MICROFINANCE IN INDIA AND HOW IT EMPOWERS WOMEN

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ABSTRACT

Poverty is widespread in India, where the poor lack basic resources and opportunities. The rural poor and women in general have a harder time generating income or obtaining resources because of the cultural environment, lack of education, and geographical location. Thus there needs to be other avenues to help lessen poverty as a whole and target women and poor communities to help them generate income.

In recent years microfinance has spread throughout India, making an impact on the lives of the poor by providing them with microcredit to start their own small businesses, so they can generate income and provide for their families. Many of these loans are distributed to women in rural areas providing them with tools to become self-sufficient and independent. Indian women are often considered as second class citizens in India and microfinance has the capability of empowering women by giving them the opportunity to be heard and the means to make educated decisions.

This thesis is comprised of five chapters that examine the level of poverty in India, analyze the microfinance industry, and explain the impact of microfinance in India and its role in empowering Indian women. Chapter one gives a background of the level of poverty in India, a financial history of India’s banking system, and the status of Indian women. I explain how the banking system lacks the tools to help the poor, therefore needing the assistance of microfinance institutions. I describe how microfinance began
in India and its impact on the poor.

Chapter two details the movement of microfinance and its affect globally. I explain exactly what microcredit is and how it can benefit the poor. I explain microfinance’s benefits and weaknesses, and explain solutions to those weaknesses. Additionally, I also give examples of different microfinance institutions in different countries. Chapter three examines microcredit in India. I describe the impact microfinance has on the Indian poor. Furthermore, I illustrate the different types of microfinance organizations that operate in India and explain why, who, and how they target women and poor communities. I include numerical data in this chapter, citing the monetary value of the loans distributed; and the percentages to whom they are delivered. These numbers demonstrate the impact microcredit is having on the poverty stricken.

Chapter four discusses women’s status in India and the importance of providing women with credit. In Indian society women are viewed inferior to men. The distribution of loans provides women with a way to generate income, which increases their status within the household as well as within the community. In Chapter five, I give examples of different case studies in India that illustrate the influence microfinance has on empowering women and making them self-sufficient and independent. Finally I conclude with, if executed right microfinance institutions can alleviate poverty but also provide women with the tools for empowerment and autonomy. Microfinance is a system that can provide women with the means and opportunities to gain control over their lives, have a say in their actions, while earning a living.
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INTRODUCTION

John F. Kennedy once said “if a free society cannot help the many who are poor, it cannot save the few who are rich.” For a society to flourish both the rich and poor need to work together to prosper. India is home to over a billion individuals of different cultures, religions, and backgrounds. There is a great divide between the rich and poor, where almost half of the people are under the poverty line. Since independence, India has seen this divide grow larger and larger; city dwellers seem to grow and prosper while rural Indians hardly have any opportunities to get a decent education and break out of poverty. The structure of Indian society makes it extremely difficult to alleviate poverty in India; outside forces other than the government and banking system are needed to help the poor. Particularly microfinance institutions (MFIs) partnered with social businesses, Self-Help Groups (SHGS), and cooperatives can effectively lessen poverty in India and empower the poor, especially the female population. Gender discrimination is extremely prevalent in India; women lack basic rights and opportunities. Their lives are often governed by their husbands or families. MFIs can help women gain autonomy, which can lead to empowerment.
CHAPTER ONE

INDIA: POVERTY, BANKING SYSTEM, AND INDIAN WOMEN

Introduction to Chapter One

In this chapter, I will discuss the level of poverty in India and explain India’s banking system. It is important to understand the situation in India, to realize the importance of funding from other avenues for the poor. Poverty is in abundance in India and India lacks the financial services to help its poor. This chapter explains the need for microfinance.

Poverty in India

India is a nation filled with both, tremendous wealth and poverty. Poverty in India is widespread and is prevalent in nearly every city. The disparity between the rich and poor is immense, with the rich living lavishly and the poor living on the streets and not being able to feed themselves. Furthermore, India is filled with regional, cultural and socioeconomic differences (Datta and Kornberg 2002, 87).

India’s poor make up one-third of the world’s poor (Novogratz 2009, 254). The numbers indicate that in 1997 “35% of the Indian population (with 37% in rural areas and 31% in urban areas) were living below the poverty line” (Lazar 2008, 11). While the numbers have decreased, a quarter of the Indian population is still in poverty. Case in point “India makes up 15% of the world’s population and 27% of its one billion people were below the poverty line in 2001” (Premchander 2009, 1). There is a difference in the number of poor people living in the cities compared to those living in rural areas; some
studies show that there are around “240 million rural poor and 72 million urban poor in India” (Lazar 2008, 11). The Planning Commission (an organization that estimates poverty in India), estimated that 27.5% of the Indian population was still living below the poverty line in 2004-2005. In India, approximately 75% of the poor live in rural areas, with most of them consisting of landless laborers, daily wage earners, and self-employed households (Ibid., 8).

During her work in Africa, India, and Pakistan, Jacqueline Novogratz realized that to reduce worldwide poverty there needs to be a system that looks at answers from the perspective of poor individuals instead of just enforcing plans and ideas on them (Novogratz 2009, 243). As previously mentioned, India has one of the highest percentages of poor people in the world with an increasing gap between the rich and poor. Indians have an interesting cultural, political, and economic history, which influences the poverty and gender discrimination within the country. After India’s independence from Britain in 1945, a new democratic government was created, granting Indians equal rights, opportunities, and economic stability.

**Start of Microcredit and the Banking System in India**

Since the Indian population lacks opportunities such as financial resources and the ability to get jobs, they are stuck in an endless cycle with no opportunities for people to lift themselves out of poverty (Burra 2005, 32). Since the 1950s, microcredit has been used as a method by governments in developing countries, international funding organizations and donor agencies, in order to help the poor make money (Ibid.).
During the 1950s and 1960s in collaboration with the Indian banking system, the Indian government started disbursing loans to families in rural areas that worked in the agricultural sector as well as city-dwelling families to promote economic growth throughout India (Fisher 2002, 84). Households in the agricultural market were divided into three different groups of workers, which decided the amount of loans they would receive. The groups were determined by the type of work they did and the profitability of that work (Ibid.).

The first group was medium to small agricultural farmers, artisans and people who rear poultry and other landless livestock. The second group was micro-enterprise workers, who are either agricultural or poultry/dairy farmers who sell their crops and produce; and the non-farm sector-micro-enterprise workers who work in repair shops, wooden furniture making shops, etc. The third group was small agricultural, poultry, dairy-based enterprises; and non-farming individuals that employ 6-10 workers, working in enterprises. (Fisher 2002, 84)

By 1969, Prime Minister Indira Gandhi started to nationalize commercial banks so they could go public in order to meet some of the new policy goals, such as making it easier for non-wealthy individuals to have access to a bank (Karmakar 2008, 20). Nationalization had four main goals: “to stop corporations from controlling all the banks; to use bank resources to distribute wealth more equally; to organize public savings (including the rural areas); and to focus on agriculture and small industry” (Karmaker 2008, 20). As a result, thousands of new bank branches were opened throughout rural India in the 1970s. During this time, loans were given to artisans as well as to agricultural and dairy farmers. One of the goals of these new banks was to stop moneylenders from providing loans. The banks and their policies became an important
part of the economy (Ibid.). The government started focusing on economic development and credit planning. Therefore, banks started distributing loans in rural communities to agriculture and small-scale industries. The aim was to bring about economic and social change through the allocation of loans (Ibid., 21).

Two decades later in the 1990s, microfinance institutions (MFIs) started to become popular in India as the economy started expanding and becoming more competitive (Fisher 2002, 36). In 1992, the National Bank for Agriculture and Rural Development (NABARD) started a program to finance and promote the disbursement of loans to self-help groups (SHGs), which consist of small groups of women who start their own businesses from micro-loans (Ibid.).

A year later in 1993, Rashtriya Mahila (RMK or the National Credit Fund for Women) was established to distribute credit from NGOs to self-employed women in the unorganized sector. RMK has helped almost 1,100 NGOs provide around Rs 72.6 crore (726 million) to 393,000 women by March 2001. In 1995, the government of Andhra Pradesh passed the Mutually-aided Cooperative Societies (MACS) Act, granting independence to cooperatives to distribute credit. After that several states passed acts of their own. In 1998, Sa-Dhan, the Association of Community Development Finance Institutions, was started by various microfinance institutions (MFIs) in India. That same year the Small Industries Development Bank of India (SIDBI) started a Foundation for Micro-Credit with an initial capital of Rs 100 crore (1,000 million). (Fisher 2002, 36)

Even though competition has increased in the banking sector, public sector banks such as nationalized banks, the State Bank of India and Regional Rural Bank, continue to dominate the banking system, (Karmakar 2008, 21). Whereas competition is fierce in urban areas, it is extremely slow in rural areas. However, the government has reduced some of the rules and regulations for banking with the hope of reaching rural households (Ibid.). Since many banks don’t consider rural communities profitable, they only
distribute loans when required by the government (Ibid., 21-22).

Despite all these efforts, most rural households in India still do not have access to banking, inhibiting them from access to savings and credit (Basu 2006, xvi).

In India it is extremely difficult for the rural poor to get credit or even have savings account from the formal banking sector. Some urban poor have access to the banking system because of their geographical location (Basu 2006, xvi).

The World Bank (WB) - National Council of Applied Economic Research (NCAER) Rural Finance Access Survey (RFAS 2003) shows that rural banks serve the richer rural clientele. Around 66% of large farmers had a deposit account, whereas only 44% had access to credit. 87% of the poorest households (which were small farmers) did not have access to credit, whereas 71% did not have a savings account. It is extremely difficult for the poor to get credit from banks because of their lack of collateral and because of their inexperience in formal finance since they usually borrow money from moneylenders and shopkeepers (informal finance). Out of the households surveyed by RFAS 2003, about 44% reported having borrowed money from moneylenders, shopkeepers or relatives at least once in the last year. Over 82% of households surveyed in RFAS 2003 did not have insurance, and almost none of the poorest households had insurance. (Basu 2006, xvi)

Banks do not want the poor from both rural and urban areas as clients for many different reasons. Since poor people do not have steady jobs, their incomes are irregular and unpredictable, and banks have no guarantee that they can repay their loans (Ibid., xvii). Also most poor people do not have anything of monetary value to give as collateral. Furthermore, the “geographical distance, the widespread illiteracy, and the diverse backgrounds of borrowers” (in this case the rural poor) and the frequency of high cost transactions make it difficult and non-desirable for banks to lend loans to rural poor communities (Ibid.). Banks also believe that the government’s rules and regulations make it difficult to distribute loans to the poor (Ibid.).
India’s rural poor have their own financial needs that are influenced by their location, living situation, and their availability to resources and opportunities. The main sources of income for the rural poor are selling agricultural products and wage labor, even though the poorest are landless (Ibid., 4). Their income is unstable and erratic because agriculture depends mostly on weather. The households that are better off financially usually have another source of income from selling dairy products and farm produce. Therefore, the rural poor’s income is dependent on seasonal-based products and wage labor, which is unstable and erratic. Also, the poor’s expenses fluctuate from month to month therefore they often borrow money from relatives, friends or moneylenders when they to deal with an unexpected expense (Ibid.).

Currently, there are three main sectors for credit lending in India: the formal sector, which consists of financial institutions such as, commercial banks, public and private sector banks, and regional rural banks (RRBs), which have more than 32,000 rural branches. There is also a large system of rural cooperative banks, with a three level structure at the state, district, and village levels. There are around 14,000 rural cooperative bank branches and more than 98,000 of the Primary Agricultural Credit Societies (PACS) (since agricultural is the main source of income for the rural poor), which are used by the cooperative network as vehicles to distribute funds. (Basu 2006, 5)

In general, the formal banking sector includes:

- regional rural banks (RRBs)
- commercial banks
- cooperative banks
- post offices
- insurance companies
- apex
-development banks
-development financial institutions (DFIs)
-mutual funds (Ibid., 6).

The informal sector consists of friends, relatives, moneylenders, local shopkeepers, merchants, contractors, and trade creditors. The semi-formal sector or intermediary agencies are MFIs and SHG-Bank linkage programs. The formal section sometimes distributes credit and other services to the non-formal section (Burra 2005, 35). The non-formal sector includes NGOs, SHGs, MFIs, and other organizations and groups that can function with more flexibility and have fewer restrictions than banks (Ibid., 36).

Microfinance institutions reach around 30% (directly or indirectly) of the rural poor or about five to six percent of the country’s poor rural households (Basu 2005, 6). The SHG-Bank linkages are successful models of microfinance programs in India. The SHG-Bank linkage program has been able to provide twelve million families with savings accounts. NABARD plays a big role in helping SHGs reach the poor. In general MFIs reach around one million clients. There are a few thousand MFIs providing credit to the poor (Ibid.). Thus, the microfinance industry is growing in India and providing the underprivileged with the opportunity to generate income and rise out of poverty.

