most women received no form of assistance with household tasks and childcare responsibilities. One *sari-sari* trader referred to her work as “three-in-one,” meaning running the store, taking care of the children, and performing the household tasks all on her own. Aling Yang, an older, windowed storeowner, runs her store jointly with her daughter-in-law Louise. She says they had to cutback on the number of meals offered at their *sari-sari* store/*carendaria* despite customer demand: *“I cannot handle preparing the merienda anymore. Even Louise cannot handle merienda because she is putting in long hours already. She goes to bed at 1:00 a.m. and gets up very early to prepare the kids’ lunch and their school bags, and after school she also has to help with the assignments of the kids. We just don’t have any more strength to offer any extra meals like merienda as we used to.”* Aling Yang’s business’ potential is constrained as she and Louise struggle daily to perform a variety of necessary household activities.

5. Housing Insecurity

In the communities studied, most of the women resided in informal dwellings. Their insecure housing status caused anxiety and a sense of powerlessness. As described by one store operator: *“We are squatters... there is a Chinese owner but he doesn’t need the land at the moment. He can demolish our houses anytime if he wants to use the land. And then we will have to transfer again. If he came today...he can demolish us, no problem... everyone here is like that.”* Flimsy dwelling structures and crowded

⁹ Estimated hours of work provided by interviewees usually combined the hours spent performing store-related work with time spent on reproductive labour as the nature of the home-based enterprise enabled women to engage in both at the same time, making it difficult to separate the two.

conditions also mean that destruction by calamities such as fires or typhoons is a pressing reality, as shown in the words of Aling Loida: "*I am afraid because sometimes we have a fire here. That's why I cannot buy any more items (for the store)... if someone will make rice and then forget about it there will be another sunog (fire).*" Her awareness of the instability of her home/store precludes her from investing a significant amount in the growth of her business.

6. Market strategies

Women *sari-sari* traders undertake a variety of strategies to maintain their pool of loyal customers¹⁰, attract new ones, and increase sales. Market transactions such as buying and selling are often merged with complex social activities in order to "manipulate the laws of supply and demand" (Seligman 2000). For stores in low-income communities, business interactions rely on strong social networks of reciprocity and behaviour according to mutually understood cultural norms and values. Such socio-cultural mechanisms can act both as an insurance mechanism and as a constraint for *sari-sari* micro-entrepreneurs.

Allowing "special customers" to make credit purchases at their stores is a strategy pursued by most. The practice of offering items on credit, referred to as *utang*, is typically extended to those who prove to be loyal, regular, customers (*suki*) of that particular store. *Utang* helps secure customer loyalty in an environment where the supply of *sari-sari* stores is great, and competition high. However, traders cite collection of repayment as one of the biggest problems facing their business. Women often worry that bad news will be spread about the store if they demand that poor-paying customers honour their obligations. Core cultural values that operate in the Philippines, such as *pakikisama* (maintaining harmonious interpersonal relations) and the means to achieve it, such as taking pains to avoid causing *hiya* (shame, inferiority or embarrassment) are very important to the maintenance of neighbourhood relations. It also means that storeowners have to be very skilful in negotiating repayment without ruffling any feathers: getting angry or upset is unacceptable.

¹⁰ Customers are generally neighbours, those living nearby, those who pass the store regularly on their way to work/school, or relatives.

Feeling a sense of powerlessness in coping with customers who do not pay their debt was common, as was the sense of feeling pressured into providing *utang* to prevent customers from going elsewhere. When asked to estimate weekly earnings from the store, many women found this difficult because of income fluctuations caused by erratic collections. In a few extreme cases, the accumulation of un-recovered credit forced stores into bankruptcy.

On a positive note, the credit provided by *sari-sari* stores may play a role as a partial buffer from household food/consumption shocks that would otherwise be felt in their entirety as a result of customers' highly inconsistent incomes. Also important to food security is the selling technique adopted by *sari-sari* traders known as *tingi*, or the dividing of goods into smaller-sized portions than are usually available in the marketplace (*i.e.* selling vinegar or cooking-oil by the cup), making them affordable for individuals with very small amounts of disposable income at any given time.

Social interaction between vendors and customers is another means of sustaining and enlarging the consumer base of *sari-sari* stores by forging bonds of familiarity that will ensure loyalty. It also helps provide women with some sense as to the possible creditworthiness of a person. This process of information sharing earns *sari-sari* micro-entrepreneurs the reputation of being the community "news source" or information provider. The *sari-sari* store as home-based marketplace is an important location of both economic and social exchanges..

7. Experiences accessing business supports from 'formal' and 'informal' sources

Many micro-entrepreneurs use loans in order to finance their business, sometimes to expand the range of goods sold or to renovate the store, but more frequently to ensure the day-to-day survival of the business. In the latter case, loans are habitually required to maintain the basic stock and keep the store running. The most common method women use to access funds is via informal financial arrangements: either through informal financiers, loans from a neighbour, or from a grocery wholesaler with whom the storeowner is a regular customer.

Informal financiers were the largest loan source for the *sari-sari* operators interviewed. Often referred as “Bombays”¹¹, they travel from door-to-door, offering small to medium-sized loans, typically to women-run micro-enterprises. Many also carry a variety of household items, such as blankets, thermoses, CDs, DVD players, and refrigerators on credit, to be paid daily on a rent-to-own basis.

Purchasing goods in this manner is attractive because of the appearance of affordability: paid in very small amounts on a daily basis, the acquisition feels easier on the pocketbook, and the item is obtained right away. Nevertheless, informal financiers charge high rates of interest. In fact, they are also sometimes called the “5-6” because, over the period of a week, for every five pesos loaned, six will have to be repaid: an interest rate of 20% (Kondo 2003). For some micro-entrepreneurs, the daily payment to informal financiers was almost half their gross daily income. As one store operator said: *“I wouldn’t take another loan because I could not make the repayment. Before, I got bankrupt because of the 5-6... it is like you are just working for them.”*

Despite these difficulties, informal financiers remain the most popular lending source because of their easy accessibility, small daily repayment, lack of requirements and conditions, and immediacy of the loan. Women also explained that informal loans were a preferred form of support to MFIs and NGOs because there was no requirement for regular attendance at seminars, which is important given the multiple roles and responsibilities that they have to manage. When asked about a locally-operating NGO, Aling Florence, a 32-year-old entrepreneur with three children replied: *“I have heard of that organisation but I don’t know anything about what it does... I don’t have the time... for the seminars... because I am the only one who does all the chores and so I have no time for other things... with the Bombay you don’t have to attend any seminars so it is good.”*

However, some of the store operators from Welfareville Compound – where two different MFIs were active, PEDa and TSPI¹² had been availing

¹¹ The term is likely to have risen as a result of the association of these lenders with the South Asian Diaspora (Punjabi and Sindhi) who have settled in the Philippines and feature prominently in this field. However, not all informal lenders are of South Asian descent. Filipino informal financiers are also prevalent but they are not generally referred to as “Bombays” (Kondo, 2003).

¹² The Philippine Enterprise Development Agency and Tulay Sa Pag-Unlad Inc Development Corporation.

of microcredit loans. Women from the other communities reported that MFI resources were not presently being offered in their areas¹³. The lending format of these two organisations is modelled after the Grameen Bank methodology¹⁴, and in addition to providing loans they afford members with access to health and life insurance.

Some interviewees said that their involvement with MFIs has been positive because it has helped in the expansion of their businesses, allowing them to increase the amount and variety of goods. One participant, Aling Lena, was very proud of the fact that she was the only one in her community able to avail of the largest possible loan, which she attributed to her successful ability to repay. However, she explained that it was rare for women to receive large loan amounts because many of them are unable to repay consistently, as the loan gets diverted to "non-productive" uses such as household consumption.

Group formation was seen as a problem by a few interviewees who were not accessing the resources of the MFIs despite their wanting to, because they were concerned about the other members' repayment capability. Since groups are generally formed among neighbours, some women are not confident about the prospect of forming groups with other micro-entrepreneurs in the area, which may indicate something about how well the neighbouring businesses are doing, or that would-be group members also run *sari-sari* stores and are in direct competition. Thus, the popularity of the *sari-sari* store as a livelihood choice for women could pose a significant obstacle to their involvement with microfinance supports.

NGOs were another support source accessed for both loans and livelihood training programmes. In this case, the only traders currently involved with an NGO were from Balingasa and were members of PATAMABA¹⁵. In general, these women were most knowledgeable as to the range of supports available to them, particularly government supports and services, whereas most women from the other communities knew of only

¹³ Background investigations of the support services operating in the study communities, in part provided with information from local *Barangay* chairs, corroborates the statements made by women traders in U.P. Campus and Balingasa, that MFIs are currently not operating in those areas.

¹⁴ Loans are provided to small groups of women, utilising a method of 'social collateral' or peer pressure from group members, in order to ensure repayment. Groups proving to be good borrowers have access to increasingly larger loans.

¹⁵ The National Network of Informal Workers in the Philippines.

one or two local initiatives, if any. This is likely because part of the NGO's mandate is networking with other NGOs and people's organisations and helping its members to secure services and supports from a wide variety of sources.

In Welfareville, interviewees knew only of the MFI that they were involved with, despite the fact that both the local government and the central government (under the Department of Social Welfare and Development) had livelihood training and lending programmes in place. This could be a reflection of the practice of these institutions, of discouraging women from seeking alternative sources of funds, as accessing additional loans at the same time could hinder their repayment ability.

Conclusion

In the instance of the *sari-sari* store, a number of features exist that distinguish the situation of urban low-income women engaged in this type of livelihood activity, even between communities, and may present possible implications for support interventions. The home-based nature of the business creates a very strong relationship between housing vulnerability and livelihood insecurity. *Sari-sari* traders respond to fluctuating conditions with a variety of coping strategies, yet gender divisions of labour mean that the women's energy, business potential, and ability to secure supports are frequently constrained, as evidenced by their preference for the more flexible, informal sources of loans. It would seem that in this case, women's concerns regarding gender-based accessibility problems and the repayment potential of group members who are also likely to be business competitors, has meant that microfinance supports are frequently not perceived as a viable option and are thus unable to benefit *sari-sari* traders to the degree that they could. In addition, socio-cultural codes that prescribe inter-personal interaction in the Philippines exert a role in market and financial relations that may be unique from other cultures and require specific insight and examination.

Annexe**Table 1. Republic of the Philippines Country Statistics**

Total Population	77.2 million
Urban Population	59.3%
Currency value at time of research (mid-2003)	1 USD = 53 PHP
GDP per capita	912 USD
GDP per capita	3,840 PPP USD
Population living below the national poverty line	36.8%
Population living below \$1 a day	14.6%
Female estimated earned income	2,838 PPP USD
Male estimated earned income	4,829 PPP USD
Ratio of estimated female to male earned income	0.59
Female economic activity rate	49.7% (age >15)
Female economic activity rate	61% of male rate (age >15)
Female share of non-agricultural wage employment	42%
Human Development Index Rank	85
Gender Development Index Rank	66
Life expectancy at birth	69.5 years
Under-five mortality rate	38 (per 1,000 live births)

Source: Human Development Reports, United Nations Development Programme (2001).

**Microfinance, informal finance and empowerment
of the poor: lessons from a case study of the
SHG-bank linkage programme in a
backward district in India**

R. Sunil

This paper discusses the process of access to finance, primarily credit, and the resultant empowerment of the rural poor, especially women, facilitated by the self-help group (SHG)-Bank linkage programme in India. Based on a case study, it argues that in backward economies – characterised by uncertainties with regard to employment and income, and the gradual withdrawal of the state from providing social safety networks and services (health, primary education, old age welfare and so on) by assigning a greater role to markets and private enterprises in livelihood systems – credit demands and usage patterns of the poor could differ from general theoretical/programmatic assumptions. In such a socio-economic context, the perceived positive link between credit empowerment of women and the wider empowerment of the poor becomes weak and unpredictable. On the contrary, in the long run, the strategy of targeting poor women to provide credit could result in women ending up with more financial responsibilities (credit contracts) and having to deal with credit related issues (its management, use and repayment) than men, even while they continue to spend more time and energy for the welfare of their household. This paper is organised into four sections; In section 1, the SHG-bank linkage programme is briefly examined, against which the above research problem is posed; The study locale and research methodology are discussed in section 2; Major findings of the study and its analysis are documented in section 3; General conclusions and policy implications are discussed in section 4.

1. SHG-bank linkage programme and empowerment of the poor

The SHG-bank linkage programme is an institutional microfinance (primarily, credit) outreach programme, spearheaded in India by the National Bank for Agriculture and Rural Development (NABARD) since 1992. It is implemented through the rural branches of various formal financial institutions such as commercial banks, regional rural banks and cooperative banks. The programme strives to expand the financial outreach of the formal financial institutions to the rural poor through the effective credit linkage of SHGs (primarily women) with the rural branches of the financial institutions. With a modest beginning of 100 SHGs in 1992, the programme has been able to credit-link more than 7,00,000 SHGs across the country to various rural financial institutions (NABARD 2003). More than 17,000 bank branches participate in the programme; the average loan given to individual SHGs is around Rs.22,240 and the average loan per family is around Rs.1,316 (NABARD 2003).

1.1. Engendering credit

The impact pathways of the SHG-bank linkage programme for the rural poor can be broadly identified as (a) financial inclusion—credit empowerment achieved through their enhanced access to quality credit from the rural financial institutions and (b) social inclusion—empowerment achieved through the active and continued participation of the poor women in the SHGs, which has the potential to emerge as a development initiative by the people and as a social negotiating platform for the poor.

The world over, microfinance programmes, especially group-based micro-lending programmes, adopt a conscious bias towards providing credit to women, since it has been proved that (i) poverty, irrespective of countries and regions, is biased towards women, especially in rural areas, and (ii) the development impact of credit is more when women are provided access to credit (Mayoux 1997; Kabeer 2001; Johnson and Rogaly 1997; Hulme and Mosley 1997). Increased access to credit for women leads to a sense of empowerment, as it brings forth a sense of self-worth and self-esteem at the individual level (Kabeer 1994). It is now well recognised that economic contributions by women, made possible through credit access, result in an increase in the security and welfare of the entire household. It also provides

women with a voice in the household, and gives them greater choice in household resource allocation, especially those who were previously disenfranchised (Kabeer 2001).

Various studies have reported that microfinance through SHGs have significantly contributed to the empowerment of women and to gender equity (Puhazhendi and Badatya 2002; Puhazhendi and Satyasai 2000; Srinivasan 2000). However, these studies — using higher rate of savings, borrowings, timely repayment of credit, promptness in attending SHG meetings and decisions by individual members as indicators of enhanced credit access, income generation and socio-economic empowerment of the poor — focus on the individual SHG members and their financial transactions within the SHG. This kind of an approach suffers from multiple deficiencies (a) the constraints of the parameters to reflect the wider financial behaviour of these individual SHG members at a household level (attribution problem) and (b) a restrictive/simplified perspective of the financial behaviour of the poor at a complex household level.

1.2. Objective of the study

The objectives of the present study are to identify (a) the process of credit empowerment of women (b) the intra-household debt patterns of the household and (c) whether the emerging debt patterns correspond with the declared and documented pathways of empowerment of the poor through microfinance, especially microcredit.

2. Locale of the study and methodology

The present discussion is based on a case study undertaken as part of a larger research study by the author in Wayanad district in Kerala, from October–December, 2002. The study sought to: (a) examine the aspects/quality of financial outreach achieved under the SHG programme and (b) empirically analyse and compare the credit functions, that is, the SHGs and the non-SHG sources. The present discussion focuses on the gender aspects of credit empowerment of the SHG member-households in the district and their macro implications.

2.1. District economy

Wayanad is a hilly district situated in an elevated, picturesque, mountainous plateau on the crest of the Western Ghats at a height of between 700-2,100 metres above sea level. The district has an area of 2,131 square kilometres with a total population of 7,86,627 as per the 2001 census. Tribal people constitute 17% of the population of the district, which has an extensive forest cover that accounts for 38% of the total forest area in the State. It is an agrarian economy that depends on cash crops such as coffee, cardamom, tea, pepper, ginger, turmeric and areca nut. Wayanad is a district with no industry and hence, is a declared backward district. Further, with more than 37% of its population below poverty line (against the State average of 23%), Wayanad is considered a typical example of Indian rural economic life.

2.2. Performance of the SHG programme in the district

The programme has been in operation in all the three taluks (revenue divisions) of the district since 1998. Almost all the bank branches and 12 out of the 20 NGOs in the district participate in the programme. At the end of March 2002, there were 2,381 SHGs linked to the banking system and a cumulative amount of Rs.55 million was disbursed to them (NABARD 2002).

2.3. General livelihood concerns in the district

The economy of Wayanad has been affected very negatively by globalisation, which is reflected in the heavy fall in prices of agricultural commodities and the subsequent impact on its rural livelihood systems. Many tea and coffee plantations have ceased functioning, been abandoned or workers were locked out, virtually driving them to starvation. The migration of male family members to nearby districts and cities has been on the increase (NABARD 2003). Further, there have been repeated media reports on the increasing incidence of nutrition-related diseases and tuberculosis in the district. There has been inadequate involvement by the government in providing basic nutritional support, medical services and other public health activities (Peters *et al.* 2002). The district witnessed 37 small-farmer suicides during 2002, 67% of the total farmer suicides reported for the year in the State.

2.4. Selection of Households and data collection

The selection of households for the study was by the multi-stage sampling process. First, the taluk-wise distribution of SHGs with three years of continuous credit linkage in the district was computed. The number of SHGs from each taluk was arrived at based on its respective share in the total number of SHGs in the district, and the selection of SHGs was by the random sample method. From each SHG thus selected, two SHG member-households were randomly selected for administration of the questionnaire. Thus, the study covered 358 SHG households, equally drawn from 179 SHGs, which were proportionately distributed in the three taluks (Mananthavadi, Sulthan Batheri and Vythiri) of the district. Information was also gathered through focus group discussions with the SHG members and interviews with local moneylenders and bank officials.

2.5. Profile of the SHG member households

The average age of members was 34, with a standard deviation of 17, which implies that the members were in their prime earning age. The average number of members/SHGs in the district was 16 in the year 2000, which declined to 15 in the year 2002.

The livelihood pattern of the members of the households consisted of working on their own land or working as wage labour. Only 5% of the households studied suffered from landlessness. The average monthly individual contribution to the SHG corpus ranged between Rs.20 and Rs.60. Poverty and a commonality in their livelihood concerns were observed as the major driving forces for participation in the SHGs. The official poverty level in the State has been defined as those families whose monthly income is Rs.1,750 or less. In general, the SHG members reported monthly incomes well below the threshold income of Rs.1,750 a month.

3. Major observations and analysis of the study

This section has been organised as follows: (i) Gender aspects of credit, (ii) Credit usage patterns and (iii) Summary of findings.

3.1. Gender aspects of credit

In poor economies, households tend to borrow from as many sources as possible to meet their financial needs. Non-institutional sources comprise of the private, unregistered moneylenders/trader-lenders and so on. The basic objective of all the initiatives in the development of financial systems in rural areas, especially the SHG-bank linkage programme, has been the institutionalisation of rural credit.

Table 1. Classification of SHG households according to prime borrower and the corresponding source of borrowing for the years 2000, 2001 and 2002

Prime Borrower → Prime Source of Borrowing → Year	Male			Female				
	Institutional	Non instl.	Total	Institutional	Non instl.	SHG	Total	Year Total
2000	118	38	156	49	19	34	102	258
% to total borrowers	45.74	14.73	60.47	18.99	7.36	13.18	39.53	100.00
% within gender	75.64	24.36	100.00	48.04	18.63	33.33	100.00	
2001	74	28	102	43	78	38	159	261
% to total borrowings	28.35	10.73	39.08	16.48	29.89	14.56	60.92	100.00
% within gender	72.55	27.45	100.00	27.04	49.06		100.00	
2002	67	26	93	38	105	41	184	277
% to total borrowings	24.19	9.39	33.57	13.72	37.91	14.80	66.43	100.00
% within gender	72.04	27.96	100.00	20.65	57.07	22.28	100.00	

An analysis of the shift in the financial (credit) liabilities that take place in rural areas due to the enhanced credit worthiness of rural women and their participation in SHGs revealed that the number of male members of the household who had accounted for 60.47% of the total number of borrowings of the SHG households in 2000 had declined continuously during the period of study and it was only 39.08% during 2002 (Table 1). The corresponding figures for women were 39.53% and 60.92%. Women – voluntarily or because of livelihood compulsions – assume more financial

responsibility in situations of disturbed livelihood patterns and socio-economic uncertainties. However, while 48% of the women borrowers could contract loans from institutional sources in 2000, it sharply declined to about 20% by 2002, while the corresponding figures for male members in the household remained above 70% during the period 2000-2002. More and more women are borrowing from non-institutional sources.

It is observed that the average annual borrowings made by the SHG households during the period of study (2000 to 2002) declined from Rs.35,000 to Rs.32,500 (Table 2). The share of institutional sources, in general, and gender-wise, registered a decline in total household borrowings, while the average amount borrowed from the non-institutional sources registered a significant increase in the case of women. However, in the case of men, the figure decreased from Rs.9,500 in the year 2000 to Rs.4,600 in 2002.

Table 2. Gender-wise classification of average borrowings by SHG households for the years 2000, 2001 and 2002

Average Amount Borrowed (Rs.) →	Male			Female				Household total
Year	<i>Instl. Source</i>	<i>Non-instl. Source</i>	Total	<i>Instl. Source</i>	<i>Non-instl. Source</i>	<i>SHG</i>	Total	
2000	13,400	9,500	22,900	5,000	3,500	3,600	12,100	35,000
% to Total Household Borrowings	38.29	27.14	65.43	14.29	10.00	10.29	34.57	100
% to borrowings	58.52	41.48	100.00	41.32	28.93	29.75	100	
2001	12,500	6,200	18,700	4,500	5,000	4,200	13,700	32,400
% to Total Household Borrowings	38.58	19.14	57.72	13.89	15.43	12.96	42.28	100
% to borrowings	66.84	33.16	100.00	32.85	36.50	30.66	100	
2002	11,900	4,600	16,500	4,500	6,500	5,000	16,000	32,500
% to Total Household Borrowings	36.62	14.15	50.77	13.85	20.00	15.38	49.23	100
% to borrowings	72.12	27.88	100.00	28.13	40.63	31.25	100	

3.2. Credit usage patterns

An analysis of gender-wise borrowing for 2000 to 2002 is furnished in Table 3. The share of investment activities, which was 35.66% in 2000, declined to about 30% in 2002. The number of borrowings made by the households for meeting basic life needs (such as food, medical treatment and health, education, basic amenities and so on) has significantly increased from 15.89% in 2000, to a little over 22% in 2002. Similarly, the share of borrowings made for the repayment of previous loans, in the total borrowings of the household, also registered a significant increase over time – from 9.30% in 2000, to 13.36% in 2002. More women are observed to be borrowing, but an increasing percentage of them have been borrowing to meet the basic life needs and repayment commitments of the household, while the share of men in all the four categories identified, registered a continuous decline during the period under study.

Table 3. Gender-wise classification of purpose of borrowing (loan use) by households for the years 2000, 2001 and 2002

Purpose of Loan (Nos.) → Particulars	Investment	Production Activities	Basic Life Needs	Repayment of another loan	Total Borrowers
2000					
Male	67	59	22	8	156
Female	25	42	19	16	102
Year Total	92	101	41	24	258
% Share of Male	25.97	22.87	8.53	3.10	60.47
% Share of Female	9.69	16.28	7.36	6.20	39.53
Annual% Share in Household Borrowing	35.66	39.15	15.89	9.30	100.00
2001					
Male	45	34	14	9	102
Female	32	58	41	28	159
Year Total	77	92	55	37	261
% Share of Male	17.24	13.03	5.36	3.45	39.08
% Share of Female	12.26	22.22	15.71	10.73	60.92
Annual% Share in Household Borrowing	29.50	35.25	21.07	14.18	100.00
2002					
Male	43	31	12	7	93
Female	41	64	49	30	184
Year Total	84	95	61	37	277
% Share of Male	15.52	11.19	4.33	2.53	33.57
% Share of Female	14.80	23.10	17.69	10.83	66.43
Annual% Share in Household Borrowing	30.32	34.30	22.02	13.36	100.00

3.3. Summary of findings

Some important observations of the study are:

- Local moneylenders prefer to lend money to women rather than men. Further, among the women, SHG women are increasingly preferred over other women for credit.
- Men took fewer loans than women. However, men could avail larger amounts per loan than women borrowers, at relatively lower interest rates. Institutional credit, which is cheaper than other sources, showed a bias towards men (because they have larger assets).
- Women maintain a wider, more diversified loan portfolio than men (when borrowings from SHG are included).
- Women contracted more high interest, low maturity (short-term) loans than male members in the family.
- There has been a clear shift in credit liability towards women. The average amount borrowed by men decreased from Rs.22,900 to Rs.16,500, whereas the corresponding figures for women showed a significant increase from Rs.12,000 to Rs.16,000.
- There is a significant increase in the number of loans taken (especially for women borrowers) for meeting subsistence and immediate welfare needs of the households, than for its long-term development needs.
- The average annual interest rate hovered at around 24% for SHGs, 30% for local moneylenders and 18% for institutional credit.
- The average interest liability of households has increased despite the general fall in interest rates in the formal system, due to an increase in the percentage share of non-institutional credit in total borrowings of the households. Women bear a major portion of this increased interest liability due to their sources of borrowing.

4. Conclusions and implications

The study observed that SHGs are emerging as a potential source of credit for women. Further, participation in the SHG has enhanced their financial credibility in the local money market and they are, therefore, able to contract

more credit from sources other than the SHGs. However, the increasing of non-institutional sources over formal financial institutions in the credit portfolio of the households is a cause for concern. Further, women are emerging as an important borrower within the household. However, there is an unhealthy shift in liabilities, with high risk, high cost, short duration loans being taken by women.

SHGs are a promise and hope for the socio-economic empowerment of the rural poor. From the entitlement angle, when credit is focused on women, they are empowered to access/control other resources and services that should contribute to their increased welfare through better incomes. However, each credit is a debt and under conditions of severe livelihood uncertainties and dwindling State participation in social security services, the poor are inclined to borrow more and more to meet sustenance and social security/lifecycle needs. The borrowings help them meet their immediate sustenance needs, while their development needs are hardly addressed. The absolute powerlessness of the households could continue or even worsen in the long-term, while in the short-run, the relative intra-household inequities in credit access could be addressed by focusing credit specifically at women. Empowerment of women and the poor through providing credit is a weak assumption and does not result in an interactive process that would eventually result in the transformation of the poor. On the contrary, focussing on women to expand credit outreach could result in their ending up with more unfriendly credit/debts and repayment liabilities, which is not in their welfare interests. The empowerment of women through credit, and the empowerment of the poor are, therefore, not synonymous, at least in the socio-economic contexts as discussed above. This is notwithstanding the fact that women constitute the majority of the poor (there is a gender bias in rural poverty). In stagnant and declining economies, providing more credit to women need not result in empowerment of the household in general, unless it results in additional income generation, employment and welfare at the household level.

Emerging women micro-entrepreneurs in Bangladesh: the “missing middle”

Parveen Mahmud

Bangladesh is one of the poorest, most densely populated countries in the world with a population of about 130 million. According to the latest statistics, 23.39% of the population is concentrated in urban areas, while 76.61% live in rural areas. The 1999/00 labor force survey (LFS) states that Bangladesh's labour force of was estimated at 60 million. Of these, more than 20 million are women. Women constitute about half of the total population, and the majority of them are underprivileged, undernourished, illiterate and poor. They face conflicting realities: one, determined by a culture and tradition that keeps them homebound and the other, shaped by increasing poverty that forces them out into the world seeking wage employment for economic survival. However, since employment opportunities for women are rare, opportunities for self-employment are essential for their economic well-being; collateral-free microcredit, or microfinance, based on the Grameen methodology, aims to serve this purpose.

Delivering microcredit to the poor and the poorest is basically a Non-Government Organisation-Microfinance Institution (NGO-MFI) activity. Donors, government initiatives through formal sector banks and government Ministries also provide services to poor people, either directly through a project or in partnership with NGO-MFIs. The growth of NGO-MFIs has led to the establishment of the Palli Karma-Sahayak Foundation (PKSF), an apex financing organisation that provides credit and institutional development funding to NGO-MFIs, which in turn provide microcredit to the poor. Savings and credit as a package has steadily been promoted for over 20 years in the semi-informal sector of the economy, especially in the rural areas. Microcredit also includes a large range of services such as micro-insurance and micro-enterprise support.

Over the last two decades, access to microcredit has encouraged and created scope for self-employment in rural, non-farm, activities. In 2000, an estimated 16.5 billion Takas¹ in loans was disbursed by 582 NGO-MFIs to be invested in various sectors of the rural economy including small business (14%), livestock (21%), crop production (13%) and food processing (7%) (Credit and Development Forum 2003). With more than 90% of microcredit borrowers being women, there is no doubt that microfinance has helped the emergence of a new class: women micro-entrepreneurs.

However, in spite of the success and efficiency of Bangladeshi microfinance, which is recognised worldwide, one category of clients still has limited access to financial services; the “missing middle” between microcredit and formal banking services constitute the most credit starved part of the country. This paper concentrates on the progressive microcredit borrowers, and the marginally poor “missing middle”, who have the potential to be micro-entrepreneurs, provided they receive appropriate support from NGO-MFIs, the government and donors.

1. Who are the missing middle?

Generally, micro-enterprises under microcredit programmes of NGO-MFIs are the expansion of income generative activities (IGAs) of graduate or progressive borrowers. Graduate borrowers, who are left in a vacuum, with neither the MFIs nor the commercial banks showing any interest in financing them for collateral, cost and risk considerations are the “missing middle”. The financial sector in Bangladesh is highly segmented, with the formal banking system providing services mainly to the relatively affluent, and MFIs targeting the poor (typically those with less than 0.5 acres of land). Small and middle farmers and enterprise owners – those who are “relatively better off” to avail of MFI credit but not well to do enough to access the formal banking system – face a dearth of options in obtaining credit services. Consequently, although informal financial intermediaries (local moneylenders, friends and relatives) have declined in importance, they continue to account for nearly 20 percent of the total amount of loans disbursed (World Bank and Asian Development Bank 2003: 32).

¹ The rate of exchange is U.S.\$1 = Tk.58.

1.1. Features of the “missing middle” micro-enterprises

A distinguished feature of micro-enterprise for the “missing middle” is relative ease of entry. Most of the micro-entrepreneurs go into business on their own after having worked in the same sector for someone else for a number of years, building their technical, managerial and marketing skills to the point where they are prepared to strike out on their own. In addition, during their preparatory years, they save funds to launch small businesses, which may start as a part-time activity. Later on, they may join targeted micro-enterprise programmes of NGO-MFIs, for example, ASA’s small business programme or BRAC’s MELA Programme. Thus, demand for credit of the “missing middle” is also taken care of in a limited way under the microcredit programmes.

For a regular credit programme, the range of collateral-free credit is from between Tk.2,000-Tk.20,000 for one year. As graduate borrowers move on and gain confidence in handling loans, their average loan amount increases. Loans for micro-enterprise range between Tk.20,000 and Tk.2,00,000.

Box 1. ASA’s microcredit programme

ASA introduced a small business programme in 1998 for progressive borrowers and the “missing middle”, mainly at the local marketplace, and focused mainly on men and competent women who needed access to capital for expansion of their businesses. The initial loan is Tk.15,000 with a yearly increase of Tk.4,000-6,000. The term of loan is one year and the service charge is 15% of the total loan. Recently, for graduate borrowers of the small business programme, ASA introduced an experimental, small-enterprise lending (SEL) programme with a loan range of Tk.50,000-Tk.1,50,000 for a period of 12-18 months. The objective is to capture progressive borrowers of small business programmes and cater to the under-served demands of the “missing middles”. The criteria for selection under SEL is to provide employment for a minimum of 1-15 persons in the economic activity, preferably for the hardcore poor in the micro-enterprise.

Source: ASA Brochure.

At the initial stage of micro-enterprise, there is likely to be very little investment in inventory as well as in fixed assets, and it is operated on a cash basis only. Revenue earnings from micro-enterprise are no different from any other kind of income earned by an individual or household. With scaling-up, micro-enterprise emerges distinctly as an entity separate from

that of the owner. Business finances are gradually separated from the finances of the owner and his or her family. Experience from the field shows that as IGAs, the family income is supplemented by other means, while with gradual scaling-up micro-enterprise becomes the main source of family income. But, for quite a substantial time during the scaling-up, it is difficult to distinguish this. The business may be incorporated or conducted as a sole proprietorship, and some level of investment and continuity is anticipated. Successful entrepreneurs can move along towards small and medium enterprise (SME) with greater loan size.

The types of micro-enterprises operated by women are of the following categories:

- “Traditional”: Traditional crafts and cottage type activities such as handicrafts (jute, grass, cane and bamboo works), weaving, sewing, knitting, poultry and cattle-raising, making of coir mats and ropes, making “chira” and “muri” (puffed rice), and post-harvest agricultural operations.
- “Non-traditional”: Rural and informal non-farm activities such as trade and commerce, services, transport and construction.
- Household or family trade: Food processing, tailoring, hot gram (“chanachur”) production, grocery stores, poultry farm, cow rearing, sweetmeat shops and restaurants. The skills required for this kind of micro-enterprise can be picked up through observation, being associated with on the job training by an older family member or craftsmen in the trade. These skills can also be acquired through informal apprenticeships, school training or special courses. In times of family crisis, the female head can move on with the existing business, even without any formal education or training.

Micro-enterprises can be individual or family based, and supported by one or two family members. A micro-enterprise becomes full-time employment for graduate borrowers over a period of time. With scaling-up, non-family members might also be employed. Microenterprises tend to generate employment for up to 10 people, including the owner, and help to stimulate a growth-oriented economy. It has been found that at the initial level, when the female spouse was involved in microcredit programmes, a portion of the loan was invested in her husband’s small business. With the increase in loan size, the small business scales up and provides full-time employment for the family or household.

At present, with higher loan sizes, there is greater interest by MFIs in forming male groups. Also with scaling-up, loan disbursement is drifting towards an individual, rather than a group-based lending approach. There is flexibility in the terms of the loan, with the repayment term extending from the conventional one year to three years. A flexible repayment period adjusted with cash flows has been introduced. Installment repayment periods have been extended from weekly to fortnightly, monthly, and quarterly payments. There is also a trend to de-link the savings programme from the credit programme. As social and rural infrastructures are not favourable towards women's mobility, with expansion, the involvement of the son or husband in the handling and marketing side of the businesses are observed. Usually, minimum equity participation is required, *i.e.* 10%-20% of total investment in the expanded IGAs or micro-enterprises might be needed. With scaling-up of loans, collateral-free credit disappears and a security against the loan is required, which can be in the form of a guarantee bond by the borrower or by an acceptable guarantor on behalf of the borrower. In some NGO-MFIs it is customary, if the trade license is under the husband's name, for the loan to be transferred in his name as well. But, the wife or the whole family takes an active role in the business. An example of this is the BRAC's MELA programme.

Box 2. BRAC's MELA Programme

"BRAC launched the micro-enterprise lending and assistance (MELA) programme in December 1996 with a view to providing loans to existing micro-enterprises with high potential for growth. This section of the market, usually referred to as the "missing middle", remains typically un-served both by microfinance and commercial banks. Yet, the growth of such enterprises can have important poverty alleviation effects though direct employment generation and/or consumption linkages. A MELA loan is between Tk.20,000-2,00,000. As of December 2000, the programme had 7,665 borrowers and a total of Tk720 million has been disbursed to them. The outstanding stands at Tk.290 million.

Source: BRAC Annual Report 2000.

1.2. A mix of push and pull factors

The initial driving force to join microcredit programmes for the majority of female microcredit borrowers is to supplement their existing, insufficient, family income to afford the bare necessities of life.

PKSF's experience from the field revealed that among the marginal poor women involved in the family businesses, the percentage of "forced women entrepreneurs", those compelled by circumstances, is quite high. The prolonged illness or death of the head of the family, and abandonment or divorce by the husband are the main causes for women's involvement in existing family businesses.

Box 3. Case Study

Firoza Begum, of BRAC's Rajpara in Rajshahi district, a regular microcredit borrower, had partly invested in the family owned "chanachur" production factory, which has existed for about 25 years. Two years ago, when her husband became mentally ill and was incapacitated, Firoza took up the reins of the family business, learning the techniques of production from her husband. She decided to scale up the IGA and borrowed Tk.50,000-1,00,000 under BRAC's MELA programme. Apart from her son and herself, five employees are engaged in this micro-enterprise.

Source: Observation during field trip.

Apart from push factors, some driving and motivational factors for scaling up micro-enterprise loans include education, self-confidence, the involvement of male counterparts, use of larger loans and low household income. Traditionally and culturally, women are not counted as breadwinners and parents do not consider it important to educate girls beyond informal education at home. Early marriage also stops their education. But, now in Bangladesh, especially in rural areas, indications are that this scenario is likely to change for the better, albeit slowly. According to records of the Bangladesh Bureau of Educational Information and Statistics (BANBEIS), as well as survey-based estimates from the latest Household Expenditure Survey (HES) and household surveys by Education Watch, the gender gap in enrollment at the primary and secondary level has been virtually eliminated, notwithstanding problems of enrollment and quality (World Bank and Asian Development Bank 2003).

