

General Introduction

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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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