**Status of Indian Women**

Both men and women are poor in India; however women lack more rights and have a lower status then men in Indian society. In Chapters three, four, and five I will go into detail about the importance of microfinance institutions targeting women and how it
can be beneficial to Indian society both financially and socially. Women are so undervalued in India that the Committee on Unemployment found women to be greater in number in unemployment and under-employment. The number of unemployed women in rural areas was estimated to be 4.5 million, whereas men were in 3.2 million in the 1970s (Nagendra 2007, 101). Women constitute almost 60% of the rural and 56% of the total unemployed in the country. These numbers only take into account those looking for work, the actual number of unemployed will be much higher (Ibid.).

The basic problems that affect women’s roles and opportunities for employment in this sector spring from their helpless dependence, caused by lack of adequate employment opportunities, limited skills and illiteracy, restricted mobility, and lack of autonomy (Ibid.). The occupational status of the women worker is linked to that of her husband or father, especially in rural areas. Additionally, “the lack of control over productive resources and a persistent gap between consumption and expenditure, leading to perpetual indebtedness, deprive them of all bargaining power and occupational mobility” (Ibid.).

In Chapter two, I discuss what microfinance is and its impact on the poverty stricken around the world. I explain microfinance benefits and flaws. Microfinance can help the poor in many ways because the way it operates is different from the formal banking system. It has less bureaucratic rules than banks, which makes it easier to distribute credit. Furthermore, microfinance organizations main goal is to help the underprivileged generate income.
CHAPTER TWO

A GLANCE AT MICROFINANCE

A description of Microfinance

Microfinance is a way to help alleviate poverty in rural communities that lack access to formal banking. Different studies fluctuate on the number of poverty-stricken people in the world, but some studies say that around 300 million to 360 million are in “absolute poverty” (Premchander 2009, 1). Furthermore, research has shown that over 2 billion people do not have access to formal credit institutions (Hudon 2008, 17). Access to financial resources helps people generate income and lessen poverty around the globe. Since microfinance is a system that distributes small loans to poor people in order for them to generate income and start their own small businesses, it has the ability to lessen poverty as well as promote entrepreneurship, social and economic development in poor communities (Lazar 2008, 34).

Microfinance institutions provide an alternative source of credit for poor villagers, who are not able to get bank loans because they don’t have collateral to give. Furthermore, microfinance institutions give loans on subsidized interest unlike moneylenders that charge extremely high interest rates. Microfinance institutions usually target small-scale businesses in the rural and agricultural sectors (Sanyal 2009, 529). If people have the opportunity to work and earn money then they have the capability to provide for themselves. Access to credit is a useful and quick way for the poor to have the means to pay for food and shelter. Poor individuals often lack the basic necessities of life, such as food, shelter, education and healthcare (Hudon 2008, 19).
In addition to distributing loans, MFIs also offer a wide range of financial services, such as savings and insurance options (Premchander 2009, 2). The poor lack access to institutional finance institutions, such as banks, because they are unable to provide collateral and the rules and regulations to get loans is too complicated to understand for the uneducated poor (Rahman 2000, 6). It is also expensive and time consuming for banks to deal with small-scale clients (The World Bank 2009, 54). As a result, MFIs started to distribute loans to the poor because banks would not (Ibid.). Just like traditional banks, MFIs give loans and take deposits while collecting debt with interest (Molinero and Serrano-Cinca 2009, 104). Even though most microcredit loans are given without any collateral, repayment rates can be high; contradicting the notion that poor people cannot payback their loans (Ibid.). Furthermore, many microfinance programs use the group-based format. MFIs give loans to members only, thus keeping the group unit intact (World Bank 2009, 16).

Microfinance has made such an impact in developing countries that the United States designated 2005 as the International Year of Microcredit, explaining that people can use loans to “grow thriving business and, in turn, provide for their families, leading to strong and flourishing local economics” (Lazar 2008, 34). Microfinance is a system that provides money to poor individuals so they can have the opportunity to break out of poverty and become self sufficient (Ibid.).

Microfinance can also provide poor women with an opportunity to start their own businesses and become independent, which can lead to empowerment (discussed in
Chapter 4) (Ibid.). Since the poor usually have irregular and unpredictable incomes, it is important for them to have a regular source of income and the ability to save and access credit (Lard and Barres 2007, 57). Studies have shown that microfinance organizations can help the poor in developing countries generate income and deal with unpredictable situations by disbursing loans (Ibid., p. 58). Unlike big companies or banks, microfinance institutions lend small loans to poor people or small businesses, which usually do not have any collateral, education or prior business experience (Lazar 2008, 34).

Loans are typically used to start businesses, but they can also be used by the poor for personal reasons such as, using them to pay for medical expenses, school fees for children, and household items (Boudreaux and Cowen 2008, 29). A study done in Indonesia found that 30% of the loans given to poor communities were used for personal use. Joel Mwakitalu, a micro-lender that operates a small microfinance organization in Dares Salaam, Tanzania said “that 60% of his loans are used for children’s education while only 40% are for investments” (Ibid.). In many cases personal use and investment is the same thing; for instance, parents sending their children to school, they are investing in their children’s future. Another example is when clients buy cars or motorcycles (in India) to be able to go to work or for recreational activities as well as cell phones, which are used to run businesses as well as to call friends and family. Thus, microfinance gives the poor the opportunity to operate their businesses without having to sacrifice the life or education of their children and families. Microfinance programs help people survive and enable people to pay for their basic necessities by using the loan for
both business and personal reasons (Ibid.).

Poor people need financial services other than just credit to be able to considerably improve their status and lives. The microfinance industry consists of different organizations serving different clients in various political, cultural and economic climates (Gulli 1998, 15). Microfinance programs can help the financial restrictions imposed on the poor by giving them the opportunity to increase their investments and manage their money more efficiently (Ibid.).

Microfinance clients live in different geographical, environmental, economic, and socio-cultural areas that determine how loans are used (Premchander 2009, 7). For a microfinance program to succeed in a community, the staff needs to not only be conscious of the constant external changes happening but also take those changes into consideration (Johnson and Rogaly 1997, 69). Managers of microfinance programs and non-governmental organizations must be flexible and capable of adapting to economic and political changes, the availability of other financial services in the area, legal requirements, and the needs of clients because the conditions constantly change. Furthermore, a long-term approach also needs to be implemented to sustain these programs in the future and to decrease the level of poverty (Ibid.).

Giving credit to the poor can help them protect their livelihoods against surprises, such as weather conditions or family issues, and can also help them grow their businesses (Ibid., 118). Livelihoods are often described as a combination of assets, abilities and methods by which households make a living and a way to keep their income and assets. Poor people believe that money is not the only way they can improve their
livelihoods (Premchander 2009, 9). Poor people can also save on assets such as, animals, grain, and jewelry instead of just money (Johnson and Rogaly 1997, 43).

Microfinance can help sustain people’s livelihoods by strengthening their assets and giving them funds to help them deal with unexpected situations (Lard and Barres 2007, 61). Before microfinance started targeting the poor, their only option to pay for external factors that disrupted their lives was to either sell their assets or to ask moneylenders, friends, or relatives for money (Ibid., 59). Microfinance helps the poor prepare and adapt to unpredictable situations, even though it might not help them generate a lot of income. Microfinance programs that include a different range of savings and credit options can help lessen the risk from shocks or unpredictable events. The system of microfinance helps decrease the financial burden on the poor but cannot eliminate poverty. Different levels of poverty need different types of services. The moderate poor need more credit while the poverty stricken need more intricate programs (Ibid.). The poor also have different levels of income and expenses. For instance, the needs of young unmarried women will be different from young married women with kids; and their needs will be different from older women who have grown-up kids or those who are widows (Johnson and Rogaly 1997, 122).

For microfinance institutions to fully help their clients they need to understand their client market, implement the right type of savings options, and analyze the results (Ramani 2007, 35). To protect people’s savings, microfinance programs need to improve their internal structure and overall risk management. Not only do MFIs need to make institutional changes but they also need to understand the environment (culturally,
politically and economically) in which they are distributing loans. Microfinance organizations need to develop a long-term approach that deals with risk management, financing clients, repayment of loans, and other financial regulations. Microfinance programs can only be sustainable with a strong structure and sound funding mechanisms (Ibid.).

Microfinance’s Impact on the Poor

Microfinance is a growing industry that has impacted many people all over the world. It is extremely prominent in South Asia, East Asia and Latin America. For instance, the microfinance industry in Indonesia began in 1970 (Robinson 2001, xxi). It started with the opening of Bank Dagang Bali (DBD), a private bank in Bali, which restructured the banking system of state-owned Bank Rakyat Indonesia (BRI) in 1984. BRI’s local banking system is one of the largest self-sufficient providers of microcredit in the developing world (Ibid.). Microfinance helped reduce Indonesia’s poverty from “40% in the mid-1970s to around 11% by 1996” (Ibid.).

Furthermore, in 1997 when the East Asian economic crisis occurred and poverty increased, BRI’s microfinance program gave poor, unemployed people credit to start their own small enterprises (Ibid.). It also gave them secure deposit facilities, which is crucial during a time of crisis. Financial products and services targeted for the poor help them develop and broaden their economic activities, increase their income, and improve their self-worth. Microfinance can be a profitable, self-sustaining industry with a growing client base (Ibid., xxx).

Experienced microfinance institutions can operate profitably on a large scale,
serving many clients, and financing all or most of their loan portfolios with deposits. But this requires “clear and responsible ownership, high levels of skilled and knowledgeable governance and management, an organizational structure appropriate for commercial microfinance, and a corporate culture of transparency and accountability” (Ledgerwood and White, 4). There are a few important factors that microfinance institutions need to implement in their practices to become successful financial intermediaries for the poor. The first one is for microfinance institutions to learn the needs of poor people and then design and deliver products and services that meet their demands (Ledgerwood and White, 4). The second principle is that microfinance institutions should have faith that the client will be able to repay the loans, while teaching clients how to also save (Ibid., 5). Lastly, microfinance institutions should also offer more products and services than just distributing credit and offering savings plans. This will help them target a wider market while promoting development (Ibid., 14).

**Microfinance Drawbacks, Solutions, Benefits and Success**

Microfinance institutions are not flawless, they do posses some drawbacks. Studies have shown that many microfinance institutions do not reach the poorest of the poor (Gulli 1998, 24). These institutions hardly reach the poorest of the poor, microfinance clients are usually in the moderate poor category. MFIs hardly ever reach the bottom ten to fifteen percent of the population (Lard and Barres 2007, 57). It is difficult for microfinance programs to reach poor rural communities because of the lack of “local markets, the difficulty of access, and the poor quality of infrastructure” (Gulli 1998, 35). Banks also have a difficulty operating in rural areas because of the bank’s
strict rules and regulations, for instance, the banks fixed business hours (Ibid.).

There is no definite evidence of the impact credit has on poor communities (Ibid., 50). However, studies have shown that there is an increase in income, assets and consumption (the use of goods) for people who take out loans. On the other hand, some studies have suggested the problem of bankruptcy and vulnerability because of the added risk. For example, some studies done in Bangladesh show that women might have to work harder to repay the loans, because their husbands usually control the family finances (discussed in Chapter four). There is no concrete relationship or evidence between the impact income has on poverty levels (Ibid.). Studies have shown that people below the poverty line usually use the credit for consumption rather than people above the poverty line, and as a result their income does not increase as much (Ibid., 53).

Microfinance moves money without fully addressing the financial needs of the small-and-medium-sized enterprises with real growth potential (a job for the banking industry) and without making basic changes (for instance, in government corruption or in the business climate) needed for broader business development (Dichter and Harper 2007, 158). Without addressing these problems, financial growth will be hard. Microfinance programs can help the poor but to be efficient they need to be cost efficient and understand their market-base. Evaluations of microfinance programs should examine both the financial performance of microfinance programs and the client-service relationship (Ibid., 58). Financing costs make up a large potion of an MFI’s total costs. Competition in the microfinance market will help reduce operational costs and interest rates, and increase sustainability (Ibid., 66). Studies have shown that given the
opportunity poor people have the motivation and capability to save and use their money wisely (Ibid., 71). Savings increase the “creditworthiness” of the poor while helping microfinance programs become more sustainable (Ibid.). Microfinance programs should include credit, savings and insurance options, and education because all three contribute to lessening poverty (Ibid.).

World Bank publications do show that there is a link between access to financial services and economic development (Hudon 2008, 19). Some sources believe that credit is extremely important in generating income and increasing development. Economic development that includes everyone, even the poor, benefits the country because as poor people’s incomes increase so does the average per capita gross domestic product (GDP) (Ibid.). Evidence has shown that access to credit is influential in economic development (Ibid., 25).

There are many reasons for having a bank account but the most common reason is to have a safe place to put one’s money. The poorest people do not use banks because they do not have enough money to put in the banks and the banks might not find it useful to provide them with their services (The World Bank 2009, 7). In most developing nations the majority of the population works in the informal sector and does not have a steady paycheck. People with formal jobs, who have a steady income, are more likely to use the banking system. For instance, 91% of Indian people who have steady jobs are part of a bank, unlike wage laborers who are 38% of the people (Ibid.). People with formal jobs have a regular salary, higher wages and have job security. Therefore, they are more likely to use banking services while banks are also more likely to serve them.
Businesses need to grow to create more formal jobs, and access to credit can help increase businesses and employment (Ibid., 8). A sample surveyed from 2002 to 2005 on Eastern European companies, showed that companies that have access to credit for investment had a nine percent higher employment rate than companies that didn’t have access to credit. Furthermore, revenue increased by 36% for companies with credit from banks. Job creation also increased by twenty percent for companies with less than twenty employees (Ibid., 9).