Box 4. Profile of the micro-enterprises

The World Bank mission visited four of the six small partner organisations of PKSf that are currently involved in micro-enterprise lending (World Bank 2002). They were Bandhu Kalyan Sangstha, Noapara, Jessore, Padakkhep Manabik Unnayan Kendra, Pirojpur, Palli Mangal Karmashuchi, Savar and Participatory Development Initiatives of the Masses, Gazipur. It was found that a little over half the borrowers (58%) were female and the average age of the borrowers is 34 years. The majority of the borrowers had completed primary school (62%) and just under 20% had attended, but not completed, secondary school. Borrowers who have attended secondary school are more likely to have borrowed more than Tk.30,000 compared to those who have not. The average loan size is around Tk.30,000, the range in the sample being between 20,000-50,000. Land distribution also reflects the fact that micro-enterprise borrowers are somewhat better off than regular microcredit borrowers. Micro-entrepreneurs are indeed those who have "graduated" from the microcredit programme – the average length of microcredit membership in the sample is four years. Around half the businesses had five individuals providing family labour or employed, while around 10% of the businesses had more than eight individuals involved. The main use of the loan among the 50 sampled micro-enterprises can be grouped into three enterprise categories:

- (i) Agricultural activities, specifically poultry, livestock and fisheries: 40%
- (ii) Home-based production activities: handicrafts, carpentry, tailoring, blacksmithing, jewelry making, food processing: 38%
- (iii) Retail activities, small shop, trading: 22%

The loan typically finances the expansion of a business or contributes to the overall cash flow of the enterprises and in only 5% of cases was it used to start up a new business.

2. Focal issues for micro-enterprise

Until recently, the objective of micro-enterprise centred on graduation of microcredit borrowers from poor to non-poor status. But presently, many programme women are moving up the scale and they need an environment to flourish. "Poor people are like bonsai trees. They could have grown into giant trees if they had been supported by the right environment for growth" (Yunus 2003). If remedial measures are taken to remove impediments, micro-enterprises may trigger an economic breakthrough and maintain economic growth, especially in rural areas.

2.1. Business Development Service (BDS)

Derived demand for business development services (BDS) are emerging and in response, service providers are progressing slowly from felt needs. Broadly speaking, the major needs of these services are credit, training, information, technology, marketing and consultancy. Access to adequate funds for credit operations from the informal and the formal sector is a must for micro-entrepreneurs. The scope of the rural non-farm sector should, of course, go well beyond the NGO-MFI-led micro-enterprise sector, for a vibrant economy. The government should also fulfill the credit needs of the land-owning rural classes under the “missing middle”, who are often excluded by the target criteria of the NGO-MFIs. Besides access to capital, technology can help to increase income. But it should be technically simple, adaptable and cost-effective so that less-educated rural women can easily handle it. Intermediate technology can be beneficial. The Intermediate Technology Development Group (ITDG), Bangladesh, for example, is working with this motive. They have developed a simple machine, which is not expensive but increases “chanachur” productivity. The existing training arrangements for female micro-entrepreneurship development are inadequate and have much scope for quantitative and qualitative improvement. Governmental organisations, NGOs, donors and international agencies, through financial, technical and marketing assistance, currently support quite a large number of micro-enterprises. At the micro-enterprise level, demand for BDS services varies according to the size of the enterprise and by sector. NGOs, donors, governments and the private sector are coming forward to provide these services.

2.2. Product Innovation

The real challenge for the future of women micro-enterprises lies in meeting the need for innovation and diversification in delivery methods and the introduction of new innovative products. For example, with micro-insurance, crop insurance can safeguard microcredit borrowers against unforeseen catastrophes caused by floods, cyclones, tornadoes and droughts, which occur regularly in Bangladesh. To discourage dropouts the microcredit industry needs to try and develop new approaches to help the poorest with appropriate products combining social protection, loan, savings, training, grants of food and micro-insurance².

² Editor's note: some MFI have already started such programmes, for instance BRAC.

2.3. Government / MFI Policy Measures

As we have seen, MFIs so far targeted mostly the landless poor and non-farm activities. It is undeniable that MFIs have a key role to play in increasing the outreach of microcredit. However, public policies, both at the local and at the national level, also have a great responsibility. Progress has already been made in some areas, such as the government's initiative in adopting national policies to facilitate a development process involving women in all spheres, including education facilities for girl children. While by no means claiming to be an exhaustive one, let us list a number of measures that can be undertaken:

- Training facilities and access to capital funds under various programmes of the government focusing mainly on micro-entrepreneurship development should be reinforced; an example being the Ministry of Industries initiated and USAID-funded Women Entrepreneurship Development Project (WEDP).
- Enabling policies should help in developing small and medium enterprises out of the current micro-enterprises. To increase outreach, marginal farmers or the "missing middle" should be given flexible loans for crop production, and storage facilities should be available under the BDS scheme.
- Local government should be strengthened to provide proper administrative support to micro-enterprises, which are active in local markets in rural areas.
- Finally, at a macroeconomic level, there is a real need to improve the infrastructure: whatever the efficiency of microfinance, infrastructure such as delivery, roads, electricity and telecommunications, especially mobile phones, play a key role in helping to activate small trade and businesses through linkages to domestic urban centres as well as export markets abroad.

2.4. Corporate Social Responsibility (CSR)

For sustainable development within a country, shared responsibilities between the government and big corporate houses, along with NGO partnerships, can supplement government efforts to fight against poverty. Of late, multinational companies as well as local business enterprises exercised their CSR in varying degrees in local business operations to address different

social, need-based programmes on education, health and reproduction. Such efforts are promising and this gives us hope for development at a larger scale in the future.

Conclusion

Numerous studies have shown that the qualities needed to succeed as an entrepreneur are the same for men and women. The economic and social environment, the educational process, the family background and the priorities of the community, all play a role in the success of the entrepreneur. Women in Bangladesh are socially exploited by restrictions and superstition of various kinds. As a result, they have to put in more labour and combat social obstacles to succeed and continue with their ventures, all the while maintaining a personal, family and social life.

Microfinance organisations have played a great role in the fight against poverty of women in Bangladesh. However, if we really want to promote women entrepreneurship, a number of additional measures need to be taken. Derived demand for business development services needs to be addressed. The growth of small and medium enterprises out of today's micro-enterprises can only occur with proper policy measures, innovative financial products, strengthening the macro economic situation, building awareness and a positive attitude among the micro-entrepreneurs about quality and environment, and increasing the supportive role of the local government.

12

Microfinance technology and linkages with non-financial services

Arun Raste

India is a country of paradoxes. Globally, it is ranked 11 for total Gross Domestic Product (GDP), yet millions of people in the country struggle in poverty. For the majority of poor people, employment is not guaranteed, and each day, many are forced to hunt for some paid employment. Seventy per cent of the poor live in villages where their only source of employment is either shift cultivation, or the collection of minor forest products. Trading relationships are exploitative, wages are low, and skills remain unrecognised. It is usually accepted that approximately 90% of the non-agricultural workforce is in the informal sector, with little access to financial services or social protection (Deshpande *et al.* 2004). Large numbers of people are dependent on incomes from the informal sector, especially in small and micro-enterprises (SMEs)¹. Even though it is difficult to get precise data, it is fairly evident that SMEs are responsible for over 80% of the employment in India (Kundu and Sharma 2001).

The microfinance movement in India has accelerated rapidly in the past decade and has been effectively fulfilling the financial needs of thousands of poor people, who were earlier deprived of getting loans from formal sources. Nobody can deny that such small loans have helped borrowers, including SMEs, to marginally increase their income. However, those micro-enterprises are hardly ever sustainable. More and more micro-practitioners are realising that credit alone is not enough to tap the full economic potential of the micro-enterprise sector. Access to markets,

¹ Editor's note: this definition, used by the Indian authorities, is based on the level of investment in plant, machinery or other fixed assets, whether held on an ownership, lease or hire purchase basis. It seeks to keep in view the socio-economic environment in India, where capital is scarce and labour is abundant.

information on raw materials and technology, skill upgradation, design inputs, and a range of other business development services are equally significant in making micro-enterprises more profitable and sustainable. Equally important is the proper identification of potential activities through a scientific and systematic process. SMEs are probably the first to suffer from the “social costs” of globalisation, which has raised more challenges to those already marginalised (Deshpande *et al.* 2004), and there is an urgent need to elaborate and implement strategies that will help them take over the market instead of being subjected to its pressures. In this context, this paper does not pretend to give any solutions or “best practices”, but contents itself by raising a number of assumptions.

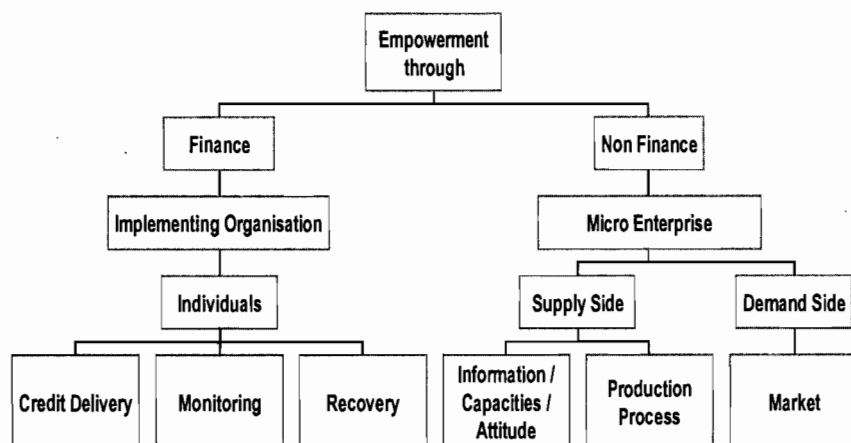
1. Challenges posed by globalisation

New technologies and global competition have highlighted the importance of SMEs. Corporate downsizing has become common and as larger corporations reduce their business operations and focus on core competencies, whole lines of businesses and functions are being outsourced or abandoned. This has created extensive new business opportunities for smaller firms, including micro-enterprises. The SME sector has benefited from this because manufacturing operations have been shifting to countries such as India.

The market mechanism is changing, with markets becoming complex, more segregated, uncertain and volatile. Brand names dominate markets and become global players. Brand owners control the market and determine the production structure around the world. Global buyers require speedy reactions, and demand fast delivery and technological changes. Not many SMEs can cope with this speed. Location advantages are increasingly becoming less relevant as it does not matter where the product is being produced. Buyers can always find producers everywhere and trade in all parts of the world.

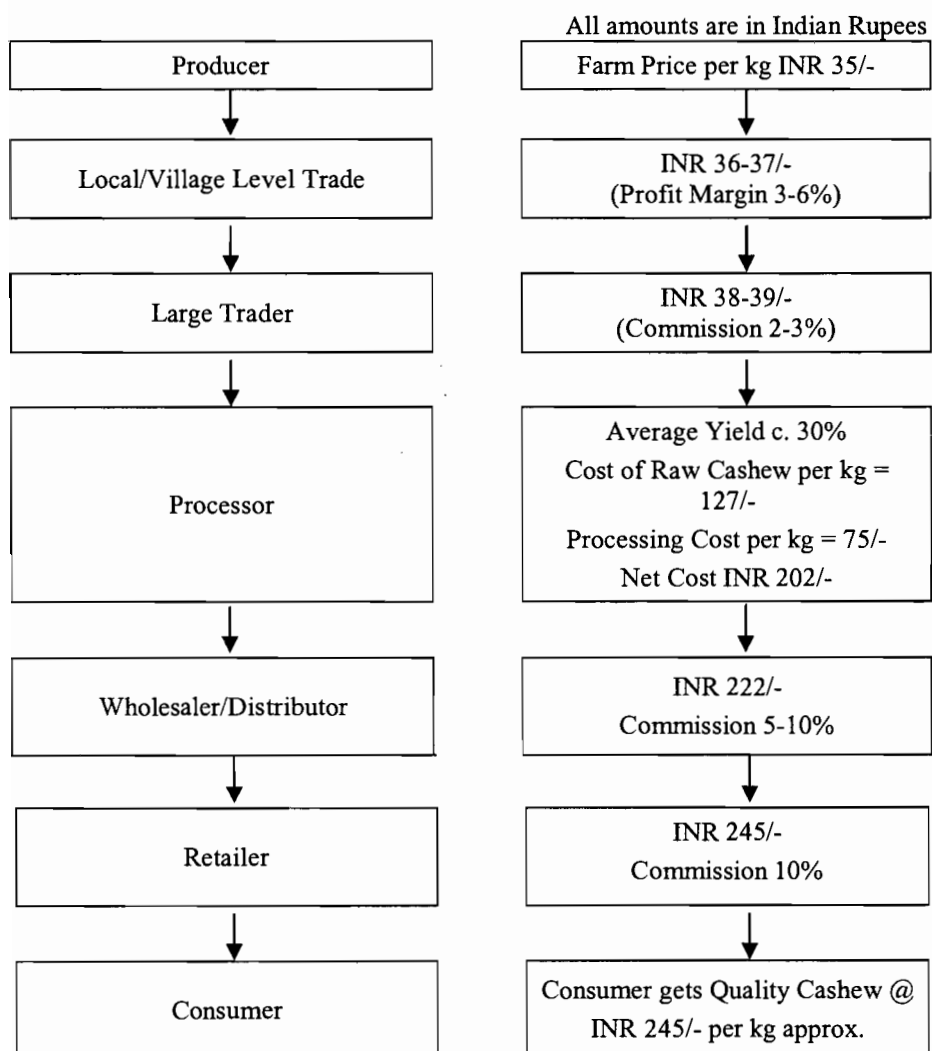
At the same time, globalisation is rendering unsustainable the self-employment activities that microcredit programmes promote (*i.e.* SMEs promoted by SHGs). For them to be viable, they need to be part of a larger development agenda that includes linkages to product markets, local government programmes and community development.

**Figure 1. Empowerment:
a combination of finance and non-financial services**



A baseline study of pro-poor SMEs in western India conducted by the International Resource Centre for Fair Trade (IRFT) and Traidcraft indicated that the growth of SMEs is hindered by lack of business skills and problems over accessing markets (Tiwari and Joshi 2002). They remain excluded from any business development services (BDS), and therefore the producers they work with remain poor and marginalised. Most are limited to selling their products in local markets that are overcrowded and competitive, and characterised by barriers to entry and low profit margins. In the agriculture sector, it is well known that small producers are condemned to depend on middlemen and hardly manage to access markets beyond the local level. The value chain of the cashewnut, given below (figure 2), shows that there is an inverse proportion between the price paid to the producer and the number of intermediaries involved in the transaction. The SMEs lack access to resources, which could help them improve productivity and quality and thereby demand. Normally, SMEs draw upon personal networks to assist with their business needs, often with ineffective results.

**Figure 2. Marketing difficulties faced by small producers:
the example of the value chain for finished cashew nut**



Note: Final price to the consumer varies between Rs.200-350 a kg. Parameters such as moisture loss, broken cashew production, cashew shell, interest on working capital towards stocks etc. have not been considered in the above depiction.

Source: IRCFT (2004a).

In 2002, Tradecraft and IRFT conducted another study to explore the nature and spread of SME clusters (Joshi 2002). These clusters are sectoral

and geographical concentration of enterprises, in particular SMEs, faced with common opportunities and threats, which can: a) give rise to external economies (*i.e.* specialised suppliers of raw materials, components and machinery; sector specific skills etc.); b) favour the emergence of specialised technical, administrative and financial services; c) create a conducive ground for the development of inter-firm cooperation and specialisation as well as of cooperation among public and private local institutions to promote local production, innovation and collective learning.

Table 1. SME Clusters

State	Number of SME Clusters
Rajasthan	154
Gujarat	34
Andhra Pradesh	23
Maharashtra	94
Orissa	72
Tamil Nadu	64
TOTAL CLUSTERS	441

Source: Joshi (2002).

It is estimated that SME clusters and rural and artisan-based clusters contribute to almost 40% of the employment in the Indian manufacturing industry alone. The study also indicated that SMEs contributed 78% to employment in the non-factory sector and 40% in rural areas, as against big businesses (Joshi 2002). India's competitive prices make it attractive to a wide range of companies internationally. However, there have been difficulties in working with SMEs because of actual or perceived problems of communication, regulations, quality assurance requirements, and logistics.

Other studies related to SMEs have similar findings and indicate that the problems they face include (Sriram and Phansalkar 2001):

- Inability to cope with sudden/unseasonal/unplanned demand
- Lack of market information
- Lack of access to resources
- Insufficient business expertise
- Little understanding of the market targetted

- Inconsistent quality
- Difficulty in meeting market demands
- Difficulties in dealing with export regulations and documentation
- No access to appropriate product development & design support

2. Intervention strategies

The starting point for the design of any intervention intended to promote SME development is an assessment of their needs and perceptions. These include *demand-side factors*, such as geographical situation, consumer attitudes, purchasing power, politics and governance, as well as *supply-side factors*, which besides credit, includes networks, access to resources, infrastructure, availability of information and government regulations and policies.

Given the size and importance of the SME sector to an economy like India, the potential demand for effective BDS is vast; however, effective demand is still weak, and supply capabilities correspondingly underdeveloped. In the recent years, the range of services that were supported widened substantially to include individual counselling, facilitation of market access, development of networks and clustering, and provision of information in a variety of areas, such as equipment, technology and markets, as well as physical facilities and shared services.

Considerable opportunities exist to offer services through a variety of channels, including private intermediaries and non-governmental organisations (NGOs), such as market information, trade facilitation/marketing support, business counselling/business planning, product development and design, financial management and attitude building. The availability of quality BDS services at affordable prices is also an issue that needs to be addressed.

Other issues identified include: The need for BDS to provide the necessary support to SMEs; for enterprises to respond swiftly to globalisation, including information and capacity building; and the need for locating local and domestic markets, rather than focusing on export markets, which are beyond their capacity.

Supply-side issues related to BDS have generally received far more attention than the demand-side. Programmes for supplying BDS have

frequently been formulated with little attention paid to determining the existing or potential demand of SME clients. As a result, programmes have failed to involve potential clients or, when cost recovery was an issue, unable to generate revenues through client fees or contributions.

3. Fair trade – An option for better living

Fair Trade is an instrument for achieving sustainable development, defined by the United Nations Development Programme as a process that enables all people to realise their potential and to improve their quality of life in ways that protect and enhance the Earth's life support systems. SMEs can easily shift to Fair Trade and cooperate with Fair Trade organisations. Fair Trade provides a model for SME responsibility because it encourages SMEs to engage with stakeholders throughout the value chain, understand the supplier, conduct their business in the community context, not in isolation from the community, understand business risks, adopt transparent communications, maintain a pricing policy to cover the cost of labour and capital employed, develop partnering relationships and integrate social objectives with other buying functions.

In India, the concept of fair trade is just starting to be well known. A number of initiatives supported are given in the box and the table below.

Box 1. Fair Trade: a case study

To meet the demand for a reliable Organic and Fairtrade cotton fibre, Agrocel Industries Limited, in conjunction with Vericott Ltd and Traidcraft Exchange, have defined and branded a cotton fibre, Agrocel® Pure & Fair Indian Organic Cotton. Agrocel, from its 12 rural service centres across India, co-ordinates organic fibre cultivation with a selected group of local farmers. A team of agronomists is based at each Agrocel service centre, and monitors growing to international organic standards.

In Vellore, Tamil Nadu, SHARE is another example of handicrafts fair trade. Its mission is "to bring in all-round development to the neglected and downtrodden section of the population in the villages" through women's empowerment and solidarity. SHARE was registered as a company in 1991 but has been working as a cooperative in this area since the 1970s. SHARE has village handicraft production centres, primarily palm and coir, in more than 30 villages and employs over 3,000 women. It is a hybrid between a traditional handicraft producer cooperative and an activist organisation. SHARE solicits orders for crafts, arranges for raw material provides advanced craft training, and comes up with new designs for crafts, which are produced in centres in each village. 75% of the

products are for export purposes. International organisations involved in "Fair Trade" such as Oxfam, U.K., Trade Craft-U.K. etc. are typical customers, placing orders for craft items and then selling it in their countries through catalogues. In addition, through a combination of its own profits and funds raised from international groups, it offers other services such as balwadis, scholarships, and so on.

In Gujarat, the Banascraft programme aims to empower the craftswomen of Banaskantha by allowing them to earn a livelihood by making handicrafts. The programme is designed to help them work for their collective benefit, to improve the socio-economic position of artisans and their families. The project started in 1989, with the formation of groups of local women into the Banaskantha DWCRA² Mahila SEWA Association, on the basis of traditional craft specialisation. Different caste and tribal groups in specific villages in the *taluks* (sub-districts) of Radhanpur, Santalpur, Harij, Diyodar, Tharad, and Kanakre, produce particular types of textile-related crafts, including embroidery, mirrorwork, patchwork, weaving, and beadwork. Banascraft provides a broad, integrated range of overlapping BDS, which are divided into four broad areas for the purposes of analysis:

- 1) Organisation and capacity building: assisting women to form village craft groups, pool financial resources, and integrate the groups into the larger Banascraft organisation; helping members access government services; and encouraging participation in appropriate government programmes.
- 2) Product development: helping craftswomen to use new manufacturing techniques, designs and raw materials.
- 3) Training: teaching and upgrading both business and technical skills to improve efficiency and commercial competitiveness.
- 4) Marketing: Banascraft's core service, involving the provision of market information, linkages, transport services and the fair trade label.

Banascraft helps craftswomen market their products both locally and in urban markets in India and abroad, through retail and wholesale channels. The crafts are marketed through the Banascraft store in Ahmedabad (Gujarat's largest city, where SEWA is headquartered), and also sold through bazaars and exhibitions. Craftswomen show their wares at festivals and trade shows, as well as exhibitions in Delhi, Chennai, Mumbai, Bangalore, and Pune. Several women recently attended trade shows in France and are planning to visit New York for an upcoming craft show there. Banascraft also promotes its members' crafts through customer discounts, print advertising, television commercials, special festival promotions, and exhibits in major hotels and tourist destinations. In each case, Banascraft facilitates sales in exchange for a 10% share of the final selling price. According to the statistics of the organisation, the Banascraft programme covers more than 10,000 artisans and is composed of 300 local groups.

² An acronym for a State government programme called Development of Women and Children in Rural Areas.

Table 2. Fair trade experiments in India

Domestic market		Export market	
Name of buyer	Types of products	Name of buyer	Types of products
Apna Bazaar	Pulses	Aspire Group, U.K.	Jute and other handicrafts products
Mumbai Madhyavarti Grahak Sangh	Mango chutney, Mango pulp	El Puente, Germany	Rice
V. P. Bedekar & Sons	Raw mango slices	Cora Kemperman, Netherlands	Organic cotton
Fab India	Curtains, pillow covers	Shriram, Prajapati, Nepal	Organic cotton
Neon Group	Organic cotton	/	/

Source: IRCFT (2004a).

4. Why do we need BDS services?

The provision of BDS services to SMEs could promote economic empowerment of marginalised communities and enterprises, to enable them to work successfully within the value chain, and increase their ability to negotiate in the marketplace. In theory, effective BDS Services should ensure the following effects:

- Reduction in business related problems:

Theoretically, the range of services that a BDS provider would offers should help to reduce the gap between supply and demand, by making changes at the supply end of the chain. This could result in sustainable and increased income for SMEs, by increasing the profile of SMEs in the marketplace and also their confidence to negotiate terms of trade equitably.

- Increased productivity

Any productivity enhancement increases the incomes of producers/artisans/entrepreneurs, and would have a direct impact on poverty.

- Sustainable livelihoods

BDS services improve the quality of the products, which would lead to better prices, and increased sales. Particularly in rural areas, where people are

entirely dependent on seasonal agriculture, such intervention would enable a source of supplementary income either through product processing (value addition) and/or through the promotion of traditional crafts, thereby increasing the number of days employed in the year.

- Increased income/surplus generation

While increased income does not necessarily mean surplus income (since many of the people covered live near or below the poverty line), this is one of the objectives of working with marginalised enterprises. For beneficiaries who live below the poverty line, it may not convert into surplus, but increase income. However, with sustained productivity and increasing sales, an enterprise can reach the break-even point faster.

Box 2. Helping women to access information: the “telephone ladies” of Grameen Bank in Bangladesh

The experience of the “telephone ladies” of the Grameen Bank demonstrates that it is possible to increase economic returns to poor people by changing nothing more than their access to information about market prices. Grameen Telecom provides commercial phone service in rural areas of Bangladesh through local entrepreneurs. Grameen members, mostly women, many of them illiterate, take loans to buy and operate cellular telephones, charging villagers by the minute for calls. Fifty per cent of the calls are made by poor people, mainly for economic reasons; these include checking out the current price of goods before a meeting with a purchaser, finding prices in various markets before deciding where to go to sell goods, and consulting with doctors and medicine providers. It is estimated that the phones generate real savings of between \$2.70 and \$10.00 for calls, which substitute for travel between villages and Dhaka, the capital. The telephone women are able to repay loans in a year, and they call the telephones a more reliable investment than cows.

- Bridging demand supply gap

A key problem for SMEs is the information on demand and supply. Therefore though the skills are present, products are linked to cultural traditions alone, sold within local markets. For many, demand for their products is decreasing, as choices for consumers increase (better quality at cheaper prices). BDS services would help to connect enterprises with the market and consequently convert skills into products that the market wants. Product development and design activity should be an important aspect of the intervention, supported by market awareness and sales tours, multiple channels to market, and value addition where feasible and sustainable.

- Capacity to negotiate with other elements in the supply chain

BDS services help producers, artisans and entrepreneurs to understand the supply and value chains in which they trade. The value chain analysis will help understand the 'big' picture beyond the immediate trading relationships, build economies of scale and develop more confidence to respond to pressure points.

- Purchasing capacity and increased consumption levels

Finally, it is likely that all the impact areas mentioned above would have a positive impact on purchasing capacity and consumption levels, which are important for improving the quality of life of the poor.

5. Development of common facilities and flexibility

The key challenge in providing market-oriented business support services to micro and small entrepreneurs is helping them to overcome the disadvantages of being small, scattered, and unorganised. Various linking strategies have emerged to provide services to support micro-enterprises and SMEs, including the formation of networks and associations, business clusters, franchising, leasing, subcontracting, and business incubators.

Box 3. Formation of business clusters: an example of Jaipur

When a large concentration of small businesses compete with each other, unable to break into new markets or improve product design, competition drives down prices and can lead to self-exploitation strategies. In this environment, a cluster approach to DBS services can be a viable option to achieve collective efficiency. This also enables the adoption of common marketing opportunities and economies of scale. The best-known examples of these small business clusters are found in northern Italy.

In Jaipur, Rajasthan, famous for its ethnic hand-block print fabric, a UNIDO-supported intervention helped 500 small firms to employ 10,000 workers to increase their profitability, improve their product quality, and access new export markets by pursuing a cluster strategy. The first steps were to increase communication, build trust, analyse problems, and develop a common vision of problems, which needed collective action. Over time, this led to the revitalisation of a dormant artisan association, the Calico Printers Co-operative Society; this in turn led to the creation of a common showroom and an independent consortium of textile exporters. Service providers such as the National Institute of Fashion Technology have stepped in to provide fashion design advice, a credit scheme has been extended through the Small Industries Development Bank of India, and a market is gradually developing for consulting on export strategies, Internet technology, bulk purchasing, and product marketing for small enterprises.

Conclusion

Though credit helps in increasing the income levels of the beneficiaries to a certain extent, credit alone is not enough to tap the full economic potential of the micro-enterprise sector. Sustainability is a big issue for SHGs and SMEs. From observation, it was clear that on an average hardly 10-15% of the households in a group graduate to micro-enterprise development in the poorer regions. Moreover, any new micro-enterprise takes on an average 10 years to stabilise. For all these reasons a key challenge is to complete microfinance services with a diversity of non-financial services. BDS services that take into account the demand and the supply side, marketing arrangements such as fair trade, and clusters of SMEs, are some of the strategies that might help in this direction.

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PART III
Assessing microfinance

Introduction

Assessing the impact of microfinance in terms of empowerment: issues and challenges

Cyril Fouillet and Jane Palier

According to the 2003 report of the Microcredit Summit Campaign, 2,572 microfinance institutions (MFIs) recorded, on a worldwide scale, more than 67 million clients with an outstanding loan. Among these clients, more than 41 million were regarded as poor people¹ at the time of their arrival and 79 per cent, that means 33 million, were women. Many microfinance experiments carried out all over the world show that it is possible to set up financial services for the people “excluded” from traditional banking and financial institutions, and furthermore, to create profits, an important factor in the eyes of private as well as public investors. However, it is difficult to speak about “exclusion” when the absence of banking services concerns more than half the households. For instance in India, only 35.5% of the households use banking services². The potential demand for microfinance in India is thus estimated at between 290 million (those below the poverty line³) and 650 million people (those who do not have access to bank accounts).

Microfinance, as an alternative to the informal and the banking sector, engenders a keen interest among the development actors. Nevertheless, we must remain cautious. Up to what point, for example, is the support from public funds for microfinance programmes justified and under what conditions? Does microfinance induce an *empowerment* process for its beneficiaries? What is its effect on the living conditions of the men and women directly or indirectly affected by these programs? To increase the debt of millions of people is not automatically good news. Microfinance does not need preachers blinded by their beliefs, or their excessive goodwill.

¹ In the bottom half are those living below their country's poverty line or below \$1 a day (Microcredit Summit Campaign 2003).

² See the data available from the 2001 Census on the website: www.censusindia.net

³ See the World Development Indicators available on the World Bank website: www.worldbank.org

Microfinancial practices must be evaluated by the yardstick of their financial and social performances. To evaluate and measure all the changes in the life and environment of the people should be a step taken simultaneously with microfinance.

Created as an assessment tool of a project, its design and its piloting, impact evaluation appears all the more useful and relevant in today's context of bitter competition. Even if impact evaluation expectations differ according to the actors (funding agencies, international donors, paid and voluntary staff of microfinance institutions), these evaluations prove to be essential in a sector of expanding activity.

Today, the microfinance sector has established very good tools to measure and evaluate financial performance and to a lesser extent *economic empowerment*. On the other hand, there is still a long way to go to build comparable indicators in terms of *social empowerment* or social performance. Microfinance is considered by some funding agencies as a profit-making sector; the returns must be high to attract investment. Such an approach keeps microfinance far removed from one of these prerogatives: to be a financial tool serving to develop the capabilities of the most destitute people, while allowing them to become actors of their own life and to take part in public life. Credit is a factor of development only if it becomes a source of accumulation – or at least of income stabilization – and not of debt. While following a collective and solidarity-based logic, credit grounds the group in the collective and can become a factor of emancipation and power redistribution. But credit can also become an instrument of impoverishment and even bondage, and certain texts presented in this book demonstrate this⁴. The in-depth analysis of recent bankruptcies of microfinance institutions which, until recently, were believed to be firmly established, shows to what extent the negligence of social, cultural and political factors can lead in the worst case (Gentil 2002). Evaluation is thus necessary as much for securing the client's well-being and their loyalty in the long run as for the survival of the organization itself. To think of impact evaluation in terms of empowerment goes in this direction.

To describe all of the impact evaluation studies in terms of empowerment carried out in the microfinance sector is not very interesting. Indeed, the embeddedness of institutions in complex and diverse socio-cultural contexts affects the various stages constituting an impact evaluation

⁴ On that topic, see Guérin and Servet (2003).

(1. Understanding the context; 2. Determining objectives; 3. Elaborating a global approach; 4. Developing indicators; 5. Selecting tools and methods; 6. Using impact data) (Simanovitz 2003). There are almost as many methods as programs. Nevertheless, in order to clarify this great confusion, we can establish some bench marks in order to understand better the main features which underlie the microfinance evaluation process, and in particular the impact evaluation in terms of empowerment. This introduction tries to go in this direction (1). The contributions brought together in this Part 3 reflect the diversity of empowerment evaluation methods⁵. Those obviously depend not only on the objectives pursued (What is one trying to measure? What is the subject evaluated) but also on the motivation behind the approach (Why carry out an evaluation? What is one really trying to prove?) and the human and financial means available. This last point involves asking who are the potential actors (Who is *the sponsor*? The evaluator? What is their relationship?). We will then try to understand what are the relevant indicators chosen to evaluate empowerment and what do they imply (2). This will lead us to illustrate the diversity and originality of the various approaches adopted by the authors of this Part 3 and to point out some of their most significant findings. The assumption mentioned in the general introduction of this book, namely that the link between microfinance and empowerment is far from being spontaneous and automatic, is largely confirmed. The results of the various studies nevertheless make it possible to go beyond this simple observation since they inform us about the obstacles. Once more, these texts remind us that access to financial services is only one tool of local development among others and that it is advisable to relativize and organize the many supposed virtues of microfinance.

1. Questions raised by the impact evaluation of a microfinance programme

1.1. Preliminary vocabulary questions: how to define an impact evaluation?

The evaluation, whatever the sphere of activity, covers multiple meanings. The Development Co-operation Directorate (DAC) of the Organisation for

⁵ We refer to the texts published in this Part 3 throughout this introduction. When we mention a contribution on a particular point, it in no way implies that the other studies are not relevant, but simply that we have made a choice of presentation.

Economic Co-operation and Development (OECD), worked out a definition of development aid programme evaluations adopted by the principal international aid agencies. Evaluation is defined as:

“The systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors” (OECD 2002: 22-23).

This first definition can be supplemented by those proposed by F3E⁶ (1999) between results, effects and impact of a development project:

Box 1. Results, effects and impact of a development project

- **Results:** They are the quantitative and qualitative changes produced directly by the action. The results are in direct relation to the objectives of the project. It consists of comparing the results reached and the results defined by the initial objectives of the project.
- **Effects:** They are the repercussions of the project on the physical environment and human surroundings. The effects combine the results of the project and other dynamics or constraints coming from the environment in which the project takes place. One understands by evaluation of the effects, a study related to the dynamics of change within the population concerned with the project.
- **Impact:** The impact of a development project is the situation resulting from all of the significant and lasting changes, positive or negative, envisaged or unforeseen, in the life and environment of the people and the groups and for whom a bond of causality, direct or indirect, can be established with the development project. The impact evaluation is thus a judgment related to the dynamics of change within the population concerned with the project.

Let us adopt a general definition of a microfinance impact evaluation: all of the processes whose goal is to determine which changes, significant and lasting, positive and negative, envisaged or unforeseen, occurred in a given space following the intervention of a microfinance institution (Fouillet 2003).

⁶ Fonds pour la promotion des Eudes préalables, des Études transversales (F3E) is a tool created and managed by international solidarity associations.

1.2. The evolution of microfinance impact evaluation practices

As fundamental as it is, microfinance evaluation is, however, only very recent. One had to wait until microfinance suffered its first reverses in order to consider the need for impact evaluation and to question its advantages and its limits (Gentil 2002). At the end of the 1980s, the first microfinance impact evaluations were conducted according to methods, tools and with a precision responding initially and above all to academic requirements. These studies proved to be time-consuming and expensive, and, especially, were not very useful for the field operators. In the 1990s, a new approach to the impact described as *minimalist* (CERISE 2003:53) developed among the big networks. In this period, let us recall, microfinance is fashionable, but one is primarily concerned with the quantitative growth of the sector. The impact is then evaluated only on the basis of the institution's financial performance. The key words become: autonomy, financial viability and sustainability, overdue, outstanding loans, repayment rates, etc. One considers that a positive financial result means, therefore, the satisfaction and emancipation of the clients. This connection is obviously misused. The financial performance of a microfinance institution, whether it is positive or negative, is only one effect among others of a particular program. That an institution can survive autonomously is regarded as the best proof of its impact. This presupposition seems naive, to say the least. The number of clients does not tell us anything about the quality of services proposed, – all the more so when there is no competition in the sector.

The first financial difficulties encountered by some microfinance institutions at the end of the 1990s started a new phase: one encounters a renewed interest in more operational analysis tools. The relationship between the evaluators and the subjects to be evaluated is reconsidered. The objectives of these studies and the indicators used become wider. There follows a proliferation of various studies seeking to show through analysis the effects in terms of income-generating activities, poverty reduction, the creation of employment, female emancipation, local democracy, etc. (Guerin 2003). The evaluation of empowerment becomes one of the top priorities of the studies.

The contributions of this Part 3 plainly fit in this perspective of going beyond the simple measurement of the number of people served by a microfinance program, the amount of disbursed credit or the rate of loan repayment. B. Thampi shows for example that a high repayment rate does

not necessarily mean additional income from a productive activity: it can disguise the use of other sources of income (the husband) and credit (the *money lenders*) to repay the loans. In the same way, the high savings rate observed in the first years of the Community Development Society programme (Alleppey, Kerala) does not imply new savings habits (being able to reduce vulnerability), but rather a pragmatic use of the microcredit program. After 6 years, 62.5% of the women interviewed reduced their amount of savings after obtaining a bank loan via CDS. In the same perspective, L. Prasanna shows the limits of the *minimalist* approach (to focus only on financial performance) by analyzing the bad performances of SHGs and the many *dropouts*. In the context of a large increase in the number of SHGs created⁷ – growth which one can describe as *unspontaneous* (U. Oommen and A. Meenakshisundararajan), more especially as any group tends to be called a SHG (U. Kumar) – several authors of this Part 3 justify the interest in their study by the fact that not enough attention was given to *social* empowerment compared to the economic performances of SHGs. M. Indira uses more precisely the concept of *social externalities*, V. Rao speaks of *social development*, U. Kumar of *socio-political* empowerment. L. Devi and P.P. Pillai, insist on the insufficient acknowledgement of the role of institutions supporting SHGs in understanding the impact in terms of empowerment. Finally, L. Prakash is focused on the role and place of SHGs in Civil Society, in other words, on the impact that women SHGs have made on “local politics”.

