Chapter 1

Introduction

(Micro Finance for Poverty Removal and Women Empowerment)
Economic and Political happenings after Independence
Bearing on Poverty Removal

1.1 Introduction

Micro Finance for economic activities for livelihood has been in practice for the last 15 years in India. Prior to this several measures were adopted for providing credit facilities to rural poor by setting up banking institutions in rural areas after the Nationalization of Banking sector and providing priority lending facilities for agriculture and rural population. The 1969-70 split of Congress Party, other than desire for power position, was based on differences in ideological view points. One view point was to address the problems of poor through direct and indirect state intervention. The other view point largely believed that the market would take care of development. This difference in viewpoints was in spite of fact that the India had adopted socialistic pattern of society, wherein state is supposed to intervene directly and indirectly to ensure re-distribution of wealth and to address the problems of poverty through state participation in economic activities. Accordingly, based on the preamble of the constitution of India, government of that time – headed by Congress Party under the Prime Minister of Mr. J.L. Nehru- adopted planned process of development. However, after Second Five Year Plan, changes in thinking process started; as Bharat Ganrajya faced problems of scarcity of food owing to severe draught. And it had to depend on other countries for food security. US food under Peace Law 480 came to help the situation. This was during the Third Five Year Plan. The focus, therefore, shifted to agriculture to ensure food security of India. But the position of people in rural areas, because of draught conditions remained vulnerable. Prior to this, soon after completion of Second Five Year Plan India had to fight two wars with its neighbors. That is, Chinese war-1960 and Pakistan War in 1962. The first one when Shri Jawaharlal Nehru was the first Prime Minister of India, who made efforts to set up peace initiative through his doctrine of Panchseel, the other was when Shri Lal Bahadur Shastri was Prime Minister. Both these wars and draught in late sixties put severe strain on economy and its welfare and re-distributive initiatives. This led to further worsening of economic conditions of those who were on lower economic scale. Therefore, the split in congress, besides for power struggle, was based on ideological differences. Nationalization of banking sector and pro-poor schemes were launched to address the problems of poverty. This was the period of 1969-79.

In 1978-80 plan changed, as government changed. 1980-1990 – sixth and seventh plan – began the deregulation. In 1990 Plan holiday and forex crisis led to IMF loan and IMF Policy. The period of 1992-2012 i.e., eighth to 11th Plans - liberalization of economy. India joins globalize world after signing WTO agreement in 1995.

Thus India has explored three models of development and poverty removal, one planned development through agriculture and heavy industry development, wars and natural calamity leading to change in strategy and focusing on agriculture and international intervention through aid and support. Change in political and economic situations leading to re-emphasis on state intervention to handle development to deal with poverty. This met another political upheaval leading to emergency- which was basically caused by misplaced concern of those in power to tackle the problem of poverty by reducing population growth and interfering with personal choice and freedom. Followed by this, India experimented with liberalized mix model by rolling plans for a short period. Again with the change in government attempt was made for a decade to deal with the problem of poverty and development through state intervention albeit with less fervor and with de-regulation. The follow up period since 1990 was more of liberalized model of development and joining of global league ie., WTO- with a philosophy of market would lead to removal of poverty and development through open economy and international trade. The period of 1992-2012 ie., for another decade India, experimented with this model of development. But the level of poverty as revealed by latest figure given by Rangrajan Committee stand at nearly 30 percent of population of India.

1.2 Poverty in India – The Root Cause
(Centralized vs Decentralized Process of Production and Distribution)

Historically (observational) speaking economic position and scenario of people in rural and urban area became worse during the British period wherein familial and relationship based economic system of rural and urban Bharat was destroyed. A formal economic relationship was introduced through traders and trading system introduced by the British rulers in colonial India.

Prior to Bristish Rule, the rural economy was highly interdependent and integrated. Farmers and land lords used to depend on workers for tilling their land, service providers depended both on land lords and farmers and retail service providers worked both as buyers and sellers of farm and industry produce as also lending of money for working capital by extending credit during the period of showing and recovering at the same at the time of harvest. Some times in kind and some other time in cash. The borrowers were mainly who had small size of land holdings or engaged in various services and small production and retailing. The Retail Shop owners also lent money for social function, sickness, family tragedy some time with co-lateral and some time without co-lateral in terms seeking physical help from family members. Rate of interest was stated to be very high and usurious. In fact, Sahukar – the owner of capital/wealth (Maney lender) acted as bank for credit needs of people both in rural , urban areas and even for Kings during the time of need. Under this system those service provider like: *Kumhar-Potters, Nai-Hair Dressor, Julha-Weavers, Darji-Tailor, Guruji-Teacher and Vaidyaji-Doctors* and those engaged in state services, like revenue administration and general administration, Kotwal his staff-internal security personal and Fauj-Army Personnel - External Security provider depended on produce of farm and value addition by manufacturers and service providers. Two sets of people always had difficulty in every period, but much more during the period of draught, those who owned small size of land, and service providers, manufacturers, small farmers, particularly when they suffered from ill health. They invariably depended on money lenders, for financial assistance during the bad times. Longer the bad time, draught or sickness larger the dependence on the money lenders. Some even mortgaged their small piece of land and others placed their kith and kin in the service of lender, till the re-payment is made. The poverty got deeply institutionalized, particularly during the period of British Rule as means of production and distribution of services were disrupted to meet the need of Lancashire Mills and to find the market for their cloths and their other products. Therefore, size of population in poverty increased, system of exploitation also heightened. Familial and interdependent relationship in rural /urban areas was broken. Process of exploitation by money lenders and British Rulers, due to transition of traditional system of production and distribution, became severe. Social situation of that time led to publication of various novels by Munshi Premchand like Godan, Gaban, and Do Bigha Zamin and the like, that highlighted the plight of poor people in rural areas. The heightened poverty and exploitation both by ruler and those who possessed capital helped the movement for freedom from British Rule and culminating it in Quit India movement-launched by Mahatma Gandhi and other leaders' in1942. Finally, British agreed to hand over power to people of Bharat in 1947 –though after dividing it on the basis of religion. It may be mentioned that it was not a benevolent act; it was caused by poor economic conditions of United Kingdom after the Second World War, as the Kingdom did not have resources to meet expenses of army and it was in debt from India.