People can only get a steady income from formal jobs; and if a person doesn’t have an income than there is no need for them to use a bank. However, in general it is difficult to open up an account at a bank because of all the fees and regulations; some even charge fees to open an account. As a result, banks with many bureaucratic regulations have fewer clients than banks that don’t have as many rules and regulations. Businesses are also hurt by the bank regulations because entrepreneurs want to get credit without dealing with a long and complex process when opening an account or getting credit (Ibid.). Continuous maintenance fees and charges for checkbooks and ATM cards also reduce the number of people wanting to get an account. Sometimes developing nations are more likely to have stricter bank policies with higher charges than wealthier nations (Ibid., 10). Additionally, some formal banks cannot meet the needs of the poor, who have unstable incomes, cannot put money into an account for long periods of time, or do not have the means or time travel to the bank. Furthermore, people who have a steady income may have to deal with the pressure of supporting their extended families. Poor individuals save their money in different ways, such as jewelry, gold, livestock and
even construction materials (Ibid., 16).

Microfinance programs can help the poor build assets and pay for necessities but they do not create as many new jobs. As previously mentioned, sometimes the loans are used for everyday activities instead of for businesses. For instance, in Indonesia 30% of poor households used the credit for consumption reasons, such as school fees, medical bills, and other everyday necessities (Ibid., 54). Furthermore, the recipients of microcredit are often not the poorest of the poor because of the difficulty associated with MFIs in reaching the poor in rural areas. For instance, microfinance programs in northeast Thailand tend to operate in the wealthier villages (Ibid.).

Microfinance is an industry that depends on scale; the more money a microfinance program has the more loans it can give. And the more loans it can distribute the more sustainable it will be. Furthermore, the more clients microfinance institutions have the lower the per-unit costs will be. Therefore, with lower costs and less risks MFIs will be able to distribute more loans (Balasubramanlan 2009, 9). The government can also give money to MFIs to help them grow and become self-sustained. However, when MFIs are funded by the government they have to deal with government regulations. The government’s rules and regulations become very expensive and time consuming for clients. The reduction rules and regulations will be necessary to fix this problem (Ibid.). The government needs to provide more funds, eliminate bureaucratic red tape, and offer more financial agreements to help the microfinance industry succeed (Ibid., 10).

Microfinance institutions target specific socio-economic groups of people. MFIs
hardly ever reach the poorest of the poor; they usually distribute loans to medium to low
income individuals. These people usually have some source of income and some might
even have credit cards and credit lines (Brusky and Fortuna 2002, 50). For these low-
income families, savings gives them security. However, the idea of savings is a new and
foreign concept to many of them. Microfinance groups need to spread awareness about
the importance of savings by showing them how giving monthly payments are another
form of savings (Ibid., 51). In addition, saving options should be increased and be more
accessible to the poor (Ibid., 52).

In 2002, Grameen Bank started to distribute individual loans instead of group
loans, which ended up becoming successful (Balkenhol 2007, 27-28). It is important to
note that even though there is a lot of information on microfinance, it is still a relatively
new concept and there is not a lot of data for measuring the full impact of it, in relation
to its negative and positive affects impact on reducing poverty. Therefore, some of these
studies do not show the full effects of microfinance on poor communities. Despite the
lack of information, microfinance can nonetheless alleviate poverty by providing loans
for businesses and generate income, which can eventually lead to empowerment (Ibid.,
28).

The options of savings and micro-insurance offered by microfinance programs
are extremely helpful to the poor. Currently, very few MFI s offer micro-insurance, but
there is a growing need for it so the recipients of these loans can also have insurance to
protect them from risks (Balkenhol 2007, 37). Microfinance institutions also have to
deal with transaction costs, such as personal costs (administrative and structural costs),
fixed costs, transportation costs, etc. (Ibid., 37-38). The main reason that poor people do not have access to microfinance programs is that there are no MFI s in their area or they do not have access to the services they offer (Ibid., 40). There are many reasons why it is difficult for microfinance organizations to reach rural areas:

- geographical distance
- the lack of collateral
- their unpredictable income
- low population density
- situations influenced by climate changes (Ibid., 40-41).

An MFI manager in Niger explained that without resources from urban centers it would be impossible to work in rural places. Urban areas are filled with educated employees with an abundance of resources at their disposal that can help the uneducated poor in rural places that lack these resources (Balkenhol 2007, 41). The poorest of the poor often live in isolated places with no potential for growth or social capital. Thus, it would be difficult for microfinance programs to distribute loans in these areas; microfinance groups would not only need to provide credit but also help change conditions that would be more suitable for poor people to develop their autonomy (Ibid., 57-58). This is why it is essential for microfinance programs to understand their clientele and implement policies and programs that will reach the poorest of the poor in rural areas.

The performance of a microfinance institution is affected by various external and internal factors. Some of the external reasons are:
-lack of education
- cultural norms
- lack of infrastructure and communication
- clients’ ability to use the credit wisely
- regulatory environment
- security
- population density
- market opportunities
- clients’ exposure to crisis and unexpected events

Some of the internal factors are the education and knowledge of the employees of the microfinance institutions, resources spent on non-financial services, the efficiency of the services provided, and staff incentives and management (Ibid., 63).

As previously mentioned, credit helps poor people sustain their livelihoods. Livelihood consists of the activities, the capacity and the resources, both social and material to make a living (Lont and Hospes 2004, 50). Livelihoods are determined by different socio-cultural situations (Ibid., 62). Every livelihood type is dependent on different kinds of customs, savings and credit beliefs. For example, farmers that keep cattle have their own reason for having cattle while paddy cultivators store grain and use it for credit transactions. Female members can have their own groups in which men are not allowed (Ibid., 63). Village officials are more likely to interact in savings and credit practices organized by outside companies. Livelihood is a good way to understand why people value different material things differently. Understanding livelihood is a good
way to analyze savings and credit mechanisms because livelihood patterns are the center in many ways for saving, borrowing, insurance and investment. When trying to implement a new development project it is essential to look at the location diversity because different communities have different livelihood strategies (Ibid.). Microfinance institutions’ management should examine the different livelihood patterns of a community before starting a microfinance community because it would help in forming better and more sustainable programs (Ibid., 63-64).

The urban poor like the rural poor have irregular income and unpredictable expenditure needs; as a result of this they need assistance in managing their cash flows. Income is the source of money and goods entering into the household (Lont and Hospes 2004, 72). Research has shown that the assets poor people want usually reflect their livelihood strategies and risks. Financial assistance can help accumulate and protect assets while enabling a person to manage and meet their expenditures. Securing a regular income is essential for the poor so they can pay for their everyday necessities like medication, school fees, household bills, etc (Ibid., 84). The microfinance sector, also known as informal finance, has allowed poor individuals to manage their households and helped reduce their risks and vulnerabilities (Ibid., 85).

**Different Types of Microfinance Institutions**

There are different types of microfinance organizations globally. Some educate people on sound business practices and the benefits of microcredit while others distribute loans to men, women and children. Some MFIs target rural poor communities while others target wealthier communities. Each institution has a different method and practice
but with the same goal, to alleviate poverty.

Stephen W. and Bette Gibson started the nonprofit school, the Academy for Creating Enterprise (ACE) in the Philippines in 1999. ACE has educated over 1,100 students on how to start their own micro-businesses. The program teaches students the concepts of microfinance through case studies, discussions, internships, and role plays. Students then teach these concepts to other people in their communities, promoting the principles of microfinance (ESR 2007, 36).

In 1983 Muhammad Yunus established the Grameen Bank. The bank offers small groups of women small loans. The women are allowed to take the loans without giving collateral with a promise of repaying the loan. In addition, it also allows the borrowers to own 94% of the bank, while the government owns the remaining six percent (Ibid., 37). The Grameen Bank also offers a variety of programs and services:

- the Grameen Phone program hires women to provide phone services for the villagers for a small fee;

- the Grameen Telecom program provides cell and telecommunications to rural villages

- the Grameen Fund gives people capital for different business ventures

- the Grameen Technology program develops IT products for the rural poor; the Grameen Energy program produces different energy solutions such as solar and wind energy

- the Grameen Education program advocated for education in rural areas; the Grameen Knitwear exports knit clothing around the world

- the Grameen Cybernet provides internet services; and the Grameen Trust encourages workshops and training sessions about microfinance (Ibid.).

ASCEND Alliance is an organization that helps bring children out of poverty.
ASCEND works with local, state, and federal governments. ASCEND believes that partnering is important to helping the community. They expect the community to contribute and organize themselves and the programs. ASCEND works at the grassroots level with community counsels who work with local permanent staff. ASCEND uses a method called Asset-Based Community Development (ABCD) to help the community to make decisions about projects and services. This program requires staff members to ask the people what kind of assets they have; then as a group they work together to figure out the resources they have to offer. They work together to ensure that these assets can help them achieve their goals (Ibid., 38).

If a community agrees on a project, with all their resources combined to pay for the materials, providing all the labor, with the help of the government, it becomes the people’s project and is more likely to succeed. ASCEND believes that sustainability only occurs when a community can become fully self-sufficient. ASCEND programs “have a phased-in, self-funding plan so that microfinance programs and communities can become self-sufficient by using local resources instead of depending on outside forces” (ESR 2007, 39).

These three organizations illustrate the different practices that are beneficial to the poor. Educating people on microcredit is essential as well as distributing loans to women and children (who are usually looked at as second class citizens in developing nations) for poor communities to generate income. Also the addition of other activities and programs for the clients is essential for growth, while involving the community as a whole.
In Chapter three I discuss the movement of microfinance in India. I explain the impact it has on India’s poor and describe numerous microfinance agencies working in India. I provide a lot of numerical data to show the effect of microcredit. I give the monetary value of the loans and show how and why it is distributed to that particular client base. The poor in different cities borrow different amount of loans depending on their geographical location and climate. Nonetheless, chapter three proves the benefits of microcredit to the poor in India as well as to Indian women.
CHAPTER THREE
MICROFINANCE IN INDIA

Microcredit portfolios and Self-Help Groups

Microfinance and its distribution of micro-credit is a growing industry in India. There are many different ways that microfinance institutions provide loans in India. One way is through self-help groups (SHGs), which are groups of fifteen to twenty women, meeting regularly (Premchander 2009, 3). The main goal of the members is to make money and save that money in a group fund which is managed equally (Lazar 2008, 39). Members not only have the same decision-making power and share the same interests and goals but also help each other (Premchander 2009, 3).

Self-help groups work in different areas such as: “agricultural and dairy farming, manufacturing ready-made clothes, candle-making, mat-weaving, producing organic manure, making and selling Indian food and other small businesses” (Lazar 2008, 39). Research has shown that SHGs have positively impacted women and helped generate income for them in the states of Andhra Pradesh (located in southeast India) and Karnataka (located in southwest India) (Ibid.). As previously mentioned, the National Bank of Agriculture and Rural Development (NABARD) of India works with different microfinance institutions that use a wide range of non-profits, non-governmental organizations (NGOs), and other organizations to help connect self help groups with formal banks to facilitate the distribution of loans (Ibid., 35). As a result “there are about 2,200,000 SHGs linked to 545 banks throughout India” (Lazar 2008, 5).

NABARD started working with the SHG-Bank Linkage Program (SBLP) to
distribute loans to a larger client base. Together, they targeted the states of Uttar Pradesh, Maharashtra, Orissa, West Bengal, Madhya Pradesh, Gujarat, Rajasthan, Chhattisgarh, Jharkhand, Bihar, Uttaranchal, Assam and Himachal Pradesh, where 70% of the rural poor live in India. By March 2004, this partnership resulted in one million SHGs providing loans to one third of the rural population (Lazar 2008, ix). There are three types of SHG-Bank linkage in India: “the first category of banks support SHGs directly without any help from other sources; in group 2, banks support SHGs directly with the help of NGOs and other organizations; and in group 3, banks support SHGs through NGOs, who fund and manage the SHGs” (Ibid., 4).

Banks in the first group help start the self-help groups and provide them with loans. Banks in this group financed around 20% of SHGs by March 2006. Banks in the second group funded 74% of the self-help groups, non-governmental organizations and other organizations that were acting as facilitators (Lazar 2008, 5). Banks give loans directly to the self-help groups while the non-governmental organizations and the other agencies take care of the size and organization of the self-help groups while educating the members about money and credit management. Banks in the third category funded six percent of the total number of self-help groups. In this group, self-help groups are financed by banks using non-governmental organizations and other organizations as mediators (Ibid.).
The SHG-Bank linkage program increased in the 1990s.