1.3. The aims of microfinance impact evaluation

When one tries to understand the aims of an impact evaluation, the analytical framework of David Hulme (2000) of a continuum of objectives between *proving impacts* and *improving practice* is very useful. In other words, does the impact evaluation aim at showing that a positive change took place in order to justify the continuation of funding? Or does it rather aim at redefining the practices of the microfinance institution? After having been regarded for a long time as paradoxical, these two extremes are now combined more and more. New methodologies seek to develop client analysis tools making it possible, at the same time, to prove the impact, but

⁷ As an anecdote, on the Nabard Internet site (www.nabard.org/roles/microfinance), one can read: “*Did you know... more than 400 women join the SHG movement in India every hour. One NGO joins our mF programme every day*”.

also to improve the practice, *i.e.* the capacity of the institutions to offer financial services adapted to the needs of the client.

Most of the texts of this Part 3 tend rather to favor *proving impact*, even if their conclusions are obviously useful for the improvement of microfinance practices (via a better knowledge of the functioning of SHGs). However, two texts explicitly take the position in order to *improve practices*. H. Noponen shows the importance of a participatory monitoring and an impact evaluation system, the Internal Learning System (ILS) based on the experiment of PRADAN (Professional Assistance for Development Action), an organization promoting SHGs. As quoted in her paper, *the medium is a multi-year pictorial diary suited to the illiteracy and poverty conditions of participants and to longitudinal perspectives of the process of development change*. In the case of PRADAN, the tool was directed towards the analysis by the SHG women members of their living conditions in order to make more strategic decisions about the uses of scarce resources including credit. This type of tool (ILS) is clearly designed to improve programme operations. However, the data captured through the workbooks can yield quantitative data to be analyzed on a longitudinal or cross-sectional basis to assess the impact.

M. Patole and F. Sinha present the approach taken by the EDA Rural System to evaluate the impact of 20 MFIs representing various *models* (group and individual banking) in several areas of India. The authors show that the approach of EDA rests on a *triangulation* of methods in order to benefit from the advantages of three different tools: *the direction of change (Focus Group Discussions)*, *the process of change in different contexts (case studies)* and *the assessment of that change (quantitative data)*. Moreover, it is a longitudinal study aiming at the same time “to document impact and to improve practices”. For this reason, they suggest strategies for microfinance institutions to be “more empowering”. They scored 16 MFIs on 10 empowering components (10 strategic features which support women as microfinance clients and other development support). Only 3 MFIs scored more than 0.5, they use the SHG model and are located in the South of India. The approach of EDA is unique: it does not aim at building an index of beneficiaries' empowerment as may be the case in other studies (cf. 2.) but an index of empowerment *strategies* carried out by MFIs.

1.4. When to carry out an impact evaluation?

Is there a rule about the moment when an impact evaluation must take place? The answer could *a priori* exclude the evaluations known as *ex ante*. How, indeed, to carry out an evaluation when the project hasn't begun? However, in the case of a longitudinal approach, an analysis *ex ante* can prove altogether useful, to establish, for example, the various poverty levels⁸. B. Thampi shows that one of the interesting features of the Community Development Society (CDS) program, Alleppey (Kerala) resides in its mode of identifying poor people using nine risk factors, like living in a *kutchra* house, no access to safe drinking water or a family eating less than two meals a day, etc.

Programme impact evaluations are frequent when the operators wish to obtain a preliminary return on their work or the funding agencies on their financial assistance; thus, the strategies can be reconsidered, the intervention reorganized. The evaluative process can be considered half way when the duration of the project is determined in advance. The text of P. Labh is in accordance with this point of view and presents the results of a Mid-Term Assessment study of CASHE – a poverty-focused programme started by CARE in 1999 – carried out in 2003. It is also possible to establish a schedule or to carry out the evaluation continuously: one is then talking about a follow-up evaluation. Of course, an evaluation *ex ante* or half-way does not exclude an evaluation *ex post*.

Evaluation studies are also distinguished by the opposition “instantaneous”/longitudinal approach. Whereas the “instantaneous” method obtains all measurements at the same time, the longitudinal approach takes measurements at various moments.

The majority of contributions to this Part 3 are the fruit of studies undertaken by consultants or researchers in partnership with MFI or Self-Help Group Promotion Institutions but they do not belong to it. Their evaluations are by nature ad hoc and seek to point out dysfunctions, to show how dynamics of change can emerge or to compare the performances of various programmes and do not necessarily respond to an expectation initially expressed by the MFI or the funding agency.

⁸ In this regard, the work of GRET is remarkable. See in particular Bousso, Daubert, Gauthier, Parent and Zieglé (1997).

1.5. The actors of impact evaluation

Let us now question the role and the place of the three key actors of the evaluation process: *the sponsor*, the evaluator and *the subject to be evaluated* (Neu 2001).

First of all, *the sponsor*. Sometimes, a microfinance institution, aiming to improve the understanding of its own practice, can itself be *the sponsor* of the evaluation. In other cases, the sponsor is external, actual funding agencies (development banks⁹, development agencies¹⁰) but also potential funding agencies. It is, for example, the case of certain traditional commercial banks which wonder about the potential of the sector, either because they are in search of new niches, or because they want to upgrade their image. In the Indian context where the promotion and financing of SHGs are an integral part of government schemes, *the sponsor* can be a government agency. For example, the study undertaken by Binitha Thampi in Kerala was approved and funded by the Kerala State Planning Board. The strong involvement of the Indian government in the microfinance sector largely justifies their interest in impact studies. V. Rao considers, nevertheless, that though the state government of Andhra Pradesh has been spending lots of time, money, personnel and other resources on the group formation, there are not enough studies on the social development levels achieved by the women's groups in Andhra Pradesh. Let us note that this illustrate once again the lack of accountability of the majority of Indian government schemes. Lastly, the funding agencies of impact studies can also be public or private research institutions which finance an *independent* study, in the sense that there is no direct link between *the sponsor/evaluator* and the subject to be evaluated.

Let us now introduce the second actor: *the evaluator*. His/her function is to assess the quality of the subject, to provide data regarding its state. The evaluator can be totally external to the subject and the authorities, but can also merge with them. Certain financial consultants work on databases sent directly by the field operator. In this configuration, the different actors never meet; the evaluator receives information and data on which it works, produces a report that it sends to the funding agency (who will take the

⁹ For example, EBRD: the European Bank for Reconstruction and Development.

¹⁰ AFD; PRODEM; USAID; European Development Fund (EDF).

decision whether or not to publish this information). On the other hand, there are evaluation mechanisms completely integrated into the subject and regularly interacting with it. Ultimately, the evaluators can be the operator him/herself (self-evaluation), a rating agency, a consultant, a research institution, as well as the clients, the local authorities, the local academics, social workers who belong to the third sector, etc.

Lastly, the third actor in the evaluation process is *the subject to be evaluated*. The subject can be evaluated at several levels: micro, meso, macro. The last level is very rarely evaluated. The subject of the evaluation includes both the microfinance institution and its clients. One can speak about evaluation directed towards the client and evaluation directed towards the institution; clients being a person, a household, a group of clients, or a micro-enterprise. In view of the texts presented here and more generally in view of the Indian microfinance context, a distinction needs to be made: almost all the studies presented in this Part 3 take as their subject of analysis members of SHGs. They aim at analyzing the situation and the changes experienced by the members of SHGs considered as Community Based Organizations and not as microfinance institutions. Their studies relate only indirectly to Self-Help Group Promotion Institutions.

1.6. The relation between the different impact evaluation actors

The actors immersed in an evaluation process thus do not always occupy the same position; the funding agencies can have a position completely external to the evaluation process and have trouble making a fair assessment of the complaints voiced by the field operators. Another configuration can see the subject to be evaluated and the evaluator merge; reality is not fixed and the situations are numerous and complex. The box below allows us to describe different types of evaluations:

Box 2. Types of evaluation

Internal evaluation: *the sponsor* and the evaluator belong to the same institution

External evaluation: the sponsor and the evaluator belong to two different institutions.

Exogenous evaluation: *the sponsor* and the subject to be evaluated are far apart.

Endogenous evaluation: *the sponsor* and the subject to be evaluated are close.

Self-evaluation: an institution evaluates itself without calling upon outside contributors

Assisted self-evaluation: the outside contributor is present during the evaluation, and is not a principal actor of this approach but an instructor, coordinator or adviser.

Participatory evaluation: throughout the approach, participatory methods are used.

D. Neu establishes a distinction between what he calls *round* evaluations and *long* evaluations. This distinction illustrates the degree of separation between the various actors of the evaluation configuration. In an extreme case, we have a wide separation between the funding agency, the evaluator and the evaluated subject. Decision-making is then established on a hierarchical basis, very codified: one speaks about a "bureaucratic model". On the other hand, the degree of separation of the *round* evaluation is relatively low. The decisions more often proceed from a dialogue between the various parties; one tries to find a consensus, the approach is more comprehensive. This last distinction is relatively important, as the type of relations which the various actors maintain (*round* or *long*, bureaucratic or comprehensive) to a large extent conditions the evaluative process. On one side, the impact evaluation will be rigid and encounter problems in adapting its operational mechanism to the intervening changes during the process. On the other, unexpected elements will be debated and in the long run will be integrated into the approach. To illustrate the relations between the evaluator, the clients and the institutions, one can distinguish the evaluation according to whether it takes place with or without the institutions and with or without the clients/beneficiaries (cf. Box 3.). The closeness which is established between the evaluators, the field operators¹¹ and the clients can support the dialogue, the detection and the resolution of problems with the help of innovations. H. Noponen emphasizes, for example, that the "*bad scene/good scene pictures* [part of the PRADAN's ILS workbook] have

¹¹ In the case where it is not a self-evaluation situation.

proved to be very popular with participants who use them for reflection and amusement, and with field staff who use them as effective ice breakers and discussion starters”.

Box 3. What relationships exist between the evaluator, the clients and the MFI?

With the clients but without the institutions: the objective of the evaluators is to collaborate only with microfinance beneficiaries. This approach recalls that of Laurence Touré (2003), when, in order to establish a neutral relationship with the clients, one does not inform the microfinance institution concerned about his/her field research.

With the institutions but without the clients: the development of a partnership between evaluators and institutions is then top priority. One can think of the integrated tools of data collection (continuous assessment) whose application allows a regular impact evaluation of the program's actions. Some organizations such as Micro Save Africa try to train the operators so that they can carry out an evaluation themselves, the goal being to increase self-evaluations.

With the institutions and the clients: both take part in the process of impact evaluation. Participative methods or PRA tools (Participatory Rapid Appraisal) are integrated into this approach (see the Internal Learning System presented by H. Nojonen).

Without the institutions and without the clients: the evaluators remain completely isolated from the field. No participation is requested from the clients or the institution. This willingness to exclude the clients and the institution from the main part of the process may be compared to the financial analysis methods of consultants or rating agencies.

2. How to evaluate the empowerment induced by microfinance? (with special reference to SHGs in India)

2.1. The contributions of pioneer studies conducted in Bangladesh

We can now consider more precisely the indicators used to evaluate the impact of microfinance in terms of empowerment. Field studies seeking to establish proof of empowerment, but also showing the negative effects of microfinance, were mainly undertaken in South Asia, especially in

Bangladesh¹². Like the research studies presented in this part, the techniques, investigative methods and indicators used in Bangladesh were very diverse¹³. For example, Ackerly (1995), in her statistical study of 613 borrowers at BRAC, Grameen Bank and SCF¹⁴, built an indicator, *Accounting Knowledge*, to measure the probability that the changes associated with empowerment intervene. Goetz and Sen Gupta (1996) built an index of *Managerial Control* in order to classify the borrowers into five categories ranging from no control (no knowledge of the use of the loan or no contribution in terms of labor to the financed activity) to full control of the use of the loans (full control over the entire productive process, including marketing). Hashemi *et al.* (1996) carried out a quantitative analysis of 1,300 women clients of two microfinance institutions (BRAC and Grameen Bank) coupled with an ethnographic study of six villages and in-depth interviews. Their composite empowerment indicator is built from eight criteria: mobility, economic security, ability to make small purchases, large purchases, involvement in major household decisions, relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigns. Lastly, Rahman (1999) adopted an anthropological approach in a village covered by Grameen Bank using in-depth interviews, participant observations, case studies and a household survey.

These various studies, sometimes carried out with the same institutions (Grameen Bank or BRAC), have contradictory findings. The analysis of Goetz and Sen Gupta (1996) as well as that of Rahman (1999) are particularly critical. They show that the loans disbursed to the women often benefit the men and that the women have little control over the use of these new financial resources. The Rahman study (1999) shows the contradiction between what is officially said by the Grameen Bank (*public transcript*) and what is said by the field informants (*hidden transcript*). It shows that between 40% and 70% of the loans disbursed to the women are used by their spouse and that the tensions within the household increase (domestic violence).

¹² We think more particularly about the following studies: B. Ackerly (1995); A.M. Goetz, R. Sen Gupta (1996); S.M. Hashemi *et al.* (1996); A. Rahman (1999); N. Kabeer (2001).

¹³ For this reason, reviews of literature on the extent of empowerment prepared, for example, by S. Cheston *et al.* (2002); N. Kabeer (2001); Z. Oxaal *et al.* (1997) or G. Sabharwal (undated) are particularly enlightening.

¹⁴ BRAC: Bangladesh Rural Advancement Committee; SCF: Save the Children Fund.

The study conducted by Hashemi *et al.* (1996) offers some more positive conclusions. They compare the impacts in terms of empowerment between the “minimalist” approach of the Grameen Bank and the “integrated” approach of BRAC. The first is associated with the paradigm of financial viability (as conceptualised by L. Mayoux 2000, 2003) according to which the access to credit is the determining element and trigger of empowerment. The second approach, also called the *credit-plus approach*, provides a whole range of services and fits into a more long term perspective, with the ultimate objective of acting on the structural causes of poverty (Poverty alleviation paradigm, Mayoux *ibid.*). According to the survey of Hashemi *et al.*, BRAC has a more pronounced effect on women's mobility as well as on their participation in political campaigns and public protests, whereas the Grameen Bank has a stronger impact on the women's economic contribution to the household.

N. Kabeer (2001) suggests that these conflicting conclusions are due neither to the time the survey was carried out, nor to the features of the microcredit programs, but to the questions asked by the researcher and the interpretations of the answers given; interpretation, in addition, being strongly influenced by the different understandings of intra-household power relations which these studies draw on. Those for whom the household is primarily a place of conflict and who are more interested in the *processes* of loan use develop negative conclusions, whereas those who consider the household as a place of co-operation and focus on the *outcomes* associated with, and attributed to, access to loans, have more positive conclusions. Starting from the testimonies of women borrowers, she proposes to see the household as a place of “*unequal interdependence*” and defines empowerment as the extension of the capacity for making choices, for taking actions, which express the women's own values and priorities¹⁵.

Thus, there is no unique mechanism or one way to empowerment, especially one that is perceived differently by those who are the principal actors. It is also particularly difficult to evaluate: how to decide whether a person is *empowered* or not? Which criteria can be accepted, if not

¹⁵ N. Kabeer (2001: 79-81). S. Mahmud (2003) applies an analytical framework that recognizes the conceptual shift in emphasis in the empowerment definition, from notions of women's greater well-being to notions of women's choice and active agency in the attainment of greater well-being.

universally at least locally¹⁶, as relevant for measuring empowerment? N. Kabeer (2001) invites prudence in the judgments: autonomous individual behavior (strong decision-making, possession of goods in her name) of certain women can reflect, in fact, an increase in the tensions and violence within the household – “*a form of divorce within marriage*” (Kabeer 2001: 80) – rather than a real empowerment. Nevertheless, she specifies that it is very much the independent access of women to loans which brings about the emergence of new forms of cooperation and conflicts.

2.2. To evaluate the different dimensions of empowerment

To conduct an impact evaluation, whatever the project, is to adopt a certain viewpoint. The direction taken will influence all the rest of the steps: conceptual methods and approaches, choice of tools. Nevertheless, the majority of the impact evaluations are the fruit of a compromise between several objectives, and this is particularly the case for an impact evaluation in terms of empowerment, insofar as this one matches up with necessarily different dimensions. However, these various dimensions of empowerment are not independent and are disconnected only to facilitate both the conceptualization and the assessment of empowerment. In the majority of studies carried out in South Asia and more specifically in India, economic empowerment, participation in the decision-making process, self-empowerment and socio-political empowerment are thus evaluated (Palier 2003).

2.2.1 Economic empowerment

Economic empowerment includes the access to, use and control of economic resources (loans, income, budget) which implies the financing, creation and management of income-generating activities (and thus a widening of economic opportunities), the increase and diversification of income sources, the increase in consumption expenditure, savings capacity, access to property, etc.

What are the results of the studies presented here in terms of economic empowerment? The study undertaken by EDA Rural Systems shows that

¹⁶ S.M. Hashemi *et al.* (1996) take great care to specify that the eight criteria making up their composite empowerment indicator cannot be applied in other contexts and has been built on the basis of their prior ethnographic studies.

women feel that saving in small amounts is convenient and safe and that 96% of women clients compared to 21% of women in non-client households contribute to household savings. L. Devi and P.P. Pillai analyze the economic impact of two microcredit programmes in terms of increased income (92% of the recipients reported an increase in income after participating in the program) and reduction of poverty (the proportion of households classified as poor declined from 92% to 48% in the case of the programme initiated by the Society for Rural Improvement and from 69% to 34% in the case of the "Kudumbasree" program). Then they evaluate the extent of women's control over income earned by them. 67% of the women reported that they had complete control, 20% partial control and 13% no control. L. Prakash reported in his study that before being in a SHG, 60% of the women had no control over the money earned by them, but after joining a group, this share declined to 15%. The number of those who had an active say in the use of the money earned increased from 11.4% before to 31% after being in a SHG.

The text of B.V. Thampi, based on a study of a confederation of SHGs, the Community Development Society (CDS) of Alleppey in Kerala, more particularly illustrates the economic dimension of empowerment. Let us look at the impact analysis of CDS in view of its main objective – to reduce poverty and provide economic security to poor women – after six years of operation. Out of the women who have taken loans, 58% reported they are not getting a steady income from the economic activities they set up. Among the 42% who reported a steady income, only 25% of the beneficiaries have seen a real improvement in their income. A further inquiry has been made to see the expenditure pattern of the enhanced income in the case of the 25%: the major share of women's income is spent on household needs like food, medical care for the children and their education. According to the author, these findings indicated the culturally constructed roles of mothers and the reproduction of patriarchal values, *i.e.* the phenomenon of *contextual empowerment*. She also argues that the orientation of programmes towards women failed to see the social context in which women take up these economic activities. The income-generating activities set up with microcredit (for instance, poultry farming or garment making) are highly gendered. This finding, combined with a high proportion of enhanced income spent for the children, is found to be a *disempowering* factor.

U. Oommen and A. Meenakshisundararajan propose a descriptive analysis of the functioning of a dozen SHGs in the district of Kanyakumari

(Tamil Nadu). They focus on the economic dimension of the SHGs by analyzing their financial performance. They establish a link between the diversification of economic activities undertaken within the group and the yearly per capita income generated by the SHGs. The study makes it possible to point out some of the advantages and dysfunctions characterizing a good number of SHGs. For example, the fact that the interest collected on internal loans is a source of common funds limits the dependence on moneylenders and the pledging of land or jewels as security. On the other hand, the principal activity of the SHG remains *money lending* for consumption, so that few jobs are created. In the same way, the fact that educated women, even those who are unemployed, do not participate in SHGs reduces the capacities of the groups in terms of self-management and therefore in terms of sustainability. Access to bank loans also remains very difficult for a majority of groups, some of whom are also not supported very much by the DRDA. Finally the authors suggest (by taking into account the wishes of women they met), a more active Government role in the development of marketing opportunities for SHG products. This question, already tackled in part 2, is indeed at the heart of the current concerns of SHG supporters (Guerin and Palier 2004).

2.2.2. Participation in decision-making within the household

This indicator, favored in many studies, is close to economic empowerment: it is a question of evaluating decision-making in terms of household resource allocation in order to know who is responsible for the choices regarding productive investments (assets and land), but also daily expenditures. Decision-making is associated with the idea of being able to negotiate (bargaining power) within the household, whether it is considered a place of conflict or co-operation (Kabeer 2001). The analysis of decision-making power is often coupled with that of the improvement of the family's well-being by the increase in food, educational and health expenditure or the reassignment of certain resources (for example, equal meals taken by the children of both sexes and staying in school for the girls).

P. Labh presents the results of an impact study of the CASHE project in Orissa (started by CARE India in 1999). The methodology involved the use of control and experimental groups as well as "before/after" comparisons covering 1,300 respondents. Taking into account the difficulties encountered by the evaluation of the total income of poor households in rural areas, the study was focused on the evolution of expenses. The absolute amount spent

on food expenses by the experimental group remained higher than that of the control group, but the percentage of expenditure on food is smaller (38% compared to 49%). Besides, the experimental group spent more than double the control group on education expenses. The average annual healthcare expenditure for the experimental group at Rs.1,770 is significantly higher than the control group average of Rs.1,238. It is also interesting to note that households in the experimental group spend a larger proportion of their money on marriages (14% compared to 4% by the control group) and a lower percentage on addictions (3% compared to 8%)¹⁷.

In terms of reduced vulnerability, the access to loans through SHGs has allowed women to meet their emergency needs (food expenditure in times of crisis and medical expenses, notably in cases of seasonal illness like water-borne diseases or diarrhoea). The contribution of L. Prakash confirms this idea: before joining a SHG, only 9% of the women stated that they could have access to money in a crisis situation whereas later 38% reported they found it easy. In terms of decision-making power, the CASHE study shows that positive changes apply mostly to smaller amounts of money: decisions about the purchase of large assets and investments in agriculture are still largely taken by men. Likewise, B. Thampi shows that only 30% of the respondents reported that they have a major say in the household decision-making process.

2.2.3. Self-empowerment

After the women's role in their household (in terms of financial independence and decision-making power), let's consider a dimension of empowerment which is connected to a critical assessment that the women focus on themselves.

It is first of all about the control which women exert over their own body (mainly linked to sexual freedom and motherhood) and on their movements (*i.e.* their mobility)¹⁸. It also conditions other dimensions: how to develop one's own productive activity if one cannot sell one's products on the local market?

¹⁷ This observation is in agreement with the results of a study carried out in Bangladesh, where the increase in the dowry amount appears to be one of the results of a microfinance project (Guérin 2004).

¹⁸ On this question, see for example T.K.S. Ravindram (1999) ou S.J. Jejeebhoy (2000). See also F. Jamet (2004).

Many microfinance programs, in addition to providing financial services, develop non-financial services like health, education, and awareness programmes (information about contraception or encouragement to denounce acts of domestic violence). L. Prakash approaches this dimension by evaluating the impact of SHGs on the status of women in the family with a focus on the following: running the house and managing expenses; deciding about the number of children; deciding about their daughter's future in terms of education, age for marriage, etc; and keeping control over income earned. Results of the study, which relate to four North Indian States (the sample size for the study was 600 SHGs, 3,000 women members and 250 facilitators) point to the urgent need for training and awareness programmes in SHGs, not only at the pre-formation phase, but during the formation and sustaining phases. The different trainings must be better articulated to constitute a true complementary and lasting device. He also observes some positive signs regarding the role played by SHGs in the area of health. Due to the awareness programs, some of the SHGs concentrate on preventive and promotional aspects of health and not just on curative ones.

Organizing in groups can allow the setting up of spaces for discussion and collective action limiting isolation, self-absorption while promoting mutual support and aid. For instance, M. Patole and F. Sinha reported that unlike men, the feedback gathered from Focus Group Discussions and case studies shows that women clients like to be part of a group. They draw moral support from their peers and involvement in the group helps them in sharing their difficulties and relieving stress. L. Prakash notes that SHGs have provided a platform for dalit and tribal groups, not only in terms of savings and credit, but also to raise their voice effectively to highlight their issues.

Self-confidence and self-esteem are particularly difficult to measure since they touch on the subjective dimension of empowerment (the power within). To estimate, one considers on the one hand the "objective" reinforcement of skills (leadership qualities, literacy rate, health care, management, etc). Many studies point out that very often only the group leaders developed management skills (for example, see Oommen and A. Meenakshisundararajan; V. Rao). M. Patole and F. Sinha notes with regret that only eight women (in a sub-sample of 92 women) knew all the answers to questions related to awareness about MFI procedures. On the other hand, one refers to the perception of one's own capacities (subjective dimension), to the feeling of having the right (often linked to becoming more

aware) but also to be able to act and decide. The indicators used for evaluation are often connected with communication skills. For example, as quoted in the study undertaken by V. Puhazhendi, and K.C. Badatya and presented in 2002 at the seminar on the SHG-Bank Linkage Program:

“while most of the members (23%) did not talk freely in the pre-SHG situation, about 65 per cent of them expressed their desire to talk freely to others during post-SHG situations. In the pre-SHG situation, about 40 per cent of the members were speaking out only when asked, while it came down considerably to 9 per cent in the post-SHG situation” (Puhazhendi and Badatya 2002: 44).

2.2.4. Socio-political empowerment

Contributing to the family's financial resources can confer a greater legitimacy on women. Women's point of view (and more generally of all those excluded from the community) can become valuable and make it possible to pass over certain cultural and social barriers regarding equality among members of the same village or neighborhood. Empowerment known as “political” more specifically relates to involvement in local political institutions, participation in public demonstrations, the claim to rights, lobbying the authorities, etc.

P.A.L. Prasanna evaluated this aspect of empowerment through a study undertaken in the districts of Medak and East Godavari in Andhra Pradesh involving 1,107 women members of 88 SHGs. She analyzes how far the constitution of SHG federations (thanks to the legislation APMACS, 1995) make it possible to reinforce the role and involvement of SHGs in local development. Besides having a considerable impact in terms of marketing the products sold by the group members, the SHGs, through federations, can question the power structure and establish their claims. She gave the example of *lobbying* the authorities who permitted the recognition of the SHGs formed and nurtured by NGOs in rural areas as recipients under the *Deepam* scheme (in which domestic LPG connections are provided to women below the poverty line at subsidized rate). She analyzes the advantages and risks of the internal group dynamics like those linked to inter-group co-operation. Some collective practices show an adaptation to the different needs of SHG members (internal loans for vulnerable sections and bank loans shared by members with regular income), whereas others

show, on the contrary, the negative effects of the inequalities of intra-group income like the phenomenon of "debt rotation" (*i.e.* repaying the SHG loan by borrowing from outside). In another case, it is observed that the lack of agreement among members on the issue of which political party to support led to the group's failure. Inter-group co-operation also has perverse effects, like the "domino effect". For example, due to lack of transparency in the management of financial resources, one SHG federation at the village level completely defaulted¹⁹. Similarly, an improper understanding about an insurance linked savings scheme led to default by several SHGs²⁰.

L. Prakash also mentions various risks associated with the development of SHGs. One of the challenges is to keep the SHGs away from the influences of political parties who would reduce the programme to a vote bank. In their enthusiasm to promote and support a large number of SHGs and their anxiety to meet targets, policy makers and resource providers run the risk of turning these groups into "state helped groups" or "target depicting" groups.

Finally, M. Indira, while choosing to evaluate the impact of microfinance in terms of *positive social externalities*, uses an approach which recalls that of V. Rao and U. Kumar (*cf.* 2.3.) without building an empowerment index. Like L. Devi and P.P. Pillai in Kerala, she carries out a comparative analysis of two microfinance programmes in the district of Mysore (Karnataka) which differ according to their strategy and style of functioning. Both are state-led initiatives with the objective of women's empowerment: Mahila Samakhya (MS) is a quasi-central government programme and Shri Shakthi (SS) has been initiated by the DWCDRA (Department of Women and Child Development in Rural Areas). But whereas MS sees the goal of social SHGs being to create awareness and space for women and empowerment through transformation, SS addresses only the economic needs of the women by creating savings and credit groups. Her study shows that the participation of women in local government organizations helps to engender governance at the grassroots

¹⁹ The same problem has been observed in other contexts, in particular in Africa (Guérin 1999).

²⁰ This lack of understanding of insurance mechanisms can lead to a certain amount of distrust among the women towards the NGO which supports these SHGs (Study conducted in 2003 in the Tiruchipalli district (Tamil Nadu) by J. Palier, IFP, report to be published in 2005).

level (which is understood as a positive social externality). The results are systematically more positive in the case of the Mahila Samakhya program. She also points out several negative externalities: tension between men and women at the household and community level, limited reduction of the dependence on moneylenders, interference by political parties to influence the *Anganwadi* teachers in the Shri Shakthi program. Lastly, she recommends the combination of awareness raising and microcredit because *"enlightened self-interest" makes members come together and actively participate if microcredit is part of the empowerment program*".

2.3. Building empowerment indexes

Finally, there exist only a few studies trying to build a composite indicator that synthesizes various dimensions of empowerment, as in the case of the Hashemi *et al.* study (1996) in Bangladesh. In the first part of this introduction, we presented the empowerment index applied to MFIs by M. Patole and F. Sinha; we can now present three contributions of this part which attempt to measure the empowerment of microfinance clients/beneficiaries with the help of an index.

V. Rao proposes to study the social development of women using a *Social Emancipation Index* inspired by that of Puhazhendi and Satyasai (2001). Seven inter-related and mutually influencing parameters are used to calculate it at the district level. The aim of this index is to give the direction rather than the precise and exact magnitude of empowerment, so that the Government can take active measures to improve the deficient parameter. It is thus conceived as a tool to aid in decision-making. The author makes several recommendations based on the results of a quantitative study of nearly 1,000 women from three different districts of Andhra Pradesh. For example, the women need further exposure to aspects such as sending girls to school and small families. The participation in local self-government is meager and membership in CBOs is negligible; only a few groups could achieve village development activities. Other groups need exposure to this aspect. Concerning the functioning of SHGs, V. Rao insists on the need for a periodic change of leaders and adequate training to generate leadership qualities in each member; still, it is necessary that the banks are not opposed to it (as quoted in U. Oommen and A. Meenakshisundararajan's paper, *"the popular notion that the banks are ever willing to give loans to SHGs is a myth"*). Like L. Prasanna, he also questions the value of an equitable sharing

of the loans in the group. Lastly, he warns against the lack of Government and banking transparency in the choice of groups to finance and recommends that frequent interface meeting between group members and concerned officials be conducted.

L. Devi and P.P. Pillai chose to conduct a quantitative study of nearly 200 women beneficiaries of two microcredit programmes in order to compare the effectiveness of NGO-led (Society for Rural Improvement – SRI) and State-led (“Kudumbasree” program) initiatives for women's empowerment in Kerala. The major difference is the *style of functioning*: the first one is a replica of the Grameen Bank of Bangladesh while the second is a State Government funded programme *aiming* at the empowerment of women through SHGs. After evaluating the economic impact of the two programmes (cf. 2.2.1) they finally built an *Empowerment Index* based on the respondent's answer to ten attitudinal questions relating to their self-esteem, self-confidence, autonomy and decision-making power. A majority of women beneficiaries reported a “high degree” of empowerment (a score above 70/100): 68% in the case of Kudumbasree and 42% in the case of SRI. Only for 27% (SRI) and 11% (Kudumbasree) of the women, did the microcredit programme not result in significant empowerment (a score up to 30/100). The main conclusion of their comparative study goes against some commonly held beliefs: the results are more convincing in terms of empowerment in the case of the governmental programme (Kudumbasree) than in that of the project carried out by the SRI NGO

U. Kumar chose to develop an index to measure the socio-economic empowerment level of the SHGs. It has been applied to four selected SHGs supported by different institutions (classified as NGO, cooperative sector, civil society organizations) in order to *test* the role of intervening agencies in the empowerment process. Each of the 26 indicators chosen is ranked on a five point scale. The major result of these case studies is that the economic empowerment score is not very different from one group to another. On the other hand, the principal difference is due to different levels in terms of social empowerment: the SHG supported by NLA (Neo-Literates Association) records a much higher score than the others. The following explanation is proposed: the fact that it is a people's organization committed well before microfinance to other socio-economic activities (literacy, fight against corruption, child labor, etc.) and one which operates on democratic principles. The members who have sufficient freedom and autonomy, along

with the volunteers, seem to be at the forefront of the project. It thus supports the conclusions of M. Indira according to whom the strength of Mahila Samakhya in terms of empowerment lies in the fact that it is a “people’s program”. As quoted in U. Kumar’s paper, “*consequently, one finds that it is the intervening institutions that utilize idle resources and not the people who utilize the financial resources for their benefit*”.

This contribution, as well as the others in this part, enables us to affirm that SHGs (and more generally microfinance) are a potentially effective empowerment tool, but that their virtues should not be over-estimated. The positive evaluated effects are encouraging, but remain limited and scattered all the same. It seems difficult to speak of an SHG *movement*: this movement lacks cohesion and integration in the wider social fabric to constitute a *true social movement*, capable of instigating social change on a large scale. Besides, one observes that certain SHGs borrow the traditional channels based on hierarchy, following the example of some initiatives from the so-called third sector (Georgeais 2004). The general conclusion reconsiders the question of the SHGs’ potential to constitute a social movement.

Microfinance, rural livelihoods and women's empowerment – a participatory learning system to assess and enhance impact

Helzi Noponen¹

Proving the impact of microfinance programmes for poverty alleviation and sustainable livelihoods development to external audiences of funders and policy makers is an important objective for impact assessment. There are other impact assessment objectives that focus on “internal learning” by field staff and programme managers about what is or is not working, and the reasons for it, in order to improve programme operations. Since the success of many development interventions, including microfinance and livelihoods programmes, partly depends on participant responses, building their understanding and analysis skills is also essential. If this skill building includes training that reinforces programme values and also empowers participants to overcome other obstacles in their path, then it may be possible to enhance intended outcomes.

This paper describes a participatory impact assessment and planning system for community development programmes called the Internal Learning System (ILS) that can meet multiple objectives in impact assessment. ILS is designed primarily to meet the learning needs of programme participants, village groups, field staff and managers. This emphasis on the impact assessment objectives of “internal learning” and “improving” programme operations is the strength of ILS. The system was designed, however, with unique participatory features that fulfil additional

¹ I wish to thank PRADAN participants, staff and managers, especially Nivedita Narain, D. Narendranath and Neelam Maheshwari for their contributions and support in the PRADAN adaptation of ILS.

objectives of “strengthening stakeholder relationships” and “building participant understanding and analysis skills”².

In this paper I describe how ILS works as tool for impact assessment and participant learning through a case study of PRADAN, Professional Assistance for Development Action. PRADAN has adapted ILS for use in its rural microfinance and livelihoods programme.

1. A brief overview of the internal learning system³

The initial aim of the ILS project was to create a participatory monitoring and impact evaluation system that would be “internally-driven” in response to the ongoing needs of development organisations and their participants, to learn what is or is not working, so that changes could be made in a timely manner⁴. The system was created and refined by the author in partnership with several development non-governmental organisations (NGOs) in South Asia⁵. PRADAN has been an important partner in the design of one of the most advanced and challenging versions of ILS discussed in this paper.

ILS is a simple, on-going system used by all participants in a group-based microfinance or livelihoods programme. The medium is multi-year pictorial diaries suited to the illiteracy and poverty conditions of participants and to longitudinal perspectives of the process of development change. Using pictures that represent impact indicators, poor, illiterate women keep a record of change over time by noting their responses by drawing lines and making simple tick marks. These markings denote quantities, yes/no responses, multiple choice answers and satisfaction scale ratings. For impact assessment purposes, the diaries can be used on a total programme

² See Simanowitz (2001) for an excellent discussion of multiple objectives in impact assessment for microfinance programmes.

³ This section is abstracted from Noponen (2002a; 2002b; 2003).

⁴ The ILS project was initiated and funded by the Ford Foundation, New Delhi. I wish to thank Dr. Rekha Mehra for her funding support and critical feedback. The PRADAN adaptation of ILS was funded by the Ford Foundation-funded Imp-Act programme, anchored at the Institute of Development Studies, University of Sussex and the Universities of Bath and Sheffield in the United Kingdom.

⁵ Past and present NGO partners pioneering different versions of ILS include HLWDS, FWWB (I), SEWA, DHAN Foundation, ASA, NESA, KROSS, BRAC, and PRADAN.

population for the purposes of participant learning, and analysed statistically on the basis of a sample. This yields a quantitative panel dataset that contains information on changes in the lives of participants in a baseline period, with periodic summary assessment intervals over a multi-year period. The veracity of the data entries is crosschecked by fellow members in a mutual learning process at the village group level.

Other elements in the system include village group diaries designed to improve the functioning of self-help groups (SHGs) or to track wider impact issues such as collective action to improve area conditions or change social practices. Staff-diaries are designed to help field officers identify lagging and excelling performance among SHGs, reflect on the possible underlying causal reasons for the performance and plan appropriate remedies.

ILS is truly participatory as the diaries are used by participants at several programme levels in contrast to methods that are steered by managers from the top or by outside investigators. To ensure that participation is even throughout, the system has been designed so that all users, especially the women members, carry out the same five tasks of the ILS (albeit to varying degrees of sophistication). These include: 1) collecting data, 2) assessing change, 3) analysing causes of change or troubleshooting, 4) planning and training, and 5) documenting, sharing and reinforcing programme values. At each programme level, participants reflect upon their findings, summon user-driven training inputs, make plans, and document their experiences in their learning diaries. There is a direct and immediate link between impact results or the real life changes of participants, and planning and training responses⁶.

ILS is flexible in terms of its structure, content and processes. Each of these can be shaped to the learning needs of the programme, human resource capabilities, and financial constraints of different organisations. The structure can be varied according to the programme levels using ILS diaries. The content or the development indicators chosen for inclusion in the diary are determined through the inputs of all users, including poor members, in a participatory stakeholder analysis. ILS content has varied greatly across NGO adapters with emphasis ranging from microfinance, land-based rural livelihoods, Dalit and Adivasi human rights issues, HIV/AIDS awareness

⁶ See Noponen (2002b) for a more detailed description of how ILS works at each level.

and prevention, and sector-specific production diaries in handloom weaving, plantations, watershed, embroidery, gum collection, and salt farming. The ILS process is also varied, ranging from more streamlined versions emphasising data collection for impact purposes to more enriched versions emphasising participant learning and planning activities.