1.3 Post Independence Initiatives

Therefore, soon after India became politically independent, powers and positions of Kings as it came into conflict with democratic system were taken over by the state, while granting them privy –purse. And under the influence of Mahatma Gandhi, Shri Vinoba Bhave led a movement for Bhoodan – that is redistribution of land voluntarily. This was followed by promulgation of land ceiling Act by the Government of India. This was an attempt to redistribute wealth, but it did not lead to re-distribution of land and capital to tackle the problem of poverty or re-introducing interdependent and familial economic system of rural or urban areas. Hence, those on the lower end of economic possession of capital and wealth remained poor. Even after Independence, in spite of an attempt to remove poverty, through measures of nationalization of Banks and opening of branches of nationalized banks in rural areas and priority lending to agriculture, planned process of development and other measures of Garibi Hatao, including Food for work, Mahatma Gandhi Rural Employment Scheme, Bank credit, loan mela and so on, situation did not change much on the ground. All these measures worked as safety valves and did help people to claim benefits of public schemes and some moved little upscale, stated to be above poverty line, yet a large proportion of population both in rural and urban areas remained poor.

In urban areas, prior to Independence of India, people who migrated from rural area to meet manpower need of cloth and other mills lived in Chawl – one room tenement with common toilet, today a large proportion of those – who migrated from rural areas to urban areas live in *Juggi-Zopadies* – urban slums without common toilet. This may be due to push factor as also pull factor to provide various services, manual and skill manpower need of system of production and distribution in urban areas. This is because interdependent and familial system of production and distribution once disrupted by British Rulers was re-enforced by capital and wealth holders, as the centralized modern system of production and distribution was viewed as an important tool for accumulation of wealth and as also a system of development and poverty removal. Centralized production and distribution system did help accumulation of wealth in a few families, but it did not help removal of poverty nor it helped improvement in the quality of life of those engaged (service providers) in production and distribution. Urban slums in Mumbai, Kolkata, Chennai (all port and state capital metros) and Delhi national capital metro have enough evidence of people in poverty. Rural population in states over states have more than enough evidence of poverty owing to disruption of erstwhile system of production and distribution and it is further accentuated by liberalized international trade and international funded projects.

Accumulation of wealth in a few families were further helped by a policy of dis-investment wherein capital owned by state under the previous policy of direct and indirect intervention by state for removal of poverty through taxation of people over generations were given to private capital owners. That moved capital from state to private owners. Capital owned by state was of people at large –rich and poor. When it is moved to a few private people, the people at large were made further poor.

Readers might be wondering why this old story now. There is a reason to regress as the present scenario might as well be a mirror of past and it may be going to be the same in future, albeit with some difference and variations.

Therefore, attempts for financial inclusion through available banking system or credit as part of removal of poverty and empowerment of women as envisaged by RBI Committee needs a serious analysis in the context of system of production and distribution and possession of capital by a few, as highlighted above. The latest figure of those below poverty line as on 2011-12 base figures is estimated at 29.6 percent of population. This means those who are earning Rs.972 per month in rural areas and Rs. 1407/- in urban areas fall under the poverty line. Thus 29.6 percent of population in absolute number account for 363 Millions. (Rangrajan Committee Report, reported in Economic Times, 7th July, 2014) are below poverty line.

This aspect, we will take up later, as we proceed further to unfold the story of finance for inclusion of people in rural areas particularly women for removal of poverty and empowerment of women as envisaged by RBI's Malegam Committee Report.

As stated above micro finance for economic activities for livelihood has been in practice for the last 15 years in India. There is a great deal of variations in financial inclusion and using micro-finance for removal of poverty and empowerment of women. These variations can be briefly described at follows:

1.4 The Categories of Micro Finance

Micro finance to members of Self Help Groups for income generation for livelihood is being offered through three types of agencies:

- **First Category** is motivated by organizing women in self help groups, encourage saving habits and provide loan to loan for income generating activities without collateral and at very nominal rate of interest. These NGOs also provide skill training and professional support to members of SHGs for income generation activities. Prominent among them are Pradan, Deepalaya, Srijan , Ibtada, Pradan and many others in north and Brighter Future Society, Vijaynagaram and St Paul Trust , Samalkot, AP and many others in south.

  The funding for such loan activities comes from national and international foundations under a unique concept of revolving fund leading to building of capital in due course of time. Repayment to funding foundation is done in easy installments so that the refunded amount could be given to other NGOs for similar activities. Here the rate of interest charged in necessarily nominal say 10-12 percent. Interest amount is also put into revolving fund.

- **Second Category** is motivated by organizing women in self help groups and connecting them to bank for seeking loan at a nominal rate of interest for income generation activities for livelihood.

- **Third Category** is Micro Finance Institute motivated to provide loan to a large number of persons for micro enterprise and income generating activities and these are working for profit. Source of funding is banks and equity based share funding. Prominent among them are Basix, SKS and top 50 companies. In the first two categories of Micro-Finance the lending amount range from Rs. 10-25 thousand and interest rate may range from 12-18/24 percent.

In the third category the loan amount may ranges from less than 10-50 thousand and interest rate is reported to have ranged from 24-35 percent. Media has also reported coercive methods used by these MFIs to recover loans. Some of micro-finance borrowers committed suicide owing to coercive method of recovery as also faulty method of loan finance. This has resulted into passing of an ordinance and followed by an enactment of an Act by Andhra Pradash Government to regulate MFIs. The media reports showed possible negative impact of this Act on availability of credit to rural people. This was followed by setting up a sub-committee of Directors of RBI under the Chairmanship of Malegam.