...between 1992 and 1999 there were 32,995 branches which increased to 2,288,565 between 2005 and 2006. The amounts of loans distributed through the banks have increased from Rs 571 million (around US $10 million) in the 1990s (1992-1999) to Rs 113,975 million (around US $21 million) between 2005 and 2006. Approximately 90% of the SBLPs were women SHGs. (Lazar 2008, 6)

There has also been impressive growth in SBLP in the last decade; there were 263,825 SBLP’s in 2001 which increased to 2,288,565 in 2006 (Ibid., 5).

Between 2005 and 2006, almost 44,362 branches of 547 banks had participated in the SHG-Bank Linkage program. Cooperative banks, 27 public sector banks and 20 private sector banks had participated in this linkage program. State Bank of India (SBI) had the highest number of linked SHGs followed by the Indian Bank and Canara Bank. During this time Indian Overseas Bank (IOB), Punjab Indian Bank (PNB), Bank of Baroda, Andhra Bank, and Bank of India also had growth in the linkage program (Lazar 2008, 7). Furthermore, 158 Regional Rural Banks (RRB) also participated in (SBLP) (Idib., 8).

In March 2008, Sa-Dhan published a report which provides information on 223 microfinance institutions. The report stated that the number of clients increased from 10.04 million to 14.1 million over the year of 2007-2008 with a growth rate of 39%. The loan portfolio (monetary size of the loan) was Rs 59.54 billion (rupees) (approximately US $1billion) as of March 2008, representing an increase of 72%, but lower than the 77% achieved in 2007 (Srinivasam 2009, 45). The distribution of loans increased almost by double, demonstrating the increased need for microcredit. The average loan amount per client increased from Rs 3,442 (approximately US $65) to Rs 4,222 (approximately
US $80) and by 22% for all clients. Women comprised 80% of the clients and 75% of the clients had received loans of less than Rs 10,000 (approximately US $200) (Ibid.). These numbers show the growing need for microfinance in developing nations.

The SHG-bank linkage program (SBLP) was able to target more individuals in South India than any other region in India. Both SBLP and MFIs have a strong presence in the southern states of Andhra Pradesh (AP); Karnataka and Tamil Nadu, which made up almost 52% of clients and 59% of outstanding loans (loans that still have to be repaid). Orissa, West Bengal (WB) and Maharashtra, were the next three states with a generous loan disbursement. The clientele in these three states covered 82% and the outstanding loans were accounted for by these six states (Srinivasam 2009, 46). On the other hand, Madhya Pradesh, Bihar, Uttar Pradesh, Uttarakhand, Chhattisgarh, and Jharkhand do not have as many microfinance activities. In general the north had a clientele of four percent and a loan portfolio of six percent, whereas the west had a clientele of nine percent and a loan portfolio of four percent. The south as whole had a share of 66% for clients and 75% of the portfolio (Ibid.).

**Microfinance rankings and loan size**

The monetary size of the loan often differs from region to region. The northern region of India recorded the largest average loan size of Rs 6,300 (around US $120) with the western region having the lowest average loan size of Rs 1,900 (around US $36). The average loan size in the north was more than three times of the loan size in the western region. On the other hand the southern region had a lower average loan size compared to the north (Srinivasam 2009, 46). The small loan size implies that the south
is more concerned with getting new clients rather than working with current ones, because it is easier to disburse smaller loans and repay them. The growth of the portfolio is determined by not only the number of clients but also the average loan per client. A strong loan average per client is more likely to improve profitability and lessen the operational cost for each loan, if those clients can repay the loans (Ibid.).

Most of the large microfinance institutions operating in India are typically non-banking financial companies (NBFCs). There are hundreds of small to large microfinance institutions operating in India. The type and size of a MFI sometimes varies from location to location. The smaller MFIs are normally either societies or trusts; 70% of the smaller microfinance institutions are societies or trusts (Srinivasam 2009, 47). There are more societies and trusts than NBFCs in India (Ibid.).

The financial portfolios of microfinance institutions vary depending on the size of the MFI.

Large MFIs have the lowest growth rate of 40% with a portfolio of over of Rs 500 million. Medium-sized MFIs have the highest growth rate with a portfolio of Rs 50 to 500 million. And the smaller MFIs have the next fastest growth rate with a portfolio of less than Rs 50 million. 10% of the largest MFIs served 76% of all the clients; the smallest MFIs, which comprise 58%, had 6% of the clients. The small MFIs accounted for 3% of the outstanding portfolio, whereas the large MFIs accounted for 79% of the gross-loan portfolio for outstanding loans. (Srinivasam 2009, 47)

These numbers show the disparity between the size of the microfinance institution and the loan’s size and growth. Since small MFIs had a smaller loan size than bigger MFIs they were able to grow faster. Thus, the smaller a loan is the easier it is to pay off. However, larger MFIs had a bigger clientele because they have the means to target more
Since microfinance is growing in India and helping poor communities both Forbes and Mixmarket came out with a list of the most prominent microfinance institutions in the world, with Indian MFIs repeatedly showing up on the list. Forbes had seven Indian MFIs ranked in the top fifty. These are the rankings: Bandhan (a non banking financial company) was ranked two; Microcredit Foundation of India was ranked thirteen; Saadhna Microfin was ranked fifteen; Grameen Koota was ranked nineteen; Sharda Women’s Association was ranked twenty three; Asmitha Microfin was ranked twenty nine; and SKS Microfin was ranked forty four. And the eight Indian MFIs that Mixmarket included in their top fifty are: Grama Vidiyal, which was ranked four; Bandhan Konnagar was ranked six; Sarvodaya Nano Finance was ranked seven; Evangelical Social Action Forum was ranked eight; Spandana Spoorthy was ranked twelve; Share Microfin was ranked twenty one; Basix was ranked thirty five; and CMML was ranked fifty (Srinivasam 2009, 45). Out of hundred top MFIs in the world fifteen Indian MFIs were included, showing the growing market of microfinance in India.

Dalit Caste and Microfinance

The microfinance movement if executed in the right way can also help the poorest of the poor in India. The Indian culture is based on a caste system, where the lowest caste is called Dalits (also known as untouchables). Tradition, custom, and practice nearly always excluded the Dalits from accessing government institutions and commercial banks (among other things). The lower castes were known as individuals
who could not be trusted to pay back loans. Thus, the lower castes saw no option but to open up their own institutions that would help them generate income and resources and give them more respect in society (Williams 2007, 100).

In the mid-1980s some Dalit based NGOs began small women’s thrift and credit programs based on the Grameen model of microfinance (that was very successful in Bangladesh). The success of these programs (cooperative model) proved that Dalits could be trusted with credit. These programs helped the Dalit community get income, generate resources, and reduced their economic stress. Non-governmental Organizations (NGOs) became familiar with the cooperative model and started to form more programs based on this model. By 1996 they had started, Ankuram-Sangaman-Poram (ASP), a new cooperative microfinance (Ibid., 100). ASP cooperatives offer a separate economic system, apart from the financial system of India, for the poorest of the poor. These village cooperatives are organized, governed and administered by the people for the people (Ibid., 110).

Since Ankuram-Sangaman-Poram began, the lower castes have an increased sense of empowerment and are able to participate in government and businesses activities for the first time. The cooperative model gave them the tools to generate income and prosper despite the tradition of the caste system in India. They are able to do this by having a forum for social action within their community and a medium for building their own institutions and programs (Ibid., 100).

**Different types of Microfinance Institutions**

Ankuram-Sangaman-Poram consists of members from small rural villages and a
few from small urban groups. These SHGs consist of fifteen to twenty members, ages 18 to 45 that are grouped into independent Mutually Aided Cooperative Societies (MACS) (Williams 2007, 101). These individual groups use small loans to begin local projects. Each group sends two leaders to its regional MACS meetings every two weeks; and each MACS send representatives to general council meetings to discuss policy issues and logistics. Although, MACS are totally independent in their decisions, they do make joint decisions among each other. Each MACS has its own set of officers and, in some cases, staff. MACS are the core of the organization (Ibid.).

The support network consists of a CEO, board of directors, departments, and special projects. The board of directors are twelve to thirteen delegates elected from the MACS that form a general policy for the organization, and hire the CEO (Ibid.). The board of directors consist of representatives from different unions in India, and professionals and experts from microfinance or cooperative organizations. The council and board make all policy decisions. The villagers are in charge of hiring their own staff, the representatives, MACS staff and all other officers and staff in the organization (Ibid.).

The board also has partnerships with other banks and organizations to supplement the income (loans) already provided by ASP, MACS, and the SHGs. In the state of Andhra Pradesh there were Rs 25 million (approximately US $543,000) in loans from eight different commercial banks during 2004. The members from the villages also oversee the development and operation of new cooperatives. In 2005, these new projects included GramPhone, a cell phone system especially for members; Natural Fibre, an
artisan cooperative that makes containers out of natural fibers; and a Consumer Co-op, a cooperative store selling food, supplies, and other merchandise (Ibid., 103). The cooperatives want to do more than generate income, they want to work with and integrate Dalit mass organizations; partake in rights and struggles; get gender equity; help and create Dalit leadership; maintain financial prosperity; provide insurance and security for staff and members; maintain complete accountability and precession; and encourage entrepreneurship (Ibid.). The cooperative movement not only wants to help the poor financially but also socially, which is very important in India where the poor lack basic rights.

As of 2005, ASP is in twelve of the twenty two districts in Andhra Pradesh, with MACS in 108 mandals (large subdivisions of the state). These MACS organizations contain 10,000 small groups with a 150,000 members. Loans given from ASP now total Rs 5.21 Crore (around US $1 million). The total number of loans from MACS/SHGs has exceeded Rs 10 Crore (around US $2.2 million). Outstanding loans from external banks to ASP are about Rs 25 million (around US $543,000) (Ibid.). These loans are payable to four different commercial banks. Net assets total 53 million with 31 million in cash surpluses. With earnings (including a grant from Ford Foundation) totaling 28 million Rs (US $600,000), ASP’s Debt/Earnings ratio is 0.90, which is much less than most commercial banks. As of January 2005 there are over 10,000 borrowers and 150,000 members. These numbers indicate how successful ASP has become (Ibid.).

Indian cooperative businesses have three main things in common: first, the cooperative groups use the ideology and principles of microfinance to make their
enterprises profitable; secondly, the small village groups learn to manage their own
development; and lastly cooperatives are finding ways to grow and reach as many
communities throughout India (Ibid., 110). The most unique aspect of the cooperative
agencies in India is that they have to deal with the caste system. The Dalits, who were
banned from partaking in the Indian economy, have now found a way to generate income
through various microfinance and cooperative projects (Ibid.).

The Case of Shri Kshetra Dharmasthala Rural Development Program (SKDRDP)

Shri Kshetra Dharmasthala Rural Development Program (SKDRDP) was initially
started when Veerendra Heggade took over the Dharmasthala Temple in 1968. He
wanted to improve the lives of the people in the surrounding area by doing more than
just giving charitable donations. He started a small program to help them, but the
benefits did not last and most of the farmers spent the benefits on liquor. As a result, in
the late 1990s that program was restructured and named Shri Kshetra Dharmasthala
Rural Development Program (SKDRDP). The range of initiatives were extended to
include microfinance, shared labor, women’s groups, education, insurance, religious
meetings and anti-alcoholism program (since alcoholism is prevalent in less affluent
communities in India) (Harper 2008, 39). SKDRDP used microfinance as a method to
empower women and landless individuals by giving them loans to generate their own
income; in order to achieve these goals, SKPRDP formed the Pragathi Bandhu,
Jnanavikasa Kendra (JVK) and Jana Jagruti (Ibid., 45). Pragathi Bandhu is a program
that involves a small group of farmers that share their labor; it also became the base of
the SKDRDP microfinance programs, including savings, credit and insurance (Ibid., 46).
Jnanavikasa Kendra (JVK) is the women’s groups that spread awareness in the villages. These groups consist of 50 women who come together every month to discuss issues such as, the microfinance program, income, health, culture, etc (Ibid., 46-47). Jana Jagruti is the anti-alcoholism program; it has become one of the most successful social movements of its kind in Karnataka and other places (Ibid., 47).

When SKDRDP began it promoted groups as a basis for farmers to share their labor, but as time went on the members started to combine their savings and borrow money from their combined savings. As their financial needs increased, partly because of the new farming techniques they learned from SKDRDP, the groups started to take loans from banks under SBLP (Ibid., 57).

Similar to SHGs, SKDRDP provides a base for poor households to come out of poverty by working together. The Pragathi Bandhu and JVK groups share activities such as labor, training, and group enterprises, such as, agriculture and other non-farm activities for making money. SKDRDP provides help in all aspects of livelihood to these groups, with microfinance as the reason for it success. The cost of promoting and maintaining a group comes to about Rs 6,000 (approximately US $113) over a period of three years, or around eight dollars per member at an average group size of fifteen members (Ibid., 60). SKDRDP makes a margin of about four percent on its loans, being the difference between the interest it pays to banks and other lenders and the rate of ten to twelve percent which it charges the SHGs. The actual rates differ depending on the changes in interest rates at the national level, but it usually stays near four percent. SKDRDP is fully able to recover the cost of forming the group (Ibid.).