2. PRADAN – Professional assistance for development action⁷

PRADAN's approach to poverty alleviation is to assist the poor in strengthening their livelihood base in rural communities through the provision of professional technical services. PRADAN considers microfinance through village SHGs as one means for the rural poor to make strategic investments in improving their livelihoods over time. Other activities include technological assistance in subsistence cultivation, market-based agriculture, forestry, animal husbandry, watershed improvements and the development of non-farm individual and group enterprises. Microfinance is not an end in itself, but a means to strengthen individual livelihood efforts and increase the feasibility and effectiveness of PRADAN-initiated rural livelihood activities.

PRADAN has a contrasting approach to microfinance service delivery in India to that of setting up parallel microfinance banking institutions. Its alternative approach is to intervene from two directions. PRADAN applies pressure and incentives from the top on the existing banking industry to overcome its reluctance to lend to the rural poor. From the bottom, PRADAN promotes the formation of village SHGs and their successful linkage with local banks by building capacities for independent functioning. Unlike other microfinance models in which the NGO develops itself as the alternative microfinance institution (MFI), PRADAN seeks to develop the SHG as the MFI. PRADAN is not the MFI, but rather the field worker or promoter (Narendranath 2001).

PRADAN conceptualises the following three realms for SHGs (Ibid):

1. An SHG for mutual support;
2. A viable unit for external financial intermediation leading to livelihood development; and,

⁷ Adapted from Noponen (2002b).

3. A vehicle for economic empowerment of the poor and marginalised households in the economy and for gender empowerment of women at home, at work, in the marketplace and in the wider community.

As SHGs become viable and sustainable on their own as mutual support groups, successfully linked to financial service providers, and able to engage in a process of securing their strategic interests of overcoming structural constraints, PRADAN seeks to ultimately withdraw. Promotion of self-help savings and credit groups is only the first step. PRADAN helps to build the economic capabilities of members through livelihoods interventions. PRADAN promoters analyse the local economic base and identify potential economic activities that have forward or backward linkages for groups of producers.

3. PRADAN's approach to ILS adaptation: PRADAN's "boat of Life –the family's oar"

PRADAN's focus on strengthening household livelihoods and promoting independently functioning SHGs shapes its approach to ILS adaptation. PRADAN needed a set of user-driven assessment, analysis, planning and training aids to enable SHGs to achieve higher levels of functioning or sustainable progress in each realm, so that it could ultimately withdraw and start the process over again in new areas. The objective has been to adapt ILS as a tool that enables SHGs to assume charge, first identify their development and empowerment needs and then assess how well they achieve them over time. The system must, however, go beyond identification of initial needs and ongoing assessment of progress. It must actively involve participants in charting their own path of development planning and change. The same system must also inform PRADAN about how well groups are progressing toward higher levels of group functioning and sustainability in each of the three realms.

PRADAN's ILS diary had been guided not by a primary need for data collection for impact assessment but by a need for a tool to guide participants through the process of analysing their livelihood situation, so that they can make more strategic decisions about the use of scarce resources including credit. The aim was to create simple analysis and planning formats that encourage participants to better understand their changing situation and alter their own individual and group plans or behaviour, summon needed

training inputs and demand services, negotiate with financial intermediaries, and challenge inequitable structures and practices.

This was a shift away from the notion of an impact diary to a “life and livelihood workbook” concept. The overall theme for PRADAN’s ILS “workbook” is “the boat of life – the family’s oar,” with the workbook representing the oar or tool with which households can steer toward a better life.

PRADAN has organised their ILS workbook according to their conceptualisation of the three realms of SHGs. Throughout the ILS workbook they have woven two themes common to Indian culture, “boat of life” and “seven rivers to cross” to reach a good life. The “seven rivers to cross” concept is used as a seven point self-assessment rating scale in which members rate their overall social and economic progress. The “boat of life” concept is used in a series of “bad scene/good scene” pictures to introduce and teach the values in each of the major workbook parts. At the member level, the scenes illustrate positive and negative aspects of living conditions, diversified livelihoods, burden of debt *versus* savings, household dependency ratios and good or bad gender relations. These bad scene/good scene pictures have proved to be very popular with participants, who use them for reflection and amusement, and with field staff who use them as effective ice breakers and discussion starters. This has prompted the addition of a panorama scene of “gender benders” in work activities to illustrate non-traditional gender division of work activities.

The PRADAN ILS workbook also contains “dream scenes” of prosperous economic activities in four areas of forest products collection, agriculture, livestock rearing and wage labour or small enterprise activities. The scenes help motivate women to think about making improvements in their livelihood base. In addition, a set of six-panel pictorial stories is included in each of the four livelihood areas of forests, land, livestock and labour that show step-by-step how women can use credit to improve their livelihood activities in each of these areas.

At the heart of the PRADAN workbook is a finances and a livelihood module. Participants are first guided through a process of thinking about the health of their current financial situation by reflecting on the pattern of normal household income and expenditure patterns by gender using an ILS version of a PRA exercise, the “income and expenditure tree”. The strength of the household’s earning position and expenditure burdens will have an impact on the woman’s savings and debt levels. The woman then records her

current debt and savings levels by type of saving or source of debt. This sets the stage for improving household financial situation through improvement in livelihood activities.

In the livelihood module, participants in simple pictorial formats describe their total livelihood "availabilities" (in forests, land, livestock and labour) and how they are currently being utilised. They take note of and reflect on their stock of forest, land, livestock and labour assets, the improvements to these assets or accompanying work inputs, conditions and good practices. They track the utilisation of the asset over the year and make decisions regarding a change in their use strategy. In a synthesis part they complete a livelihood production plan that prompts them to consider their total set of livelihood resources and options and the competing use of resources and production inputs for their chosen mix. This is followed by a credit investment plan that ties the infusion of credit to the livelihood production plan. The goal is to help participants learn and plan their way out of debt and vulnerability by strengthening their livelihood base in a yearly set of linked exercises over a multi-year period.

The remaining modules address practical needs of living conditions, material welfare and strategic interests of women's empowerment issues in the home and community, in a similar manner that stresses analysis and planning options. The workbook concludes with a synthesis part that guides participants through reflection of their individual role in the SHG, including satisfaction with their attendance, participation, knowledge of group loan details, repayment behaviour and problems, satisfaction with treatment by the group, bank official and the PRADAN organiser.

Each of the parts of the workbook are carefully sequenced and linked to each other to produce a logical whole. A woman first reflects on her living conditions and material welfare and ranks her position on the seven rivers scale. She then investigates why she is at this level by examining her financial situation. The participant is prompted to see the role of debt reduction, savings, and livelihood improvements in how her household can progress over time. The livelihood module that follows systematically guides her through analysis of her total "availabilities" and prompts her to make strategic use of credit and other scarce resources in improving them. The next module focuses on the enhancing effects of better gender relations and women's fuller participation in decision-making in the home and mobility in the public on livelihood and welfare improvement. The

impact of the role of the woman and her participation in her SHG and PRADAN activities in her progress over time is explored in the concluding synthesis module. This linked set of modules, analysis and planning exercises, each building upon the lessons from the previous one, is akin to a pictorial rural livelihoods curriculum for very poor illiterate women and their households.

For impact assessment purposes, PRADAN can capture the same information, which participants record and track in their workbooks, on a random sample basis through a special semi-extractive interview event. Field officers sit together with the respondents and review and crosscheck their diary entries. They 'capture' the data recorded by the participant in her own workbook in a similar pictorial workbook that is more complex containing prompts for probing and cross checks, precise variable definitions, response codes and skip patterns. The responses that participants make in their pictorial ILS workbooks yield quantitative data in the form of nominal, categorical, ordinal and continuous variables. This data can be analysed on a longitudinal basis, comparing the results for the same panel of women over time. The organisation, however, need not wait for a period of years to obtain impact results. The data can also be analysed on a cross-sectional basis, comparing the results for long-term members with that of an appropriate sample of non-members and (or) with newly joined members who have similar characteristics as long-term members at the start of joining the programme.

Microfinance and women's empowerment: research approach and findings from an impact assessment of MFIs in India

Meenal Patole and Frances Sinha¹

Women are the primary clients of many microfinance programmes, especially in the group based (self-help group [SHG] and Grameen) models. Does the role of women as microfinance clients translate into empowerment for them? Or is it merely instrumental, to ensure discipline and repayments? Questions about women's empowerment are among the key research questions of the impact assessment study.

Impact assessment is essentially about whether a programme is meeting its objectives. The overall goal of the MFSP is "*substantial poverty elimination and reduced vulnerability in India amongst users of microfinance services, especially women*".

The impact assessment study therefore has a wide agenda, exploring issues of outreach, and different dimensions of poverty (income and non-income related) and vulnerability. It was designed within a social/development audit framework that explores the objectives and indicators of different stakeholders in a programme – incorporating the perspectives, in this case, not only of the donors (DFID and IFAD) but also the implementers (SIDBI, the microfinance institutions [MFIs]) and their clients. It also, accordingly, incorporates elements of market research,

¹ This paper is a joint effort of EDA's impact assessment team led by Frances Sinha. It draws from the impact assessment study of the MicroFinance Support Project (MFSP) in India, funded by the Department For International Development (DFID) and International Fund of Agricultural Development (IFAD) through the SIDBI Foundation for Micro Credit (SFMC). The full baseline report – *The maturing of Indian microfinance: a longitudinal study* – is available on the EDA website: www.edarural.com. Details of the overall research design are also available on: www.mitrabharathi.com; www.enterprise-impact.org.uk.

exploring the different approaches to microfinance delivery, alternative financial services (formal – banks/informal – moneylenders, chit funds) and access to these, and client feedback on their utility.

The overall study covers 20 MFIs selected to represent different models of microfinance (group based and individual banking) and regions of India. In line with best practice in impact assessment, it combines both quantitative and qualitative methods, with a substantial sample size for both: 5,600 households interviewed by questionnaire (4,000 clients, 1,400 non-clients, 300 dropouts), 260 focus groups and 150 case studies. It is a longitudinal study, presently at the baseline stage. Since the aim is both to document impact for the end-users and also to improve the practice of microfinance, the baseline data have been analysed to provide interim findings and recommendations.

This note therefore summarises one component of the overall study, reflecting on the combination of different methodologies used to explore the role of women as microfinance clients, and presenting some of the baseline findings.

1. Research approach

1.1. Hypotheses

The key research hypothesis is *Microfinance contributes to women's empowerment at individual, household and community levels* and sub-hypotheses studied include:

Microfinance

- Increases women's access to financial services (savings and credit).
- Increases women's economic activity through access to credit for investment.
- Involvement increases women's awareness, mobility and skill development.
- Increases women's ownership of assets within the household.
- Increases women's management of enterprises within the household economy.
- Enhances women's status in the household as income contributors and decision-makers.
- Increases women's empowerment at the community level.

1.2. Study variables

The input variables are the services that vary across MFIs – savings (internal circulation), credit, support services (to group, enterprise related, other development) and insurance services as well. While MFI inputs vary, they are also local and context specific (socio-cultural variations) and tempered by the MFI approach to microfinance (group based or individual banking), MFI focus (credit only or plus), intensity of client interaction with the programme (such as number of loans and who has access), status of a woman client within the household, whether she is educated or is the sole bread winner and so on.

1.3. Impact indicators

Those included in the study's conceptual framework are:

Household	Client	Community
<ul style="list-style-type: none"> - Increase in family savings in women's name(s) - Increased role of women in managing enterprises supported by MFI loans in their name - Increase in women's direct contribution to family income - Greater say in household decision making 	<ul style="list-style-type: none"> - Significant changes identified by members² - Increased self-respect from savings in own name, ability to access loans, mobility, group membership 	<ul style="list-style-type: none"> - Community initiative taken by MFI women members - Women clients become active members/representatives of other local institutions/groups

1.4. Indicators of change mentioned by women include:

Objective indicators	Subjective indicators
<ul style="list-style-type: none"> - Ability to save and access loans - Opportunity to undertake an economic activity - Mobility – opportunity to visit nearby towns - Increased financial awareness - A role in community awareness 	<ul style="list-style-type: none"> - Increased self-confidence - Ability to command respect within the household and participate in house-hold decision-making.

² Women's priorities reflect broad development concerns: a better quality of life for their families, stable employment and incomes, education for their children and eradication of social evils such as alcoholism.

1.5. Methods

Typically, we start with a discussion with the management and staff of the MFI to understand the MFI's gender focus, activities and their views on local women's issues. The three main study tools are surveys, focus groups and case studies.

- Household survey: to profile socio-economic characteristics, and to quantify the following variables.
- Focus groups: to identify significant changes from the women's perspective, and obtain their feedback on microfinance products and services; also to obtain men's views on the same.
- Case studies: to explore in detail different contexts, the process of change (or lack of it) and the reasons thereof.

Triangulation is key – for example, if a client reports no savings in a questionnaire, then we would follow it up with an informal discussion with peers or MFI field staff to cross-check the data and also to find out what situation has led to this. Informal discussions with the neighbourhood including local stakeholders as well as observation provide insight into local dynamics.

Indicators/Methods	Household survey	Focus groups	Case studies
Increase in family savings in women's name(s)	✓		
Increased role of women in managing enterprises supported by MFI loans in their name	✓	✓	✓
Increase in women's direct contribution to family income	✓		✓
Greater say in household decision-making		✓	✓
Indicators identified by women clients	✓	✓	✓
Increased self-respect from savings in own name, ability to access loans, mobility, group membership	✓	✓	✓
Community initiative taken by MFI women members		✓	✓
Women clients become active members/representatives of other local institutions/groups		✓	✓

1.6. Relevance / limitations

The relevance of different methods is discussed in good research manuals, and our experience strongly endorses the principle that a combination of quantitative and qualitative methods helps to understand the direction of change (Focus Group Discussions), the process of change in different contexts (case studies) and to quantify that change (quantitative data). Each approach by itself has limitations, and requires careful sampling and research rigour.

Method	Relevance	Limitations
Survey	Generates comparative quantitative data between women, men and non-clients.	Cannot be exhaustive, cannot capture perceptions, situations.
Focus groups	Help to discuss an issue in detail and allows the facilitator to talk to women, men, and non-clients at the same time.	Sometimes having many participants can be chaotic. Also, usually there are very general responses.
Case studies	Very effective in following up with individual or household situations. Provides the whole picture at a micro level.	Do not help in generalisation. Can be very time consuming as well and intimidating for the individual case.

2. Findings

2.1. How do Micro Finance Institutions (MFIs) view their women clients?

The key reasons that emerge are instrumental ones – *women are sincere, disciplined and interested in small transactions or benefits reach families through women*. Group based microfinance may be seen as a “women’s movement” in terms of targeting women as clients. MFIs that focus on financial services – especially those based on the Grameen model – tend to be “gender-neutral”: they provide basic finance related training (group norms, procedures, signing one’s name) whilst MFI staff conducts all transactions.

Some SHG-model MFIs are gender-supportive: the approach provides for the involvement of members in group-based activities and decisions, with a greater role for group leaders (managing accounts, taking responsibility for group meetings and activities) and also parallel development programmes (especially health, hygiene, reproductive health, sometimes enterprise skills) –

though these do not necessarily reach microfinance clients. None in our sample (though there are a few such MFIs in the country) have a 'gender-transformative' approach that incorporates a policy of gender equity.

MFIs that primarily target men believe that *overall economic development takes care of the gender imbalances and so, specific targeting of women may not be required.*

2.2. Who are the women clients?

In terms of schooling 60% had none and 31% have completed primary education. 82% in southern India and 65% in northern India are productively engaged, with 35% in the south and 9% in the north involved in casual labour work. In terms of social background of the households, 32% are scheduled castes, 37% are backward caste and 17% upper caste. As for the wealth categories, 41% are poor and 37% are borderline (around the \$1-a-day international poverty line) (Sinha 2003).

Savings with MFI groups are important and many women clients, especially the poor saving for the first time feel that saving in small amounts is convenient and safe. 96% of women clients compared to 21% women in non-client households contribute to household savings.

Access to loans has provided an option to borrow. Women clients mention that loans are important to meet a range of household as well as enterprise needs and increase creditworthiness. The study findings indicate that men often play a role in the access and use of credit as women manage less than half the enterprises they take loans for (42% in the south and 33% in the north). There are many cases of loans passed on to husbands for their enterprise, without women's involvement (26% in the south, 51% in the north).

In India traditionally, men own assets and in terms of stated ownership of assets (productive, household and housing) in the previous two years, the findings indicate that they still continue to do so. However, microfinance has made some difference – 40% of the productive assets purchased in client households are in the women's name, compared to 17% in non-client households. In terms of total value of assets purchased, 50% is in the men's name, 31% is held jointly, and 19% is in the women's name.

On a series of questions related to awareness about MFI procedures just eight women clients knew all the answers (sub sample of 92 women clients).

- Two-third knew their savings amount, but less than half knew the interest rate payable on savings.
- Half the SHG sample did not know what records are kept with the group.

2.3. Feedback gathered from FGDs and case studies

Positive	Less positive
<u>Savings</u> are important for all the women clients and its end use sets out priorities such as paying school fees, spending for the family, medical expenses and self purchases as well.	Prefer flexibility in deposit/withdrawability and transparency in maintenance of savings accounts. The issue of continuing dependence on men for microfinance transactions and some MFIs (including most Grameen model MFIs) – women have to get their loan applications signed by a male relative.
<u>Access to loans and involvement in enterprise management</u> – some women clients feel that are more involved in household decision-making and have gained respect from family members.	Men's opinions on this vary: <i>"My wife runs the shop entirely – I am just a worker"</i> <i>She is just a woman – does she have the brains to handle enterprise finance?"</i>
Being a <u>woman-headed household</u> ³ is a special case. Such women clients feel that microfinance provides them with moral support, business capital or cash to take care of household needs.	There are exceptions where being single/widowed was seen as handicap – their low capacity to service loans and lack of family support.
<u>Group mechanism</u> has the potential to accelerate the process of empowerment of women. Unlike men, the feedback shows that women clients like to be part of a group. They draw moral support from their peers and involvement in the group helps them in sharing their difficulties and relieving stress.	Group mechanism can often be mundane with routine work, while financial transactions are key – women clients would like the meeting agenda to go beyond this.

³ Including single women whose husbands are dead, and who are the sole bread-winners (14% in southern India and 8% in northern India).

- 60% of the SHG sample and 40% of the Grameen sample knew the loan terms.
- Roughly half the women clients in the sub-sample had visited a bank, which was more likely for SHG clients.

At the community level, there are hardly any initiatives. Groups would like to take action against alcoholism – but group based initiatives within the community in our sample were few, and not necessarily successful.

There is also less positive feedback that group leaders get more opportunities than other members, that women sometimes find it difficult to find the time for meetings and that there is some continuing discrimination against lower caste women in mixed groups.

3. MFI practice can be more empowering

In the context of the socio-cultural limitation on the role of women, targeting women for financial services seems to be a good start. A detailed look at various microfinance practices in India suggests certain strategic features that could make MFI practice more empowering. These features are given in Box 1 with rationale/explanation in Box 2.

Box 1. Strategies to support women's empowerment

Element	What can microfinance do?	Beyond microfinance – a 'wish list'
Support to women as microfinance clients	<ul style="list-style-type: none"> • Gender sensitivity of staff (men or women) • Clear and systematic communication about the programme to all clients 	Economic - Guidance on management of finances - Support to undertake viable enterprises - Social programme/guidance - Wider social/community participation - Exposure/opportunities in new fora
Support to women's groups	<ul style="list-style-type: none"> • Groups guided to be autonomous • Leadership rotation 	- Women interact with external financial institutions - Leadership/capacity development

Box 2. Empowering strategies – rationale

	Strategies	Explanation
	Support to women as microfinance clients	
1	- Gender sensitivity of staff (men or women)	Staff behave in an 'open and equal' manner, without being patronising, top-down
2	- Clear and systematic communication about the programme to all clients	Ensure that all women members know and understand MFI policies and products
3	- Guidance on finance management	Support women to take financial decisions (savings strategy, household cash flow)
	Other development support	
4	- Economic Support to undertake viable enterprises	Business development support - backward/forward linkages, production related support
5	- Social programmes/guidance	<i>i.e.</i> health and literacy programmes for women
6	- Wider social/community participation: Exposure/articulation in new forums	Encourage women to participate in community affairs; provide a platform for/promote women's involvement in wider social interactions (non financial as well), exposure to ideas, guidance in understanding/participating
7	- Groups guided to be autonomous	Encourage groups to take own decisions with low dependence on staff or external person
8	- Leadership development/capacity development	Guidance to group leaders to enhance practices of group governance, develop accounting skills and ability to communicate
9	- Leadership rotation	Wherever possible, encourage groups to rotate leaders to avoid centralisation of group leadership; different women members get opportunities for skill/leadership development
10	- Women interact with external financial institutions	Women clients expected to transact with formal financial institutions, or central agencies constituted by the Microfinance Institution

We marked 16 MFIs that aim to work with women on the 10 empowering components on a simple scored index (0-1).

- Only 1 scored well (0.9) and 2 scored more than 0.5. All 3 are the SHG model – south.
- Average scores – 0.4 for SHGs, 0.1 for both Grameen and individual banking.

It is clear that the impact of microfinance on women's economic integration and empowerment is conditioned significantly by the local context, influenced by the existing social and cultural milieu and the available livelihood opportunities. There are also strong indications that access to finance has begun to alter the economic opportunities available to poor women as well as men. MFIs that target women clients need to understand the regional and local contexts and adapt their approach/strategies and products accordingly.

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Self-help groups and the empowerment of Women – a study on Community Development Society in Alleppey, Kerala

Binitha V. Thampi

The concepts of civil society, empowerment and community participation have become part of the liberal discourse of non-party formations such as non-governmental organisations (NGOs), and the Welfare State in recent years. As a result, the State came out with many welfare policies for poverty alleviation and the decentralisation of power. NGOs, on their part started many local-level economic development programmes such as microcredit to uplift the poor, particularly women, from their economic and social dependence on male breadwinners. It has been asserted by various studies, particularly on the Grameen Bank experiment in Bangladesh, that microcredit activities significantly enhance the empowerment process of women by providing them access to and control over major household resources (Hashemi *et al.* 1996).

Hence, in the context of enhanced significance for self-help groups (SHGs) in addressing poverty eradication and women's empowerment, the Community Development Society (CDS), a confederation of SHGs in Alleppey, Kerala, assumes significance. The CDS has gained recognition for its innovative participatory approach to poverty alleviation, which focuses on the women in poor, neighbourhood families.

The CDS programme, which originated in 1993, selected nine risk factors to identify the poor: (i) *kutchha* (mud) houses (ii) no access to safe drinking water (iii) no sanitary latrine (iv) illiterate adult in the family (v) only one or none employed (vi) family eating two or less meals a day (vii) children below five years in the family (viii) alcoholic or drug addict in the family (ix) Scheduled Caste (SC) or Scheduled Tribe (ST). A family with four or more risk

factors was identified as poor and accordingly, out of 32,000 households, 10,304 were found to be at high risk. The CDS has a bottom-up organisational structure. 15-20 families constitute a neighbourhood group (NHG), and they federate at the ward level as Area Development Society (ADS). There are 350 NHGs now existing, under 24 ADS. The ADSs are federated into a town-level body, the CDS, which is registered under the Charitable Societies Act. The main focus of the CDS is thrift savings and loans. In addition, it conducts development activities such as various training programmes on accounts keeping, immunisation, nutrition, sanitation and so on. The CDS also undertakes income-generating activities such as diary farming, coir spinning, garment-making, cover-making, vegetable shops, firewood sales, bakery, mat-making, vegetable cultivation and so on by setting up micro-enterprises.

Since the CDS has been a successful programme, the State government replicated it as a Statewide programme. It is in this context that the Kerala State Planning Board approved and funded the research proposal that this writer submitted for an evaluation study of the CDS under their "Evaluation of Innovative Schemes" programme. The evaluation study was carried out with the main objective of analysing the status of the programme and understanding the group dynamics that made the programme a success. The report of the study was submitted to the State Planning Board. The data used in the present paper to analyse the effect of CDS on the poverty reduction and empowerment of women is drawn from this evaluation study. A primary survey was carried out in 2000 among a sample of 96 members of the CDS programme. In addition, qualitative methods such as discussions with key informants and focus group discussions were employed to understand the quality of functioning of the programme.

The objective of the present paper is to examine whether the microcredit activities have significantly enhanced the economic status of poor women and to understand the process of empowerment through these activities. The paper is divided into two parts followed by a conclusion. The first part makes an assessment of the economic impact of CDS on women members and the second part deals with the process of empowerment in the programme.

1. Impact of the CDS programme on economic status of women

The main objective of the programme is to reduce poverty and provide economic security to poor women. In order to understand whether the CDS programme has improved the economic status of the members over the six-year period of its functioning, the pattern of thrift savings, the availing and utilisation of loans for income generation, enhancement in income etc. have been assessed and discussed below.

Table 1. Change in the thrift savings

Change in the savings	Frequency	Percentage
Increased	17	17.7
Decreased	60	62.5
Remain same	19	19.8
Total	96	100

One of the main objectives of the CDS, to provide economic security to women, is realised through thrift savings because it can be taken to meet the emergency needs. But, the table shows that 62.5% of the respondents reported that their savings decreased over a period of six years. This is not a desired outcome. In the initial years of the programme, the rate of savings was quite high, which was quoted as a success of the programme. However, it was high because the women were contributing to the savings mainly to reach the minimum amount required, which the beneficiaries' contribution, to avail of a loan from the banks through the CDS. Once they availed of the loan for income generation, the contribution to the thrift savings decreased substantially or stopped.

Table 2. Status of loan repayment

Repayment status	Frequency	Percentage distribution
Repaid in time	59	77.7
Not repaid in time	17	22.3
Total	76	100

Of the 96 respondents, 76 availed small loans for income generating activities. The rate of loan repayment is quite high in the CDS programme

and the table shows that it was 78% among the sample respondents. Earlier studies on CDS lauded the high rate of loan repayment as an indicator of the success of the programme. A further probe into this aspect reveals a different picture. The loan repayment in time does not indicate the high generation of income, but on the contrary, points to the group pressure of the neighbourhood members to repay the loan on time. In general it was repaid not from the high income as a result of their economic activities, but from various other sources including husband's income.

Table 3. Loan requirement met before and after joining the programme

	Types of lenders	Frequency	Percentage distribution
Sources before joining the programme	Money lenders	76	79.1
	Friends and relatives	13	13.6
	Other institutions	7	7.3
	Total	96	100
Any loans availed after joining the programme	Yes	72	75
	No	24	25
	Total	96	100
Sources after joining the programme	Money lenders	54	56.2
	Friends and relatives	11	11.5
	Other institutions	7	7.3
	Total	72	75

A combination of factors, such as lack of sufficient collateral and market failure, has prevented the poor women from accessing credit from formal financial institutions. This has forced them to depend on moneylenders. The above table shows that around 80% of the respondents were dependent on moneylenders before joining the CDS programme. The main objective of the CDS is to relieve the urban poor women from the clutches of moneylenders but even after becoming beneficiaries of the programme, borrowing from money lenders continues to be very high.

The probable reasons for this high rate of dependency on moneylenders are (1) the inability to sustain their small enterprises with the initially borrowed amount (2) meeting emergency consumption needs. It has been found that many of the neighbourhood groups stopped lending thrift loans to meet immediate consumption needs, because, their earlier experiences showed that it is difficult to simultaneously repay both

consumption loans and the loans availed for economic activities. But this stoppage in lending is against the principle of thrift saving.

Table 4. Earning steady income from productive activities

Income earning	Frequency	Percentage
Getting steady income	32	42.1
Not getting steady income	44	57.9
Total	76	100

Table 5. Substantial improvement in income from productive activities

Improvement in income	Frequency	Percentage
Improved	8	25
Not improved	24	75
Total	32	100

Of those who have availed loans, the reported figure 58% of “not getting steady income” defeats the main objective of the CDS, *i.e.* “eradicating poverty through improving the income of the members”. However, 42% could make use of the loans.

Even though 42% of respondents are getting a steady income from the economic activities they set up with the help of the loans, only 25% of the beneficiaries have seen a real improvement in their income. Generally, while the formal lending institutions provide loans to individuals for income generating purposes, the viability of the proposed project has been evaluated rigorously. This is because the loan amount has to be repaid from the income earned. Nevertheless, such a consideration of project viability is absent in the case of lending to the SHGs due to the “group pressure” that assures repayment of the loans. This is one of the major reasons for the failure of income generating schemes initiated by the majority of women.

A further inquiry has been made to analyse the expenditure pattern of the enhanced income through the income generating activities of 25% of the respondents. The major share of income of women is spent on household needs such as food, medical care of the children and their education. This reaffirms the existing empirical findings (Mencher

1988; Kumar 1977) that more of women's income is used for household maintenance than that of men.

The above analysis reveals that the impact of the CDS programme in terms of enhancement of steady income is limited only to a quarter of the respondents and it has major drawbacks as a programme for income generation and poverty reduction.

2. Impact of the programme on the empowerment of women

Empowerment of women is the other stated objective of the CDS programme. Let us first examine the concept of empowerment and second, the process of empowerment within the CDS programme.

Empowerment is defined as a process by which the powerless gain greater control over the circumstances of their lives. It includes control over ideology (beliefs, values and attitudes (Batliwala 1994). It means not only greater extrinsic control, but also a greater intrinsic capability – greater self-confidence, and an inner transformation of one's consciousness that enables one to overcome external barriers to accessing resources or changing traditional ideology (Sen and Batliwala 2000). Sen and Batliwala identify the four levels at which the unequal power relation operates. They are (1) the household/family (2) the community/society (3) the market (4) the state. These different levels of power relations operate as a closely woven mesh of power, and imply that the unequal relations at one level may get reinforced by the same at other levels. Also, even if the relations are eased at one level, it may continue to operate at another level.

A major change that the CDS programme has brought into the lives of women is their enhanced mobility. Their participation in the neighbourhood meetings is also satisfactory. However, interestingly, only 30% of the respondents say that they have a major say in the household decision-making process. Again, from the analysis in the above part, it was found that the major share of women's income is spent on household needs such as food, medical care of children and their education. These expenditures do not indicate merely the expenditure pattern but also indicate the culturally constructed role of the mother and hence the reproduction of patriarchal values. These evidences indicate the phenomenon of "contextual empowerment". The CDS programme context might be an empowering

experience for women in term of their enhanced mobility, participation and discussion of various aspects of its functioning and collective action in setting up income generating activities, but it does not mean that the same could be the case in other spaces of their lives, particularly in the domestic domain. The other domains may not be conducive for the same level of empowerment, due to various hindering factors. This has to be understood and addressed properly.

Realisation of the phenomenon of intra-family inequality has resulted in orienting programmes directly towards women instead of family welfare programmes such as organising SHGs. However, there has been a failure in seeing the social context in which women take up these economic activities. Invariably, all these income-generating activities are highly gendered. For instance, activities such as dairy, poultry farming, coir spinning and garment-making are female gendered. By taking up these highly gendered activities, the existing gendered division of labour has hardly been challenged. Rather, it reinforces the same. Since empowerment also implies control over ideology and an inner transformation of one's consciousness that enables one to change traditional ideology, these gendered activities have significant adverse consequences over the empowerment process of poor women.

Conclusion

The study shows that the CDS programme, as an effort in the direction of poverty reduction, has had only a very limited impact during the six years of its functioning. Further, it reveals the drawback in employing conventional measurers used by formal financial institutions, such as high loan repayment rate and high thrift savings (initial years), to assess the success of SHGs. Hence, new impact assessment criteria has to be evolved for informal lending institutions such as the CDS.

The use of a high proportion of the enhanced income for children and the highly gendered income-generating activities undertaken by women were found to be disempowering factors. Also, due to various hindering factors, the empowerment in the programme context may not get automatically translated into other domains of the women's lives. Again, the impact of self-help activities on the empowerment process has to be viewed in terms of their participation in various domains of the public sphere.

However, in the context of viewing self-help groups and microfinance activities as a nostrum for both poverty reduction and empowering women, the most important question that needs to be addressed is whether poverty reduction and economic independence lead to empowerment and the de-subordination of women. Rather than accepting it uncritically, the conceptualisation of empowerment as a by-product of poverty reduction has to be critically examined.

Microfinance and self-help groups – the way ahead (with special reference to Kanyakumari district)

Usha Oommen and
A. Meenakshisundararajan

"When the women are empowered, society with stability gets assured..."
- Dr. Abdul Kalam

"Rural development – the mainstay of the rural population – is surely though gradually acquiring requisite acceleration with the women leadership getting strengthened. For rural development, women empowerment appears to be the best alternative." (Bhatnagar 2001: 52).

"[Microfinance is] the means by which poor people convert small sums of money into large lump sums." (Rutherford 1999).

"Micro-financing or group lending is being looked upon as the instrument that can be considered the golden stick for poverty alleviation in India." (Das 2003: 26).

The microfinance movement has been gathering momentum, with women at the grassroots organising themselves into self-help groups (SHGs). In 1991-92, the National Bank for Agriculture and Rural Development (NABARD) decided on a coordinated programme for the promotion of linkages between banks and SHGs to mobilise savings in rural areas and to deliver credit to the rural poor. In 1992-93 there were 255 SHGs in India, which increased to 4,16,478 in 2001-2002 (Das 2003: 27). During 2002-2003, over 2.4 lakh SHGs were provided loans by banks, which benefited over 38 lakh poor families, exceeding the Budget (2002-2003) expectations of linking 1.25 lakh SHGs with banks.

In Tamil Nadu, SHGs have grown in strength from the inception of the concept in 1992. *"On March 31st 2003 there were 1,01,863 SHGs in the rural areas with 17,42,414 members and 24,223 SHGs in the towns with 4,07,779 members. The total savings of SHGs in the State crossed*

Rs.356 crores and they had availed themselves of Rs.522.21 crores in loans” (Kasturi 2003: 41).

The present study covers 12 SHGs selected at random in Kanyakumari district of Tamil Nadu. The SHG scheme gained momentum in the district only from April 1999. As on September 2003, there were 11,800 SHGs, of which 11,600 are exclusively for women (98%). The present position of SHGs in Kanyakumari reveals that women’s SHGs dominate, compared to the few men’s groups functioning. Though the male and female population is equal, male groups have not been given importance. Besides, of these, 10,022 SHGs (85%) had applied for bank loans though only 5,241 (44%) succeeded in getting them.

Statement of the problem

SHGs are a forum for the collective voice of the poor against oppression and exploitation. The present study was undertaken to find out whether members of the SHGs in Kanyakumari district are self reliant, economically independent and free from the clutches of moneylenders. The growth of SHGs has made it necessary to study whether they function effectively and help in the development of the villages. The following problems were identified among the women SHGs:

- As SHGs are formed by NGOs and political organisations they lack spontaneous growth.
- The SHGs concentrate on lending money and other activities that create employment are sidelined.
- The SHGs have failed to empower women in a big way.
- The SHGs face acute marketing problems.
- Members of the forward caste have not realised the importance of organising SHGs.
- The administration of SHGs is dominated by non-governmental organisations (NGOs), which affect their independent functioning.

Based on these preliminary observations, the objectives of the study are:

1. To analyse the working pattern of SHGs in the district.
2. To record the caste, religion and educational background of the members of the selected SHGs.

3. To analyse the financial status of the selected SHGs.
4. To analyse the economic and social activities undertaken by the SHGs and to assess the marketing measures.

Selection of sample

The random sampling method was adopted to select 12 SHGs, of which six belonged to urban areas and six to rural areas. The study, which covered 229 members, revealed that there is no marked difference in the functioning of urban and rural SHGs, hence the discussion is made on a combined basis. With the exception of two, which had 16 and 13 members, all the other SHGs had 20 members each. Eight of the SHGs were organised by NGOs, two by the Church and two by the government.

Table 1. Sample of selected SHGs in Kanyakumari district

Name of the SHG	Location of SHG R: Rural area U: Urban area	Date of Initiation	No. of Members	Institution that organised the SHG
Gnana oli	Gandhi Nagar (U)	01-09-1998	20	NGO
Kumari	Melpuram (R)	18-01-1996	20	NGO
Jeevan	Karungul (R)	13-02-1996	20	NGO
Kanmani	Kottaram (R)	30-04-1996	20	NGO
Archanai	Ramanputhur (U)	23-04-1996	20	NGO
Vadamalar	Mela Soorankudi (U)	27-09-1999	20	Government
Pearl	Kesavan Puthan Thurai (R)	27-10-2002	16	NGO
Sardines	Rajakkamangalam Thurai (R)	13-08-2002	13	Church
Dolphins	Pozhikarai (R)	23-10-2000	20	NGO
Friends	Kurusadi (U)	11-11-2000	20	Church
Deva Sudar	Punnai Nager (U)	01-09-2001	20	Government

Source: Primary data.