Followed by Malegam Committee report an Act has been formulated and put up to parliament for enactment to regulate micro- fiancé for financial inclusion and poverty removal including women empowerment. Whatever future course on regulation of micro-finance is charted out Malegam committee report may be basis for such formulation. Therefore is it is important examine the postulates of Malegam Committee report to deal with the issues of financial inclusion, removal of poverty through micro-finance and empowerment of women. Accordingly this study attempts to examine the problem of poverty and empowerment of women as postulated by Malegam Committee Report.

1.5 Definition and Aim of Micro Finance

The term Micro Finance has been defined by RBI – Malegam Report as "Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counselling, etc."

There are three following important postulates stated by the Committee**:**

"a) It addresses the concerns of poverty alleviation by enabling the poor to work their way out of poverty.

b) It provides credit to that section of society that is unable to obtain credit at reasonable rates from traditional sources.

c) It enables women's empowerment by routing credit directly to women, thereby enhancing their status within their families, the community and society at large".

1.6 The Research Issues

The important issue is whether micro finance for income generation activities for livelihood has resulted into fulfilling above three important postulates formulated by RBI Report? If so, to what an extent it has been fulfilled? Is there a variation in fulfillment of these postulates by different types of micro-finance? If yes, what is the degree of variation in terms of:

(a) Purpose of lending;

(b) Socio-economic background of beneficiary;

(c) Extent of interest and other charges on one unit of loan fund, unit being Rs.10,000/-;

(d) Extent of recovery; and

(e) Multiplier effect of loan funds defined in terms basic loan fund resulting into revolving fund and loans to other members.

Finally what is the level of impact on empowerment of women beneficiaries? Given the economic and social structure, root cause of poverty can the micro-finance help achieve above three postulates.

1.7 The Objectives of Study

To be specific the objectives of study are to:

(a) Carry out comparative analysis of micro- finance for income generation for livelihood of members of Self Help Groups through different sources of funding;

(b) Analyse the impact of different sources of funding on three postulates formulated by Malegam Committee report pertaining to poverty removal, women empowerment and availability of credit to rural households;

(c) Carry out meta analysis of existing evaluative studies of micro-finance for income generation for livelihood to members of SHGs funded by Charitable organization and supported by six eminent NGOs namely, Deepalaya, Srijan, Pradan and Ibtada Northern Region and St. Paul Trust and Brigher Future Trust in southern region; and

(d) Draw policy guidelines for achieving three postulates of Malegam Committee for RBI, GOI, Social Responsibility Group and Ministry of Finance.

Before we attempt to analysis of the above objects we propose to discuss the development of concept and practice of micro finance for poverty removal and empowerment of women in India through review of literature in the second chapter.

Chapter 2

History and Growth of Micro Finance

2.1 Introduction

The introductory chapter has briefly dealt with system of production and distribution, level of poverty and rise in population in lower end income scale, method of loan funding during pre-British period, during the British period and in independent India. The changes that occurred in political philosophy and approach over a period to deal with the issue of poverty removal and empowerment of women and financial inclusion. Here, we analyze history of Micro-Finance in India as a system of financial support for income generation and women empowerment. In **Phase-1** where motivating factors were development, income generation and empowerment and **Phase-2** wherein financial inclusion and commercialization became motivating factor to reach out with funds to people in rural area/urban areas and women so as to provide credit and assuming enhancement of income and through income empowerment women.

2.2 Forces of Change – Some Personal Account – Early 1970s

It was in early seventies many academics were motivated to work for freeing rural people from money lender and encourage them to take advantage of bank loans for the their working capital and other needs. A seminar in Department of Economics, University of Bombay was held to discuss the experience of volunteers who went to rural areas to encourage villages to use bank loan facilities where interest rates were not usurious and coercive activities were less. Students were motivated by Professor Deshpande – an agricultural economist of Bombay University. Their narrations were heart rending. Many had tears while narrating the plight they suffer from. Beating, threatening, non-cooperation and threatening to borrowers and so on were part of their experience learning. Yet the students showed resilience somehow helped motivating farmer and bankers to the bigger cause of providing credit to rural people through banks. What this narration revealed, social structuring was very regid, and those in the lower end of economic scale were very much fearful[1]. Banks were also not very confident to loan them owing to lack of co-lateral, lack of easy availability funds in their need and heavy paper work. Thus financial inclusion through baking did help those who were slightly higher in economic scale ladder and had some assets put as co-lateral. Thus policy of financial inclusion through banks opening the branches of banks in rural areas does help those who are in relatively upper level of economic scale, but it is a hard rock to reach out to poor and attempt to remove poverty through credit let alone women empowerment. Some banks did also adopt a policy of lending to poor through priority lending such as small shop keeper and vendors[2].

2.3 Phase-I – Micro Finance for Income Generation & Women Empowerment

2.3.1 SEWA

The first person to mobilize women for income generation activities and empowerment was Ms. Elaben Bhatt, Chief of Women wing of Textile workers Union, who understood the plight of women workers in mills and organized them for self-employment for income generation activity through Self Employed Women Association (SEWA) – a trade union set up in the year 1972. SEWA in two years period started to SEWA Shahkari Bank in the year, 1974 with its membership of 4000 women and capital of Rs. 1 lakh. To meet credit needs of self employed women. Today it has working capital of Rs.200 crores and serves about 4 lakh women. This was an attempt for providing financial assistance for income generation activities and empowerment of women with an interest rate of 18 percent per annum or Rs. 1.5 per month per Rs.100.

[1] I was doing my Ph.D. In Bombay University when this seminar was held and was very much moved by the plight of people narrated by them and was happy to see resilience of young persons.

[2] I personal observed small vendors being helped by one of the Manager of Band of Baroda, Mr. Bhandari, who happened to be my junior doing research. Vendor was very happy to get bank loan at the reasonable rate under priority lending. We can set aside as anecdotal.