38
SKDRDP’s microfinance loans do not have the rules and regulations that bank loans do. Since poor people have a vast range of financial needs they can use SKDRDP loans for various reasons because they do not come with restrictions. The rural poor used the loans for:

- generating income
- food
- both farming or non-farm activities
- housing necessities and supplies
- electricity
- gas

Unlike banks and other microfinance institutions that require their loans to only be used for approved ‘productive’ purposes, SKDRDP trusts their group members to use their loans as they see fit. The loans are funded by savings from members as well as from SKDRDP, and members are given training on how to use their loans and are given information about the current market (Ibid., 61).

SKDRDP is one of India’s largest and fastest growing development NGOs, reaching almost 400,000 people. SKDRDP strays away from the general practices of microfinance by lending to men and women, funding and integrating welfare, development and business services, and giving charitable donations to the poorest of the poor while giving credit to those that can use it. The value of loans outstanding to its groups and their savings, approximately tripled between 2004 and 2006 (Ibid., 117).

SKDRDP has increased the size and length of its loans to groups to reduce its
operating costs and to give the groups more flexibility. Consequently, members are able to take loans for longer amounts of time and use them for projects such as, housing, or investments for land and irrigation. By 2005 over a quarter of the members had loans of over Rs 25,000 (around US $550), and under one-third had loans of less than Rs 10,000 (around US $200). Most banks in India lend around Rs 10,000 to groups, which are relatively less than SKDRDP loans (Ibid., 71). This just shows how prosperous the people of South Canara are partly because of the SKDRDP programs. Over the years SKDRDP has achieved 100% repayment from all its groups. The groups’ repayments are made from their savings accounts, which act as barriers from any defaults within the groups; there is also a requirement that two months installments should be deposited before loans are distributed (Ibid.).

The Case of BASIX

BASIX, which started in 1996, is currently one of India’s biggest microfinance institutions in terms of outreach. Since the beginning BASIX has combined its efforts of lending microcredit loans with promoting livelihood. BASIX defines “livelihood as ways of keeping oneself busy with meaningful work, by using one’s capital (material and human), to generate enough resources required to maintain a household in a sustainable manner” (Fisher 2002, 74). Promoting livelihood also implies creating assets or wealth, reducing rural to urban migration, minimizing the changes in income, gaining more control over one’s livelihoods, increasing food security, and increasing the amount of money moving around the local community (Ibid.). BASIX was originally set up as a group of companies, which now includes the holding company, a non-banking financial
BASIX has made promoting livelihood its main target instead of providing credit to its clients. BASIX believes that people’s livelihoods are equally as important as generating income. Since this is BASIX’s main concern, the organization needs to do more than just provide credit to the poorest of the poor they need to incorporate both financial and non-financial services to their projects (Ibid., 80). BASIX realizes that the rural poor also need external wage-employment in small businesses, in addition to the self-employment gained from microcredit to create large-scale rural employment. To achieve this BASIX needs to become a major player in the economic market, practicing good business, and achieving financial stability (Ibid.).

BASIX has financial operations in 2,200 villages in eighteen districts throughout four states in India, and works in another five states, with over 200 staff, including Field Executive and Customer Service Agents, based out of eleven branches (Ibid.). From June 1996 to September 2001, BASIX distributed more than Rs 60 crore (around US $11 million) in 58,000 loans. Loans outstanding on September 30, 2001 stood at Rs 20 crore (around US $4 million) among 21,000 active borrowers, with a repayment rate of 91%. At 95% of its outstanding loans, BASIX’ ratio of performing loan assets was among the highest in the rural financial sector in India, and compares well with the 60 to 80% among the cooperative and Regional Rural Banks (RRBs) (Ibid.). BASIX’s success in rural poor communities shows the importance of promoting financial growth as well personal and educational growth.

BASIX has been successful in getting loans and equity from both national and
international development and banking institutions (Ibid.). As of June 30, 2001, BASIX had received Rs 12 crore (approximately US $2 million) from national sources (including the first loan to an MFI in India from a private commercial bank) and Rs 26.3 crore (approximately US $5 million) of loans from international sources. Interest rates on these loans range from 6 to 13.5%. BASIX has also raised Rs 11.9 crore (approximately US $2 million) in equity, including from the International Finance Corporation of the World Bank, as well as international and national financial institutions (Ibid., 81). Securing these loans and equity has been challenging, since they were the first of their kind. BASIX had to continuously change their methods of business depending on their donors and investors (Ibid.). BASIX has maintained a lower operating cost than the average MFI; the return on its assets is one percent compared to the average of 1.3%. BASIX costs are less because it charges a lower interest 21-24% per year, which along with loan processing fees and other expenses adds up to 26.4% compared to 43.1% for other MFIs (Ibid.). These numbers show the immense growth of BASIX in India. Additionally, these numbers show how important it is for an organization to be flexible and cognizant of external factors. BASIX kept adapting to market changes.

BASIX has a diverse rural clientele, distinguished both by the scale of their enterprise and by the sector in which these businesses operate. BASIX tailors their products and services according to three different categories:

- small enterprises and commercial farmers get individual loans with collateral security
-micro-enterprises and small farmers get individual loans through joint responsibility groups

-subsistence workers and marginal farmers get loans to self-help groups for on-lending to their members

Thus, BASIX lends credit to a diverse group of individuals from entrepreneurs (using direct loans with collateral) and to landless poor women through self-help groups; and distributes loans below Rs 50,000 (about US $900) with no collateral (Ibid., 83).

BASIX has two loan products: direct loans and indirect loans. BASIX gives direct loans directly to the rural people. Indirect loans are disbursed through intermediaries, who lend the loans out, often to their customers. These intermediaries include SHGs and other community-based financial organizations, wholesale merchants, agro-processing firms, agricultural commission agents, input dealers, seed-production organizers, and sometimes even moneylenders (Ibid., 84).

Almost all the direct loans are small loans below Rs 20,000 (approximately US $400) and lent without collateral. However, BASIX does take some collateral for the loans that are between Rs 20,000 (approximately US $400) to 50,000 (approximately US $900), which comprise less than five percent of the loans. 80% of BASIX loans are started and extended by Customer Service Agents (CSAs), who get incentive-based wages and follow a standard weekly plan. BASIX is able to reach out to such an extensive market because of these CSAs. As previously mentioned, since June 1996, BASIX has distributed more than Rs 60 crore (approximately US $11 million) in 58,000 loans (Ibid., 85). Over half of BASIX borrowers are below the official poverty line. In September 2001 the total loans outstanding stood at Rs 20 crore (approximately US $4
milllion), of which 28% were outstanding to women customers. Approximately 40% of the lending was to the non-farm sector, 20% to dairy and other livestock and 30% to agriculture. Women’s SHGs, classified as ‘general purpose’ loans, made up about ten percent of the lending. Based on BASIX’s estimates of employment, where 250 days of employment are equivalent to a full-time livelihood of employment, BASIX has sustained over 40,000 livelihoods (Ibid.)

In Chapter four, I discuss women’s place in Indian society and how microcredit can help empower them. I explain the differences between women in south India from those in north India. Microfinance organizations have been able to target more women in the south because women have a higher status and more education in south India. Additionally, I describe the different microfinance institutions functioning in India and their distribution of loans to women, which produces empowerment.
CHAPTER FOUR
WOMEN’S STATUS IN INDIA AND THE NEED FOR EMPOWERMENT

Introduction to Chapter Four

India is a complex nation that calls itself one of the biggest democracies in the world but often treats its women as second class citizens (Datta and Kornberg 2002, 78). The status of women in India is complicated because of the cultural, socioeconomic and political hierarchies influencing Indian society (Ibid., 79). Women’s inequality in India is complex and widespread, affecting cultural norms, upbringing, health, education and job opportunities (Ibid., 80). Men are viewed as the ones that should work and provide for the family, whereas women are confined to household duties.

Poverty, especially in rural India, is common and prevalent among women. Despite many rural women being self-employed in very small-scale activities, their contribution to the economy often goes unrecognized. It is more difficult for women to get out of poverty than men because they lack money, resources, land, property, and get paid less than men for the same jobs (Premchander 2009, 26). Poor women do not have the same job prospects as men, and when they do have work it is usually temporary, resulting in many unemployed women. Since women feel undervalued and often lack access to better technologies, tools, productive assets, education, and resources they need a different way to make money (Ibid.).

The concept of family is very important in Indian culture. Men and women are supposed to get married and have kids and even after marriage will not relocate from their family. Some scholars argue that the reasons for gender inequality in India are
because of the “biology and psychology of childbearing” (Jhunjhunwala and Jhunjhunwala 2004, 241). Indian culture puts a lot of emphasis on marriage and procreation (Ibid., 274). Women are usually viewed as daughters, wives and mothers. As women get situated within their homemaker roles, husbands work outside the home (Ibid., 242). The more women focus on their family, the more they start to only concern themselves with their husbands and children, causing them to lose a bond with other women that creates ‘gender consciousness’ (Ibid., 239). The concept of marriage and bearing kids is one of the main reasons women are not always viewed as equal counterparts to men in Indian society.

Traditionally, women’s involvement in the economy was not recognized because they usually worked either within the household or in the informal sector. However, during the 1980s women started participating in the labor force (Datta and Kornberg 2002, 80). By 1985, 91 million women (compared to 223 million men) participated in the labor force out of 315 million (Ibid., 81). Between 1989 and 1991, 38% of the Indian population was part of the labor force, and by 1990 women comprised 26% of the workers (Ibid.). Compared to wealthier communities, India’s lower income communities have a more equal distribution of work among men and women (Jhunjhunwala and Jhunjhunwala 2004, 217).

Without proper education and training women lack the means to get “technical, administrative and managerial positions” that are needed for well-paid secure jobs (Datta and Kornberg 2002, 82). Women’s lack of education and high illiteracy rates limit their work options, knowledge of health options, and ability to exercise their legal and
The rights and status of Indian women differ from region to region (Tapan 2000, 26). Northern and southern India differ socially, culturally, and educationally. The north is primarily characterized by the Aryan culture and the south by the Dravidian culture. The Dravidian culture imposes fewer restrictions on women than the Aryan culture. In the south, women have more mobility outside the home and marriage norms are more flexible. There are fewer cases of child marriage and more cases of widow re-marriage in the south than in the north (Holvoet 2005, 84). In northern India marriage is ‘exogamous’ (marrying outside the community/family), resulting in women often being viewed as part of their husbands’ family after marriage. In the south ‘endogamy’, marriage within one village or family is more common and is often between cross-cousins. This allows women to be close to their families and influences the behavior of parents towards their daughters because they are not looked at as temporary members of the family. Cultural practices are also influenced by economic and environmental factors (Ibid.). Since rice is grown in southern and eastern India, female agricultural labor is more prominent in these regions, whereas wheat is grown in the northern and western area (Ibid., 84-85).

In addition to marriage norms and agricultural labor, female education in north and south India is extremely different. For instance, fourteen percent of females were enrolled in primary schools in the northern state of Uttar Pradesh (in north India), whereas 65% were enrolled in the southern state of Kerala (in South India) (Datta and
Kornberg 2002, 82). Studies have shown that there is an association between lack of education and high population rates. Southern women have more educational opportunities and options than northern women. In the north, women are less educated; they tend to get married early, have more kids and are generally considered inferior to men. Alternatively, southern women are more educated; they have a higher status in society and birthrates are much lower; in general there is more gender equality in the south (Ibid.).

**Women’s Role in Indian Society**

Education plays a major role in how women are seen, heard and valued. People view and treat educated women differently than non-educated women. Education can relieve women from their traditional household roles (Datta and Kornberg 2002, 83). The movement for improving women’s status all over the world has always emphasized education as the most significant instrument for changing women’s subjugated position in society (Nagendra 2007, 125). Kerala, located in the southern region of India is a great example of this. Women in south India are more educated than women in north India. Thus, women have more say and ‘decision-making power’ within the household as a result of their education (Datta and Kornberg 2002, 87-88). As more women become educated and independent their duty to have kids becomes less of a duty and more of an option (Jhunjhunwala and Jhunjhunwala 2004, 256).

Women’s education throughout India has progressively increased; studies suggest that more women were literate in 1990 than in 1970. For example in 1970, 43 women were literate for every 100 men that were; and in 1990 that number rose to 55 women
There is also a difference in female literacy between urban and rural areas of India; in 1971 the female literacy rate was 42.3% in the urban areas compared to 13.2% in rural areas (Calman 1992, 52). The nationwide female literacy was only 18.7%, whereas the nationwide male literacy was 39.5%. By 1981, the nationwide female literacy rate increased to 24.8%, with a distribution of 48% in urban areas and 18% in rural areas (Ibid.). Furthermore, there has been a decline in the female population since the 1900s. There were 972 females to 1000 males in the 1901 Indian census. By 1971 that number decreased to 930 females for every 1000 males (Ibid., 51).

The growth in education among women in India has caused a decrease in family planning, giving women more autonomy.