1. Characteristics of functioning of SHGs in Kanyakumari district

The main characteristics of the functioning of SHGs are listed below:

- Groups generate common funds, where each member contributes his/her savings on a regular basis (generally Rs.10 a week for below poverty line groups and Rs.25 or Rs.50 in other groups).
- Groups meet periodically to discuss their transactions. In three SHGs, the meetings are held once a fortnight, whereas the other nine groups met every week. Special meetings are also arranged by the SHGs when the need arises.
- Loans are decided by consensus and depending upon the priority of the need, the group agrees to give a loan.
- Loans cover a variety of purposes such as education, marriage, repair of houses, agricultural needs, to redeem pledged jewels and so on.
- Loan amounts are small and for a short duration *i.e.* to be paid back in 10 instalments. When the loan amount is more, the duration of repayment is extended, varying from 20 to 36 months.
- Loan procedures are simple. The borrower has to sign in a notebook and get the loan. If the amount exceeds Rs.500 then they have to affix their signature on a revenue stamp and collect the loan amount.
- Defaults are negligible because members of the group, who are also affected when a loan is defaulted upon, see to it that the repayment is made. Due to the pressure of the group, prompt repayment is made.
- Groups mobilise savings from their members and effectively rotate the same among the members.
- Training in various sectors are arranged by NGOs/NABARD/District Rural Development Agency (DRDA). In three SHGs, members were able to attend, on an average, three training sessions in a year. Training is usually imparted by local and regional experts; but in one SHG situated in Kottaram, the Ministry of Textiles arranged for training for 20 days by professionals from Kolkata in preparing jute products.

2. Background of the members

2.1. Classification of the members according to age

The highest numbers of members belonged to the 40-45 age group, indicating that these women found the earnings of the male members of their family insufficient to meet their expenditure. Hence, they were able to find an alternative source of earning by joining SHGs. The next highest numbers of women members of SHGs belonged to the 25-30 age group. As these women were unable to find employment, they joined the SHGs in order to explore the possibilities of self-employment.

2.2. Classification of the members according to religion and caste

The cohesiveness among the members increased due to the homogeneity of the groups in terms of caste and religion. Religion was found to be a cementing force that kept the groups together. Among the 229 members studied 50.22% were Hindus and 49.78% Christians. However, the SHGs included people belonging to different faiths, and religion was not a barrier to group formation in the district.

Caste also had a bearing on employment and related activities. The members of the SHGs were from a homogeneous socio-economic background, and had common interests and objectives. In many groups, members belonging to the same caste had intimate knowledge of each other and were sensitive and responsive to the needs of each other.

2.3. Educational background

Improving their educational qualifications was important for the people of the district, and it was surprising that the members of the selected SHGs were not very highly educated. This factor was studied to identify whether the educational background of the members had any relation to their repayment habits.

The educational status of the members revealed that the majority had studied up to standards VIII or X. Many of the women, who had studied up to Standard V, could only sign their names. Only 11 members had higher education. The study showed that women with higher education did not come

forward to join the SHGs even though they were unemployed. NGOs and local governments failed to include these educated women to join.

3. Financial status of the selected SHGs

The progress of SHGs depends on its financial status. The formation of SHGs at the grassroots level and their group savings served a wide range of objectives other than immediate investment. It improved discipline in savings and enhanced the confidence of the individual owing to group encouragement. It strengthened the unity of members by group savings and it acted as a cover against the individual's risk against normal business. The SHGs selected were informal groups, where members pooled savings as a thrift deposit. The groups had common needs. The SHGs were able to provide primitive banking service to its members that were cost-effective, flexible, and based on local requirements.

The per capita savings were highest for the Kanmani group and lowest for the Gnana oli group. The study also showed that women members availed of loans from their SHGs because the interest charged by the SHG was only 24% whereas moneylenders fleeced them by charging interest up to 100%. Moreover, the women were quick to point out that interest payment did not go to any outsiders but remained with the members. The members were happy that they did not need to go from pillar to post in search of a loan and did not have to do any forced labour to get a loan. They were glad that they did not have to mortgage their land or valuables and risk losing their land. In short, they were freed from the debt trap.

When the SHGs bank deposits reached a certain target it enabled the SHGs to get a bigger loan from the bank, which could be used to start small-scale ventures to increase income. The group appraised the members' credit needs. The member who needed a loan had to give two weeks notice to the group. Repayments were made in instalments within ten weeks of the disbursement of the loan.

As the members were reluctant to disclose their income and as money-lending was the main activity in all the SHGs, studied income generated from credit creation was used to calculate per capita income per year. The income was so calculated by deducting the total savings from the credit generated by each group. This per capita income was further divided by the number of years the SHGs functioned to get the per capita income per year

for each group. The table below shows that the per capita income per year is low for many groups. Annai SHG tops the list because this group operates a grocery store in a highly congested area of the town. The diversification of activities of this group such as weaving, selling eatables, owning petty shops and money lending had enabled their per capita earning to be high. Thus diversification of activities and income generation go hand in hand. Friends SHG also did well because they met the local needs of the members. A church-run SHG, the Friends group undertook a variety of activities. The per capita income of the Gnana oli group was the least, because the money raised by the savings was small. Though located in an urban centre, the members lacked the push to venture into lucrative activities. 30% of the members belonged to the scheduled caste. To save, one needs an income. These members of the scheduled caste had a poor income, resulting in low savings. The social backwardness of this group can be overcome if successful NGOs come forward to help them.

Most of the selected SHGs obtained loan from commercial banks. But they felt that the cumbersome procedures and reluctance of the banks to give loans was a hurdle in the beginning. The popular notion that banks are ever willing to give loans to SHGs is a myth. Two of the groups are still looking forward to receiving loans. Many of the groups had obtained loans from Pandian Grameem Bank, located at Valliyoor in Tirunelveli District, because there was no rural bank in Kanyakumari district. Though 10 out of the 12 SHGs selected had obtained loans from commercial banks, as far as all SHGs are considered, there is a big gap between the loans needed by SHGs and the banks lending to them.

Table 2. Financial status of the selected SHGs in Kanyakumari district

Name of the SHG	Bank loan availed	Total savings	Credit generated	Income generated	Outstanding loan	Per capita savings	Per capita income	Per capita income per year
Annai	100,000	39,000	83,500	44,500	39,100	1,955	2,225	1,113
Gnana oli	50,000	12,875	16,500	3,625	9,100	644	181	36
Kumari	78,000	27,810	57,950	30,140	14,650	1,391	1,547	258
Jeevan	45,000	16,565	38,000	21,435	15,600	828	1,702	213
Kanmani	75,000	96,225	143,650	47,425	61,150	3,461	2,371	296
Archanai	100,000	36,285	85,350	49,065	20,800	1,814	2,453	307
Vadamalar	80,000	40,800	71,500	30,700	15,300	2,040	1,535	384
Pearl	56,000	27,780	29,500	1,720	10,750	1,336	108	108
Sardines	130,000	30,500	34,500	4,000	22,000	2,346	308	308
Dolphins	200,000	62,000	90,360	28,360	66,360	3,100	1,418	473
Friends	Nil	21,600	79,250	57,650	26,500	1,080	2,883	961
Deva Sudar	Nil	15,000	19,360	4,360	2150	750	218	109

Source: Primary data.

4. Activities of the selected SHGs

The message of sustainability is starting to permeate through the microfinance sector, and as a result a number of activities have been undertaken by the SHGs.

4.1. Economic activities

The SHGs foster an entrepreneurial culture. SHGs have an inbuilt mechanism whereby emphasis is given on the capacity building of women through developing their skills. SHGs have been useful in organising and motivating the women of Kanyakumari district to play multi-dimensional roles. Empowerment of women requires awareness, access to training, participation in decision-making and the mobilisation of women for economic self-reliance. The economic activities of the 12 SHGs studied are given below.

Table 3. Activities of the selected SHGs in Kanyakumari district

Name of the SHG	Economic activity
Annai	Petty shop, weaving, grocery store, selling eatables, and money lending.
Gnana oli	Selling omam water, vegetables, idly, betel leaves and money lending.
Kumari	Money lending, pot making, mat weaving, hand embroidery, selling textiles and petty shop.
Jeevan	Soap powder and paste purchased in bulk and sold and money lending.
Kanmani	Money lending and producing products with areca nut leaf products.
Archanai	Juices, pickles, tapioca pappads, powder, flours.
Vadamalar	Money lending.
Pearl	Mainly money lending and marketing of surf washing powder and textiles.
Sardines	Wholesale shop and money lending.
Dolphins	Renting Catamaran, fishnet and money lending.
Friends	Money lending, eatables, selling of eggs, distribution of milk, cloth and soap.
Deva Sudar	Money lending.

Source: Primary Data.

The above table shows that the right credit facilities can result in women becoming entrepreneurs. This has enhanced the status of women and led to their empowerment.

Out of the 12 SHGs studied, the only economic activity of two SHGs was pooling the savings of the members and lending it. Even the loan raised from the bank was used only for this purpose. Disbursing microcredit was the main activity pursued by the all groups. Income generation was the outcome and absolutely no employment generation took place, defeating the purpose for which the SHGs were formed.

Another feature seen in the activities of the SHGs was the purchase of goods in the wholesale markets, and distribution of it in their respective areas. This allowed them to make some profit. As the members did most of the work, employment generation for others did not arise, but the members were self-employed, resulting in their economic empowerment.

4.2. Social activities

Most of the SHGs studied were not involved in many social activities, other than joining a demonstration or a rally to protest against the atrocities meted out to women. Creating awareness has been a widespread practice among the SHGs. Topics related to health, hygiene, child rearing, nutritional diet, environmental issues, gender issues, social discrimination consumer rights and other social issues are discussed threadbare during the weekly meetings. All groups subscribe to magazines that highlight issues necessary for women empowerment.

4.3. Marketing of the products

Marketing precedes and succeeds production. The SHGs directly sell their products. When they are unable to do so, a few (3) SHGs said they make use of middlemen. According to the members, the government helped them to sell their products. Shops have been set up in the local market at Vadasery to sell the products. The DRDA has established a District supplies and Marketing society to initiate the selling of the products during exhibitions and fairs. The members were of the opinion that government should give more publicity for the SHG products by stepping up their advertisements. Many members stated that the government's role in marketing the SHGs products was not carried out effectively or efficiently.

Conclusion: findings and suggestions

Findings

- The members of the SHGs determine the amount of the recurring savings deposit. Only one SHG saved Rs.25 a week, while the rest saved Rs.10 a week per member. This resulted in minimal collections and led to deposits far lower than the members' capacity.
- The SHGs collect the savings from the members and earn money by way of interest on such savings, but insurance cover has not been provided to the poor.
- In Kanyakumari district out of 11,800 SHGs, only 6,700 are actively functioning, which shows that many SHGs exist only in name.
- The DRDA officials had not visited two SHGs even after a year of their existence.
- SHGs were controlled by NGOs. These SHGs were influenced by the ideology of the NGOs.
- Diversification of the economic activities led to more income generation for the groups.

Suggestions

- As many members expressed the view that bank staff considered them a nuisance, it would be beneficial to SHGs if a separate time and day is set apart by banks to meet members of SHGs. This will go a long way to remove the difficulties encountered by the SHGs in banking activities.
- As Kanyakumari district is a tourist centre, SHGs could cater to the needs of the tourist, in terms of their products.
- The government should be the major buyer of the commodities of the SHGs and can ask them to produce what it need for their government officers. Moreover during government functions, SHG products can be given as gifts to the person presiding over the function. This measure by the government will boost up the sales of the SHGs and rejuvenate them. Employment exchange officers should motivate educated, unemployed women on the rolls of their register to join SHGs in order to make them more effective.

Findings from the mid-term impact assessment study of the CASHE programme in Orissa, carried out by Sampark, Bangalore

Prabhat Labh¹

1. Introduction to CARE India and the CASHE project

CARE is an international relief and development organisation reaching out to improve the lives of more than 27 million people in 69 countries across the globe. In India, CARE helps over 6.5 million individuals across 10 States. CARE started the 7-year project “Credit and Savings for Household Enterprise” (CASHE) in 1999 with support from the Department for International Development (DFID). CASHE is a poverty-focused programme designed to address the fundamental problem of low income among poor rural women, and their limited control over that income. The programme aims at increasing significantly the incomes and economic security of poor women and their households.

CASHE is operational in Andhra Pradesh, Orissa and West Bengal. The project proposes to increase the number of microfinance service providers by working in partnership with non-governmental organisations (NGOs) to establish and support savings and credit groups at the community level, and to organise “federations” representing these groups. These federations in turn are assisted to support self-help groups (SHGs) and to act as financial intermediaries. Through 25 partner NGOs in the three States, the

¹ This paper is based on the findings of the Mid-term impact assessment study of CASHE, carried out by Sampark. The author is part of the microfinance programme team of CARE India and has substantial experience working with development organisations in the sectors of livelihoods, micro-enterprise development and microfinance. He has authored a number of papers and case studies. He can be contacted at prabhatlabh@yahoo.com.

programme reaches out to about 2,48,000 rural women clients. At the community level, over 18,000 SHGs have been formed and the majority of them are federated in the form of cooperative or community federations.

1.1. Minimalist approach and empowerment

Historically, credit programmes offered by NGOs were part of a larger development initiative and were linked to income-generation (Sabharwal undated). Over the past decade there has been an undeniable trend for NGOs to get onto the microfinance bandwagon and move towards minimalism, while balancing sustainability and outreach.

Microfinance agencies operating on the minimalist model of poverty alleviation are concerned with setting up viable, financially sustainable credit delivery mechanisms (Edgcomb and Barton 1998). Herein the delivery of microcredit enables the programme to meet the operational costs of the intervention. The control and management of programme delivery remains with the microfinance institution, with a progressive movement towards diversification of financial operations.

Since ensuring a good financial performance remains a key concern, the social inter-mediation agenda often takes a back seat. The control and usage of the financial services made available to microfinance clients, and their status in households and social fora do not factor-in the management decision as long as the microcredit operations remain financially viable. This results in the dilution of the focus of microfinance programmes, from being a powerful tool for economic empowerment, to a mere delivery of financial services. It is assumed that access to savings and avenues of credit would enable the clients to initiate income-generating activities, leading to their empowerment. Women's empowerment is essentially conceptualised in individual economic terms, with the ultimate aim being the expansion of individual choices and capacities for self-reliance.

However, a number of organisations have realised that as long as the root causes of poverty such as unequal power relations, women's participation in household decisions, disadvantages and vulnerabilities and gender and caste based discriminations are not addressed, bringing about lasting changes in the lives of people will remain a distant dream. CASHE has been grappling with this issue of "minimalist" *versus* "credit-plus" approach. While the programme intends to nurture good and efficient

microfinance institutions (MFIs), at the same time, it is also attempting to ingrain some of these concerns in the microfinance programming. Investing in building community-owned and community-managed institutions is one step in this direction, wherein CASHE invests in the building capacities of community based organisations (CBOs).

1.2. Impact assessment study of CASHE in Orissa

CARE commissioned an impact assessment study of CASHE in Orissa in 2003. The study attempts to find out the impact of the programme at different levels, *i.e.* economic impacts, asset creation, changes on the health and education front, status of women within the households and society and impact on vulnerabilities. This paper presents some of the key learning from the study and focuses on changes in the programme's goal level indicators (mostly non-financial).

The objective of the impact assessment was to document impacts accrued from CASHE at individual, household, group, and community levels. The different dimensions of changes studied include economic, social and gender, governance and sustainability. The methodology adopted for the study involved questionnaire surveys, group discussions and participatory rural appraisals (PRAs). It involved the use of control and experimental groups as well as "Before-After" comparisons, covering over 1,300 respondents.

2. Major findings of the impact assessment study

The impact on project participants has several dimensions. The process of impact envisaged was that when poor women begin to save small amounts, they gain access to reasonably priced credit. This is then invested in agriculture and micro-enterprises, resulting in augmented earning that has a positive impact on the quality of the lives of women and their families. This impact is measured in terms of increased expenditure at the household level. The other indicators include the social and political participation of women, their ability to influence household economic decisions, the impact on gender relations, and reduced vulnerability of project participants. These impacts are detailed in the following parts.

2.1. Increase in income levels

The findings of the study revealed that the overall income level of the programme participants had gone up, compared to the control group. The average income earned by the experimental group was Rs.21,742 per annum, as against an average of Rs.18,894 by the control group. Casual labour was the major source of income for the respondents, contributing to 25% of the income for the experimental group, and 40% for the control group. Other important sources of income included business, agriculture and salaries. More than the increase in income levels, the diversification in income sources is of significant importance. This diversification not only gave people a wider choice of livelihood options, but also acted as a risk mitigation strategy, of not depending on only one or a few income sources.

2.2. Changes in consumption patterns

In rural economies, measuring income is always difficult, since it does not come from any one source, and much of it is not monetised. The impact study thus relied more on consumption levels and patterns to get a better sense of the overall well being of the clientele.

The findings of the study revealed that the total average annual expenditure of the experimental group, at Rs.22,698, was higher than that of the control group at Rs.17,331. Another parameter used to distinguish between the subsistence levels of experimental and control groups was the ratio of overall expenditure spent on food consumption. The average household in the experimental group spent 38% of their overall expenditure on food, compared to 49% by the control group.

The percentage of household expenditure spent on medical expenses, agriculture, businesses, travel, shelter and festivals, was similar in both groups. However, households in the experimental group spent a larger proportion of their money on marriages (14%, compared to 4% by the control group), and a lower percentage on addictions (3% as compared to 8% by the control group).

There was a gradual increase in the expenditure pattern with the age of the group. Average expenditure of the one-year-old groups was around Rs.20,490, increasing to Rs.22,773 and Rs.25,399 respectively for two- and three-year-old groups. The absolute amount spent on expenses for food in

the experimental group (Rs.8,888) remained higher than that of the control group (Rs.8,607). This increased spending was mostly on food items associated with better nutrition.

2.3. Expenses on healthcare

The study revealed that most women stated emergency medical expenses as a need and used savings from the group for this purpose. Over 80% of the households from the experimental group and 75% of those from the control group needed to spend money for emergency medical purposes during the previous year.

Health and medical expenses formed 7% of the total expenditure of the households in the project districts. The average annual healthcare expenditure for the experimental group at Rs.1,770 was significantly higher than the control group average of Rs.1,238. Access to small loans from groups made it possible for women to attend to their medical needs.

2.4. Expenditure on education

The study analysed expenditure on education, as well as the percentage of children in school. In addition, attendance in adult literacy classes and skill training were covered during the study. The experimental group spent an average of Rs.426 on education, more than double that of the average of Rs.189 spent by the control group.

2.5. Ownership of house and assets

It was found that over 90% of all the respondents in both the groups live in their own houses. A lower percentage of households in the experimental groups have *Kutchha* (mud) houses (68, compared to 71 in the control group). A comparison with the baseline data confirmed a movement in the positive direction. The percentage of households with *kutchha* houses was reduced by 15%, and those of partially *pucca* (brick) and *pucca* houses increased by 10% and 6%. This analysis was supplemented by an analysis of expenditure on different assets, especially on the house. The experimental group spent an average of Rs.795 on housing and house repair, compared to Rs.444 spent by the control group.

The average value of assets in the experimental group was Rs.2,025, compared to the average of the control group, which was Rs.1,805. The average value of assets of one-year-old groups was Rs.1,511, increasing to Rs.1,533 and Rs.2,452 for two- and three-year-old groups. The difference in asset holding between the two groups was largely due to the difference in value of livestock holding, which was Rs.2,547 for the experimental group and Rs.1,630 for the control group.

2.6. Reduced vulnerability

The higher expenditure level of project participants indicates that their ability to withstand shocks would also have increased. Loans from groups for medical expenses were a major factor in reducing the vulnerability of group members, especially to the common seasonal illnesses in the region (*i.e.* malaria, water-borne diseases, and diarrhoea). Women who are group members reported this as a major benefit of group savings. The use of savings for food consumption was also quite high. Women have an easy avenue to borrow for meeting their food expenditure during times of crisis.

2.7. Participation of women in household decision-making

The study found that in addition to an improvement in the quality of life, the woman's position within and outside the household had also improved. There have been marked improvements in the ratio of women reporting access to household cash and their role in household decision making on aspects such as expenditure on food and education. With the age of the group, more women took decisions either themselves or jointly with their spouses, and the ratio of spouses or other family members taking decisions on their own was reducing. A similar trend was also visible with regard to decisions regarding taking a loan, its usage and cropping pattern. A positive trend was also seen in taking decisions regarding the building and repair of houses, commensurate with the age of the group.

The difference in the role of women in experimental and control groups was not significant, when it came to spending money in general, but the difference by age of groups was quite significant. In most cases, the positive change towards increased control of women over cash was endorsed and supported by the men. Women are now seen as equal partners in decision-making, and men involve them in decisions about taking loans.

The positive changes applied mostly to smaller amounts of money. Decisions about the purchase of large assets and investments in agriculture are still largely taken by men. However, women are consulted more often and are aware of the risks that the couple now takes on a joint basis.

A major reason for the positive change is that women have begun to bring in financial resources and contribute a higher proportion of the family income. This has resulted in greater respect, consultation and greater independence for women in household economic decision-making.

2.8. Participation in social and political processes

The study analysed the participation of women in social and political processes and found that their participation at community fora had increased. This change was facilitated not only by the project but also by the government policy of giving preference to women's groups in bids invited for community work such as pisciculture, orchards, godowns, and community centres. This has led to perceptible change in the access and control of women over natural resources, as women's groups have begun to obtain contracts for such activities.

They also participate in work committees formed by the village panchayat to supervise the work done by contractors in tank renovation/desilting and in the District Risk Management Committees. Other activities taken up by the groups include road and hand-pump repair, tank cleaning, construction of community centres, demanding road and bus connections and *shramdaan* (contributing labour for common purposes). Participation of women in the *palli sabha* and *gram sabha* meetings has increased and a number of programme participants have also been elected to these bodies. It also indicates greater leadership skills and a change in the perception of local self-governance bodies about women's participation and involvement.

Conclusions

Overall, the study shows that gradual but remarkable changes are taking place with regard to the status of women within households and in society. Women now have increasingly more say in matters relating to the usage of household cash, decisions on education, house repair and availing loans.

There is an increasing trend in most of these parameters commensurate with the age of the groups. One of the most important impacts is the greater awareness that women now have due to their increased mobility and interaction with outsiders. This is building greater confidence among the women. Besides, the access to savings and credit in the group gives them a fair amount of bargaining power within the household. The positive impact on social aspects is also visible. The women now feel more empowered and are aware of their rights. Their collective bargaining power gives them more confidence to fight against injustices and for their rights.

Microfinance and empowerment – concepts and tools: some preliminary insights from the SHG model in Andhra Pradesh

P.A. Lakshmi Prasanna

In recent years, group-based microfinance with features such as joint liability (such as self-help groups [SHGs]) has attracted the attention of researchers, policy makers, financial institutions and international donors. This attraction is due to the reported ability of this form of microfinance to help in poverty alleviation by addressing certain credit market failures (thereby improving outreach in terms of serving vulnerable sections of the population), but at the same time maintaining a higher repayment rate (thereby contributing to financial sustainability). However, the literature shows that the performance of SHGs is not uniform across all regions and social contexts. With this observation as the backdrop, a study was carried out with the specific objectives of comparing structure, conduct and performance of SHGs in different agro-climatic regions of Andhra Pradesh. Focusing on the “empowerment” dimension of performance, some preliminary insights from the study are presented in the paper.

1. Methodology

Andhra Pradesh was selected for the study as it has the largest number of SHGs linked to financial institutions in the country. As on March 2003, the State’s share in the number of SHGs, both credit-linked and bank loan, was 39.22% and 47.61%. Besides this, the extent of group mobilisation in the State under various programmes is estimated to be about 4,80,000 groups involving nearly 7.2 million households. Two leading districts (in terms of the number of SHGs, as of March 2000) – Medak and East Godavari – representing two agro-climatic regions of the State (as per the planning

commission delineation of 15 zones in the country) were selected for the study. The data on the status of SHG-linkage in the study districts as on March 2002, is furnished in the table given below.

Table 1. Status of SHGs in selected districts of Andhra Pradesh

District	Cumulative number of SHGs provided with bank loan up to March 31, 2002.	Cumulative bank loan disbursed up to March 31, 2002 (Rs.million).	Average loan size (Rs.) Cumulative	Average loan size (Rs.) in 2001-2002
Medak	11,832	217.17	18,354.46	21,907.93
East Godavari	34,765	805.86	23,180.20	28,385.93

Source: Ten years of SHG-bank linkage (NABARD 2002).

In each selected district, a minimum sample size of 30 groups was fixed so as to include SHGs linked to both regional rural banks and commercial banks, and linked through different modes (*i.e.* directly linked to financial institutions, linked via non-governmental organisations [NGOs], or linked by the involvement of other formal agencies such as the District Rural Development Agency [DRDA]). Leading financial institution branches were identified in each district in terms of early starters in lending to SHGs. From each selected branch, 3-4 SHGs (the oldest SHGs) were selected for the study. From each selected SHG, information was collected from their records, leaders and members (at least five members from each SHG were covered in data collection). In addition to these SHGs, 7-10 long-running SHGs from each district were selected and studied. For collecting data, group-level and individual-level questionnaires were used.

Table 2. Salient features of sampled SHGs

	Medak	East Godavari
Number of SHGs sampled	51	37
Average age of the group (Years)	4.3	5.7
Number of members	681	426
Number of members per group	13	11
Share of illiterates (Percentage)	76	53
Share of Backward Class members (Percentage)	45	45
Share of Other Backward Class members (percentage)	15.5	32
Share of Scheduled Caste/Scheduled Tribe members (percentage)	39.5	23

2. Economic empowerment

It was found from the sample that the women SHG members participated in both farm and non-farm activities. 6.5% and 18.8% members in Medak and East Godavari did not participate in any economic activity. Members engaged in farm-based activities constituted a major share of the sample in the case of Medak (76.8%), whereas in the case of East Godavari, the share of members engaged in non-farm activities was higher. This in turn is linked with the divergent social composition of the sample (in terms of caste and literacy) and the divergent contextual factors (natural resources) amidst which these groups exist. 10.3% widows and destitute women in East Godavari and 2.3% in Medak, representing the most vulnerable sections of society, were empowered through participation in SHGs

In both the districts, non-farm activities in which members were engaged were of a traditional nature. East Godavari is in a better position compared to Medak in terms of natural resource potential and the quality of human resource (female literacy). Accordingly, two special Swarna Jayanthi Swarojagar Yojana (SGSY) projects are being implemented in the district, one for the development of coir-based products and the other in fashion designing, with project outlays of Rs.25 crores and Rs.23.97 crores. The distinct feature of these projects is that they encompass the capacity-building component. One main factor determining the nature of non-farm economic activities in which members are engaged is the anticipated marketing

problem of new products. Accordingly in East Godavari, two special SGSY programmes and two marketing federations were formed to take care of the marketing problem. In the case of Medak, the lack of natural resources and the poor quality of human resource, limits the opportunities available in the non-farm sector. Consequently, farm-based activities such as animal husbandry, and the establishment of a neem seed oil extraction plant are receiving attention for helping in the economic empowerment of women. In East Godavari, too, women involved in agriculture are being targeted for empowerment through animal husbandry activity, as the coir-based activity is confined to 22 mandals only (a mandal constitutes an administrative zone within a district, comprising of a group of villages).

Table 3. Profile of economic activities taken up by sampled SHG members in selected districts

	Medak	East Godavari
Number of housewives (members not participating in any economic activity)	44 (6.5%)	80 (18.8%)
Agriculture/agricultural labour	523 (76.8%)	191 (44.8%)
Tailoring	14 (2%)	30 (7.1%)
Petty shop/hotel	16 (2.4%)	9 (2.1%)
Beedi rolling	46 (6.7%)	-----
Handloom weavers	-----	21 (4.9%)
DRDA/Anganwadi workers	11 (1.6%)	3 (0.7%)
Others	27 (4.0%)	92 (21.6%)
Vulnerable sections (widows and destitute women)	16 (2.3%)	44 (10.3%)
Others include	Ironsmith, washer-women, pottery, nursery workers, factory workers, vegetable sellers.	Saree rolling, selling fish, leaf plate making, pickles making, and wire bag knitting.

Note: Anganwadi workers are health workers who look after the health and nutrition programmes for rural women.

The above-mentioned efforts become operational only when an SHG attains certain standards. In general, the effect of visible economic empowerment through SHGs, especially in the case of members engaged in

farm-based activities, is very low. This in turn is due to the fact that the first loan size is fixed at Rs.10,000-15,000 per SHG, based upon the number of members in the group. In subsequent loans, there is a gradual increment in the loan size, which is a feature of microfinance lending. The average loan size per SHG in selected districts is presented in Table 1. In most SHGs, members share these loans equally, and each member thus gets a very meagre amount. In the sample SHGs, the average loan size per member in the first loan works out to Rs.1,000. According to NABARD, the average (cumulative) loan size per member (family) at the country level increased from Rs.1,016 to Rs.1,316 only from March 2000 to March 2002. The SHG members from cultivator households use this amount for farm activities such as the purchase of seeds and fertilizer or the payment for labour, or other household expenditures. Consequently, economic activity resulting from SHG-lending is invisible in most cases. The equal sharing of loans in most cases is a behavioural response (to share and spread the loan repayment responsibility) following the joint liability feature.

3. Social empowerment (network building)

The federation of SHGs is being promoted now in Andhra Pradesh. Some reasons for the initiation of informal networking of SHGs by NGOs are to deal with issues such as inter-group lending (thereby ensuring mobility of capital), negotiate with higher-level structures, and gain greater bargaining power (Reddy and Prakash 2003). In later stages, the formalisation of this networking is facilitated by the introduction of the Andhra Pradesh Mutually Aided Cooperative Societies (APMACS) Act 1995, by the State government.

In the study area, some distinct features were observed in the formation of federations. In Medak district, both DRDA promoted-federations and NGO-promoted federations were observed in the sample. In the DRDA federations, SHGs federated at Mandal level as the Mutually Aided Cooperative society (MACs). In NGO-promoted federations, SHGs were federated at the village levels as Mahila Mandals/Sanghams, and at Mandal level as MACs. These federations provide scope for cross-learning and also deal with common problems at the macro-level.

In the case of East-Godavari district, activity-based federations were observed such as fashion designing and garment manufacturing marketing MACs, and coconut by-products marketing MACs. The main advantage of

these activity-based federations is efficiency in marketing. Thus the federations build up on the concept of networking and aid in not only social empowerment, but also economic empowerment of SHG members. In East-Godavari there are four MACs and in Medak district, 95 service area federations (SAFES, which are unregistered) and 24 MACs have been established. At the State-level, 1,800 thrift and credit MACs are registered, and the number is growing at an exponential rate (Reddy and Prakash 2003). In the South Asia Poverty alleviation programme (SAPAP)) and the Velugu programme area, successful intervention in commodity markets through federations was reported by Shenoy (2002) in terms of eliminating the role of middlemen and improving the price realised for these commodities.

4. Political empowerment

In July 1999 the State government launched a scheme called "Deepam", in which domestic LPG connections are provided to women below the poverty line, both in rural and urban areas, at a subsidised rate. The scheme has a one-time capital subsidy – under this scheme, LPG connections are subsidised and cost Rs.1000 per connection – rather than providing LPG refills at a subsidised price. The up-front cost of taking an LPG connection has to be borne by the beneficiary. Under this scheme, beneficiaries are members of thrift and credit societies, members of DWURA (Development of Women and Children in Urban Areas) in urban areas and members of DWCRA (Development of Women and Children in Rural Areas) in rural areas. Thus, initially, SHGs formed and nurtured by NGOs in rural areas were not recognised as beneficiaries under the scheme. Over this issue, a representation was made in Dubbak Mandal of Medak district by SHGs promoted by Navjyothi, an NGO. This was not successful with the officials at the lowest level. Hence the members made a representation at higher levels and got some LPG connections, according to the seniority of the group. Thus the SHG members, through their federation, questioned the power relations and established their claims. Also, in Medak and in East-Godavari, SHGs participate in Grama Sabhas during the Janmabhoomi process (an effort to take administration to the doorsteps of people, with five core areas: community works, primary education, primary health and family welfare, environment conservation and responsive governance with people's participation).

5. Group dynamics and empowerment

Group dynamics in terms of dropouts influences the extent of empowerment. Dropouts in Medak amounted to 6.5% and 7.6% in the case of East Godavari. The percentage of groups in which dropouts were observed was 33.3% and 43.24% in Medak and East-Godavari.

In Medak, dropouts due to financial problems were 51% of the total dropouts, of which 36.2% were self-dropouts and 14.8 per cent were forced dropouts. In East-Godavari, the dropouts due to financial problems were 40% of the total dropouts, of which self-dropouts were to the extent of 31.4%. These figures once again reflect lower economic empowerment. In the case of Medak, 4.3% constitute forced dropouts as they were unmarried, while in the case of East-Godavari, 2.8% dropped out voluntarily after marriage. The reasons given for the dropouts make one question the empowerment effect of microfinance. Migration accounted to 19.2% and 34.3% of the dropouts in SHGs in Medak and East-Godavari. Conflict over the distribution of LPG connections under the Deepam Scheme led to 10.6% dropouts in Medak. The caste composition of the groups also influenced group dynamics.

An attempt was made to explore why male thrift and credit-based SHGs were not coming up, by means of studying male groups in Medak district (only 3 groups). In one case, it was observed that the lack of agreement among members on the issue of which political party to support, led to the stoppage of functioning of the group, even though the group was homogeneous in terms of caste. In two other cases it was observed that after the first loan, the members were discouraged by the lack of bank support, resulting in dropouts in one (heterogeneous in terms of caste) group and passive functioning in the other (homogeneous in terms of caste) group. Agricultural labourers and factory workers formed a major share of the dropouts.

6. How defaults affect empowerment

Some of the reasons for default in repayment of loans by groups in the study districts were migration, exogenous group formation (*i.e.* group formed by the intervention of external agents pooling together members unknown to each other), domino effect (*i.e.* if one member defaults in a group, other members also strategically default), no economic activity on the part of members, and difficulty in exerting peer pressure when members of a group are close relatives. Defaults resulted in denial of future access to credit,

which affected members of the group in genuine need of financial services. Thus defaults have a negative effect on the empowerment effect through joint-liability-based microfinance.

It was generally opined that groups with a cooperative mode of operation would be more effective and promote equity and empowerment. In the SHG-model of microfinance in the majority of cases it was observed that members of the groups shared the loans equally, but the repayment capability differed with each individual. In such a situation, members who were unable to contribute on par with others were either forcibly dropped or forced to adopt the method of "debt rotation" (*i.e.* to repay the SHG loan amount, they would have to borrow from outside). In many cases it was observed that the smaller loans were repaid earlier than final due date fixed, in order to avail bigger loans. In this process, the vulnerable sections in the group were affected and forced to follow the procedure of debt rotation. This has an adverse effect on the empowerment effect of microfinance. However, in one or two instances it was observed that the vulnerable sections are provided with internal lending (with flexibility of regular payment of interest only, and principal payable in one or two instalments, when the flow of income is good, such as during the harvest season). In these groups, bank loans were shared exclusively by members with a regular income. That is, the source of the loan was different for members with a regular income, and members with a seasonal flow of income. This kind of flexible cooperative behaviour has a positive effect on economic empowerment through microfinance.

The positive effect of inter-group cooperation through networking has been highlighted earlier in terms of political empowerment. However, this networking concept has certain adverse effects such as the spreading of the domino effect. In Medak district it was observed that on account of apprehensions spread, due to lack of transparency in managing financial resources, one Sangham (SHG federation at the village level) promoted by an NGO completely defaulted. Thereby, all the members of the SHGs constituting this federation became dependent on informal credit resources for their requirements. Similarly, in Raikode area of Medak district, improper understanding about the Manjeera Suraksha scheme, an insurance linked savings scheme for members of SHGs, led to default by several SHGs. Thus, cooperation in such aspects and emulation without proper understanding has an adverse effect on empowerment.

Conclusion: further issues

Joint-liability-based microfinance offers some scope for empowerment of vulnerable sections. However, which vulnerable sections are empowered, and the areas in which they are empowered, are determined by microfinance programme design, the policy environment, the socio-cultural context, the mode of group functioning and group dynamics. Due to linkage with the DWCRA programme, the SHG model focuses only on the empowerment of women. A recent initiative, the formation of “Rytumitra” groups, aims to cover small and marginal farmers including tenant farmers, irrespective of their gender. However, how far this joint liability concept is practical in the context of correlated risk of the agricultural sector, and what specific features need to be included in the microfinance design model to make the model perform well, are the issues of research.

Within the existing SHG model focusing on women, some issues that need attention are:

- How to make vulnerable people (who do not participate or dropout on account of inability to save and repay loans) participate in the programme. What flexible features need to be introduced in the existing model of SHGs?
- In the context of low female literacy, especially in rural areas, how does one protect SHG members from instrumentalization and rent seeking behaviour from local, national and global players?

These issues need to be addressed with care to avoid discrimination in the implementation of welfare programmes targeting SHG members, between SHGs promoted by NGOs and those promoted by other formal agencies. This will aid in the higher empowerment effect of SHG-model microfinance.

SHGs and their place and role in civil society

Prakash Louis

Self-help groups (SHGs) have emerged in order to help the rural poor, particularly women, in securing credit and other services. SHGs lay the foundation of self-reliance through the building up of an institution, which has the capacity to begin the development and empowerment process for women. Along with poverty eradication, empowerment of women has for a long time been a stated aim of many microfinance programmes. The assumption behind this perception is that empowerment of women leads to the development of the family and the community at large. SHGs provide opportunities to women to interact among themselves and within the wider social context. In a special way, being a part of an SHG helps women to understand their status in the family and society, their access over resources, local governance and so on. This paper presents the methodology, objectives and major findings of an impact study undertaken by the Indian Social Institute, New Delhi.