2.3.2 Grameen Bank, Bangladesh

Around the same time a very innovative experiment took place in the neighboring country namely, Bangladesh. Professor Mohmad Yunus happened to visit a village Zorba In Bangladesh and was moved by plight of people and oppression of people by loan sharks. To quote him:

> *"I saw, first hand, how the loan sharks enslaved the villagers; I thought that if I were to lend money to the poor, then the villagers could be free from the grasp of the loan sharks. That is what I did. I never imagined that this would become my calling in life. I learned a lot sitting and talking with the women of Jobra; I came to know about things which I had never imagined. I longed to do whatever I could to help them. With my students, I was able to help the women in a small way. Acting as the guarantor, I was able to arrange loans from the bank for the poor people of the village. Alongside the loans, I added a savings program. At that time, women in the village did not have the capacity to save. The savings program started with 25 paisa in savings per week. Today the total amount of savings by the borrowers stands at 6 billion Taka!*
>
> *Our members, when we started, did not know how to read or write. We started to teach them to write their name, with sticks in the dirt. I then created the Grameen Bank Project. At the initiative of Bangladesh Bank, I took what I was doing in Jobra to Tangail. In the villages across Tangail, I shared with the women of what was happening in Jobra. They too became eager and expressed their wish to do the same thing. From Tangail to Rangpur, Patuakhali, Dhaka, Rajshahi our work expanded. Gradually you, too, came and joined Grameen Bank".*

This experience of providing finances to poor women and helping them to engage in micro-enterprise with loan amount, encouraging them to save, mobilize them for social transformation and participation in economic activities made major change in approach for micro-finance for income generation for livelihood and empowerment of women. SEWA focused on self employed women and Grameen Bank went for empowering women in rural areas in Bangladesh through financial inclusion and micro-enterprise.

2.4 Phase-II – Action Research for Poverty Removal – The Period of 1980s

Yet another experiment for poverty removal and empowerment of women was done through an action research by professionals under the concept of removal of poverty through action research.

2.4.1 Pradan

The early eighties also inspired professionals with Social concern to address the problem of removal of poverty through action research and empowerment of women. Professional Assistance for Development Action (Pradan) was set up in 1983 in Delhi as a registered society under Societies Registration Act 1860 – a non-profit non-government organization.

To quote:

> *"PRADAN was pioneered by a group of young professionals, all of whom were inspired by the conviction that individuals with knowledge resources and empathy for the marginalised must work with communities at the grassroots in order to help them overcome poverty."*

PRADAN believes that the path towards conquering economic poverty is through enhancing the livelihood capabilities of the poor and giving them access to sustainable income earning opportunities. In the process, the poor must be enabled to break free from their past, develop an alternative vision of their future and set achievable goals. They must be equipped with the technical, organisational, negotiating, and networking skills that will facilitate the fulfillment of their goals. Our aim is to stimulate and support these poor women and men to dream of a better future and stimulate their sense of agency as they endeavour to enhance incomes, improve access to services or claim rights and entitlements.

> *"PRADAN is one of the pioneers in the promotion of Self-Help Groups (SHG) in India, having formed its first SHG in Alwar, Rajasthan, in 1987. A savings and credit SHG is a simple, yet effective way of reaching out and connecting with rural poor women. Self-Help Group is an informal association of 10 to 20 poor women belonging to the same village and sharing a common socio-economic background. The group enables its members to gain their identity as individuals, while realising – and utilising – the immense power of mutual aid. It provides them with a platform from*

where they can access banks and public services, and spearhead changes that affect them as poor women".

"As on March 2013, Pradan worked with 18,736 SHG's across 7 states, representing a total membership of 252,070 rural poor women. These SHG's have mobilized a total savings of 1230 Million Rupees"

2.4.1.1 The Decadal Changes

SEWA and Grameen Bank focused on addressing the plight of women through organizing them and providing financial assistance for livelihood through their Banks. Whereas, Pradan attempted to act in general for poverty removal and empowerment of women through research and action. It was an attempt to see the problem of poverty and empowerment of women from larger perspective. Progress on the aspect of micro-finance for livelihood and empowerment of women seems to be following a pattern of change over a decade of exploration. Early seventies experiment of SEWA- SEWA Bank and Grameen Bank for helping women through banking (credit availability) led to new experiment in eighties through action research ie., Pradan. This experiment went beyond baking and making credit available to women for income generation and empowerment through social action. Yet another decade from the day of start of work by Pradan in 1987 the period of early nineties and the year 1997 witnessed another development. Mid nineties witnessed a major shift in approach for poverty removal and empowerment of women. This time a few more dedicated professional started their activities in the area of removal of poverty and empowerment of women. One group continued to address the problem from the angle of social change, poverty removal and empowerment of women and finance became vehicle to achieve the same. This group worked not for profit. Yet another group tried to look at the problem more from the point of financial inclusion of poor people and women empowerment by making credit available on for –profit non- banking Financial operations i.e., Non-Banking Financial Companies. Here we make an attempt analyze these two approaches. This analysis crucial from the point of view of postulates of RBI Malegam Committee and proposed Bill for regulation of MFIs.

2.4.1.2 Pradan Experience Led to Two Approaches

Pradan seems to be fountain head of inspiring individuals to undertake the work of poverty removal and empowerment of women. There are two individuals who were formerly with Pradan started their own initiatives in this area. One was Mr. Vijay Mahajan the other was Mr. Ved Arya and others. Interestingly both having gained experience while working with Pradan started their work followed two different paths.

2.4.1.3 Not For Profit Social Action NGOs

One group followed the path of non-profit making NGOs called as SRIJAN –Self Relient Initiatives through Joint Action. There several other namely, IBTADA in Alwar, Rajasthan. Independent of Pradan also several NGOs worked not for profit to address the problem of removal of poverty and women empowerment. These are Deepalaya, Delhi worked in Haryana, St. Paul Trust ,Samalkot, and Future Brighter Society, Vijaynagaram in Andhrapradesh and several other took the path of not for profit action for removal of poverty and women empowerment. Sources of Funding for these NGOs are donations from Indian Foreign donors and may connect SHGs to banks for loans.