Indian women are discriminated against and denied their fundamental right to resources, survival, and control over production on a daily basis in India (Tapan 2000, 43). Female discrimination in India usually starts from childhood (Ibid., 45). There is a very strong gender bias embedded in Indian culture. It is a society that respects and admires sons and males. Sons are valued more because of economic and ritual reasons, including the family name, being the future bread earner and living with the family even after marriage. Men light the funeral pyres of their parents and carry on the family name. Both the family and the mother’s statuses are increased when a son is born (Ibid., 47). Women’s place in their family produces the “socialization of dependency” that they carry to their married life (Ibid.).

Women’s role in the family and in school reinforces the gender roles that are appropriate for men and women. As mentioned before, the institution of marriage plays
a huge part in the status of women. The tradition of early marriage for women is harmful for their well-being and for their social and economic status, even though in recent years the age of marriage for females has been raised. Females that get married at an early age often get the same kind of education as females married later in life (Ibid., 48). The practice of early marriage is more common in rural areas. Between the ages of fifteen and nineteen, 64% of females are married (Ibid., 35). Urban areas constitute 37% of that percentage while rural areas make up 73%. By the age of 25-29, most women are already married and 76% of men are. In general most women marry at younger ages than men, and both men and women marry younger in rural areas than in urban areas (Ibid., 36).

Religion plays a large role in the way women are viewed legally and culturally. In India, issues that relate to religious law, such as marriage, divorce, inheritance, guardianship of children are recognized by the state (Calman 1992, 53). The practice of dowry still exists in India. The practice of dowry is when the girl’s family gives the boy’s family money for marrying the girl. Traditionally, the higher castes used to practice this tradition but nowadays lower castes practice dowry in hopes of being as wealthy as the upper castes. Even today ‘dowry deaths’ occur in India; a dowry death is when a bride is killed by her husband or in-laws. There are many reasons for dowry deaths, sometimes it’s because the husband wants to marry again and get a new bigger dowry. The demands for dowry have increased as more men are getting educated in India because an educated man is worth more than his uneducated counterpart (Ibid., 56). On the other hand, the education of women does not usually limit or increase dowry.
demands. It might affect the practice if the husband’s family wants the bride to work after marriage to bring in more income. However, some families do not want their daughter-in-laws to work because a non-working wife shows the family’s wealth (Ibid., 57). However, education in general is very important to enhance the position of Indian women in Indian society (Ibid., 62).

Even though, women do partake in India’s economy they are still not recognized for their work (Tapan 2000, 36). Neeta Tapan discusses how there are three types of women workers:

- unpaid family members
- self-employed
- wage earners (such as, contract and sub-contract workers, agricultural workers, and construction workers, etc)

When females work at home their personal responsibilities interfere. Even when women get paid their salary is very low, and can only act as an additional income for the family. Women spend all their wages on their family, unlike their husbands who sometimes spend their income on themselves (Ibid.).

Indian women generally work in the informal sector. As previously stated, their lack of education and training coupled with their household responsibilities restricts their employment opportunities. Even though, women play a major part in the wage-labor force a lot of their work is unpaid. The increasing gap in male and female education and literacy rates, a decline in the female population, a decreasing representation in decision-making bodies, and unequal access to health and medical services all affect women’s
participation in the workforce (Ibid., 51). Women also get paid low wages in farm labor because of the unorganized nature of employment. Another factor contributing to low wages for women is the practice of identifying a workday as equivalent of 7-9 hours. Women reporting even half an hour late because of domestic responsibilities are only paid wages for half a day (Nagendra 2007, 103).

Despite all these obstacles the number of women employed by the organized sector has increased from 1.37 million in 1962 to 2.14 million in 1973; the percentage of females was still eleven percent in 1962 and in 1973 because the size of the organized sector had also increased (Calman 1992, 58). The organized sector of the Indian economy is made up of all public sector jobs and all private sectors jobs that non-agricultural and that have ten or more people working. These include jobs in factories and mines (Ibid.).

The government and non-governmental agencies can help produce development for women in India. Non-governmental agencies can include the help of other organizations and local people (Tapan 2000, 23). The need for the government and outside forces to work together is critical because Indian women are robbed of their basic rights to education, health, life, independence, and decision-making (Ibid., 25-26). Microfinance programs can help women’s development by providing them with credit to become entrepreneurs, and start their own businesses.

For instance, in 1989 the Indian government, with Dutch funds and help from women’s groups started the Mahila Samakhya (MS) in ten districts of U.P., Gujarat, and
Karnataka. The MS program has extended to the states of Andhra Pradesh, Assam, Bihar, Jharkhand, Kerala, and Uttaranchal. The program uses empowerment as a method to achieve gender equality, development, and social change. The program mostly works with poor, landless rural Dalit women because they are considered to be the most underprivileged. The program believes that ignorance and social hierarchies are some of the main obstacles for gender and economic equality in India (Sharma 2008, xxvii). The Mahila Samakhya believes that empowerment is a collective, ongoing process of knowledge, awareness, and struggle where women learn to think about their situation, take action to fix their problems, gain more self-respect, and become agents of social change (Ibid., xxvii-xxviii).

Microfinance’s Impact on Women Empowerment

Donor agencies are an important arena for addressing development issues and pursuing gender equity. Donor agencies and microfinance institutions engage in policy dialogues, take social criteria into account, and try to implement policies that help promote development. MFIs, development agencies and NGOs actively seek new approaches and advocate for women (Jaquette and Summerfield, 18). Most microfinance clients are women. It is estimated that 76% of microcredit users are female. The number is different in every location with 90% in Asia and less than a third in the Middle East. Seventy percent of all microfinance customers live in Asia; Latin America is the next biggest region with fourteen percent, while sub-Saharan Africa follows with ten percent. It is important to note that the average loan size amount depends on the income level of the country it is being distributed in (Boudreaux and Cowen 2008, 28).
As a result of programs such as, MFIs, SHGs, NGOs, Cooperatives, and MACS not only has there been a decrease in poverty but more women have also become empowered in India. For instance, by March 2006, around 33 million families in India were able to come out of poverty (Lazar 2008, 5). Microfinance institutions usually distribute large rural development grants through men, while credit is disbursed through women on the notion that they are good re-payers. This shows that donors and other funding agencies think women are responsible for the results and re-payment, while men decide the program implementation in relation to repayment and expenses (Premchander 2009, 5).

Microfinance has been the main method for promoting micro-entrepreneurship for the goal of generating income for women. Furthermore, when women develop strong ties with each other it makes even poor female borrowers good clients for microfinance loans in which the collateral is held by the group of women who know each other (Hanson 2007, 257). Connecting individual women through mentoring, networks or organizations helps them learn from one another, thereby letting women entrepreneurs individually and collectively change their place in society. Consequentially, NGOs, governmental programs and women’s ‘collective action’ are very important in transforming gender ideologies, meanings, and structures (Ibid., 262).
The article by Susan Hanson focused on women entrepreneurs in Botswana, India, Peru and the United States.

All cases highlighted that entrepreneurship is a collective endeavor that depends on geographical location, family members, friends, relatives, neighbors, employees, as well as governmental organizations and NGOs and private-sector institutions (banks, law firms, and agencies aimed at promoting women’s entrepreneurship). (Hanson 2007, 255)

Accordingly, all the studies connected women’s entrepreneurship to location (Ibid., 255). Even though the field of entrepreneurship consists of a degree of gender discrimination, it can greatly alter gender norms. Entrepreneurship connects people and places through different channels of interaction (Ibid., 254). Gender ideologies are restricted by cultural beliefs (Ibid., 246). Gender is also mixed in with factors such as, age, race, class, and ethnicity, which all play a part in the power dynamics among people. Stereotypical gender identities and traditional power relations can be challenged and changed in the labor market in the world of paid work (Ibid., 249).

The process that determine gender ideologies and entrepreneurship are linked. Gender inequalities cause the practice that involves launching and sustaining a business; and entrepreneurship produces gender hierarchies (Ibid., 250). As women begin to start their own businesses they are changing the gendered meanings of entrepreneurship. Women are “destabilizing the prominence of masculinity in entrepreneurship” and forming new opportunities for themselves and future generations (Hanson 2007, 252). Since people’s identities are formed through everyday interactions, these interactions can lead to different views of gender. Therefore as women’s identities transformed, so too can gender norms, providing more opportunities to Indian females. There is flexibility
between the identities of people and place and the stereotypical categorical view of gendered identities (Ibid., 253).

The process of women’s empowerment is formed by economic, social, political, and historical conditions. It is extremely important to organize and mobilize women in order to accomplish their long-term strategic interests (Roy 2003, 253). Generally speaking, women, especially poor women are fairly powerless with little or no control over resources and have little ‘decision-making power’ (Ibid., 255). The process of women’s empowerment needs to dispute patriarchal relations, especially men’s control over women both inside and outside the home, for change to occur (Ibid., 256).

Empowerment helps women gain new knowledge and perspective that can help them make informed decisions about their lives. Large numbers of women need to be mobilized for society to change; women can only contest subordination if they come together as a collective (Ibid., 258). With the help and support of other women, women can assess their lives and the power dynamics that affect their lives, and come together to take action against discrimination. The empowerment chain affects everyone involved: “the individual, the community, the collective, and the activist agent” (Roy 2003, 259).

One way towards empowerment is through economic development. This approach considers women’s lack of economic opportunities as the center of the problem and attempts to tackle it. The main goal is to provide support services and organize, mobilize, strengthen, and educate women as wage earners (Ibid., 260). As women come together as a collective (through group participation), they become stronger and more aware of their circumstances, resulting in women working together to fix the situation.
They begin to challenge oppressive practices both inside and outside the home, while changing their own behavior and thought process (Ibid., 261).

Group participation requires women to give more of their time as a result of having group meetings, which are dependent on everyone’s schedule. But the time commitment is worth it, because when women come together and take collective action they have the means and power to advocate on their behalf and transform gender roles, which can lead to empowerment (Holvoet 2005, 77). Group participation helps women exchange ideas and information to make informed decisions. The more options a female has outside the home, the more participation she will have in decision-making within her personal home (Ibid.). When women work together it strengthens them collectively.

During the OECD Forum Sue Kendall said that since credit and financial support is extremely hard to get, “women, who make up the bulk of the world’s poor, suffer the most” (Kendall 2009, 76). In the same forum David Batt mentioned that women make up 70% of the world’s adult poor and by 2009 around 55 million people fall into the poverty level. Furthermore, female unemployment has risen from 2008 to 2009 from 6.5% to 7.4% respectively, while men are seven percent unemployed (Ibid.). Women face many problems in the workforce. Women usually earn lower wages than men and are more likely to work part-time. Sometimes daughters are taken out of school to help their parents, and some of these girls do not go back. In the same OECD Forum, Otaviano Canuto mentioned that countries with lower poverty rates also have more gender equality. He emphasized the link between gender equality and financial progress. He advocated on behalf of giving women credit because they are careful on how they
spend and use that money (Ibid.).

Many microfinance agencies reach out to women because it is easier and quicker to distribute loans to women. Women are more inclined to use them than men. The addition of credit and resources can empower women by giving them more income and control over that income; by increasing their household decision-making power; and their knowledge and skills in production and trade. Consequently, social views and beliefs might change, which could lead to a higher status for women in the community and at home (Johnson and Rogaly 1997, 38).

The commitment to a weekly (bi-weekly or monthly) meeting can be a strain for women, in particular poorer women, who may have more work and responsibilities than wealthier women. Group-based activities and meetings can help women that lack mobility and are socially isolated by providing a forum for women to come together and discuss important issues (Ibid.). Due to variances between communities, group meetings should be tailored to those specific communities and take into account the different social norms. Since women will attend the meetings they should also be involved in deciding the logistics of the meetings (Ibid.). Depending on their situation women view the meetings differently, some see it as an important element to the program while others see it as waste of time (Ibid., 39). The system of group-based lending is based on the idea that group members are responsible for each other’s loans. Therefore, if one group member is unable to pay their loans the group will either put pressure on that member to pay back their loan or the group as a whole will have to repay the loan. This method becomes a type of ‘social collateral’ (Ibid.). NGOs could use these meetings to start
other procedures such as, health education, literacy classes, and other organization building in the region (Ibid.).

Microfinance can help women become self-employed, which eventually can increase women’s participation in the labor force. Therefore, poor families can improve their income by increasing their involvement in the labor force. The savings plans offered by some microfinance programs can also provide an additional source of income that can be invested or used during an emergency (Rahman 2000, 6). Microfinance focuses on “the role of human capital formation because it can contribute to enhancement of income through an increase in productivity” (Rahman 2000, 19).

Different microfinance institutions have different requirements for their clients. Many MFIs require that members know how to sign their names. Some MFIs have even implemented non-formal primary education (NFPE) programs that help the education of poor children. Furthermore, women’s involvement in these programs help produce awareness about the importance of education, which results in women wanting a better education for their daughters (Ibid.). These programs can cause a chain reaction that promotes gender equality to future generations.