1. Objectives of the study and methodology

1.1. Objectives

This study focused on the extent to which SHGs build up confidence and mutual support for women striving for development and change by establishing SHG units in which the women can critically analyse their situation and devise collective strategies to solve their problems. This main objective had the following subsidiary objectives:

- To study the functioning and management aspects of the SHGs;
- To assess the role that SHGs play in the provision of different types of facilities, specially the health and educational facilities for women at the village level, and studying the impact that women SHGs have

made in 'local politics' in terms of influencing decision-making at the gram sabha and gram panchayat level;

- To find out the nature of the impact that women from these SHGs are trying to build at the personal, family and community level;
- To evaluate the nature of the contribution of the SHGs in making its women members economically independent and secure, and the extent to which the economic benefits drawn from the SHGs have contributed to improving their social status;
- And to analyse the role of the facilitators in the formation and running of the SHGs and in making them the instruments to fight for women's rights.

1.2. Methodology

Bihar, Chattisgarh, Madhya Pradesh and Uttar Pradesh were selected for the study. From each of these States, data was collected from three districts. West Champaran, Madhubani and Nawada districts were selected from Bihar. The districts chosen in Madhya Pradesh were Gwalior, having a mixed population, *i.e.* tribals in some parts, Ujjain, also with tribals in good proportion and Jabalpur, which is a developed district. The districts selected in Uttar Pradesh were Meerut, Jhansi and Varanasi. The districts selected in Chattisgarh include Raipur, Jashpur and Rajnandgaon.

From each districts, 50 SHGs were covered. Five members from each SHG were selected for data collection. Care was taken that at least one of them should be an office-bearer. Information was collected from the facilitators of the selected SHGs. A target of 20 facilitators was fixed for each district. Since the same facilitator helped many groups, at places those facilitators were included whose groups were not in the study. For a district, the sample size was 50 SHGs, 250 women members and 20 facilitators. Overall, the sample size for the study was 600 SHGs, 3,000 women members and 250 facilitators. Three schedules were used for data collection: for SHGs, for the members of SHGs and for the facilitators. Information was also gathered from SHGs through focused group discussions and from members and facilitators with the help of an interview schedule.

2. Major findings of the study

This baseline study about the place and role of women in civil society through SHGs highlights the fact that the formation of SHGs by women has led to a change in identity, or at least has the potential to introduce a change in the negative identity imposed on women. Even though many of the SHGs were not constituted with this stated objective, in the long run they provide scope for this.

Managing the financial situation of the household well is a yardstick of the successful functioning of SHGs. Before becoming a member of an SHG only 9% of women could arrange money in a sudden crisis, whereas after becoming members, 38% found it easy to arrange money in a crisis situation. The difference of 28% clearly reflects the “difference in situation”.

Women constitute the central locus of every family, though they may not be invested with all the powers necessary for this task. SHGs contribute not only in economic terms but also by providing status to women in family. The indicators used to analyse the impact of the SHGs on the status of women in the family focused on the role of women in the following matters:

- Running the house and managing the expenses;
- Deciding about the number of children;
- Deciding about the future of daughters in terms of education, age for marriage and so on;
- Keeping control of income earned.

The number of women who are actively involved in running the house and managing the expenses increased from 15% before joining an SHG to 54% after joining and the number of those not at all involved in managing the household expenses declined from 35% to 10%.

Awareness generation programmes conducted for capacity building among women enable better functioning of SHGs and in turn lead to the enhanced status and power of the women within the family and the community. Since most of the women from the marginalised communities are illiterate too, it is such awareness and training programmes that have often opened up many possibilities before them. However, these training and awareness programmes at the pre-formation phase should be made available for the SHGs during the formation and sustaining phase too.

Before joining the group, 60% of the women had no control over the money earned by them, but this declined to 15% after joining. The number of those who had an active say in the use of the money earned increased from 11.4% before to 31% after being in the group. Based on this preliminary data, it can be stated that while the number of women who had no say in family matters has substantially declined, the number of those who have an active role in these decisions is still limited. Most of the women have gained some role in these decisions, which under the circumstances may be considered an achievement.

The organisational and financial sustainability of the groups are important for the continuation of SHGs. Since they are informal organisations, flexibility and freedom also has its price. In making much greater demands on members of SHGs to manage themselves, the groups become more vulnerable to collapse. As small autonomous organisations, they are exposed more to danger both from within and from outside. If SHG members can identify and resist the dangers of being used by outsiders, the movement may in time play an important role in the reduction of poverty in India and also be a vehicle for social change. If not, they will become no more than another milestone in the nation's long list of development failures. Hence, there is an urgency to evolve some clarity among all the agents involved in SHGs. This is all the more necessary in the area of supervision and regulation. It has been observed that in the small groups, where each member knows every other member well, deposits do not appear to be in danger. But when savings are entrusted to an NGO or a federation, the need for transparency is essential. This is all the more imperative since for most of the women from marginalised communities this may be the only saving for their survival.

There are many positive signs regarding the role played by SHGs in the area of health. Health care is an important need of the weaker sections in general and women in particular. This is also an area that is not crisis-bound in terms of organised action. Hence, many SHGs succeed in ensuring that some amount of health benefit reaches the poor from the government centres. Moreover, due to the awareness programmes, some of them also concentrate on preventive aspects of health and not just on curative.

This study has thrown up the fear of political interference with SHGs and women's empowerment, something that has been expressed regularly when discussing the future of SHGs. SHGs that are federated have the potential to convert themselves into a mass-based programme and organisation with the potential for expansion. This could attract political

attention. While the programme has so far managed to avoid this, the challenge is to keep away from party political influences, which would reduce the programme to a vote bank. This would not just dampen the spirit of SHGs but would block the path of women's empowerment.

Though this area is rapidly expanding, there are not many authentic and scientific studies indicating the place and role of SHGs in the empowerment of women and in impacting change in the community. Some of the priority areas of research are: the social and economic impacts on members of the SHGs; costs, margins and profits to banks in linkage banking; roles, costs, benefits and sustainability of intermediate structures like federations; inclusion of the "excluded", especially women from weaker sections; equitable distribution of benefits among the members; contribution of the groups towards the social fabric of the community; the role of government in the linkage banking; the possibility of SHGs providing space and scope for women to participate in Panchayati Raj institutions; in community based disaster preparedness; and finally, conflict resolution and peace building.

It is also significant to note that the SHGs have provided a platform for the Dalit and tribal groups, which are often excluded from most of the developmental schemes, not only in terms of savings and credit but also to raise their voice effectively to highlight their concerns. Some of the Women's Day celebrations are indicative of this emerging trend. The need of the hour is how to provide a similar platform to women from weaker sections and also to strengthen the SHGs.

As autonomous organisations, the SHGs share the challenges and dynamics of other small and informal organisations. Government, donors, policy makers and resource-providers need to be aware of the dynamics involved in these small and informal organisations. In their enthusiasm to promote and support a large number of SHGs and in their anxiety to meet targets, they run the risk of turning these groups into "state-helped groups", or "target depicting" groups. In the process they destroy the very foundation of self-help and autonomy. Women are already constrained by various socio-economic, political and cultural factors. Women of weaker sections are doubly discriminated against and deprived. Any hurried and haphazard process to initiate self-help among these women would further frustrate their resolve to move away from poverty, dependence and fatalism.

There are many success stories of both women members of SHGs and of SHGs themselves. A group of tribal women in Chhattisgarh have not only become members of SHGs but have also strengthened the gram sabhas, which are emerging as the lifeline of the tribals in many part of India. When a group of Dalit women in Benaras district of Uttar Pradesh showed their continued opposition to alcoholism, the men had to give in. It is undeniable that success stories have their own limitations. Yet, these case studies show that in favourable conditions, women can function to introduce change in their own lives and in the lives of their families, communities and society. The need of the hour is to search of mechanisms that would ensure favourable conditions for the appropriate functioning of SHGs.

It is imperative that the women, the communities, social activists, donor and government agencies work out awareness generating exercises, capacity building programmes and perspective building trainings. Developing training resources that meet the needs of all the agencies, especially women of the SHGs, is the need of the hour. Here I want to share the following information: The Social Finance Programme of the International Labour Organisation is preparing a "training manual on social analysis for SHGs". This is in the completion stage. The Catholic Relief Services is planning to initiate a study on the scope of SHGs in community based disaster preparedness and conflict resolution and peace building. These are tall orders but they indicate the direction the SHGs could take in the future.

Concluding remarks

The analysis of the data gathered in this baseline study indicates that organising themselves into a group has made an impact on the lives of women. Expectedly, the extent of impact is limited and it is not apparent in all the indicators used for the study. The coming together of women itself has opened up avenues for their search for space for themselves. Many of the women found confidence and self-dependence by being in the group. Further, since women borrowed money from moneylenders, the interest payment went to an external agent, but now it goes to the common pool. In those SHGs, which have been in operation for a long time, women and their families are not at the mercy of moneylenders. Also, some of them need not mortgage their land as in the past. Political participation and empowerment are long-term objectives.

Finally, deeper and sharper qualitative data and analysis may help in reaching some workable propositions to enhance the status and role of SHGs in civil society. The analysis presented here merely provides some pointers on the issue. Women have been found to take up challenges and to question all forms of exclusion, deprivation and exploitation. In this regard it needs to be stated that SHGs are a means in the process of empowerment of women. Thus, formation of SHGs is not the end in itself, but the means to facilitate the process of bringing positive change in the status of women in particular, and society in general. Finally, every attempt to provide the appropriate place and role to women would enhance the ability of women and this in turn would capacitate the SHGs to function for the betterment and empowerment of women.

Social externalities of women's empowerment through microfinance: a comparative study of two interventions

M. Indira

The empowerment of women as a goal to engender the process of development has been very popular in recent times. Many development agencies now realise that women's empowerment is the key to long-term poverty alleviation. It is defined as increasing the self-reliance of poor people, especially poor women.

Microfinance programmes for women are more and more promoted not only as a strategy for poverty alleviation, but also for the empowerment of women (Mayoux 1996). These programmes have an impact not only on the target group but also on the society in which they live.

1. Conceptual clarification and methodology

Externalities are costs or benefits arising from an economic activity that affects people other than those engaged in that activity. Positive externalities are the benefits accruing to third parties other than those involved in the original transaction. Over the last few years, this economic concept has been applied in different fields to understand the social gain due to government programmes. For example there are studies that looked into the positive externalities of government watershed development programmes, immunisation programmes and so on. In these studies, the positive impact of these programmes on the community as a whole, apart from the target group, has been studied.

The present study makes an attempt to analyse the social gain from the women's empowerment programmes through microfinance. It looks into the impact of the microfinance programmes on the community through their

impact on the target group. Several studies have clearly brought out the impact of these programmes on women and their individual and group empowerment. A National Bank for Agricultural and Rural Development (NABARD) study clearly showed that the social impact of these programmes on the household is more than the economic impact (Puhazhendhi and Satyasai 2000). Another study (Rajashekar 2000) looked into the impact of microcredit on poverty alleviation and empowerment. A study of 64 women of MYRADA showed that the number of decisions made by the husbands fell significantly over a five-year period (Puhazhendhi and Satyasai 2000). In Bangladesh it was observed that *"microcredit has not led to a transformation, but has become an additional resource, around which negotiation occurs"* (Fisher and Sriram 2002).

All these studies looked into the impact on the members and on the household, but no study has focused on the impact of this on the community and the village structure.

Women's empowerment programmes are helping not only the target group, but also the society around this group in three ways, which can be considered as positive externalities of these programmes.

1. They create a critical mass of women who are more confident to face the local problems, participate actively in the Grama Sabha, think rationally to take appropriate decisions, and make the local institutions function well.
2. Create an equitable society where there are no gender biases.
3. Contribute to the greater utilisation of local resources and provide services.

The specific objective of this study is to make a comparative analysis of the impact on the community of two women's empowerment programmes through microfinance – the Stree Shakthi and Mahila Samakhya programmes, implemented in Karnataka, India. While the former falls into the category of directly providing access to credit, the latter belongs to the category where providing access to credit is only one component. The results do not speak of the whole programme, because of the limits of the sampling. However, it provides a framework to understand the social impact of these groups.

1.1. Indicators of social externalities

The benefits accruing to the community due to the formation of self-help groups (SHGs) are called positive social externalities and the majority of

them are intangible benefits, which are difficult to measure. Positive social externalities may be in the form of increased awareness levels of the community, better participation in governance and so on. However, an attempt is made to quantify these benefits in the form of indicators given below.

Positive externalities

- Greater participation of women in local governance bodies.
- Increased availability of services locally.
- Increased utilisation of resources available locally.
- Acting as agents of transformation.
- Opposing social evils and taboos on the girl child and promoting the welfare of the girl child.
- Facilitating group functions.
- Better implementation of other welfare programmes.
- Work towards building a healthy society.
- Promotion of a society with gender equity.
- Demanding accountability from mainstream education and health facilities.
- Inspiring other local community-based organisations through healthy competition.
- Promotion of human capabilities.

Negative externalities

- Increased social tension in the village.
- Displacement of local structures.
- Emergence of leaders who claim undue benefits.

The study, a pilot study undertaken in Mysore district in Karnataka, is based on primary data collected through an interview schedule and group discussions with the sample respondents. Three groups each were selected randomly from the Stree Shakthi and Mahila Samakhya, the main criterion being the same age of the groups. The sample consists of 120 members from both the groups.

1.2. Comparison of Stree Shakthi and Mahila Samakhya Programmes

Both programmes were introduced in Karnataka with the stated objective of women's empowerment. Stree Shakthi was initiated during 2000-01 by the Department of Women and Child Development in the rural areas of all the 176 taluks in the district. Mahila Samakhya is one of the important quasi-central government programmes implemented in Karnataka. The differences in the strategies and intervention mechanisms are summarised below.

Table 1. Comparison of Stree Shakthi and Mahila Samakhya Programmes

Objective/Strategy	Stree Shakthi	Mahila Samakhya
Objective	Empowerment of both rural and urban poor women.	Empowerment of rural poor women.
Strategy	Empowerment through the formation of thrift groups.	Empowerment through social transformation.
	Starting point is the formation of savings and credit groups.	Starts with formation of groups to create awareness and space for women.
	Addresses only economic needs.	Addresses social and economic needs.
Implementation	Implemented through Anganwadi teachers and monitored by line departments.	Implemented through the field staff of Mahila Samakhya and monitored by the Mahila Samakhya Society.

2. Findings of the study

With the help of the indicators mentioned earlier, the outcomes of the two interventions were analysed. The results are presented below.

2.1. Participation in local governance bodies

The participation of women in local governance bodies helps in engendering governance at the grassroots level, which is one of the positive externalities

of these programmes. The formation of women's groups, training and motivation by the implementing agency created a space for rural women.

Table 2. Changes after joining groups

(as mentioned earlier, the sample consists of 120 members for each group)

Changes	Stree Shakthi	Mahila Samakhya
Can organise any public function/ programme	30	40
Can participate in any public meeting/programme	60	80
Received more information about various programmes	20	24
Can meet any government official	20	30
Can travel alone	40	45
More aware of social issues	25	45

This clearly shows that whatever the type of intervention, the formation of the group helped women to gain strength and confidence. This individual empowerment not only helps her family, but also helps in making them partners in the development processes.

2.2. Promotion of gender equity

Both programmes aim at the empowerment of women by promoting gender equity. However, this is given more importance in the case of Mahila Samakhya. As mentioned earlier, the starting point of Mahila Samakhya interventions is the formation of groups without the savings and credit component, which comes later. Through federation of groups and their weekly meetings, women become legally, politically and economically aware. This resulted in better gender relations at home. This is reflected in the utilisation of the money borrowed. For example, the majority of the Mahila Samakhya members who borrowed from their groups invested in the activities in which they themselves actively participated, but in the case of Stree Shakthi members, the borrowed money was invested in activities that are managed by their men.

2.3. Negative externalities

The formation of women's groups initially created some amount of tension locally. The men, used to their own dominance, were not prepared to give

equal status to women, and were unable to accept the women attending meetings and asking for equality. This has created tensions both at the household and community levels. Men started abusing group members and the motivators. In one village, the villagers did not allow the members to conduct their weekly meetings in the Anganvadi building and the meetings had to be held in the open space outside the house of the motivator.

There was no displacement of any of the local institutions in the sample villages because the spread of these interventions is minuscule compared to the requirement. For example, the availability of credit has reduced the dependence of these households on local moneylenders. But it has not affected it to the extent that these lending institutions disappear.

In the case of Stree Shakthi, which is implemented by the government machinery, it was observed that Anganwadi teachers, who acted as the motivators in the formation of the groups, tried to exercise control over and gain undue importance in the groups. As a result, political parties tried to influence the teachers. There was no such problem in the case of Mahila Samakhya.

Conclusions

The study shows that women's empowerment through microcredit has a positive impact on the community. Linking empowerment through microcredit has a better binding and sustaining effect, because mere empowerment through awareness creation will soon lead to a loss of interest among the members. Microcredit programmes without the element of awareness creation will make these institutions only 'micro-lending institutions', where credit is available at a cheaper rate. If microcredit is part of the empowerment programme, "enlightened self-interest" makes members come together and participate actively. Mahila Samakhya is more successful in combining both and its members are more aware of social issues, the strengths of people's organisations, legal aspects relating to women's issues and gender equity. Mahila Samakhya group members have created a space for themselves and are able to participate in local governance structures, and make the local institutions work for their betterment.

Members of both groups could fight against social evils, demand accountability from local institutions, fight for better facilities from public

services and so on but the force behind all these activities is the economic incentive, that is, their savings and credit.

The “demonstration effect” of Mahila Samakhya groups is more due to the social interventions of these members. Many of the Mahila Samakhya groups have come into existence due to the felt needs of the members. Having heard of the working of groups in nearby areas, these women approached Mahila Samakhya motivators for help to form a group.

But in the case of Stree Shakthi, since it is a structured programme and target oriented, each Anganvadi teacher was given a target and she acts accordingly. Members joined mainly because the teacher asked them to join. Since Stree Shakthi programmes are introduced and implemented by the government, both the motivators and the target women consider it similar to any other social welfare programme. Due to this, its impact on the efforts of social transformation is limited. But in the case of Mahila Samakhya programmes, it is looked upon as a people's programme and the issues addressed have a far-reaching impact on the members.

Another important observation is that all the drawbacks of bureaucracy have been inherited in the Stree Shakthi programmes, such as the race to reach targets, rigid rules and regulations, bias in the selection of training agencies and so on.

Despite the large number of groups created, their spread is small. For example, in a village population of 500, a group with 20 women cannot make a real, sustainable impact. It is necessary to spread it in many more areas and as a first step it is necessary to map out the interventions to identify the areas of crowding and areas that are left out. It is also useful to develop a systemic approach where entire village communities, occupational structures and the availability of local resources are taken into consideration, and appropriate local skills/activities are promoted in order to take up group activities that will have a greater impact on the village economy.

Economic empowerment is only one necessary condition for the emergence of positive social externalities. But if economic empowerment can be cemented with other inputs such as awareness (health awareness, awareness about legal rights, political participation and so on) and gender sensitisation, the emergence and impact of positive social externalities will be much more spectacular.

Empowerment of SHG/DWCRA women through microfinance: A study in Andhra Pradesh

D. Vasudeva Rao

"Coming together is a beginning, keeping together is progress, working together is success."

- Henry Ford

For the overall development of society, women need to be empowered to manage their affairs on their own, without interference from males. In a traditional, patriarchal society, this is possible only when women are brought together as a force, with economic empowerment and social development operating together as well as simultaneously. The Andhra Pradesh government has been working for the cause of women's empowerment for the last decade. Presently, there are 4.7 lakh SHG groups in Andhra Pradesh with a membership of 65 lakh women, and a corpus of Rs.1,590 crores, including Rs.697 crores provided by the State government.

Rationale for the study

Though the government has been spending a lot of time, money, personnel and other resources on the formation of self-help groups (SHGs), there have been inadequate studies on the levels of development achieved by these groups. There are also no specific studies to evaluate the levels of social development achieved by these groups. Several studies have been conducted by different organisations in the past on the formation, composition and functioning of the SHGs, but a limited number on their economic activity such as savings, lending, following banking procedures, recovery rate and increase in the individual income through micro enterprises. With the financial support from the Malcolm and Elizabeth Adiseshiah Trust, Chennai, the Council for Social Development (CSD) at Hyderabad has taken up a detailed study on assessing the social development aspect through

microfinance of the women in the SHGs. The social development/empowerment of these women is studied with special reference to their attendance, participation and achievement, of specific demands through group meetings, self-management capacities, change in their role in decision making at the household, community, and village level affairs, their participation in the village level community based organisations (CBOs) and Panchayati Raj institutions. This paper is an abstract of a much larger study conducted by CSD on 1,000 women's groups from three districts of Andhra Pradesh.

Major objectives

The main objective of this study focuses on the all-round development achieved by the SHG/DWCRA (Development of Women and Children in Rural Areas) women's groups in Andhra Pradesh. More particularly, it focuses on the sustainability of the programmes, *i.e.* the involvement of the community in planning and implementing several development programmes so that development activities will be carried on by the communities even after outside assistance is withdrawn. In other words, it measures whether the women have been practicing advocacy for their rights, their improved role in decision-making, and whether they have become articulate, empowered, and capable of self-management.

The following outputs/measurable indicators, which are likely to reflect the all-round development among the women groups (Counts 1996) are studied:

1. Urge for literacy (daughters)
2. Acceptance of family planning
3. Self-esteem
4. Participation in local self-government (Sarpanch, President)
5. Active role in CBOs: Vana Samrakshna Samiti (Forest Protection Committees), Water Users Association, Village Development Councils, Village Education Committees, etc.

1. Methodology

1.1. Sample design

A 1.5 per cent sample from each selected district is proposed for this study from the 1.15 lakhs DWCRA groups and 2.19 lakhs SHG groups in Andhra Pradesh. The three districts selected for the study are based on their performance against the State average. A 1.5 per cent sample of 150 groups was selected from Khammam district (representing Telangana region), which showed the lowest performance. Similarly, Kurnool district (Rayalaseema region) has been selected for its moderate performance with 195 groups. East Godavari district from the coastal area had the highest number of groups and the best performance and was selected with 655 groups. The samples were selected to cover adequately different castes (Scheduled Castes, Scheduled Tribes, Backward Class/Castes, Other Castes), occupations (agricultural labourer, sub-marginal farmer, asset-less, destitute), tribal and non-tribal areas, and literacy levels. By adopting multi-stage random sampling, six mandals were covered in East Godavari district, spanning over 60 villages, in Kurnool district three mandals were covered, spreading over 15 villages, and 38 villages were covered in three mandals of Khammam district to cover the 1,000 groups. The samples were carefully selected within the three geographical areas in order to study the differentials between the tribal areas, developed areas and well-developed areas.

1.2. Choice of tools and indicators

To collect information from these groups, a questionnaire was prepared in Telugu, the local language, covering the objectives of the study. It was pre-tested in some of the areas for clarity, use of local dialects, and ambiguity between the interviewer and the respondent. It was also tested to reduce as far as possible the technical terminology and ensure the logical sequencing of questions. In addition, members from different groups in each village were assembled together and a focus group discussion was held on various topics to elicit details about the group's formation, and the perceptions and reactions of its members, to gauge the overall situation and record the group behaviour as a whole. DRDA officials and bank officials were also interviewed to elicit their experiences and suggestions to improve the present functioning of the groups, and to get the views of the service providers at the micro-level and the line department officials involved in the formation and sustaining of the groups.

Box 1. Details of instruments used for data collection

1. Group leaders' general identification (10 questions)

The information related to age, caste, religion, educational status, main occupation, marital status, household size, land particulars and household income per month.

2. Details of the group (21 questions)

The information related to the age of the group, the respondent's position in the group, particulars of each group member, motivational factors to join the group, attendance, participation and achievement particulars, group dynamics, linkages with financial institutions, election of the leader, savings, lending, recovery activities.

3. Self-management aspects (7 questions)

Details on who writes the accounts, how the subscriptions and loan instalments are collected, who writes the minutes, how passbooks are maintained, and so on.

4. Loan details (6 questions)

Amounts saved through contributions, government's contribution, bank loans (details about seed capital available for rotation), purpose, amount, outstanding and overdue particulars of the loans, processes of the loan sanction, etc.

5. Impact of SHG (20 questions)

Detailed information on the change in the perceptions/experiences of the women before and after joining the group, changed role of women members in decision making in family matters as well as in solving community issues.

6. Occupational mobility (8 questions)

Occupation mobility was the response of each member based on their perceptions about changing their occupation in the future, in relation to their improved economic situation as a result of the microfinance, training received, awareness created on income-generating activities, improved self-management skills, and so on. Suitable suggestions were made based on their practical experiences to improve the existing situation.

2. Results of the study: functioning of groups in different districts

2.1. Participation levels of different family members in decision making in family matters

The responses were graded on a three-point scale. Under each item the share of each family member's participation was graded as: nil, moderate and active. The main people considered were self, husband, father-in-law and mother-in-law. Information was sought on their daughter's marriage,

dowry, children's education, asset purchase, major loan, and health care. In each of these matters, the role played by each member of the family produced interesting results. There was perceptible improvement in decision making by women.

2.2. Self-management aspects

Writing of accounts, collection of monthly contributions, process of giving loans, writing of minutes of the meeting, going to the bank were all considered. Though there was improvement in self-management practices, all the members did not have opportunity to develop. Only leaders were able to do so.

2.3. Composition of capital

The capital available for the group was made up of three components: the group's savings, revolving funds from the government, and bank loans. The amount and composition of the funds available for each group in each district varied notably. While savings were more in Kurnool (46%), government assistance (27%) and bank loans were high in Khammam. The groups' performance was better with higher government assistance.

2.4. Participation in community problems

It would be of interest to know the improved and increased role of women as a group in solving community problems. The main activities relating to the community were broadly classified as developmental activities such as a check dam, Janmabhoomi, etc., water problems, regular supply and correct billing of electricity, a building for a school, regular attendance by teacher and students, construction and management of low-cost sanitation units, and the laying of *kutchha* (mud) roads including acquiring of the land for this purpose. Only a few active groups could achieve village development activities. Other groups need exposure in this aspect.

2.5. Change in perceptions on important aspects of social development

The respondent's opinions/perceptions on some of the important parameters such as the number of girl children going to school, reduced family size, improvement in individual income, increased working days, asset formation,

interface with the government officials, skill improvement, capacity building, trainings and membership in CBOs, etc. were compared between the present and the past in terms of percentages. On some aspects, in some areas, there was improvement. For all-round improvement, capacity building and training classes are needed.

On the whole, the increase in the percentage of the perceptions (of the respondents) on important matters between two points of time has shown better trends towards higher levels of awareness on issues directly related to social development. The trends are satisfactory in the case of improving skills, self-management, trainings, capacity building and membership in CBOs. A good beginning has been made and with the passage of time, more women are expected to come out with courage.

2.6. Occupational mobility

The researched also probed into why a few respondents wanted a change of occupation. As expected, 40 per cent did so for more income. Interestingly, around 25 per cent each from the districts mentioned the group spirit (after joining DWCRA) as a reason since their vision had widened and they became aware of alternative occupations available to them. This phenomenon is quite welcome.

2.7. Social emancipation index

Human behaviour cannot exist in a vacuum. There are many influencing factors that can change behaviour. Conclusions drawn based upon a single parameter at any one point of time may be short-lived and misguided. Hence, a composite index is always better, so that the holistic attitudes of the respondents can be better understood. Hence, some inter-related and mutually influencing parameters were considered for calculating the Social Emancipation Index, making use of 11 indicators, out of which 7 were finally retained. The present Social Emancipation Index was calculated by suitably amending the Social Empowerment Index calculated by Puhazhendi and Satyasai (2001).

The Index has been calculated separately for each district. These variables were made unit free by turning them into ranks. For each parameter, mean and standard deviations were calculated at the district level. These "unit free values" were summed up across all the 7 parameters for each district. The

composite value was compared between the districts to arrive at the over-all performance of the district. The final value for East Godavari was 178, Kurnool, 155 and Khammam, 140. These figures invariably exhibit the level of emancipation achieved by women's groups in each district.

The Social Emancipation Index indirectly gives the direction, if not the precise and exact magnitude of empowerment. In those parameters where there is a deficiency, it is recommended that the government take active measures to improve that parameter in that particular district to improve the overall Social Emancipation Index, for the fuller empowerment of women groups.

3. Findings and recommendations

It has been recommended that a congenial atmosphere be created so that women become members of the SHGs out of self-interest and self-motivation, instead of officials and village leaders motivating them to form groups for their ulterior motivations. This will go a long way for the sustenance of the group.

Periodical change of leadership is a must for the members to share responsibilities and generate leadership qualities. However the Bank Manager's reluctance to accept the resolutions to change the leader should be dealt with officially at the higher level. Bank staff should cooperate with the members and leaders and guide them.

In addition to the group leaders, other members should be trained to write the accounts, go to the bank, and prepare the minutes of the meetings so that over a period of time they will acquire leadership qualities. Hence, periodical training on self-management should be imparted at regular intervals to group members with the help of resource persons.

The members should be trained to rotate money in the case of emergencies, rather than sharing it equally among themselves. Local resource-based and demand-based micro-enterprises need to be identified, and their feasibility/viability worked out. The necessary skills may be imparted to selected groups of women, for the required Income Generating Activities.

All the groups should be treated equally by the government and by banks, in extending financial support. Lack of transparency and encouraging particular groups creates suspicion among the other groups. To overcome

this, it has been recommended that frequent interface meetings be conducted between the group members and the officials concerned.

The practice of collecting the thrift amount at the members' households should be discouraged and regular attendance at meetings should be made mandatory to inculcate group cohesiveness among all members. To minimise irregular repayment or defaulters, peer group pressure should be adopted, rather than involving outsiders.

On social development, the women need further exposure on aspects such as sending girl children to school and small families. The changes that have occurred since the inception of the groups have been encouraging but are still inadequate.

The participation of women members of SHGs in local self-government is meagre and membership in CBOs is negligible. So far, economic development has been the single goal and social advancement has taken the back seat. For sustainability, the groups should be trained gradually to take a proactive role in community and village issues, and shape themselves as natural leaders. The share of women in decision-making regarding important domestic matters has been varying between districts and caste groups.

This study has brought into focus the levels of social development/empowerment achieved by several women groups in the three districts. By and large, the thinking process of the women and the mindset of the group members have been slowly turned towards social issues relating to their family, community and village, as a consequence of the availability of microfinance and the adoption of micro-enterprises. Still, all is not well with all the groups and recommendations were made to improve the groups in specific areas, and the solutions given thereof. The recommendations made by the study have been discussed with the Commissioner concerned in the State government, and they will be considered for future adoption at an appropriate time and location.

Microcredit programmes, poverty alleviation and empowerment of women – some empirical evidence from Kerala

K.R. Lakshmy Devi

Empowerment of women by means of microcredit-based income generation programmes is a new orthodoxy in the development discourse. The new orthodoxy's origin can be traced back to the failure of the "women in development" (WID) approach of the 1970s. Countries that incorporated this approach in their planned models for development were successful in including women as active agents in mainstream development, rather than mere recipients of welfare. However, these programmes, specially targeted at women, did more harm than good because of their irrelevance to the needs of women and their insensitivity to the specific issues faced by women. Moreover, during the same period, many of the developing countries rapidly implemented structural adjustment policies. The social and economic costs of structural adjustments are borne disproportionately by women everywhere, which manifest in reduced food intake, lack of health care and greater dependency for women (UNDP 1995; U.N. 1996). The most pressing need of the time became to find a new approach to poverty alleviation that was politically and economically manageable.

It was at this juncture that microcredit programmes appeared on the scene, compensating for the failures of the earlier credit programmes in both developing and developed countries. The basic idea behind the programme is to make credit available to the poor, especially women, who lack access to formal banking institutions. Access to credit is vital to women's ability to earn an income, which in turn is central to their status and autonomy. By providing small loans, without collateral security, these programmes help poor people to start tiny no-farm income generating activities. The programmes are generally confined to rural and

semi-rural areas, which have a larger share of poor and marginal groups with relatively lower access to income generating activities.

Most of the studies on microcredit narrowly focus on the “pragmatic success” of the programmes, where the principal variables studied are the number of beneficiaries, the amount of credit disbursed, recovery rates and profit flows. Studies that evaluate the actual impact of these programmes on earnings, employment and socio-economic status of the women beneficiaries and their empowerment are very limited. The present study assumes significance in this context. Moreover, in most of the studies on women and microcredit, only limited attention is given to the role of institutions. Empowerment is often conceptualised as the creation of institutional relations, which would enable women to achieve economic, political and social equality. The present study, which attempts to provide a critical perspective on the relationship between microcredit and women’s empowerment in Kerala by comparing non-governmental organisation (NGO)-led and State-led initiatives in this regard, assumes added significance. The paper is based on a field investigation enquiring into the functionalities of some selected microcredit programmes in Kerala.

The basic objective of the present paper is to examine the comparative role of NGO-led and State-led microcredit programmes in creating income-generating activities for poor women, and their success in the empowerment of the beneficiaries.

1. Methodology

This study was sponsored by the Institute of Planning and Applied Economic Research, John Matthai Foundation, and is based exclusively on primary data collected from a selected, random sample of 200 beneficiaries – 100 each from the microcredit programmes initiated by the “Society for Rural Improvement” (SRI), and NGO in Kollengode taluk of Palakkad district in Kerala, and the much-publicised State government initiative “Kudumbasree” from Thrissur district. The data was collected using a well-structured, pre-tested questionnaire in May-June 2003, and classified and analysed using appropriate statistical tools. The change in income for the beneficiaries was analysed by the methodology of Transformation Matrix analysis, the changes in the levels of poverty by the Poverty Line approach, and the extent of empowerment analysed by constructing an Empowerment Index based on

the respondents' answers to 10 attitudinal questions, relating to their self-esteem, self-confidence, autonomy and decision-making power consequent upon starting the microcredit-based income generating activity.

The two microcredit programmes selected for the study differ significantly in many respects and the following table presents their major characteristics as well as those of the beneficiaries in a comparative framework.

Table 1. General profile of the selected programmes and beneficiaries

Characteristics	Society for Rural Development (SRI)	Kudumbasree
Type of Organisation	NGO	Governmental
Geographical Location	Kollengode, Palakkad District (Backward Rural Area)	Thrissur District (Developed Municipal Area)
No. of Beneficiaries	100	100
Average Family Size	6.1	4.5
Sex Ratio	1042	1036
Share of Illiterates (Percentage)	15.0	3.0
Average years of Schooling	7.01	10.23
Share of Female-Headed Households (Percentage)	26.0	23.0
Share of Families Below Poverty Line (Percentage)	48.0	34.0

It is clear from the above table that the two programmes selected for the study vary widely not only in terms of organisational set up and geographical location, but also in terms of the levels of living of the beneficiaries. But the choice of the schemes was done deliberately so as to compare the effectiveness of NGO-led and State-led initiatives in women's empowerment and also the rural-urban differences. The major difference between the two programmes appears to be in the style of functioning. While SRI is a replica of the Grameen Bank of Bangladesh, with funding from various international sources, Kudumbasree is exclusively a State government-funded programme, with funding from the Union government, the National Bank for Agricultural and Rural Development (NABARD) and so on, which focuses on empowerment of

women through SHGs. The basic differences as tabulated above also showed in the further analysis. The findings of the analysis are presented in the next section.

2. Findings

Both the programmes give its members the freedom to choose income-generating activities according to their needs. Agriculture related activities constitute the majority of loans in SRI, while small enterprises constitute the major chunk of loans in Kudumbasree. The average monthly income of SRI beneficiaries was found to be just Rs.462, as opposed to Rs.1,212 in the case of Kudumbasree. This was only natural because the average loan amount was Rs.5,000 in the case of the former and Rs.25,000 in the case of the latter. But on the whole, the economic impact of the activities is evident from the increased incomes of the beneficiaries. The study revealed that in the case of SRI, as much as 64 per cent of the women had no income previously; now, all the women have at least some income to bank upon. It is quite significant that 92% of the beneficiaries reported an increase in income after participating in the programme. But the meagre, average monthly earnings of the two groups suggest the need for improving the activities.

The study tried to estimate the poverty status of the households before and after the initiation of the microcredit-based income-generating activities. The Ninth Five Year Plan document of the State government defines rural poor households as those with an annual income below Rs.21,000 (Government of Kerala 1997). Based on this estimate, 92% of the households in the case of SRI and 69% of the households in the case of Kudumbasree could be classified as poor before the initiation of the programme. This proportion drastically declined to 48% in the case of SRI and 34% in the case of Kudumbasree, consequent upon the initiation of the programme. This clearly indicates the effectiveness of the microcredit programmes in alleviating poverty, whether the institutional agency is governmental or non-governmental.

Another objective of the paper was to examine the extent of control of women over income earned by them through the microcredit programmes. 67% of the women reported that they had complete control over the income earned by them. 20% said they had only partial control of the income, sharing it with their husbands, while 13% reported that they had absolutely

no control over the income earned, even though the repayment responsibility in all cases fell only on the women who were the beneficiaries. Intra-group differences in this regard were negligible. All the women respondents were of the opinion that independent incomes raised their general status at home.

The last, and perhaps the most important, objective of the study was to examine how far economic independence has led to the empowerment of the beneficiaries. Many researchers have questioned the degree to which microcredit programmes actually benefit women. Some researchers even observed that these programmes disempower women, reducing them to unpaid debt collectors for development agencies, and increasing tensions in the family (Goetz and Gupta 1996). Further, it is argued that microcredit programmes often divert the resources and attention of women from other more important strategies of empowerment and poverty alleviation (Ebdon 1995; Rogaly 1996).

Empowerment is a subjective concept and denotes several things apart from mere economic independence. In order to facilitate some kind of quantification of the degree of empowerment, an empowerment index was constructed in response to the answers to the 10 attitudinal questions relating to their self-esteem, self-confidence, autonomy and decision-making power consequent upon starting the microcredit-based income-generating activity (see table 2).