2.5 For Profit NBFCS

The other person Mr. Vijay Mahajan set up a company called as BASIX and set up non-banking financial institution. There by introducing a paradigm shift in micro-finance for financial inclusion for profit. The third initiative – a huge one, was again through model of banking through sort of refinancing of loans Given to women under SHG Bank Linked Programme , basically a government initiative to intervene to reach out to poor and women for financial inclusion and providing credit to them where normally bank would refrain to do so. National Bank For Agriculture and Rural Development. This could be termed as second phase in history of Micro- Finance where in three models of micro –finance emerged. One was not for profit and social action oriented model, second was for profit non-banking financial institutions, though heavily relying on funds from banks .The third one being new version of state initiative through banks to provide credit to rural people particularly to women through NGO' SHGs. There is finer distinction among these models. Nor- for profit model is oriented to removal of poverty through social action in a holistic manner, For profit model is oriented to reach out to larger numbers and make profit from bottom of the pyramid. Third one is Partly oriented to tackle the problem of financial inclusion with a social philosophy of support to poor with reasonable level of interest and in a regulated manner. It also made possible to write off loan as the loss could be absorbed by the state. The refinancing by bank to NGOs as also to NBFCs may through equity funds, the shock of loss was absorbed by the state.

Before we deliberate on other two models i.e. second and third, let us narrate the efforts of not for profit model of micro-finance for removal of poverty and women empowerment, one of three important postulates of Malegam Committee Report.

2.6 Not for Profit Model

2.61 SRIJAN, Delhi

The word SRIJAN – the acronym also means creation in Sanskrit. Srijan started its work in the year 2000 with the financial support from externally aided state government projects for poverty alleviation and water resource management, primarily those supported by the World Bank, DfID, SDC and SIDA.

To Quote:

> *"In April 1997, a few colleagues who had spent a decade or more at PRADAN felt the desire to form a new group, to work under a new identity, in order to allow themselves space and autonomy to try innovative ways to work for the rural poor. Acronym **SRIJAN** means 'an act' of creation in Sanskrit. The full name, Self-reliant Initiatives through Joint Action, has two sub-themes embedded in it – 'self-reliance' and 'joint action'. We believed that development could not be promoted on large scale by charity, by grants; ways must be found to promote less subsidized models of poverty alleviation, the ones that promote self-reliance and enhance self-respect of those who are called **"beneficiaries"**. Further, it cannot be an exercise of creating oases of **"success."** NGOs, particularly the big ones, cannot afford to just receive foreign grants to **"do development"** in isolation, and expect*

to be taken seriously within their own country. They must act jointly, in collaboration with other stakeholders in society, negotiating and carving out a space due to them. They must work with the democratically elected government, however indifferent it is at times to the cause of poverty alleviation, or whatever may be the cost of doing business with it. Major theme during the first three years, pursued through research and consultancy, therefore, was Government-NGO Collaboration Currently, Srijan works in twelve districts with 30,000 rural poor (women, dalit and tribal). Six of these districts are in Madhya Pradesh, three in Karnataka and three in Rajasthan in resource poor areas with shortage of water and hierarchical social structure "where poor lack access to common property and entitlements". Regions where Srijan works in include water stress areas of south Karnataka, central Rajasthan, and Malwa in Madhya Pradesh, and Bundelkhand and tribal parts of Madhya Pradesh. SRIJAN "began field operations in November 2000 SRIJAN started its first field project in Sagar district. Geographically, it now works in eleven field locations. Six of these are in Madhya Pradesh, two in Rajasthan and two in Karnataka."

2.6.2 Deepalaya – Delhi

The NGO was started on July 16th 1979 by seven founding members, and for more than three decades, has been contributing to the crusade against illiteracy. Over the years, Deepalaya has established several projects in the areas of Education (Formal/Non-Formal/Remedial), Women Empowerment (reproductive health, SHG, Micro-finance), Institutional care, Community health, Vocational training and Differently Abled. These projects are operational in Delhi, Haryana, Uttar Pradesh and Uttarakhand. While doing research, it was discovered that gender discrimination was rampant in Mewat, a district of Haryana. Not only were the women in the region uneducated and unemployed, but were also given no say in the decision making processes that included them and their family.

To combat this increasingly alarming issue, Deepalaya partnered with the Mewat Dev Agency in 1999 to start a comprehensive programme on Self Help Groups. The programme began with five villages and three groups consisting of 48 members. Through sheer diligence and determination, the project has now expanded to cover more than 1,000 groups with a total of 11,879 women in all 84 villages of the Tavru Block In 2012, the women Self Help Groups saved Rs.

14.56 million and their total savings have increased to Rs. 46.84 million. From the savings alone they have given out loans worth Rs. 927 lakh."

2.6.3 IBTADA, Alwar, Rajasthan

Ibtada is a not for profit, non-governmental development organisation. It evolved in the year 1997 when the founder Director conducted Benchmark Survey of Mewat for Government of Rajasthan that unveiled the scale of backwardness in this area. This led to the initiative called "Ibtada" an Urdu word that means 'the beginning'.

2.6.3.1 Self Help Groups (SHGs)

A group of 10-15 females form a self help group. The SHG is foundation of the programme where women meet on a regular basis, save money, satisfy their credit needs and discuss there social and family matters. As on December 2009, Ibtada is working with more than 600 SHGs and more than 7000 members in Alwar district. The groups have a cumulative savings of Rs. 14 millions and cumulative credit generated by all SHGs till date is 14 crores. There are other NGOs in Andhra Pradesh working for HIV affected and infected families and leprosy affected families with the support of charitable organizations funding and following the process of formation of SHGs and providing them funding for livelihood. Two of them namely Brighter Future Society, Vijanagaram and St. Paul Trust, Samalkot are also working for providing funds to women for income generation for livelihood and women empowerment.