Women’s empowerment is a multi-faceted idea comprised of different ideas and circumstances. However, a key component of empowerment is the ability of one to control his/her own life. Thus, studies of empowerment have to examine the changes in women’s control of their lives both directly and indirectly. Microfinance organizations have to examine women’s decision-making power both within the household as well as outside of it, to be successful in promoting gender equality, while disbursing credit to
Numerous studies have been done on the impact of the Grameen Bank (one of the most influential MFIs globally) on Bangladeshi women. Evidence shows that women who used their own loans benefitted through higher employment, higher income, and higher savings. Females who took the loans themselves had greater decision making power, instead of the wives of the men who took the loans (Ibid., 72). Women who borrowed the credit spent more money on clothing than the women who personally did not take out the credit. Furthermore, men whose families took out the loans also spent more money on clothing. Therefore, the loans from the Grameen Bank improved the lives of both men and women compared to the lives of men and women from families who did not take the loans. Furthermore, women who were members of the Grameen Bank also had a better sense of their rights; they wanted their children to go to school; had a preferred age for marriage for their daughters; and they wanted to be politically involved (Ibid.).

Indicators that are used to determine empowerment are:

- education,
- employment
- income
- asset

Rushidan Rahman explained that “these are indicators of ‘impact’ of microcredit; these are not ‘ends’ but are means for empowering women” (Rahman 2000, 81). Indicators that cause change can be classified as ‘intermediate impacts’. Markers that include the
benefits enjoyed by women, both material and non-material are called ‘final impact’ or ‘empowerment’ (Ibid.). Access to benefits help improve both women’s lives and their families, as well as giving them control of their lives. Non-material benefits include decision-making power within the household as well as outside of it; self-respect; and respect and acknowledgement from the family and community. Material benefits include food, nutrition, health care facilities, and housing to name a few (Ibid.).

Microcredit gives women an opportunity to work and make their own money, which leads to their dependence. They have higher mobility; they gain self-respect; and begin to want an education. Microfinance starts to have a social impact when women are able to enjoy these opportunities (Ibid.). The main benefits that women gain from microfinance are: “involvement in income generating activities; increase in the education and school enrolment rate for and of girls; increase in knowledge about social, economic and health related issues and; increase in the contraception and different methods for family planning” (Rahman 2000, 85).

Women and children mostly rely on the money earned by their male relatives (Lont and Hospes 2004, 115). Households with only one male earner rely more on the help of people outside the home than households with more than one male earner (Ibid., 114). Females participate in microfinance organizations receive loans and are able to save for the future. These loans improve their lives. Recipients are able to pay for their household expenses; protect themselves from unpredictable situations; pay for their children’s education; pay for medical treatment; which in the process socially, politically and economically empowers them (Ibid., 48).
Chapter five focuses on case studies. I mention five different case studies that demonstrate the importance of financial services in promoting women autonomy and empowerment. These studies show the effect microfinance programs have on women in India. Some of the studies show the impact of microfinance in other countries besides India, however all the cases indicate one thing that microcredit is a tool that can help women become self sufficient and independent.
CHAPTER FIVE
MICROFINANCE CASE STUDIES

Microfinance in South India

Nathalie Holvoet’s article, “The Impact of Microfinance on Decision-Making Agency: Evidence from South India” discusses the importance of lending loans to women and providing “technical and social awareness training” to promote decision-making power (Ibid., 94). Ms. Holvoet discusses two specific microfinance programs in South India, Integrated Rural Development Program (IRDP) and the Tamil Nadu Women’s Development Program (TNWDP) (Holvoet 2005, 81). The NGOs she studied were: the Mysore Resettlement and Development Agency (Myrada) and the Rural Integrated Development Organization (Rido) (Ibid., 83). Ms. Holvoet discussed the increase in female decision-making power when loans were distributed to women instead of to their husbands (Ibid., 91).

The microfinance institutions consisted of a group of women who decided as a whole how to use the loans and divided the responsibilities among one another. The group fund allowed women to have their own savings separate from their husbands, giving them access to financial services and increasing their status within the home (Ibid.).

This study finds that depending on the family dynamics when women receive loans they decide on how to use those loans. Decision-making power occurs when credit is distributed through women’s groups and are combined with “social intermediation,” when women are interacting with each other and learning from one another (Ibid., 97).
Ms. Holvoet’s research finds that “comprehensive social intermediation improves and strengthens women’s decision-making agency” (Holvoet 2005, 97). Women’s position in the home increased because of their personal savings and their access to financial services. Social intervention helped women outside the home as they became involved in their community and had a voice in community events. As a result, they were able to advocate on behalf of their families to community members, which improved their status both within their home as well as outside the home. Furthermore, the longer a group exists, the more time that group spends on social change.

**Microfinance Program in West Bengal**

In Paromita Sanyal’s 2004 study, “From Credit to Collective Action: The Role of Microfinance in Promoting Women’s Social Capital and Normative Influence” she interviewed 400 women from 59 microfinance groups in West Bengal, part of eastern India (Sanyal 2009, 530). Ms. Sanyal found that one third of these groups improved the status of group members by taking different ‘collective actions’. The collective action (coming together as one) improved women’s social capital as a group. Women benefited from participating in group meetings, the group network’s structure, and the economic ties between members (Ibid., 529). Even though women benefited financially, empowerment was still harder to gain in India because of the predominance of the patriarchal culture both in the north and south. Poverty, lack of education, and social norms governing women are the main reasons for women’s disempowerment in India (Ibid., 530).

The institution of marriage influences people’s behavior towards women. Girls
typically get married early and leave their natal home to go live with their husband’s family (Ibid.). As brides, they are viewed as representatives for their family’s reputation and are largely restricted within the home. This practice of social seclusion, prevalent in Indian culture, contributes to women’s isolation. Women’s interactions and physical mobility are governed by these customs that determine interactions and movements. For example, in some communities women are not allowed to go unaccompanied to the village markets and some women do not even interact with men outside of their families. Microfinance’s group-based structure has the potential to change these gendered norms because women come together and fight as one entity, though some areas will likely be more difficult than others due to patriarchal values that more deeply embedded in certain regions (Ibid., 531). Many of the ‘collective actions’ taken by women were to defend other women against men’s actions such as verbal, mental or even physical abuse (Ibid., 533).

Ms. Sanyal selected a sample of 59 microfinance groups, each about ten to twelve members from two microfinance organizations: Self-Reliance (30 groups from 16 villages) and Sisterhood (29 groups from 10 villages). Both of these microfinance organizations were located in separate districts and followed the same group-based lending model (Ibid.). 221 women were interviewed from Self-Reliance and 179 from Sisterhood (Ibid., 535). Most group members had an average of two to three years of schooling. Groups were required to meet twice a month. These were informal meetings where women were able to discuss each other’s “expenditures and consumption patterns” (Ibid., 537). Women discussed financial matters, community affairs, shared personal and
domestic troubles, and asked advice from group members.

The microfinance organizations held training sessions and taught the women about microfinance. Women learned bookkeeping techniques; how to build financially-sound groups; the importance of having legal rights; and how to challenge existing social norms (Ibid., 537). None of the women had participated in any kind of social mobilizations prior to participating in these microfinance organizations. In fact, most of the women didn’t interact much with people outside of their families and neighbors (Ibid., 538).

Domestic violence was also a problem in some of these villages. Usually, women would sympathize but not take any action. However, after joining the microfinance groups, many women collectively took action against the violence and helped the battered women by speaking against it (Ibid.). Many women were proud of their ability to protest and fight against violence aimed at women. Some women even helped women that had no affiliation with the group and also made sure men didn’t cross boundaries by standing up against them (Ibid., 539). These groups became the main institutions for solving domestic disputes because even political leaders and police refrained from intervening (Ibid., 540). This is the result of a lack of organized political and social institutions in India capable of handling domestic issues. These incidents display the impact women have when they come together as one and try to make a difference.

In rural India, there is a direct link between women’s marital status and economic security; women gain economic security from marriage. In one village, some
microfinance groups worked together to stop underage marriage, a common social practice in rural India (Ibid.). Women groups led successful anti-liquor campaigns, since alcoholism among men can lead to domestic violence (Ibid., 541). A few groups even got involved in community affairs and worked together to repair village infrastructure (Ibid.). Before these microfinance groups, women’s main interest and concern were their families. Prior to the groups, both men and women were generally apathetic to community affairs (Ibid., 543).

Even though credit is not the main reason for this change, the continuation of financial incentives are essential for women’s participation in these groups (Ibid.).

Overall, three features of microfinance programs affect a groups’ potential for collective action: (1) the economic tie and its potential for generating unintended positive social consequences, (2) the group network and its potential for increasing women’s capacity to collectively sanction deviance, and (3) group participation, which can potentially improve women’s agency. (Sanyal 2009, 543)

When women regularly conduct economic transactions it fosters a stronger relationship with their community, family and with the women in the group, as well as promoting a feeling of oneness. The continuation of economic relations builds trust, closeness, and mutual concern among women of the same group (Ibid.).

The group-based lending approach creates the opportunity for women to interact with one another regularly, which allows them to make relationships outside of the home, thus expanding their social networks. The more microfinance groups a village has, the greater the number of women who will take collective action. The women in the microfinance groups mentioned previously valued their improved reputation and status
(Ibid., 544). Women gained social exposure, confidence, and physical mobility across class, gender, and kinship divides as a result of these group meeting and training sessions. Group members are exposed to progressive ideas about women’s rights, the value of women’s work, and the importance of civic involvement from the NGOs. In the household, men became more accepting of their wives’ involvement with the groups. This process of interaction and participation builds women’s agency (Ibid., 545). The knowledge gained from group meetings and social interaction equipped women with the necessary tools to challenge subordination within the household and community. Group members become aware of their legal rights, social issues, and institutions and resources available to them. The freedom of expression and mobility gained from group membership strengthens social relationships and promotes autonomy (Ibid.).

The exposure to different ideas and social interaction enables women to question and challenge social norms and practices. Some women even assembled together to attend male dominated public forums and advocate for improved infrastructure and resources. In this process, groups overcame male opposition to establish women’s equal right to civic engagement, demonstrating the immense power these microfinance groups have on social change. The group’s affiliation with NGOs provided women with a reason to be involved in public matters and promoted their participation in collective action (Ibid., 546). The economic link between these women created trust and intimacy through regular interaction; group membership, which improves women’s agency; and the group network, which shapes costs and benefits of sanctioning and increases the ability to organize (Ibid., 547). Microfinance groups have the ability to connect isolated
women into social networks. Furthermore, group membership forms solidarity that enables women to take collective action, which was not an option before these groups (Ibid.).

In this study, Ms. Sanyal shows how rural Bengali women who were burdened with poverty and social restrictions, were able to come together to promote change as a result of financial incentives (such as access to credit and to have personal savings). Therefore, these incentives have the ability to lessen gender discrimination by providing women with the tools to be self sufficient (Ibid., 548). The study implies that women’s participation in microfinance’s group-based lending programs “improves their individual agency and produces their collective empowerment by increasing their social capital, interactions with others, and their awareness to progressive ideas and beliefs” (Sanyal 2009, 548).

Microfinance Programs in Bangladesh and Bihar

In “Pathways to empowerment? Reflections on microfinance and transformation in gender relations in South Asia,” Juliet Hunt and Nalini Kasynathan examined three NGOs in Bangladesh and one NGO based in Bihar, India that dealt with microfinance (Hunt and Kasynathan 2001, 42). Some women gave their loans to their husbands or other male relatives while others kept the loans, and some used the loans for their businesses. Women used their loans for different reasons. One of the main reasons that keep women in India and Bangladesh from having full control of their credit is their lack of access to the market and lack of decision-making power on the sale and purchase of goods. Women’s labor basically does not mean much, regardless of who is controlling
the credit (Ibid., 45). In some cases, daughters were taken out of school to help their mothers when the workload increased, while the sons stayed in school and studied (Ibid., 46). The NGOs that Hunt and Kasynathan visited mostly dealt with violence against women and women’s rights, and women reporting violence to local authorities (Ibid., 47).

Women reported that they most valued the knowledge, training, awareness, and confidence they gained. Secondly, women were happy about the access to credit so they could contribute to household finances. Some women focused more on their knowledge of rights and law, while others focused on the strength and support they got from being part of a group. Men, however, focused on the access to money as the most important thing to have come from microfinance groups (Ibid., 48). The training programs also discuss gender issues, such as early marriage, family law, divorce law, and polygamy. As previously stated, it is important for women to have knowledge on these issues and awareness of their rights, so they can think for themselves and gain some independence. This coupled with a regular discussions forums and other strategic interventions will provide women with the support to change gender relations for the better in their own lives (Ibid., 49).

MFIs and NGOs need to promote solidarity and comradeship between women so they feel connected to the group. These organizations need to educate the women on:

- loan use
- the marketplace
- control of their credit and assets
-their rights within the household and in the community

When women have all this knowledge and awareness only then can they fight for their rights and have decision-making power, which leads to empowerment (Ibid., 50).