Table 2. Attitudinal questions relating to empowerment

The questions were:	
(i)	Have your living conditions improved?
(ii)	Have you purchased any assets or consumer durables?
(iii)	Do you have a significant role in decision making at home?
(iv)	Do you have an independent bank account?
(v)	Do you have control over your income?
(vi)	Has your leisure activities increased?
(vii)	Have your movements outside home become unrestricted?
(viii)	Has your self confidence increased?
(ix)	Has your self esteem increased?
(x)	Do you feel that there is an overall improvement in your status?

All the questions had only two answers: "Yes" or "No". Each positive answer was given 10 points. Unanswered questions were omitted. The total score ranged from 0-100. A score of up to 30 was regarded as "low

empowerment", 40-60 as "medium empowerment" and above 70, "high empowerment". Each beneficiary was then graded on the basis of the scores obtained for the "empowerment index". The above analysis clearly indicates that majority of women beneficiaries (42% in SRI and 68% in Kudumbasree) in the present sample reported a high degree of empowerment while for 31% in SRI and 21% in Kudumbasree, microcredit-led income generating activities resulted in medium scale empowerment. For a small proportion of 27% in SRI and 11% in Kudumbasree, microcredit programmes did not result in any significant empowerment.

On the whole, the study, based on limited sample observations, concludes that the microcredit based income generating activities initiated by both NGOs and the State, have clearly helped in poverty alleviation and the empowerment of women. These activities made a difference in the lives of the poor women by providing them with economic independence, which brought along with it self-esteem, self-confidence and autonomy. But contrary to the general belief that the NGO-led programmes have been more effective than the State-led programmes (Chavan and Ramakumar 2002), this study concludes that the State-led programme has been more successful in generating better incomes and empowering women. But, at the same time, the meagre incomes generated were insufficient to improve the economic status of the households significantly, or to push all of them above the poverty line, because the majority of the beneficiaries (93%) did not seem to have gained much by way of technological improvement. Microcredit-based income generation activities is a good beginning, opening the doors of credit to the marginalised women who were hitherto denied access to traditional channels of credit, but, it indeed not the panacea for all the problems of the poor.

**From passive participation to effective leadership:
a study on empowerment of women in
Dakshina Kannada, India**

Uday Kumar

Economic planning in India has been a specialised venture, meticulously pursued by a team of experts through the planning commission. The experts and technocrats, who tailored development programmes for such a vast country, failed to provide the necessary space for the involvement of the local community in the design, implementation and monitoring of such programmes. This has been a serious limitation in the development programmes pursued during the post-independence period. Microfinance, a development programme that has gained currency during the recent past, has, to a considerable extent, gone beyond the above inherent limitation. Microfinance is a flexible and effective programme that accommodates the interests and aspirations of the poor and the marginalized. Unlike many of the earlier programmes, microfinance, with a small dose of capital, was able to activate the semi-skilled and unskilled human resource located on the margins of the economy. This programme was also instrumental in injecting a small dose of democratic spirit into the public sphere, where it was operating. The relevance of democracy in economic growth at the individual and institutional levels is well articulated by economists such as Amartya Sen in their work.

An analysis of the major research works, and a critical look at the arguments in favour of microfinance highlight two issues of concern. These are:

- The limiting of microfinance to the lending and recovery cycle, and
- The tendency to call any group a self-help group (SHG).

The speed at which these SHGs have been growing reveals that there is pressure on the groups to limit their activities to the cycle of lending and recovery, and the generation of material benefits. Consequently, there has been excessive concentration on credit management, with social

empowerment, a vital issue, taking a backseat. Unless social empowerment takes place, it may not be possible to address the strategic issues upon which economic growth rests. In situations where there was large-scale growth of SHGs, social empowerment seems to have been negotiated for economic gains.

The government and the NGO sector are actively engaged in the practice of and research on microfinance and there have been sufficient studies on the impact of microfinance on target groups. Most of these studies emphasise material effects such as the creation of assets, the generation of employment and so on. Undoubtedly, these are important issues. However, if one concedes the point that microfinance should make a value addition to human capital by developing leadership, it also becomes necessary to look beyond the material benefits accruing out of microfinance. Therefore, it is necessary that any microfinance programme should leave its beneficiaries with sufficient strength in terms of material and non-material variables, towards the acceptance of the next dose of policy support. Since the central focus in microfinance is the development of the self and extending help for others in the community in the same condition, it is necessary to develop leadership among the members of the group. Unless there is emergence of leadership within the group or the community, there will always be dependency on the agencies external to the target group. Absence of proper leadership within the group results in the beneficiaries becoming mere tools in the hands of the intervening agencies. The target groups in the development programmes should be at the centre of the programme, not the intervening agencies. Therefore, one should look at the increase in the level of socio-political empowerment by the members of the group. Unless there is socio-political empowerment, the programme may limit microfinance to the lending and recovery cycle. In such a situation, it is likely that the intervening agencies would walk away with enormous social benefits, which would make their presence inevitable for the poor and marginalized. Therefore, it is essential to measure not only credit management and economic benefits, but also social gains, in terms of leadership, education, and awareness about citizenship rights. The present paper is an attempt in this direction.

This paper attempts to study the impact of microfinance on women's empowerment, and is divided into two parts; in the first part, the objectives of the study and methodology are discussed, and in the second part, some

case studies are discussed in the context of the indicators developed to measure the social and economic impact of the programmes.

The study has the following objectives:

- To assess the role of microfinance in the empowerment of women.
- To explore the reasons underlying the empowerment of women.
- To analyse the role of the Neo-Literates Association (NLA) in the development of leadership among women.

1. Method of study

The study uses both primary and secondary data towards the fulfilment of the objectives stated earlier. Present studies on the evaluation of microfinance do not have any specific tools to measure the effectiveness of the central focus (empowerment) of the programme. Therefore, it was necessary to devise a specific index to measure the level of empowerment achieved by the target group or the beneficiaries. A pilot study conducted in the study region during the period May-June 2003 reinforced the above idea. A close look at the objectives of microfinance reflects that the main focus is on the following factors:

- To involve people in the development programme, which is designed for their benefit;
- To work towards the enhancement of the economic conditions of people;
- To create a conducive atmosphere for the emergence of social, economic and political leadership among people.

The existing studies on microfinance lack proper methods to measure the empowerment level achieved by the beneficiaries. In the absence of any such tools, one has to make some general statements about the success or failure of the programme. Therefore, it was thought essential to develop some kind of index to measure the level of empowerment of the SHGs. To measure the first factor, a general index with five components was developed. To measure the second factor, an economic empowerment index with six components was developed. In order to measure the third factor, a social empowerment index with fifteen components was designed.

The economic empowerment index was applied to some select SHGs promoted by various intervening agencies in the study region. A small sample was selected from among the intervening microfinance institutions, which were classified as non-governmental organisations (NGOs), civil society organizations, and the co-operative sector. In these three groups, the organisations were ranked according to the year of establishment, area of operation, number of SHGs formed, savings mobilised, and loans availed. Information regarding the above criteria was collected from the secondary source, namely, interviews with the executives, field workers, beneficiaries, and researchers in the area. Sufficient care was taken to verify the reliability of information through field visits and cross-verification. Organisations that topped the list were selected for the purpose of this study. Considering the number of NGOs, it was decided to have due representation in the sample. Accordingly, two organisations were selected from among the NGOs. The following table shows the information about the sample selection.

Table 1. Sample selected for the application of the empowerment index

Basis of Study	Type of Organisation		
Case Studies	NGO	Co-operative sector	Civil society
	- SKDRDP (Shri Kshetra Dharmasthala Rural Development Project) - Sisters of Charity	Navodaya	NLA (Neo-Literates Association)

In the final analysis, ranking of each component in the empowerment index was done on a five-point scale (A=80, B=60, C=40, D=20, E=0). The fieldwork was conducted by the author from October-December 2003. In the following paragraphs, some sample cases are presented, to represent the SHGs selected for the purpose of this study.

2. Case studies

2.1. Case 1

Preethinagara is a colony in the suburbs of Mangalore, mostly inhabited by people living on the margins of the economy. In almost all the families, it is

the women who had to bear the burden of running the household, as most of the men were alcoholics. The women narrated how they had to haul up their drunken husbands from the roadsides and gutters, especially on the days when they were paid their wages. A social worker from an NGO called “Sisters of Charity” came to the colony to educate the women about the advantages of forming an SHG. Reluctantly, the women did so. They started saving money, procured civic amenities in the colony and enhanced their economic conditions and social status. Members now discuss their common problems, and stand by one another during a crisis. They are confident of fighting any injustice by local miscreants or corrupt officials. Their only worries are about the decline of the *beedi* industry, and an economic recession.

2.2. Case 2

Heernabail is a small locality in Kemmai village in Dakshina Kannada. The NLA was able to help the women of the locality build up the confidence to form an SHG. In the initial stages, the men in the family just about tolerated the women taking part in the activities of the SHGs. But when there was an increase in the family income, the men started recognising the strength of the women as leaders and economic agents. After attending the meetings, the women concentrated on what could be done to improve the quality of life. They shared their ideas with the men in the family, and with other members in the group. Women who did not have any formal education have acquired the skills of reading and writing. They have gained enormous confidence after attending the Neo-Literates Association (NLA) and today they are very good organisers, managers and inspiring leaders. They have been successful in making the men give up alcohol. Today, the women are aware of their rights, and know that they must be assertive in order to be effective.

2.3. Case 3

Marnaad is a village situated about 9 km from Karkal Taluk Centre. Shri Kshetra Dharmasthala Rural Development Project (SKDRDP) is an NGO run by the Temple Trust. Jnana Vikasa Yojane (JVK) is one of the programmes launched by SKDRDP in 1992. The organisation has a well-defined structure and *samyojike* (field supervisors) take the initiative to form SHGs of women. The SHGs so formed elect a leader, who will be the secretary of the group. SKDRDP considers economic empowerment of women to be the most important function of an SHG. To realise this objective,

each JVK mobilises deposit from its members and distributes loans to members according to their needs. Members are clearly instructed to follow the rules in the group and the violation of rules attracts a penalty. Generally, the supervisor suggests a place for the meeting and he leads the discussion in the meetings. Once a year a “Sathyanarayana Pooja” (a religious rite performed by Hindus) is organised to seek the blessings of God. Members of the group contribute free labour and money for this function. Members said that they were able to improve their economic position. Members have also attended training programmes for self-employment.

2.4. Case 4

Manjanakatte is situated 6 km from Moodbidri, and is well-connected by road. There are about 40-50 families of the Scheduled Caste or Scheduled Tribes. Persuaded by an employee of the Bank, women of this locality formed a Navodaya SHG in 1999. There are 19 members in the group. Most of them are economically weak and socially disadvantaged, but all except two have primary education. Nevertheless, these two are able to sign now, after attending an adult education programme. They have availed of loans to repair their homes, buy gold, dig a well, and for other consumption purposes. In their meetings the women discuss general issues concerning routine life in the village, and conduct competitions for the members. Once a year, they visit places in nearby localities. On investigation, it was found that socially disadvantaged communities like SC/STs and Other Backward Castes were under the mercy of the landholding class until recently. Generally, nobody could contest in elections to local bodies against this landholding class. The educated younger generation who resisted this domination and oppression were attacked physically. The Dalith Sanghrasha Samithi (DSS), a front line organisation of the SC/STs, intervened and it attracted public attention. The government too, had to intervene. After this incident, no major atrocity has been recorded. Their position now is far better, compared to their life a decade ago.

3. Level of socio-economic empowerment

The level of socio-empowerment in the sample cases is measured with the help of the indices developed for the purpose as stated earlier.

From the table 2 below, it is obvious that Group 2 scores over others in the sample, in the overall empowerment level. However, we find that when it comes to economic empowerment, almost all of them are close to one another. However, there is a significant difference in the overall level of (social + economic) empowerment between them. A close look at the formation, management, and the role of the sponsoring agency, reveals some interesting observations. Of the four SHGs, the one formed by the NLA remains different from others. The NLA was formed as a civil society organisation during the early 1990s and its members have undergone training in various socio-economic issues, such as literacy, leadership, fighting against corruption, women's empowerment, co-operation, child labour, de-addiction, Panchayati Raj institutions (PRI) and the like. Subsequently, when there was emphasis on microfinance programmes, members of the NLA formed SHGs. The initiative appears to have come from the members or the volunteers (*Preraka/Preraki*). The NLA, as a civil society organisation, operates on democratic principles, mainly consisting of people from the poor and the marginalized, where women are in large numbers. It does not have a rigid structure, and members have sufficient freedom and autonomy. Perhaps this has been responsible for its success. However, this is to be investigated further before a conclusion can be drawn. This is to reaffirm the fact that SHGs did not limit their activity only to credit management, it went beyond that, which contributed to the overall empowerment of the women. However, this advantage was not there in the case of other SHGs, and we found that intervening organisations reached people with the state-supported microfinance scheme, formed SHGs and went ahead with the expansion in the number of SHGs. Consequently, one finds that it is the intervening institutions that utilise idle resources, and not the people who utilise the financial resources for their benefit. Ultimately, who makes use of whom, has a telling effect on the level of socio-economic empowerment scaled by the target groups.

Table 2. Empowerment Levels as per the Empowerment Index

VARIABLES	GROUPS			
	1	2	3	4
1. GENERAL				
Initiative in group formation	D	B	C	C
Group administration	B	A	C	C
Communication	B	B	D	B
Exposure	C	B	B	B
Motivation	B	A	C	B
<i>Sub-total (1)</i>	<i>240</i>	<i>340</i>	<i>200</i>	<i>260</i>
2. ECONOMIC EMPOWERMENT				
Savings	B	B	B	B
Loan Utilisation	B	B	B	B
Recovery	A	A	A	A
Training	D	C	B	C
Utilisation of resources	C	B	A	B
Thrift	B	B	A	B
<i>Sub-total (2)</i>	<i>320</i>	<i>360</i>	<i>420</i>	<i>360</i>
Economic Empowerment Score (1+2)	560	700	620	620
3. SOCIAL EMPOWERMENT				
Management	C	A	C	B
Creativity	C	A	D	B
Education	D	B	C	C
Exposure	C	B	C	C
Communication	B	A	D	B
Participation	B	A	C	B
Training	C	C	B	D
Leadership	C	A	D	C
Social Awareness	B	A	D	C
Assertiveness	B	B	D	C
Cross-fertilisation of ideas	C	A	D	C
Banking habits	C	B	B	B
Breaking of institutional barriers	C	A	E	C
Secular space	C	A	D	A
De-addiction	A	A	C	D
<i>Sub-total (3)</i>	<i>700</i>	<i>1080</i>	<i>460</i>	<i>700</i>
Social empowerment score (1+3)	940	1420	660	960
Overall Score	1260	1780	1080	1300

Conclusion

SHGs in the region have succeeded in activating idle physical and human resources. Women, especially, who lived on the margins of the economy, were able to gain confidence and courage to cross the “lakshman rekha”¹. Ground realities point to the fact that a democratic process towards redistribution of power and resources is yet to get kick-started.

In a hierarchical society divided on the lines of caste and community, development initiatives should always keep open the option of moving towards equality. SHGs by their very existence have been able to create a network of people who derive strength from one another. Taking into account the existence of SHGs over a decade, what is achieved may not be substantial but it has given new lease of life to many. There are innumerable small segments that are empowered economically and socially. If all these segments are woven into the wider social fabric, it will make a strong bargaining group capable of making qualitative changes in the socio-economic realm. If continued further, this newly emerged leadership among women is capable of leading to this end. However, the likely impediments could be of SHGs taking traditional channels (based on hierarchy, caste, religion and the like) to reach the poor and the needy. In a number of cases the trajectory through which this programme has traversed has restricted the SHG movement from growing. Experiments such as the NLA, which deserves due focus, has unfortunately lost the public attention in the rhetoric of intervening agencies.

¹ Lakshman rekha is an imaginary line, which women in India find very difficult to cross. There is mythological basis to this in the Indian epic Ramamyana. Lakshman, the brother of King Rama, goes out leaving Seetha (Rama's wife) alone in the hut. He draws a line and warns her not to step out of the line, under any circumstances. However, she crosses the line and has to face lot of hardships.

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By way of a conclusion: microfinance, empowerment and solidarity-based economy

Isabelle Guérin and Jane Palier

In the general introduction, we mentioned the enthusiasm aroused by microfinance. The speech delivered in September 2003 by Selvi J. Jayalalitha, then Prime Minister of Tamil Nadu, is particularly symptomatic of that enthusiasm. Thus, she said: *“a silent economic revolution has taken place in rural areas of Tamil Nadu following empowerment of women with the formation of Self-Help Groups. Gone were the days of bankers’ reluctance to provide loans to the SHG members. The SHGs gave women a ‘top status’ in society and they were not dependent on men anymore”*¹. Nevertheless, is it not naive and dangerous to give to microfinance virtues that it obviously doesn't have, whatever the quality of the services and whatever the level of goodwill of its promoter? The texts presented in this book show that the bond between microfinance and empowerment is far from being automatic. Let's us summarize briefly the main recommendations which emerge. Access to financial services cannot be seen *by itself* as an empowerment factor. Women do not constitute a homogenous group, although they are often regarded as a group with common interests. One often observes as well the exclusion of other groups which greatly deserve to benefit from microfinance services: the poorest, men or women, but also a section of the micro-enterprises, regarded as too “rich” to be eligible. The collective approach, often put forth, does not only have the beneficial effects of emulation and cooperation; it can also lead to the reinforcement of gender and caste inequalities. Moreover, even if one aims only at the empowerment of women, which seems to us a restricted use of this concept, to ignore the men is dangerous because then one incurs the risk of increasing tension in the household, in the neighborhood and/or the village: to favor discussion rather than conflict or indifference seems a better way to involve the men in the struggle against gender inequalities. Empowerment is closely associated

¹ *The Hindu*: SHGs have ushered in rural economic revolutions: CM, Sivaganga, 3/24/04.

with the idea of a participatory approach; this is often stated, but does not always translate into fact; for example, to organize women's meeting is not always synonymous with participation; the point of view of those most concerned with the empowerment process has to be taken into account more thoroughly in order to understand better what is valued or not, perceived as an element of empowerment or not. The role of organizational structures is only very briefly taken into account. Yet experience shows the crucial importance of "good governance" (transparency, clear division of responsibilities between the different parties involved) more than this or that model which one too often has the tendency to put forth (individual, cooperative, "Self-Help Groups", etc). The conflicts and tensions which are sometimes generated by the access to microfinancial services are usually under-evaluated. The negative effects like those of overwork, fatigue, the increasing weight of responsibilities, the reinforcement of traditional roles are sometimes glossed over. Finally, let us note potential contradictions between the specificity of microfinance's effect and a more global approach to social justice: results which are positive but short lived, and/or specific to this or that social group do not necessarily lead to a reduction of inequalities in the long run.

By way of conclusion, we would like to emphasize the following points. Obviously, microfinance is not a panacea to fight poverty and inequalities; one should thus remain realistic regarding the expected results of this tool (1). On the other hand, we suggest that microfinance should be regarded as a *right* (2). The offer of microfinance is thus completely legitimate: it all depends on the way in which these services are put into practice. In this respect, the present weaknesses of the microfinance sector, pointed out all along in this work, only illustrate those of the Indian third sector as a whole, also called the voluntary sector (3). Nevertheless, this being stated, in a context where democracy still remains very formal (because of lack of information, transparency and public accountability generalized corruption, etc.) and unequal, in particular towards women, the lower castes and the so-called tribals, the third sector in general, and the SHGs in particular, represent an un hoped for opportunity to bring forth real democratic practices and to fight against these forms of inequalities (4). To analyze microfinance in terms of solidarity-based economy, a French concept referring to all initiatives aiming to democratize the economy, and based on a combination of pragmatic and political action, may be a way to think positively about the link between microfinance and empowerment (5).

1. Let's be realistic: microfinance will not resolve all the problems of poverty and inequality

Statistical data regularly reminds us of the inequalities between men and women, which remains one of the crucial disparities in India. One of the most significant and remarkable facts is probably the sex ratio, since it symbolizes the discrimination undergone by women and all the appalling things which can result. Now the very last census has amply shown that the ratio continues to worsen to the detriment of women. In addition, the Second National Family Health Survey (NFHS-2) of India, conducted in 1998-1999 to document women's empowerment in the country as a whole (26 states have been covered) offers the following conclusion: *"in general, it finds that the average woman in India is disempowered absolutely as well as relatively to men, and there has been little change in her disempowerment over time"*, and the authors go further *"no matter how empowerment is measured, be it in terms of the indicators of the evidence, or sources of setting for empowerment"* (Kishor and Gupta 2004: 694). The main findings can be summarized as follows. Consciousness with regards to gender equality remains low among women, and especially the fact that they prefer son to daughters remains high and virtually unchanged since NFHS-1 six years earlier. Women's control over household decisions, even decision about their own health, remains extremely limited. The only evidence indicator that women score high on is educational aspirations for girls and boys: almost all women believe that girls should receive some education with a majority believing that boys and girls should get similar levels of education. Mobility remains highly limited: only one in three women can go to the market without permission and only one in four can go to visit relatives or friends without permission. As far as education is concerned, only a little more than half of India's female population is literate compared with three-fourth of the male population; however, the percentage increase in female literacy is higher, one can henceforth hope gradually to reach equality. 39% of Indian women can be considered employed² and there are of course strong differences among states (for instance, 70% in Manipur, 64% in Nagaland, 13% in Punjab and Haryana). But we know that labor's role in women's empowerment is complex, non-linear and sometimes ambiguous. When

² Women are employed if they are currently working or have worked at any time in the 12 months preceding the survey.

women's employment comes from a free choice (and not only economic compulsion), is regular, visible, and when income is controlled by the woman herself, then we might find a positive link between employment and empowerment. Data provided by the survey does not allow one to reach any conclusion and the ability of the women to translate their role as co-provider for their households into equality in partnership with their husband remains unclear. However, one single figure calls for circumspection: at the national level, 26% of women are employed for cash only, which means that two thirds of employed women are paid in kind (*ibidem*).

What do we want to show by these few figures? Obviously, microfinance will not, by itself, reduce all the inequalities mentioned. One can certainly accuse Selvi J. Jayalalitha of naiveté or lack of realism, but her enthusiasm is not unique. Microfinance continues its insane expansion while being praised and adorned with all the virtues. Now this work gives a little more qualified picture and insists on the numerous challenges which microfinance has to face: a connection with power can certainly lead to giving power to the poorest, but it can also transform itself into "disempowerment" or "over-empowerment" to repeat the expression of Suadnya *et alii*. Among the negative effects³, one can mention the poor driven to over-indebtedness, unable to pay back loans because of exorbitant interest rates, of women deserted, or even beaten, by their husbands, who criticize them for their new found freedom, or of villages destroyed following repayment difficulties. One is then necessarily led to question the validity of the tool: finally, is microfinance a "good" or a "bad" thing?

2. To consider microfinance as a right

We suggest that the question cannot be asked in these terms. The access to financial services must be considered as a *right*. Now, in most Southern countries, this type of right, we all know, remains out of reach for most people. From there comes the necessity to adapt the supply to the specifics of the poor populations. In this, the legitimacy of microfinance cannot be put into question: it is, no more nor less, about offering nearby banking and financial services to those who have no access outside of the informal network.

³ Negative effects mentioned in this work but also in other studies conducted during the last decade. See for example Ackerly (1997), Fernando (1997), Mayoux (2003), Molyneux (2002), Rahman (1999), Rankin (2002).

It is surely very difficult to estimate precisely the potential need. Some data can nevertheless be put forth and is enough, it seems to us, to convey the magnitude of the need. Concerning the demand for microcredit, different studies have been conducted, based on the analysis of family budgets. Depending on the survey methodology followed, and also if it is a rural or urban area, the yearly credit need varies between Rs.2000 and Rs.9000 per household. According to various national data, the informal debt (moneylenders, relatives, and neighborhood) represents about 50% of the amount borrowed (Ministry of Labor 2001). More refined, but local, studies generally give much higher totals, reaching up to 90%⁴. What about the microcredit supply in relation to the need? In 1999, it was estimated that with an annual total of Rs.1,500 million, the microcredit supply covered 0.3% of the yearly demand (Mahajan and Nagasri 2000). In 2004, various estimates put the requirements of microcredit at Rs.150 billion to Rs.500 billion per year (Centre for Social Markets 2004). With a total supply estimated at 20.5 billion in March 2004 (Sa-Dhan 2004), one can consider that the present offer of microcredit in India represents 4 to 13% of the demand.

In the matter of savings and insurance, the appropriateness of the supply and demand is much more difficult to estimate in the absence of data concerning the supply. At the most we can emphasize some major tendencies which are enough to show the existence of an unsatisfied need. Contrary to some preconceived notions, a recent study conducted by the EPW Research Foundation on saving and investment behavior confirms that the poor save⁵. Not only are there many who save – 74% of the poor save

⁴ An in-depth study conducted in 2003 in the village of Alsigarh, Rajasthan, among families considered poor shows that, in all, borrowing from moneylenders and other informal sources accounted for almost 85% of the number of loans and 80% of the amount borrowed (Sriram and Parhi 2004). Another study conducted in 2003 in Tamil Nadu, among clients of a microfinance organization in rural and urban areas, shows that bank credit represents only 9% of the total number of loans (Dhan Foundation 2003). Another study conducted in Uttar Pradesh (Koraon Block, Allahabad District between mid 2000 and late 2001, among poor and not so poor in a rural environment, shows that 10% of them have access to bank credit (Ruthven and Kumar 2002).

⁵ The data is from 1994-1995. Poverty is defined by the poverty line index of the Planning Commission, measured in terms of monthly expenditure per capita: Rs.230.30 in rural areas and Rs.309.70 in urban areas (Pradhan *et alii*. 2003: 37). In this study, saving is understood in a broad sense. It includes: household investment, (from farm assets to gold and jewellery), financial investment and informal savings

(against 83% of the not so poor) – but even more, their propensity to save is not negligible: in rural areas, the poor save 9.95% of their income and 15.54% in urban areas, against 20.33% and 23.34% for the not so poor (Pradhan *et alii.* 2003: 38). At the same time, the last census shows that on the Indian scale, 35.5% of all families have a bank account, with of course very strong disparities between States (the proportion is 24.2% in Orissa against 72.8% in Goa) (Census of India 2001).

As far as insurance is concerned, a World Bank report on health based on numerous national data⁶ gives some alarming data. Let us quote the main, striking, findings:

“The lack of prepayment systems for health care has put Indians at great financial risk in the event of hospitalization, and most of their total expenditures are in fact spent on hospitalization. About one quarter of hospitalized Indians fall below the poverty line when hospitalized. The use of public hospitals reduces this risk only marginally. Financial risk from serious illness affects nearly all income groups in India, with more than 40 percent of hospitalized people depending on loans and sale of assets to pay for hospitalization. Cost remains a significant barrier to use of health care, particularly for the poor, who are able to afford less care and care of lower quality. Cost is a greater barrier than physical access to health providers” (Peters *et alii.* 2002: 143).

To a large extent, various microstudies confirm the strong correlation between health expenses and poverty. For instance, a study conducted in 2002 in Rajasthan on the processes of poverty (who escapes poverty? who becomes poor? and why?) shows that three factors explain 85% of the reason for impoverishment: poor health and high health care expenses, large and social and customary expenses and high-interest private debt, the last factor being of course strongly connected with the two first ones (Krishna 2004). Another study conducted in Gujarat gives similar results: health expenses play a decisive role in 85% of the reasons for impoverishment, social expenses in 57% of the cases and indebtedness at an usurious rate in 51% of the cases; in many cases this indebtedness changes into a situation of bondage (Krishna *et alii.* 2003).

⁶ National Health and Family Welfare Survey, 1998–99 (IIPS 2000); NSSO 52nd round, etc.

Finally, in the case of remittances, it is probably there where the need is obvious that the data are lacking. The census does not count the number of seasonal migrants, but then there are millions every year who leave their native village for another village or for the city, generally for 6 to 8 months. To our knowledge, no precise data quantify this phenomenon although it is known to be very widespread. But then, here again, the need for financial services is obvious. In the absence of adequate services, some members of the family come back explicitly to transfer money to those who stayed in the native villages. Sometimes the whole family migrates specifically to avoid this problem. Some microfinance organizations have become involved in this type of product, but the supply is still at an experimental phase and difficult to quantify.

We hope to have convinced the reader that the validity of microfinance as a tool cannot be denied: the demand exists and is strong. On the other hand, the use and the impact of microfinance require a close examination. The diversity of experiences, as we have seen all along in this work, makes this examination delicate. Indeed, what is there in common between an NGO proposing microcredit to a group of women along with health and education services and a commercial bank which gets involved in this new opening in order to increase the number of clients? Let us beware of any dogmatism in this matter. Only a case by case examination will allow us to judge the efficiency of this or that experience. In some situations, the quality of services proposed by a classical banking institution are better than those of a doubtful NGO, or even a well intentioned NGO who is not very familiar with the basic rules of finance. To be a banker, and above all a banker for the poor, cannot be improvised. The diversity of microfinance organizations, in terms of size as well as ideology, objectives or methods, explains to a large extent the heterogeneity of the observed impact. A great number of microfinance organizations, in India as well as elsewhere, suffer from numerous dysfunctions, related as much to their internal functioning (absence of clear direction, lack of professionalism) as to the relations established with their environment, in particular the public authorities and the donors. This acknowledgement reflects only a more general reality: that of the weaknesses of the Indian third sector as a whole.

3. The weaknesses of microfinance: a statement true for the whole third sector?⁷

Different studies have shown that a great number of third sector organizations share the following handicaps⁸: weak capacity for innovation, which finds its echo in the convenient borrowing from governmental development programmes and tools; authoritarian leadership exercised by the central figure of the organization, most of the time its founder; compartmentalization, confidentiality of information and lack of *accountability*; precarious working conditions for the paid staff, in particular at the grass roots level; difficulty to invent new forms of solidarity and to transcend the “social markers” (in particular caste membership); and finally a deficit or on the contrary an excess of professionalism. Concerning this last point, roughly, two groups stand out. We have on the one hand a multitude of small organizations which try somehow to survive day by day, and which suffer greatly from a lack of human and financial resources. On the other hand we have a small number of very big, very professional, organizations, largely integrated into national and international networks, but which could not always adapt to this professionalization. This professionalization brings about an identity crisis categorized by John Samuel (2000b) as “institutional schizophrenia” in the sense that they suffer from an unresolved shift between, on the one hand, the process of institutionalization and professionalization and on the other hand the militant convictions conveying strong values and ideological elements.

Apart from these internal dysfunctions, it is also the link with the external environment which weakens the third sector. In spite of the still strong presence of certain Gandhian principles of action in professional organizations which is translated by the great number of volunteers (unpaid as well as paid) and their conviction to keep alive the Gandhian values, the emergence of a middle class characterized by highly consumerist and individualist preoccupations, as well as the reinforcement of the fractures and tensions of caste and religion threaten solidarity.⁹ Relations with public authorities are another source of weakness. Various studies have shown how

⁷ This section relies to a great extent on a literature review carried out by a student of the French Institute of Pondicherry and the Catholic Institute of Paris (Georgeais 2004).

⁸ For a detailed analysis, see in particular: Gangrade and Sooryamoorthy R. (1996) Kapoor (1996); Punalekar (2004); Rajasekhar (2003); Sudha Vasan (2004); Tandon (1996).

⁹ See for example Gangrade and Sooryamoorthy (1996).

much Indian third sector organizations were dependent on the nature of their relations with public authorities¹⁰. The terms of this relationship vary according to three main factors which are closely interconnected: the domain of the organization's activity and its position in relation to the authorities, the development model chosen by the State and the political agenda of the parties in power, be it the majority party at the Federal level or the political groups in power at the State level. Beyond the tight control exerted by the public authorities on third sector organizations, among them the Foreign Contribution Regulation Act, much criticized by most of the third sector organizations because it limits considerably their room to maneuver, illustrates the tight control exerted by the authorities¹¹. Some researchers also think that state intervention, by encouraging organizations to concentrate on the "grassroots level", has deliberately led to the dissipation of the third sector to the detriment of mass mobilization movements and to the struggle against the structural causes of poverty and inequalities¹². Finally, the attitude of the authorities translates into a very strong instrumentalization: to delegate the work but not the skills, externalize the social benefits while keeping the power to define the content and purpose. The presence of an important deconcentrated administration is an ideal way to allow the authorities to supervise what they define as "cooperation" in the field.

Like the whole third sector, the instrumentalization of the Self-Help Groups by the authorities is obvious. The example of Kerala described by S. Mohanakumar and S.S. George is an illustration of this and contains many risks which we have mentioned in the general introduction. The supposed many "virtues" of these groups (financial intermediation, local economic and social development, management of public assets or local democracy) would suppose adequate tools, especially in terms of training, capacity-building and supervision. But then, as the text of Meera Sundararajan shows, we must notice that the means are not at the same level as the declared ambitions.

¹⁰ See for example Ajay (2003); Desai (2002); John (2002); Punalekar (2004), Mohanty and Anil K. Singh (2001); Samuel (2000a); Sato (2002); Tandon (1991); Tandon and Mohanty (2002).

¹¹ Instrumental application of the Foreign Contribution Regulation Act (FCRA 1976) which imposes control over foreign funds allocated to Indian solidarity organizations. At the least, they are obliged to declare their sources of financing. The authorities reserve the right to *authorize* those transfers if they judge that the recipient organizations invest in politics. This is appreciated by the authorities and allows them to control effectively the organizations perceived as unruly.

¹² See in particular Deshpande (2004a).

Should we then condemn this type of initiative? Should we give up all hope on this subject, under the pretext that they will necessarily be diverted from their original objectives? As Jean Drèze and Amartya Sen suggest, from the moment we take into account the weakness of Indian democratic practices and the weight of a number of so-called “traditional” institutions, one becomes necessarily less ambitious about the “virtues” expected of civil society and local democracy, while granting them, from a normative point of view, an even more central role. We rely heavily on the work *India: Development and Participation* by Jean Drèze and Amartya Sen (2002). The central argument of the two authors consists of demonstrating the weaknesses of Indian democratic institutions and arguing for the implementation of initiatives allowing a combination of economic and political freedom. Let's take up briefly the different stages of their argument to demonstrate that SHGs have to be considered an essential teaching tool of democratic practices.

4. SHGs: an essential teaching tool for democratic practices

In the Indian context, to distinguish democratic *ideals*, democratic *institutions* and finally democratic *practices* appears to be absolutely necessary. While democratic institutions provide opportunities allowing the implementation of democratic ideals, the manner in which those opportunities are effectively realized has to do with democratic *practices*. In terms of democratic institutions, India occupies a very honorable place; India is often presented as “the greatest democracy in the world” and the last elections (spring 2004) will not contradict this fact. The Constitution written at the time of Independence (1947) is remarkably progressive on several points (notably on voting rights for women, the abolition of untouchability) and does not need to be envious of other countries, including those in the West. Since then, different constitutional amendments were regularly added to reinforce the institutional foundations of this democracy, in particular the setting up of a decentralization process which came into force in 1993.

Thus, the problem is not in the absence or the deficiency of democratic institutions but really in the *democratic practices*. The electoral system can be untouched by corrupt practices elsewhere in the country, but it remains largely an empty shell because of poor information, of the nepotism exerted in some areas by the local elite, because of the criminalization of a great

number of politicians, and finally because of the extent of unequal access to electoral candidacy. Any democracy worth the name needs an efficient and impartial judiciary system. Here again, the institution exists, unfortunately, only in theory. The proof is that millions of court cases are waiting to be investigated, the procedures are extremely slow and corruption is omnipresent. So much so that in the end, judicial protection of the citizens is not ensured and the most destitute are of course the least provided for. Even more, the judicial system is sometimes used more to harass the most destitute – in particular the Dalits – than to serve justice. The Indian press is good and guarantees a certain pluralism, nobody can deny this fact. But what can be its contribution to forming opinion and to public debates when it is estimated that only 10% of the population have access to it? The violation of human rights is another illustration of the deficiencies of the Indian democratic system. Let us mention for example the extreme violence exercised in different parts of India like in Gujarat, Kashmir, some areas of Bihar and Andra Pradesh and which is the product of armed insurrection groups, as well as military and para-military forces. Let us mention also the many population displacements (often the *tribals*) in the name of big dams or ecological disputes, the persistence and reinforcement of forced labor and debt bondage or the victimization of Aids patients.

After having listed a number of dysfunctions, Drèze and Sen ponder the factors confirming the ineffectiveness of democratic practices. Three principal factors are advanced:

- the dysfunction of the democratic institutions in question: electoral frauds; paralysis of the legal system; corruption, publicly recognized today, even by the leaders of the country, as a real plague; and finally, and perhaps especially, the quasi-absence of *public accountability*¹³;
- The non use of democratic institutions by the citizens themselves, for lack of access to information or simply for lack of willingness to participate and use those institutions;
- And finally social inequalities which translate directly into inequalities of voice and thus, of representation but also of human

¹³ Rather than debating in a sterile manner the advantages and disadvantages of liberalization, the two authors believe that the real question is rather about improving the efficiency of public services (Drèze and Sen 2002: 370).

rights violations; it is of course the most marginalized social categories which are the most likely to experience the climate of terror and arbitrary repression which prevails in some parts of India.

How to transform democratic institutions which are democratic only by name? Two questions seem to have priority: on the one hand how to strengthen the capacity of voice of the marginalized categories? On the other hand, how to guarantee transparency and public accountability? The answer of the two authors leaves no doubt: the only option is to strengthen local democratic institutions and civil society.