2.6.3.2 For Profit- Model

Approach of removal of poverty through financial inclusion through for profit organizations was initiated by Mr. Vijay Mahajan who happened to work with Pradan and gained experienced in mobilizing and helping women for poverty removal and empowerment. But he seems to see the problem from the prism of financial inclusion as also seems to have been motivated to reach out to a large number of people with low income. He set up BASIX in 1996, Sa-dhan in 1998 and APMAS in 2000. A very fast growth BASIX, Andhra Pradesh/Telengana One of the Co-founder of Pradan, Mr. Vijay Mahajan having gained experience in mobilizing people in rural area working with the women in rural areas for their empowerment and development set up BASIX in 1996, with a mission to: "promote a large number of sustainable livelihoods, including for the rural poor and women, through the provision of financial services and technical assistance in an integrated manner." Since BASIX was based commercial pattern as a company though in social services sector it had aim to: "strive to yield a competitive rate of return to its investors so as to be able to access mainstream capital and human resources on a continuous basis."

The Basix presently works in 17 states namely, - Andhra Pradesh, Karnataka, Orissa, Jharkhand, Maharashtra, Madhya Pradesh, Tamilnadu, Rajasthan, Bihar, Chattisgarh, West Bengal, Delhi, Uttarakhand, Sikkim, Meghalaya, Assam and Gujrat. It covers 223 districts and over 39,251 villages. The organization has a staff strength of over 10,000 persons.. Thus major paradigm shift took place in the approach of dealing with the issue of poverty and empowerment of women through financial inclusion on commercial lines. This is probably done to reach out to a large number of people, in particular women with support of private capital resources. Some term it- business at the bottom of pyramid – CK Prahalad. Some also believe big problem need big intervention. This was done through several initiatives of Basix, namely Bhartiya Samrudhi Finance Ltd. – a RBI approved non-banking financial institution, Information Services, Agri-business and development servies, human resource development services. The company has headqurter in Hyderabad, AP now Telegana. The website of Basix shows that as on May 30th, 2014 Samruddhi was present in 26,055 villages in 122 districts spread over eighteen States of Andhra Pradesh, Karnataka, Orissa, Maharashtra, Madhya Pradesh, Jharkhand, Rajasthan, Chhattisgarh, Uttarakhand, Uttar Pradesh, West Bengal, Sikkim, Meghalaya, Delhi, Bihar, Tripura, Gujarat and Tamilnadu – a new addition from the previous list of 17 states.

It has cumulatively disbursed over 3,512,480 loans worth Rs.45,009 million; (Approximate range Rs. 10-13 thousand) outstanding were Rs.6,711 million (approximate 15%) including assigned loans under management; over 821,582 active loans; (approximate Rs. 8-9 thousand per borrower) unless loan assigned under management is huge. It is matter that needs to considered wither a capital of Rs. 10-12 thousand can in any way lead to sustainable livelihood investment activity. We will take up this aspect as we discuss the impact aspects in the subsequent chapters.

Another important change which founder of BASIX Mr. Vihay Mahajan has done is to organize various NGO, NGO and international donor agencies under the Agies of Sa-Dhan – founded as an association of community based financial institution which included SEWA Bank, BASIX, Dhan foundation, FWWB, MYRADA, RGVN.

2.6.3.3 SHARE and Pradan in 1999

Yet another institutional set up initiated by him in 2000 was APMASAPMAS "-- a technical resource organization registered under the Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli (No.3800 dated 14.06.2001) and subsequently under Foreign Contribution Regulation Act (FCRA) on 28.10.2002 (No.010230543). It began its activities in Andhra Pradesh (AP) on 1st July 2001 and subsequently expanded to more than a dozen states either through direct interventions or through networking and alliances. These states include: Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, North-East (Assam & Manipur), Odisha, Rajasthan, Uttar Pradesh (UP), and West Bengal.

> *"The vision and mission being- A sustainable self-help movement in India to promote self-reliant people's institutions, especially Self-Help Groups (SHGs) and SHG federations, in such a way as to realize their full potential for engaging in microfinance and sustainable livelihoods, their members overcoming poverty and inequalities."*

Thus period of shift in paradigm for addressing the problem of poverty and empowerment of women through private capital by assuring competitive rate of return to investors and setting institutional mechanism of coordination and networking happened very fast within a period four years or so. The state where paradigm shift took place was Andhra Pradesh initially and spread later on to other states. It was expected that Andhra Pradesh with such concerted intervention would put a model of removal poverty through private capital for the rest of the states in India. Unfortunately within a five to six years a crisis happened in Andhra Pradesh on operation and practices of Micro -Finance and the state government intervened through passing and ordinance and followed it by enacting an Act and followed by RBI Malegam Committee on Micro-Finance. We will discuss this aspect later. Here we may continue our deliberation on other initiative by for profit NBFC institutions.

2.6.3.4 SKS Micro-Finance

SKS Micro-Finance – for Profit Company listed financial company, Andhra Pradesh. Followed by this another organization SKS Micro-Finance, initial set up as an NGO in 1997 in Medhak – a backward district of Telegana and converted itself as for –profit non-banking micro finance company in 2005. SKS distributes small loans that begin at Rs. 2,000 to Rs. 12,000 (about $44-$260) to poor women so they can start and expand simple businesses and increase their incomes. Their micro-enterprises range from raising cows and goats in order to sell their milk; to opening a village tea-stall SKS uses the group lending model where poor women guarantee each other’s loans. Borrowers undergo financial literacy training and must pass a test before they are allowed to take out loans. Weekly meetings with borrowers follow a highly disciplined approach. Re-payment rates on collateral-free loans are more than 99% because of this systematic process. SKS also offers micro-insurance to the poor as well as financing for other goods and services that can help them combat poverty. As on 2013 the company claims to 1261 branches in 298 districts covering 5 million members, the amount disbursed account for Rs. 3320 crores with an outstanding portfolio of approximate 71 percent. The average capital employed per member works out as Rs.6612 only. There are two more companies namely, Bandhan-Kotkatta and Spandana Spoorty Financial Ltd. These have large clients and loan portfolio.