**Microfinance Program in Karnataka**

The article, “Microfinance and Women’s empowerment: a lesson from India” by Fiona Leach and Shashikala Sitaram describes an NGO project that wanted to empower “scheduled caste women” working in India’s silk-reeling industry through lending them microcredit loans (Leach and Sitaram 2002, 575). The basis for giving women loans is as follows:

…women are among the poorest in society and need more help than men to get work; women are usually discriminated against in the workforce and as a result seek work in the informal sector; there has been an increase in households run by women’s income since the economic recession, changes in the labor market and family structure, and urbanization; and families run by women’s income are more vulnerable during a crisis because women have fewer options to draw upon. (Leach and Sitaram 2002, 575)

This project was located in Karnataka in South India. The NGO wanted to give opportunities to these women, who were part of the lowest and poorest caste in India. The objective of the program was to transform them from poorly paid laborers to successful independent entrepreneurs. The project consisted of microfinance programs, training, and follow-up support, and took place from November 1997 till 1998 with the researcher coming back in May 2001 for a follow-up (Ibid., 577). Even though some women became independent entrepreneurs, around 60% were still workers in the silk reeling industry. Women’s work is physically tiring and they are treated as poor paid workers, while men supervise and manage the reeling units and handle all the public and
financial transactions (Ibid.).

Women have difficulty moving up in the workforce because of social, economic, and cultural practices that discriminate against their sex, their lack of access to technology, credit, extension, and other support services, their limited ownership of land (to provide collateral for loans), the traditional taboo on women interacting with men outside the family, women’s lack of involvement in decision making on production matters, and their lack of mobility which makes travelling to markets difficult (Ibid.).

It was essential for the male relatives to understand the goals for the project and support the women’s involvement in it. Therefore, the male relatives were asked for their opinion about the project, the changes the family will face, and how they could help with the project. As a result the men were supportive of the women and the project (Ibid., 578). Realizing the difficulties women face the NGO provided a training program for the women. The training sessions consisted of activities that build solidarity, create motivation and self-confidence, education on the silk industry, and education on savings and microfinance (Ibid).

The goal of this program was to ensure women gained the confidence and ability to be become independent entrepreneurs. The comprehensive training, linked into the loan program was beneficial (Ibid.). Women were supposed to be in charge of the loans and responsible for the buying of the cocoon and the selling if the silk. Even though, the men’s support was wanted, they were basically excluded from the project, unless they were doing menial labor. The women were essentially the owners and bosses (Ibid., 579).
All the families were extremely poor. They lived in a village of around 200 households in the state of Karnataka, which is prone to droughts. Most people either did casual labor, agriculture or sericulture, both silkworm rearing or silk reeling, and beedi rolling (a local hand-made cigarette). The silk reeling industry is independent on seasonal changes, which resulted in the women only being able to work for 6 months. During the other months both men and women looked for other kind of work (Ibid.). These incidents indicate the importance of having non-seasonal work for women if a lasting change should occur.

Women’s lives were very unstable, they worked long hours, some had to deal with domestic abuse, and if they did not make money they were not able to eat. Most of the women were married, illiterate, and between the ages of 20 to 40. The homes were owned by the men, while the women only had their jewelry or small savings accounts as assets. Some of the households had debt, and the women were expected to pay for essentials such as, food and sometimes for the men’s cigarettes, alcohol, etc, (Ibid.). Men made all the decisions for the household, women sometimes had say over their kids and their education; even women’s mobility was restricted by their husbands (Ibid., 580). In the beginning the men encouraged their wives to join the project. Their lack of education and opportunities limited their view, with many not realizing their full potential. Some women even thought they didn’t have a right to make decisions within the household. Their wants were very modest, such has having a nice house, clothes and jewelry, having a better life for their children and being able to put more food on the table (Ibid.).
Even though, there was not much economic progress, the women did see some changes in their personal lives. They saw an increase in their economic and social status. Working as independent entrepreneurs rather than waged laborers increased their self-esteem and gave them more respect in the community. They were more self-confident and could provide for their kids better and had a better sense of security. The women became more independent and their mobility increased, they were able to go around the village and markets without their husbands (Ibid.).

Women realized that they could do something with their lives and have a way to break out of poverty and make something of themselves. For the first time in their lives they were handling large sums of money, they had a sense of responsibility and were thinking like businesswomen. These women didn’t have to deal with insults and abuse from employers and they felt important as a result of all these changes. Their families and husbands were supportive and some even helped (Ibid., 581).

At first everything was going well but soon family members started to complain that women were working too much and never at home (Ibid.). After a few months the price of silk dropped and the women were not able to sell their share, which resulted in them not being able to pay the NGO (Ibid.). Women had to borrow money from other people because they stared to have problems paying back the loans and selling the silk. Soon the men started to resent their wives and their involvement in the NGO while the women also started to resent the group and the NGO. After five months of starting the enterprise the women were not able to get more loans from the NGO because they weren’t able to pay back the previous loans. They became frustrated and disheartened.
with the project. Men became angry because some of them had to mortgage their houses to pay back the loans. They started interfering in the meetings and some started to hit their wives (Ibid., 582).

However the situation had changed by July. The women got new loans after their husbands mortgaged their houses. When rain began, the reeling season also had begun and the cocoon supply was plentiful. Silk reeling is a seasonal activity, since the weather played a huge part in the successfulness of the project. The NGO also realized that the collective purchase of cocoons and sale of silk had not produced good profits. Therefore, women started working separately. Women were given individual loans and men were allowed to buy the cocoons and sell the silk. As a result women had more time for other things and to reel silk. The women’s income improved even though they still had debt to pay. The women became happy because they had more time and children were able to go to school because their mothers didn’t need their help anymore (Ibid., 583).

Individual loans were better than group loans; women were able to use the loans as they wanted and not as the group decided. And since everyone was working alone they were able to make sure that silk was in good quality and could sell it at a higher price. The weekly meetings still continued and women discussed:

- savings
- paying back the loans
- employment
- work opportunities

75
-health

Even the husbands were happy because they didn’t have to take their wives to the market, which helped their domestic trouble. The women were still proud of their accomplishments (Ibid.).

In May 2007 both Leach and Sitaram came back to see the project. The women eventually went back to their lives before their involvement in the program. Nonetheless, social empowerment still existed. The women realized the oppression they faced and the opportunities they lacked. They had more say in their children’s education and realized how important education is (Ibid., 584). Also, the values and lessons the women learned will be transmitted to their daughters, which impacts their future for the better.

Some of the reasons the enterprise failed was women’s lack of understanding of finances and the marketplace, their illiteracy and lack of numerical skills, the NGO’s ineffective support system, and lack of understanding of the silk reeling industry (Ibid., 584-585). In addition, excluding their husbands and male relatives was detrimental to the project because the men felt threatened and tried to cause problems for the project. Thus, it demonstrated the necessity of including the men in group meetings (Ibid., 585).

Even though the women realized that there were more options for them, they gained very little decision-making power within the home and their status increased minimally in the community. It is very difficult to overcome social and cultural norms regarding gender roles and practices. There is evidence that income can help change gender behavior for the better. There were cases, however, where domestic violence
increased when the women’s businesses were suffering (Ibid.).

Leach and Sitaram recommend as follows:

- training programs need to emphasis awareness about gender roles between men and women

- the NGO should have not excluded the men, but instead included them in group meetings and explained the project to them thoroughly

- the NGO was foolish to think that the women would able to penetrate a market controlled by over 500 men, they needed to provide a comprehensive approach for women to get involved in the industry

- the managers of the project needed to understand the men were also restricted by cultural traditions, and needed to give men responsibility and a interest in the project’s success

- the NGO should have worked with the men (Ibid., 586).

The NGO should have implemented a “long-term supportive approach with staging posts to review progress and needs” for social change and empowerment to happen.

Furthermore, silk reeling is a seasonal business, which makes it very unstable and controlled by weather (Ibid., 587).

This study shows that it is extremely important to understand the environment and cultural context when trying to promote change. It was difficult for this project to succeed because the project wasn’t designed to address and deal with the many cultural norms and customs. In the beginning women had support from their families, but eventually the men become resentful; which eventually lead to marital problems. Furthermore, women need to find work in products that are not seasonal based so they have the potential to generate income all year round.
How Microfinance Programs have Helped Women Gain Empowerment
(Study done in South Africa)

Julia C. Kim’s article, “Understanding the Impact of a Microfinance-Based Intervention on Women’s Empowerment and the Reduction of Intimate Partner Violence in South Africa” the authors discuss how violence against women is a physical representation of gender discrimination and is occurring in developing nations (Kim et al. 2007, 1794). Ms. Kim discusses how “intimate partner violence (IPV)—violence perpetrated by a spouse or intimate partner—is the most common form of gender-based violence” (Kim et al. 2007, 1794). Studies imply that women in poorer communities are more likely to encounter violence than women in wealthier communities, even though domestic violence does happen in all socioeconomic groups. There is a deep rooted association between violence and gender inequality (Ibid.).

Microfinance programs have helped almost 100 million people in Latin America, Asia and Africa since the mid 1980s (Ibid.). Microfinance does not only help women financially but can help women’s empowerment by providing them with “business skills, the capacity to fix disputes, decision-making power in the home, and increase their social networks, which will improve their self-worth and self-confidence” (Kim et al. 2007, 1794-1795). Furthermore, there was an increase in birth-control, child mortality, immunization coverage, and nutrition (Ibid., 1795). However, it is important to note that distributing credit to women does not guarantee their control over it, and the stress of paying back loans can negatively impact women. Some studies have implied that microcredit can lessen IPV while others have showed that it can actually worsen abuse in
the household by challenging traditional gender roles (Ibid.).

The female participants were between 18 to 96 years old in the study. There were both intervention and control groups. Both groups had mostly married women, the mean age was 42, around 50% lived in female-headed households, and more than 33% were the household heads. Over 70% said they had to beg for food or money. When asked how their lives changed as a result of participating in the study, the women explained their experiences in “3 domains of power (power within, power to, and power with)” (Ibid., 1797). Most of them felt some form of empowerment within the household and community. The women had an increase in assets, expenditures, and involvement in informal savings groups (Ibid., 1797-1798).

Women in the intervention group experienced more self-confidence, financial stability and a more progressive outlook on gender roles. Women in the intervention group said that they had more decision-making power, better communication and relationship with their partners, and an increase in the value of their household contribution than the women in the control group (Ibid., 1798). An interesting observation was that older women challenged younger women and sometimes even excused violence within the household (Ibid.).

The data implies that there was a reduction in violence as a result of many factors that helped women question this violence, realizing they should get better treatment from their partners, leaving husbands that physically abused them, helping others that dealt with violence, coming together as a group and being able to spread public awareness about gender-based violence (Ibid.). There has been however some cases where
microfinance can lead to an increase in violence, however there is evidence that eventually microfinance can reduce the risk for violence of women who are more involved with the projects for longer periods of time, and as programs become more involved with the community and as cultural beliefs change (Ibid., 1799).

This study explains how gender violence can lessen, when women start earning money and gain some autonomy. In some cases the microfinance programs did help lessen violence against the participating women. Even in cases where it didn’t help decrease the violence, women gained knowledge, confidence and self-respect.
CHAPTER SIX
CONCLUSION

Poverty is prevalent in India and the poverty stricken do not have the opportunities to break out of poverty. Almost half of the Indian population is under the poverty line, and the Indian government lacks the incentive to remedy this. Thus, external factors such as microfinance institutions are needed to help fix this problem.

This thesis focused on microfinance in India and its impact on the poor. The movement of microfinance is growing all over the world. Microfinance has made many strides in India, helping mostly women and the rural poor but also some urban poor. As previously stated, Indian women lack basic rights and have a lower status in Indian society compared to men. This thesis mostly focused on the benefits gained from microfinance, financially and non-financially for women.

The numbers indicate that microfinance institutions did indeed give the poor a way to generate income. These small loans helped women start and run small businesses, where they were able to make money. The benefits of microcredit were more than monetary. Women gained a voice and became independent; they gained knowledge and awareness. Females gained more mobility by working with other women; they learned about their rights and how and why they should voice their opinions.

Microfinance is definitely not a perfect model of reducing poverty. There are a lot of faults and weaknesses in the system. One main weakness is the lack of knowledge about the clients and their background. Microfinance institutions target individuals that are usually affected by cultural and social norms. For instance, some of the microfinance
projects discussed in chapter five were not able to benefit the recipients because the
program was neither well equipped nor knowledgeable about the environment they were
working in. The administration of microfinance organizations need to educate
themselves about their clients and the environment before lending out loans. In addition
some of these projects failed because the women were doing seasonal work, which is
dependent on weather and can not be done all year long; therefore, microfinance
institutions need to find non-seasonal work for women to do.

As a result of season work, women were only able to generate income part of the
year. Sometimes women also had to deal with backlash from their family and husbands.
Thus, it is pertinent to include the husbands in the microfinance projects and to be
knowledgeable about the society in which these microfinance institutions are distributing
loans. Understanding the cultural context of a community will make it easier to disburse
loans to women and for them to succeed in their small businesses.

Despite these limitations, this thesis proved the benefits of microfinance for
women. As a result in participating in microfinance institutions, women gained
autonomy, self respect and empowerment. They started to believe in themselves and
advocated on behalf of other women. They learned from other females, came together as
one, learned to be heard, and gained more mobility. Finally, I believe that microfinance
is a great system to generate income among low-income communities and also to
promote self-worth and empowerment among women in developing nations.
REFERENCE LIST


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