Let's take the example of collective infrastructure management (schools, health centers, drinking water distribution system, subsidized food stores, etc.). We know now that those collective assets all suffer, without exception, from numerous malfunctions, simply because the way they operate is such that the concerned authorities do not have to justify their actions to anybody. In this state of affairs, the only way to redress the situation is to *involve the local populations* in the monitoring and control of public institutions. Drèze and Sen also argue for a reinforcement of local democracy, as much through decentralized public institutions as through collective initiatives coming from the people. Nevertheless, they emphasize the difficulties of putting into practice these forms of local democracy.

The decentralization process, started in 1993, has not only brought about positive effects, far from it¹⁴. Independently of the functional limitations of decentralized institutions, in particular the few means which are allocated to them and which limits greatly their power to act, numerous adverse effects have been observed (for example, reinforcement of inequalities following an increase in power or destabilization of "traditional" local administrative institutions). Ten years after its official implementation by constitutional amendment, the assessments carried out show extremely contrasting results from one Indian state to another¹⁵. In the same manner, the authors are aware that it would be naive to argue that it is sufficient to promote so-called

¹⁴ See for example Bajpai (1998); Mathur (1997).

¹⁵ With the exception of Kerala and Madhya Pradesh, the overwhelming majority of Indian states were hostile to the emergence of the Panchayats as a new level of governance. They have in this regard made extensive use of funds which they had in order to decide at their own discretion the power which would be transferred to them and to control the decisions taken by the Panchayats (Ghosh and Kumar 2003).

“participatory”, “community”, “cooperative” projects or any other form of collective action supposed to “involve” the populations. Any form of collective action entails a certain number of risks, even more pronounced if we are in the presence of previous strong social inequalities: communalism, power appropriation by a minority, manipulation and take over by the external environment.

In spite of all these limitations, do we really have the choice? Should we not show some modesty by being aware that participatory and local democracy cannot be a linear process without pitfalls, that it would be sufficient to proclaim it to see it implemented. As Dreze and Sen rightfully point out, democracy as a *practice* is necessarily the result of *learning by doing*, a succession of forward pushes and backtrackings and implies the progressive formation of a “participatory culture”. This process of learning by doing implies:

“the influence of role models (for example, of a successful female sarpanch), the spread of various skills involved in local governance (*i.e.*, the ability to hold orderly meetings or to deal with the state bureaucracy), the evolution of a culture of political participation, the creation of new forms of social mobilization, and even changes in public perception of the needs for as well as scope for fundamental change” (*ibid*: 361-362).

Taking into account the potential dynamism of this process of learning by doing, the authors insist on the fact that it is fundamental not to give in to pessimism when various studies draw negative conclusions: “*the constructive possibilities over time have to be recognized*” (*ibid*: 362).

Let us adopt the words of Drèze and Sen. Taking into account the present ineffectiveness of Indian democratic practices, all attempts, however imperfect or subject to manipulation, directed towards fighting against inequalities in democratic participation and promoting responsibility and public transparency, should be regarded as an opportunity, keeping in mind that the process will be necessarily long and chaotic.

From a theoretical standpoint, the recent renewal of theories on social justice – here again we have to mention Amartya Sen’s work, especially his theory on Capabilities –, have clearly shown that the democratization of economic practices was the only means to advance toward a more just society, and still be efficient. The first of Sen’s arguments, based on the

concept of capabilities, pertains to the unequal abilities to convert formal rights into real freedom: the universality of rights, notwithstanding the idea of freedom connected with it, can prove to be non-egalitarian. Women, but also caste and ethnic minorities, particularly suffer from this form of inequality. The weight of familial obligations is a first obstacle, but not the only one. Also coming into play is the capability of women to become aware of their rights and to assert them. For this capability is exercised in a very disparate manner. It calls for cognitive aptitudes which are becoming more and more necessary because of an increasingly complex institutional environment. It also calls for the moral judgment of each and everyone ("To what do I have a right?", "To what extent am I responsible for my situation?"). Given this disparity, what is to be done so that people – men and women alike – would be in a position to *convert* their rights, to use Sen's expression, and how to compensate for the non-egalitarian character of a justice that is universal, and thus blind to the difficulties experienced because of individual or social particularities? In other words, how to transform people's resources and rights into real potentialities?

Faced with these different questions, the first response is to acknowledge that there are no objective criteria as regards social justice. The definitions of just and unjust, and more comprehensively that of general interest, are not only a question of spontaneous harmonization between individual and collective interests (the "market") or of a single solution imposed by a higher authority (the State). These definitions are necessarily the result of a *pluralistic process*. A moral pluralism in the sense that there is, also in the scientific community, a diversity of conceptions of the "good", the absolute objectivity of which is an illusion. A political pluralism in the sense that it is the collective action, representative of the interests of different social groups, that makes it possible to respect the diversity of values. This pluralism is not only a guarantee of individual freedom: it conditions economic effectiveness in that it allows for the expression and formulation of economic needs, their assertion and sometimes their resolution. When inertia and tradition are opposed to social change, the only solution lies in public debate. Democratic process and economic growth are thus inseparable because the two processes foster one another. Initiated by pragmatist philosophy, long supplanted by a positivist approach preoccupied with the search for an ultimate and objective solution – of which welfare theories represent the apogee –, the pluralist conception of social justice is today being rehabilitated.

Let us go back to the Indian third sector. The analysis proposed by Katzenstein *et alii.* (2001) on Indian social movements supports our view. Their original question was the following: are new democratic vistas opened up by these movements or on the contrary are they limited to special interest groups? Basing itself on a critical study of the role played by several Indian networks and organizations since the 60s, the authors come to the following conclusion: “in spite of their numerous weaknesses, social movements are largely salutary to democracy” (Katzenstein *et alii.* 2001: 244) and they put forth the following arguments:

“[...] it is precisely through the range and dense welter of [social] movements and organizations that democratic institutions (such as the courts and the bureaucracy) have been able to fine tune their responses to the fluidity and diversity of India. It is not that these institutions can be (despite their rhetoric) a substitute for the state, but without the pressures they bring to bear and the issues that they raise at state and local levels, it is clear that the democratic institutions would not be able, in however inadequate a manner, to meet the challenges of India’s diversity and shifting conditions” (Katzenstein *et alii.* 2001: 268).

In other words, the quality of Indian democracy would be much worse without the presence of the third sector. One can also recall that the existence of political multipartism, which finds its origin in the beginning of the 20th century, is largely the result of social movements of that time (Mehra 2003). The need to democratize economic practices being accepted, a central question remains, that of application. A possible course – at least this is the hypothesis defended here – consists in promoting what we call a “solidarity-based economy”.

5. To think of microfinance in terms of solidarity-based economy

This concept, which has been developed by French researchers¹⁶, has been progressively defined in an empirical manner, based on field practices. In the wider sense, the concept of solidarity-based economy, which is probably close to that of “people’s economy”, more familiar to the Indian context,

¹⁶ Following the pioneer work of Laville (1994).

indicates all production, distribution and consumption activities that contribute to the democratization of the economy and which are based on citizen commitment, both at a local and global level. It is carried out in various forms, in all continents. It covers various forms of organization that the population uses to create its own means of work or to have access to qualitative goods and services, in a dynamics of reciprocity and solidarity which links individual interests to the collective interest. In this sense, solidarity economy is not a sector of the economy, but an overall approach that includes initiatives in most sectors of the economy.

Beyond the diversity of activity sectors, judicial status, labels, this solidarity-based economy relies on two mechanisms:

- A *socioeconomic embeddedness* which relies on a mixture of the market, redistribution (public grants) and volunteers.

The market, it goes without saying, is deeply inegalitarian since it does not take into account the populations and the needs of the poor. "Bottom-up" initiatives, as dynamic and creative as they are, cannot by themselves resolve the demand deficit and the problems of insolvency. Another risk is to hold a "romantic" vision of the community and to under-estimate its potentially hierarchic aspects. That is why a public/private partnership – in theory – can guarantee the legitimacy of the development of collective action and general interest. The link between citizen practices and public authorities allows one to go beyond the insufficiency of "bottom-up" initiatives: the particularism (preferences for certain groups), paternalism (linked to the fact that help is not related to a right) and finally "amateurism" and the absence of follow-up connected with the instability of volunteers. In short, what is at stake is:

"to put together the advantages of the monetary economy, source of individual liberty through the market and equality through redistribution, with those of the non-monetary economy which contextualizes the exchanges and takes them out of anonymity, a synonym for indifference" (Laville 1994: 143).

The mixture of markets, redistribution and voluntary work is then at the same time a question of efficiency and equity.

- A *sociopolitical embeddedness* by means of spaces for collective debate, discussion and *voice*, in the sense of A. O. Hirschman.

These spaces allow the formulation and expression of needs up to now unknown by public authorities or by the market because of their "insolvency". It is precisely this ability to speak up which allows one to fight effectively against certain forms of inequality suffered by certain individuals and social groups. By facilitating the discernment of inequalities and the recognition of their multi-dimensional character, the practices of solidarity-based economy act, as it were, as local justice, in the sense that they adapt formal rights to local exigencies by responding to a double purpose: to evaluate the real freedom of persons, to help them to become aware of their rights and to convert those rights into true potentialities. It is, in fact, not a matter of *public spheres* in the Habermasian sense of the word, which supposes that citizens would be able to distance themselves from their private interest and commit themselves fully to causes of general interest. In those local public spheres, the people do not put their own interests to one side: they come precisely with the purpose of presenting their own problems and in the hope of resolving them. On the other hand, one encounters Habermas's idea according to which communication and discussion help the people to take some distance from social norms.

The practices of solidarity-based economy are first of all *local* activities; it is precisely the anchoring in daily life that allows one to perceive, understand and express the needs of the poor, henceforth making it possible to mitigate the ineffectiveness or absence of public authorities as well as market inequalities. But they also have a societal role which must absolutely be taken into account in order to understand the issues they support and to better consider their future. The specificity of solidarity-based actions relies on their ability to combine pragmatic and political action. All local justice is legitimate only on condition that it is linked to a *global* justice (Elster 1992), that is, when it is accompanied by more general reflections and interventions regarding the nature and causes of inequalities. The whole issue of solidarity-based economy is this: it is concerned with its ability to link local justice with global justice by participating – or at least by attempting to participate – in the transformation of public policies. The difficulty consists in bringing this link concretely into play. However, it is precisely because it is anchored in people's daily lives that solidarity-based economy can have a role in questioning policy that genuinely responds to individual needs and expectations.

As we have seen in the first part of this book, the concept of empowerment gives rise to a multitude of definitions. In a very schematic

way, we can distinguish two "camps". The first one regards empowerment as a neutral process, essentially individual, leading to "self-empowerment" and not necessarily over others. The second, on the contrary, argues for a political approach and so is necessarily conflictual, empowerment being understood then in terms of power relations between social groups. To conceive of empowerment in terms of solidarity based economy obliges one to go beyond these oppositions: the efficiency and the legitimacy of the solidarity based economy is founded on the combination of pragmatic action able to respond to strictly individual needs (through the supply of direct services to families) and political action able to influence the structural causes of inequalities.

In India, the concept of SHGs is precisely thought to promote economic as well as political action through self-organization. These informal mutual aid groups appear both as local spheres for the resolution of daily problems and as places of mediation with public institutions and the local private sector, such as health-care centers, school systems, local elected representatives, diverse administrations or financial institutions. As it has been described at length in this volume, the legitimacy and effectiveness of these groups is of course not systematic. The dynamics vary greatly and the almost complete absence of social and ethnic or caste mixing in many of the groups also raises questions. Their relations with public authorities and financial institutions are sometimes ambiguous and antagonistic. However, whatever the diversions and the limits of such actions, the fact remains that such local spheres represent a first step toward feminine collective action and toward feminine voice. Whatever their present weaknesses, they open new opportunities in terms of *training* in democracy.

To take into account local structural constraints, as much socio-economic in nature as cultural and political, is essential if we wish to appreciate fully the potential of these SHGs. Let's take for example the birth certificate. In rural areas, very few families bother about it; however, this certificate is indispensable for being officially recognized as scheduled caste or scheduled tribe, and on the other hand, the importance of this recognition is essential in the face of numerous public schemes destined specifically for these population categories. As with any administrative document, it is always possible to soften up the official in charge with a few thousand rupees to obtain *a posteriori* this famous certificate, but testimony given by "recognized" personalities can also be used and more

and more SHGs acquire this type of legitimacy. We could multiply examples of this type with ration cards and more generally the eligibility for any new public scheme.

The SHGs are neither the first nor the only ones to get involved in this type of activity. A large number of villages have their "social workers" – isolated individuals or men's groups – which give themselves the mission of working for the well being of their community: maintaining streets and lighting, transmitting information regarding public schemes, support to certain people or families in a difficult situation, etc. Up to now, "social work" was an eminently masculine responsibility, the primary argument being the contact with the outside that this type of activity supposes. The SHGs thus represent a sort of feminization of social work, which allows them to direct the actions and demands towards specifically feminine needs: the struggle against the illegal distillation of alcohol, the improvement of public transport or street lighting are three examples among others. Let us take the example of street lighting. The mobility of Indian rural women is highly limited¹⁷. For example in Tamil Nadu, the Tamil term *veli* or *veliye*, which can be translated awkwardly by "outside, exterior" indicates a space somehow "prohibited" to women, or at least difficult to access. It indicates what is outside the familiar spaces, which are often limited to the house and the surrounding streets. Contrary to the Muslim *pardah*, no Hindu rule officially forbids women to move around, it is rather a whole set of social norms which leads to this situation. A woman who moves about in the *veli* only seldom moves about alone and must be accompanied; she will be evaluated and judged, therefore her look must be "perfect"; appearance (clothing, hairstyle, jewels) assumes such an importance that to leave this familiar space supposes a long and meticulous preparation. Finally, as soon as night falls, all sorties are forbidden; it is the reputation of the whole family which is at stake. Lack of safety (sexual aggression of men or "demons") is the central argument; on the basis of that, whatever the real climate of public safety (which is seldom as dangerous as what one tells), since the gossip about public safety exists, going out during the night necessarily means that one is not afraid of being attacked, and thus that one is of "loose morals". Nighttime (which falls after 6 p.m.) is then an essentially masculine realm. One then understands better the importance

¹⁷ Here we rely greatly on the empirical investigations carried out in mid-summer, 2004, by a student of the French Institute of Pondicherry and the University of Paris X (Sorbonne) (Jamet 2004).

given by the women to requests for public lighting: *"The light makes it possible to make places safe, it also acts as a reputation guarantor since moving about in the light' is less 'suspect' than moving about in the dark"* (Jamet 2004: 45). Most of the impact studies very often neglect the influence of local socio-cultural norms. The article of S. Banerjee and S.J.S. Swamidoss in this work clearly shows the need for analyzing, as a precondition to any action, the structural constraints likely to block an empowerment process. To appreciate the true value of the effects obtained, supposes that one has in mind the original context, in particular the weight of tradition and the resistance to change. In the middle of the Nineties, when microfinance was becoming fashionable, the article of Goetz and Gupta (1996) was a bombshell: their research showed that a large portion of the loans granted by some of the largest Bangladeshi microfinance organizations were in fact used by men. But how can one hope for total control of the loans by women in a context where women are not allowed to enter public spaces, in particular the markets? Consequently, it seems to us that the question is not so much about control of the loans, but mainly about the effects in terms of redistribution (who benefits from the income generated?).

Let us go back to India. 90% of SHG members are women. A large number of them function thanks to the support of an organizer or a leader, and it is not uncommon that all action stops in the absence of the organizer or leader. Thus, their weak autonomy raises the question – and one recalls the risks of instrumentalization mentioned above – but how can one insist that these groups be autonomous, when feminine collective action in rural India is a completely new phenomenon? Many forms of collective action, often of an informal nature, exist, but it is extremely rare that women participate. Let's take the example of Tamil Nadu. In spite of decentralized administrative structures supposed to deal with a certain number of local problems (administrative panchayats), the power rests to a large extent in the hands of traditional panchayats representing the interests of each caste within the same village (*Panchayat Nattamai*). These traditional authorities are composed of influential men. The criteria vary from one authority to another, with more and more a combination of "traditional" criteria (clan representatives, "elders", landowners) and "modern" (for example education, contact with the outside, membership in a political party). The women are completely excluded, and in spite of progress at the constitutional level (quotas of 30% planned by official decentralized authorities), it seems absolutely unthinkable to associate them with this type of authority. Principally, these traditional panchayats take up two duties: organization of

village or rather district festivals, one of the strong moments of local collective life, and management of local conflicts. These are primarily neighborhood conflicts, often associated with land, the sharing of water, unrefunded debts or problems considered in the West as exclusively related to the private sphere, for example adultery or inter-caste marriages. One then observes many groups, with very few oriented towards general interests (except for the groups of social workers mentioned above and certain local politicians). Certain groups are based on professional membership: rickshaw drivers, daily farm laborers, etc. Groups of women *coolies* (daily agricultural laborers) exist, but they are very transitory groups, consisting of a *maistry* (in charge of recruitment in the service of a local landowner) to take on a specific collective agricultural work. Each village is generally made up of several fan clubs: it is a very widespread phenomenon taking into account the popularity of certain movie stars, and the majority of these groups also have strong political connections (many Tamil politicians originally were movie stars). Rotative associations of saving and credit (*chit funds*) are also common, the women have access to them, and certain *chit funds* are exclusively feminine. On the other hand, contrary to practices found in a number of African countries, the *chit fund* is usually limited to financial transactions; the social dimension is not very present.

Certainly, women's discussion groups do exist; they are informal and spontaneous. Taking into account the very strong proximity between neighbors – one could even talk about promiscuity –, taking into account also the quasi-absence of men during the day (they work outside the village, in the fields or have discussions in public places outside the neighborhood, in general the tea shop), the familiar space mentioned above is before all a feminine space, where many exchanges take place. The women spend a large part of the day speaking in the shade of the *tinnai* (a sort of veranda which one finds at the entrance to most pucca Tamil homes). Idle talk and gossip are a big part of the discussions, nevertheless certain more general subjects are also discussed: the trend of prices is almost an obsession; the question of lighting, water, transport which create obstacles for women in their daily life are also regularly mentioned. The SHGs represent neither more nor less than a formalization of these discussions and a concretization in action.

As soon as one goes beyond the local circle, the ability of women to enter into public debate and to influence institutions and public policies is more intricate. Beyond the desire to meet together in response to concrete and practical needs, the women must want to advocate both institutional and

organizational change and to question the distribution of roles and powers. As V. Deshpande (2004b) has pointed out, voluntary organization can play a more positive role in social change, provided the group under change is ready and eager for the change. This, however, is not always the case¹⁸. Several experiences do, nevertheless, show that local action, when it is structured in a network on the regional or national level, is indeed able to bring about institutional change.

Whereas the number of SHGs continues to increase, one also notes the creation of SHG federations, which have two functions: on the one hand, to take over from NGOs in supporting SHGs, on the other hand, to lobby public authorities (Sa-Dhan 2004). In Tamil Nadu for example, Bhawani Mahasabi Panjapatti is involved at the District level in the fight against alcoholism, child labor and violence against women. The Shri Niketh Vanitha Federation is greatly involved in a right to information campaign: this campaign is supported by various national NGOs (in particular VANI¹⁹ and PRIA²⁰), it started a few years ago with the aim of making the decentralization process effective and proved particularly active at the time of the last national elections in the spring of 2004. The main point was to inform citizens of their electoral rights, to give information about the various candidates and parties, to watch the polls, to force the candidates to be transparent about their legal past. If it is still too early to evaluate the impact of these Federations, the majority of which have just been created, these few examples nevertheless show that the will to work on a broader scale than the local scale indeed exists.

The case of the Self Employed Women's Association (SEWA) shows how the linking of pragmatic action and political action can foster and strengthen both. Since the 1970s, SEWA works to "serve"²¹ the condition of self-employed women workers in the informal sector (small shopkeepers, street vendors, home-based workers, manual workers). In the course of time, SEWA has considerably expanded its activities, while following the same objective – to improve women's freedom – and with the same method, largely inspired by Gandhian philosophy: to act simultaneously on the

¹⁸ This has also been observed by E. Buccolo regarding women's groups in Palermo in Sicily: locally, these groups represented veritable places for the expression of needs, but they seldom became instances of assertion (Buccolo 2002).

¹⁹ Voluntary Action Network India.

²⁰ Society for Participatory Research in Asia.

²¹ The Hindi word *sewa* means "to serve".

political, economic, social and cultural planes by advocating the linking of grass-roots action and institutional change (Hofman and Marius-Gnanou 2001; Palier 2001). An initial point of action consists of responding very pragmatically to the exigencies of women: to satisfy their foremost needs (food security, health care, housing, crèches and day nurseries, etc.) and to help them to exercise income-generating activities (access to credit, production cooperatives). The SEWA Bank has been recognized by Indian banking authorities since 1974. It provides microcredit for business activities but also for housing, water, drainage and sanitary installations. A second point concerns popular education, with the SEWA Academy, the stated aim of which is to strengthen women's abilities in collective management and political action. This political action is done at different levels. First, SEWA collaborates in local development plans, for example, as regards health programs, water connections and improvement of sanitation (Marius-Gnanou 1998). In order to improve women's working situations, SEWA deals directly with employers through collective negotiation agreements, internal factory agreements, wage contracts, requests for commercial licenses, etc. SEWA also participates in government decisions, through the National Commission on Self-Employed Women and Women in the Informal Sector (*Shramshakti* Commission, created in 1986). Apart from demands in support of women's rights, SEWA intervenes in specific and punctual problems; for example, it was highly active during the drought of 1995. Finally, it participates in the elaboration of international conventions, in particular those of the International Labor Organization with which it has closely collaborated for several decades. One of its greatest victories is the adoption by the ILO, in 1996, of a convention on home-based work (Krauss and Osner 1999).

The operating method of SEWA rests on the linking up of two types of public spheres²²: local public spheres, intermediaries between the public and the private, and "regulatory" public spheres, interfaces between these groups and a certain number of institutions, in particular public authorities, employers, or trade unions. "Dialogue" is the key to this method: constant attention is paid to women's needs, and from the beginning, most of the efforts are related to the implementation of ways allowing women to express themselves in complete confidence about the problems they encounter. For all that, the promoters of SEWA refuse this naive, and yet widespread, assumption, according to which the women "love" to gather and discuss

²² We rely here on the first field surveys carried out in July 2004.

their problems. The discussion functions only if the women, and *a fortiori* poor women, are really interested. When SEWA started in the Seventies, political mobilization, which was the initial objective, very quickly failed: how to convince women concerned with their daily survival to devote time to meetings which will bear fruit only in the long term? Thus, very quickly, SEWA coupled its lobbying role with the supply of direct services to women and their families. Since women profit from these services, they agree to meet in order to discuss the quality of the services in question and the ways to improve them, which can gradually lead them to be convinced of the importance of lobbying. All the discussions center on very precise objectives and are chaired by qualified people. The promoters of SEWA insist very much on the last two points; there is no question of wasting time with the women on interminable debates about vague and abstract subjects. The majority of the women's groups are thus formed on a professional as well as geographic basis (women working at home in textile, incense or *beedis*²³; waste collectors, etc.). In addition, a significant share of the SEWA budget is devoted to research. Any new project is systematically based on a preliminary feasibility study – a condition which seems obvious but which very few NGOs respect. Altogether, these elements guarantee that the services adapt to the real needs of the women and their families. For example, regarding financial services, one observes a remarkable adaptation to the customer's needs which one very seldom finds elsewhere²⁴. Documentation of the processes – for example, each political campaign is subjected to a precise documentation – and the systematic evaluation of the projects are also continuous concerns. On the whole, being anchored in the daily life of the women, professionalism and strong political good-will seem to constitute the three ingredients of the organization's effectiveness.

Other examples show how local initiatives, anchored in the daily lives of women, can serve as relays for political action by women. In Quebec, community actions led by women's groups (especially in the areas of health, elder and children care and food security) gave rise in the spring of 1995 to the "March of Women Against Poverty". Their first demand had to do with social infrastructures, such as health or educational facilities. Not only was it heard, but subsequent to this march the government of Quebec officially undertook to support local women initiatives and more generally, all initiatives belonging to the "New social economy" (what we have called here

²³ Eucalyptus leaf cigarettes.

²⁴ See the introduction to part 2.

solidarity-based economy). A distinct platform has been created and aims at defining and supervising the relations between the state and the New social economy, with a specific attention to women's rights. The Quebec initiative became broader, giving rise to a world movement in defense of the rights of women (the World March of Women).

In Italy, local women's groups were at the origin of a vast movement for "time coordination in cities". Gender inequalities in terms of time has been the starting point of that movement: the very fact that women, more than men, have to juggle with "domestic time" (children and family obligations), "professional time" (more and more women work) and also "administrative time" (women assume a large part of the administrative work). And this running after time is all the more tricky because there is no coordination (schools as well as administrations usually close earlier than the corporate sector. In order to fight against such inequalities, some women have created "time banks" (*banca del tempo*): participants "deposit" their time in the bank by giving practical help and support to others and are able to "withdraw" their time when they need something done themselves. Everyone's time is the same and a broker links people up and keeps records (Belloni *et alii* 1998). After initial official recognition in 1990 in a law related to decentralization, this question was indeed institutionalized in 2000, in an item of law entitled "Rhythm of towns"²⁵. This law obliges municipalities with more than 30, 000 inhabitants to adopt a local plan coordinating the different forms of time. Today the Italian "model" has spread through most of the European countries, giving rise to numerous experiments.

The experience of Villa El Salvador, in a suburb of Lima, Peru, is presented as a reference in matters of self-managed urban communities. Supported by several NGOs, in particular by Christian activists inspired by liberation theology, communitarian movements have succeeded in becoming full-fledged partners in the management of the town. For already two decades, they have shared power with the municipality and this experience shows how micro-projects can take part in the urban sphere development on the scale of an entire region. Women's groups have played a particularly active, if not determining, role in this process. They participated significantly

²⁵ Section VII of Law n°13 of 8 March 2000 obliges Italian municipalities of more than 30,000 inhabitants to put in place a local plan for time coordination, proposes to finance it in part, encourages the municipalities to create time banks and, finally, foresees an annual evaluation of the results.

in making demands on the public authorities to obtain several basic services, such as sewers, electricity or running water. If these groups were able to mobilize a large part of the population, women as well as their families, it was first by means of collective kitchens and by responding to an essential need such as food security²⁶. The *Federacion popular de las mujeres*, created by collective kitchen groups, is among the actors represented in the management of the town. Well beyond the town and the country, the experience of the collective kitchens is the source of an important women movement, probably one of the most advanced in Latin America (Favreau and Fréchette 1999).

Still in Latin America, let us mention the recent initiatives in the area of trade unions. While sub-contracting (*maquilodaras*) has increased – a direct result of the successive free trade agreements adopted over the last decades – working conditions have considerably worsened. Faced with the inability of the conventional trade unions to respond to the problems faced, specifically by women (in particular, the problems of child care and sexual harassment), women conceived of new forms of organization and assertion, the specificity of which consists in transcending the public/private distinction (Membreño and Guerrero 2001). In Mexico, for example, the organization rests on two dynamics: a grass-roots action with local support groups providing women with daily support, counsel and training in matters of human rights, health, protection against sexual harassment and domestic violence, combined with lobbying and advocacy through a network strongly linked to North American movements (Valadez 1998).

In Africa, it would seem that the political role of women's groups is still in its infancy, particularly in French-speaking Africa (Guérin 2003). Other studies confirm our own observations. With the exception of a small number of professional associations, women's movements limit themselves to responding to concrete needs and practices and scarcely question the distribution of power. When there is a mobilization in support of rights, the demands are often restricted to health care. Even the lifting of legal obstacles that keep the woman in a dependent status (in particular, the family codes) is rarely the subject of demands (Ryckmas 2001). Women's initiatives suffer from the same weaknesses as those of solidarity-based economies in countries of the South as a whole: supporting local issues to the detriment of

²⁶ In the late 1990s, it was estimated that the collective kitchens reached around 30% of the population (Favreau and Fréchette 1999).

global issues (pollution, migration, terms of trade, etc.) (Favreau and Fréchette 2000). In this respect, networking on an international scale assumes a decisive role.

In the early stages of an international civil society now being witnessed (Favreau and Tremblay 2001), two recent initiatives explicitly aiming at the promotion of gender equality deserve to be mentioned. The first, inspired by an experience in Quebec, is the World March of Women; initiated in 2000, it takes place every year. The objectives are as follows: to strengthen and maintain the solidarity movement of “grass-roots” women’s groups; to encourage a process of popular education enabling women from all milieu to be involved and to give voice to their opinions; to work out common demands, in particular in the areas of violence and access to basic economic and social rights; and, finally, to exert pressure on public authorities, governments and also, and above all, on multilateral organizations such as the World Bank, the International Monetary Fund and the United Nations. As regards the latter point, it is as much a question of negotiating new measures as of overseeing the content of various multilateral agreements. The impasse in which the first negotiations with the World Bank and the International Monetary Fund ended shows that the course to be covered might be very long²⁷. On the other hand, as concerns the fight against violence, a victory that has been termed “historic” has already been achieved with the recognition – by the United Nations Organisation in October 2000 – of the necessity to take specific measures for women in the establishment of peace agreements (concerning, for example, the repatriation and resettlement of individuals and their families).

The second initiative was created on the basis of the of the Indian SEWA model. This is the *Women in Informal Employment: Globalizing and Organizing* (WIEGO): its goal is to improve the status of women in the domain of so-called informal activities. Created in 1997, WIEGO is based on a partnership among actors in the field, researchers (notably the Harvard Institute for International Development) and international organizations, in particular the United Nations Development Fund for Women (UNIFEM). Combining research, action and lobbying, this organization has set five priorities: improvement of the status of the informal sector in urban policies; measuring the impact of liberalization

²⁷ See the different accounts given in the World March website: www.marchemondiale.org

on this sector; reflection on the establishment of mechanisms for social protection, in particular microfinance, in collaboration with the STEP²⁸ programme of the ILO; support of organization and networking; statistical analysis of the informal sector, in close connection with the United Nations Statistics Division and the ILO Bureau of Statistics.

The social role is thus in its infancy. Its future depends, to begin with, on the manner in which solidarity-based economy, amongst its adherents, recognizes the true value of the issue of gender inequalities, which is not yet systematically the case. It then depends on the ability of solidarity-based economy as a whole to contribute to the definition of the general interest. The implementation of a really pluralistic social justice system has probably never proved to be both so necessary and complex. In the face of the internationalization of economies, it is more necessary today than before to recognize the loss of sovereignty of all States and their difficulty in asserting themselves in the market domain and in matter of social protection. The interlocutors are not the same: in a considerable number of areas, it is not the States that must be convinced, but the supranational forms of public authority such as the World Bank and the International Monetary Fund, as well as multinationals in the corporate sector. Under such conditions, civil society can only make itself heard if it is internationalized.

At the same time – and this is the paradox – these civil society initiatives have probably never been so particularized, fragmented, and thus so little qualified to represent the general interest. The specificity of contemporary civil society practices – to which microfinance projects described in this volume belong – tend to be much more specialized and monofunctional than in earlier generations of social economy. This is what constitutes both their strength and their weakness. Their strength lies in the fact that it is precisely in response to the closely defined and socializing needs of private problems that they are able to mobilize their members, who are more attracted by specific and concrete forms of engagement. Their weakness is that this specialization, this particularism, scarcely lends them the credibility to take part in the debate on general interest. Whence the necessity for “*civic associations*”, the *raison d’être* of which would consist precisely in the building of a civil society, a civil society of an international dimension. This hypothesis is not completely utopian. Several recent events announce the emergence of a civil society at the international level: for

²⁸ Strategies and Tools Against Social Exclusion and Poverty.

example, the conferences focusing on social economy and solidarity-based economy that have succeeded one another since the conference held in Ostend in 1997, the emergence of an Alliance for a Responsible World Based on Solidarity in which solidarity-based socio-economy has been made a focal point and finally the regular organization of counter-summits to those of the G8 and the World Trade Organization, especially the World Social Forums – let us remember that the last one took place in Mumbai in January 2004. Each of these initiatives attempts to conciliate, for the present in a more or less successful manner, the aspirations and demands of a multitude of groups, among which are women's groups and networks, in particular the international networks mentioned earlier.

For all that, it would be naïve, following the example of a number of thinkers from the liberal tradition, to believe in the spontaneous ability of people to organize an effective and representative pluralism of all the social groups (Kymlicka 2002). Access to the public sphere, as one knows, is basically non-egalitarian, and this form of inequality is concurrent with the others: very often, the poor and women are among the worst off. If one accepts that freedom of expression is just as necessary as economic freedom, and if one accepts that this freedom of expression does not come down to an exercise of representative democracy, but presupposes that of a *participatory* democracy that is able to support the deliberation, formulation and expression of needs, then it is the responsibility of States to correct these inequalities confronting the public voice. The need for the State has probably never been so necessary, but under different forms. The future of civil society depends precisely on its recognition by States and international organizations. It is up to the actors from the civil society to pursue their actions and demands, as well as their united efforts, but it is the responsibility of the public authorities to no longer withhold their support to these efforts, without expecting tangible results from them. This presupposes that these authorities recognize that they themselves need this strength of protest to be both more just and more effective.

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LES DÉFIS DE LA MICROFINANCE : « EMPOWERMENT » OU BIEN « DISEMPOWERMENT » DES PAUVRES ?

Édité par Isabelle Guérin et Jane Palier

La microfinance est souvent présentée, non seulement comme un instrument efficace de lutte contre la pauvreté, mais aussi comme un outil au service de l'*empowerment* des catégories sociales marginalisées, notamment les femmes. L'expérience montre pourtant que la relation de causalité entre microfinance et *empowerment* n'est ni linéaire, ni univoque et encore moins systématique. Cet ouvrage propose d'alimenter le débat, d'une part en combinant réflexions théoriques et études de cas, d'autre part en confrontant praticiens et chercheurs de diverses disciplines (en particulier économistes, sociologues et anthropologues). Une première partie s'interroge sur la question des *définitions*. Même si tout le monde s'accorde à penser que le concept d'*empowerment* renvoie à des notions de choix, de pouvoir et de changement, la diversité des définitions proposées confirme qu'il ne saurait exister de conception universelle. Une seconde partie insiste sur le rôle central de l'*environnement*. Le lien entre microfinance et *empowerment* est d'autant plus subtil, parfois imprévisible, que les projets de microfinance prennent place dans un contexte économique, social, culturel et politique qui est lui-même complexe, évolutif et qui conditionne partiellement les résultats obtenus. Adopter une conception *endogène* des processus de développement s'avère ici indispensable. Enfin une troisième partie porte sur la question cruciale de l'*évaluation*. Ici encore, la diversité des résultats est frappante : certaines expériences de microfinance sont très positives tandis qu'ailleurs les résultats sont beaucoup plus mitigés et sont même parfois inquiétants. On ne parle plus d'*empowerment* mais de « *disempowerment* » ou encore « *d'over-empowerment* ». Cette hétérogénéité de résultats tient autant à la diversité des projets et de leurs méthodes d'action, aux publics ciblés, aux contextes d'intervention qu'aux méthodologies d'évaluation. La conclusion invite à dépasser un certain nombre de contradictions évoquées tout au long de l'ouvrage en proposant de penser l'*empowerment* à l'aide du concept francophone « d'économie solidaire ». Cette notion d'économie solidaire, qui se veut tant théorique que normative, est un cadre d'analyse et d'action, qui, selon nous, doit permettre de se prémunir contre les risques de dérives mentionnées tout au long de l'ouvrage.

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ERRATUM

The paper ‘Microcredit programmes, poverty alleviation and empowerment of women – some empirical evidence from Kerala’ has been written by Lakshmy Devi *and* P.P. Pillai. Because of a printing error, the name of P.P. Pillai has most unfortunately got omitted. We request the author please to pardon this unintended error caused during the processing of the text.

MICROFINANCE CHALLENGES: EMPOWERMENT OR DISEMPOWERMENT OF THE POOR?

Edited by Isabelle Guérin & Jane Palier

Microfinance is often presented, not only as an efficient tool to fight against poverty, but also as a means of promoting the empowerment of the most marginalized sections of the population, especially women. However, reality has shown that the causal relation between microfinance and empowerment is neither linear, nor unequivocal and that it is even less systematic. This book is an attempt to nourish the debate, on the one hand, by combining theoretical reflections and case studies, and on the other hand, by engaging practitioners and researchers from various backgrounds (mainly economists, sociologists and anthropologists). First of all, we consider the question of *definitions*. Even if everyone agrees that the concept of 'empowerment' refers to notions of choice, of power and of change, the diversity of definitions suggested here confirms that under no circumstances does a universal conception of it exist. The second part insists on the central role of the *environment*. The link between microfinance and empowerment is all the more subtle, and sometimes unforeseeable, as microfinance projects take place within an economic, socio-cultural and political context that is itself complex, evolutionary and which partially conditions the results obtained. Microfinance projects – as any development projects – should therefore be understood and analyzed as *endogenous* processes. Finally, a third part relates to the crucial question of *evaluation*. Here still, the diversity of the results is striking: certain experiments are very positive while elsewhere the results are very mixed and sometimes even worrying. One does not speak any more of empowerment, but of "disempowerment" or even "over-empowerment". This heterogeneity of results is due as much to the diversity of the projects, their methods of action, the target population, and the context of intervention as to the methodologies of evaluation. The conclusion leads us to go beyond a certain number of contradictions evoked throughout the book while proposing to think of empowerment using the French concept of "solidarity-based economy". This concept of solidarity-based economy, which is theoretical as well as normative, is a framework for analysis and action, which, according to us, must make it possible to guard against the risks of failures and perverse effects mentioned throughout the book.

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