2.6.3.5 Other Non-Banking Financial Institutions in the Micro Finance

Crisil gives list of top 50 companies/ MFIs engaged in Micro- Finance business. The list reveals that as many as 22 NBFCs Pvt. Ltd or Public Ltd_companies are working for profit,. Above mentioned companies are part of these 22 companies a few are companies formed under 25 for non-profit and the rest are Trusts and Societies which by definition are working not for profit. Majority of these companies/MFI have headquarters in AndhraPrdesh, Followed by Tamil Nadu, Karnataka and Kotkata. One each have headquarters In Odissa and UP. These of course have their operations in different parts of the along with operations in headquarters. There is another aspects of these companies that they have both Not for profit NGOs and for profit companies under the same management. This duel ownership helped some of these Companies as revealed from the CRISIL report to book non-performing assets to NGOs so as to better performance of companies both for banks and equity investors.

2.6.3.6 Sources of Capital for MFIs

The source of capital for MFIs is mainly banks, re-finance banks like NABARD, SIDBI and nationalized and commercial cooperative banks. How has MFI and SHGs and NGOs were financed and refinanced is based on pro- poor banking policy of Reserve Bank of India which of course has origin in government of India pro-poor policy during early nineties. Which were extended up to 2006 with a policy shift from state intervention to help Removing poverty to enabling for profit NBFC to participate in micro-finance. This could be viewed as part of overall policy adopted by Congress Government at the centre under the Prime Minster Shri Narsimah Rao and Finance Minster Dr. Manmohan Singh. This shift in policy which has been observed above as part of participation of NBFCs can be observed in policy initiative and prescription by Reserve Bank of India and Budget Announcement by Government of India. It may be Relevant to delve on RBI policy initiative and policy prescription so as understand and appreciate the changes that occurred In concept and practice of Micro- Finance as observed above.

2.7 RBI Policy Initiatives and Policy Prescription on Micro Finance and Micro Credit

2.7.1 Policy Initiatives by the Reserve Bank

The period of 1992 -2005 has been significant for growth and development of micro finance. This period has also witnessed shift in policy to tackle the problem of poverty through banking system RBI set up a working group on NGOs and SHGs Movement in1994 under the Chairmanship of Shri S.K. Kalia. Based on the report of the Group banks were advised to quote:

> *"that financing of SHGs should be included by them as part of their lending to the weaker sections and that SHG lending should be reviewed at the State level banker's committee (SLBC) level and by the banks at regular intervals."*

To further promote the momentum of SHGs in the country, to quote:

> *"banks were advised by the Reserve Bank in 1998 that SHGs which were engaged in promoting the savings habits among their members would be eligible to open savings bank accounts and that such SHGs need not necessarily have availed of credit facilities from banks before opening savings bank accounts."*

The Monetary and Credit Policy announcement for the year 1999-2000, banks were also advised that interest rates applicable to loans given by banks to micro credit organisations or by the micro credit organisations to SHGs/member beneficiaries, would be left to their discretion.

2.7.2 Task Force on Supportive and Regulatory Framework

NABARD in 1999 set up task force with membership of RBI. This task force looked into various issues and suggested for setting up a special cell in RBI to deal with issues of growing micro-finance sector. Later this cell became a division named as Micro Finance and Financial Inclusion Division to deal with regulatory and supportive role for micro finance and micro-credit particularly as many non-banking finance companies (NBFCs) and Residuary Non-Finance Companies (RNBCs) started entering in micro finance Sector. As part of Facilitation to quote:

> *"In January 2000, all NBFCs and RNBCs were advised by the Reserve Bank that those NBFCs which were engaged in micro financing activities, licensed under Section 25 of the Companies Act, 1956, and which were*

not accepting public deposits were exempted from the purview of Sections 45-IA (registration), 45-IB (maintenance of liquid assets) and 45-IC (transfer of a portion of profits to Reserve Fund) of the Reserve Bank of India Act, 1934 the Reserve Bank issued"

Further RBI issued comprehensive guidelines to banks in February 2000 for mainstreaming micro credit and enhancing the outreach of micro credit providers. These guidelines stated that:

"Micro credit extended by banks to individual borrowers directly, or through any intermediary, would from then onwards be reckoned as part of their priority sector lending. Banks were given freedom to formulate their own model/s or choose any conduit/intermediary for extending micro credit. Banks were also permitted to prescribe their own lending norms so as to provide maximum flexibility with regard to micro lending. Such credit was to cover not only consumption and production loans for various farm and non-farm activities of the poor, but also include their other credit needs. Banks were asked to delegate adequate sanctioning powers to branch managers and to keep the loan procedures and documents simple for providing prompt and hassle free micro credit."

Further in October 2002, the Reserve Bank set up four informal groups to look into issues relating to: (i) structure and sustainability; (ii) funding; (iii) regulations; and (iv) capacity building of micro finance institutions. Based on the recommendations of these groups, banks were advised that they should provide adequate incentives to their branches for financing the SHGs and that the group dynamics of working of the SHGs should be left to them.

Further an Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System under the Chairmanship: Prof. V S Vyas was constituted. This committee submitted its final report in June 2004. Based on the Recommendation of this committee in Annual Policy Statement for the year 2004-05 it was announced that that :

"in view of the need to protect the interest of depositors, MFIs would not be permitted to accept public deposits unless they complied with the extant regulatory framework of the Reserve Bank. However, the Reserve Bank in April 2005, as an additional channel for resource mobilisation, enabled NGOs engaged in micro finance activities to access the external commercial borrowings (ECBs) up to US$ 5 million during a financial year for permitted end use, under the automatic route."

Thus FDI in Micro-Finance was allowed with of course cap as stated above. This could be viewed as part of policy of liberalization and opening of banking and investment sector under the policy liberalization under WTO agreement. Thus sector was not only open for profit –NBFCs it was also opened to Foreign Direct Investment. Earlier foreign funding came as donation as observed in the case of Srijan. Now foreign direct investment was allowed, obviously as was to enter as equity funds through NBFcs.

Further, in order to examine issues relating to rural credit and micro finance, an internal group (Chairman: Shri H.R. Khan) was set up in 2005. Based on the recommendations of the group and with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks were permitted in January 2006 to use the services of NGOs/SHGs, MFIs (other than NBFCs) and other civil society organisations as intermediaries in providing financial and banking services through business facilitator and business correspondent models.

All Regional Directors of the Reserve Bank were advised in April 2006 that whenever issues relating to micro finance were noticed in the areas under their jurisdiction, they may offer to constitute a coordination forum comprising representatives of SLBC convenor banks, NABARD, SIDBI, State Government officials, and representatives of MFIs (including NBFCs) and NGOs/SHGs to facilitate discussion on the issues affecting the operations in the sector and find local solutions to the local problems.

2.7.3 2005-06 Crisis and RBI Response

In May 2006, a joint fact-finding study was conducted by Reserve Bank and a few major banks. It was observed during the study that:

> *"Some of the MFIs financed by banks or acting as their intermediaries/ partners were focussing on relatively better banked areas and trying to reach out to the same set of poor, resulting in multiple lending and overburdening of rural households. Further, many MFIs supported by banks were not engaging themselves in capacity building and empowerment of the groups to the desired extent and banks did not appear to be engaging them with regard to their systems, practices and*

lending policies with a view to ensuring better transparency and adherence to best practices."

Followed by this guidelines were issued to banks in November 2006, advising them to take appropriate corrective action.

2.7.4 Announcement in Union Budget 2008-09

The Union Budget for the year 2008-09 announced that:

> *"Banks would be encouraged to embrace the concept of total financial inclusion. The Government would request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely: (a) income generation activities; (b) social needs like housing, education, marriage: and (c) debt swapping".*

Following this announcement, in April 2008, banks were advised by the Reserve Bank to meet the entire credit requirements of SHG members.

2.7.5 National Bank for Agricultural and Rural Development (NABARD)

In 1992, with the initiative of National Bank for Agriculture and Rural Development (NABARD), the SHGs – bank linkage programme (SBLP) was launched, that further spread the outreach of financial services to poor women through formal banks. According to NABARD, this initiative has enabled about 97 million poor households, to access financial services from the banking System.

2.7.5.1 The NABARD Report on the Status of Microfinance

Sector 2011-12, adds that,

> *"The institutional credit outstanding against the SHGs as at the end of March 2011 exceeded Rs. 31,200 crore – an experiment which has no parallel anywhere else in the world."*

NABARD has been reaching poor and women in rural areas through several innovative programmmes and Schemes. To mention a few:

Capacity Building: NABARD launched the 'Micro-Enterprise Development Programme' (MEDP) for skill development in March 2006. The basic objective was to enhance the capacities of matured SHGs to take up micro enterprises through appropriate skill up gradation.

Marketing Support: NABARD also provides marketing support to the SHGs for exhibiting their products. During the year 2007-08, NABARD supported three exhibitions of products prepared by various SHGs at Bhopal, Chennai and Navi Mumbai involving grant of Rs.3.8 lakh. In addition, Promotional Grants: NABARD also provides promotional grant support to NGOs, RRBs, DCCBs, farmer's clubs and individual volunteers and assists in developing capacity building of various partner agencies. NABARD has been making efforts to increase the number of partner institutions as self-help promoting institutions (SHPIs).

Post Office Linkage Programme: NABARD launched a pilot project in December 2003 to link post-offices with the SHGs with the objective of examining the feasibility of utilizing the vast network of post offices in rural areas for disbursement of credit to rural poor on an agency basis.

Micro-Finance Development Fund: Union Finance Minister, in the budget for the year 2000-01, announced creation of a Micro Finance Development Fund (MFDF). The objective of the MFDF is to facilitate and support the orderly growth of the micro finance sector through diverse modalities for enlarging the flow of financial services to the poor, particularly for women and vulnerable sections of society, consistent with sustainability. Consequently MFDF with a corpus of Rs.100 crore was established in NABARD. The Reserve Bank and NABARD contributed Rs.40 crore each to the fund, while the balance was contributed by eleven select public sector banks.

Micro-Finance Development Equity Fund (MFDEF): As per the Union Budget announcement for the year 2005-06, the MFDF was re-designated as 'Micro Finance Development and Equity Fund' (MFDEF) with an increased corpus of Rs.200 crore. The fund is being managed by a board consisting of representatives of NABARD, commercial banks and professionals with domain knowledge. The Reserve Bank is a member of the Advisory Committee of the MFDEF. The MFDEF maintained by NABARD is used for promotion of micro finance through scaling-up of the SHG-bank linkage programme, extending RFA and capital support to MFIs and undertake various promotional initiatives.

2.8 The Policy Shift

The shift in policy was subtly carried out over a period of five years with the start of MFDF in 2001-02 Union Budget to 2005-06 Union Budget through NBARD.

This policy shift has direct bearing of philosophy of WTO where in it is propounded that market can help remove poverty. Through this policy and FDI policy equity finance (for profit) entered into critical aspect of India's problem of poverty removal and empowerment of women.

Some view it as business in bottom of pyramid Indian economy.

2.8.1 SIDBI – Foundation for Micro Credit

SIDBI yet another organization sponsored by state exchequer, Small Industrial Development Bank of India entered into Micro Finance.

> *"SIDBI launched its micro finance programme in February 1994 on a pilot basis. The programme provided small doses of credit funds to the NGOs all across the country. NGOs acted as financial intermediaries and on-lent funds to their clients. SIDBI reoriented its policy and approach to create a sustainable micro finance model that would significantly increase the flow of credit to the sector."*

As some of NGOs moved from Non-Profit to for profit NBFCs, SIDBI also created a Foundation for Micro Credit (SFMC) in January 1999. SFMC's mission is:

> *"To create a national network of strong, viable and sustainable Micro Finance Institutions from the informal and formal financial sector to provide micro finance services to the poor, especially women".*

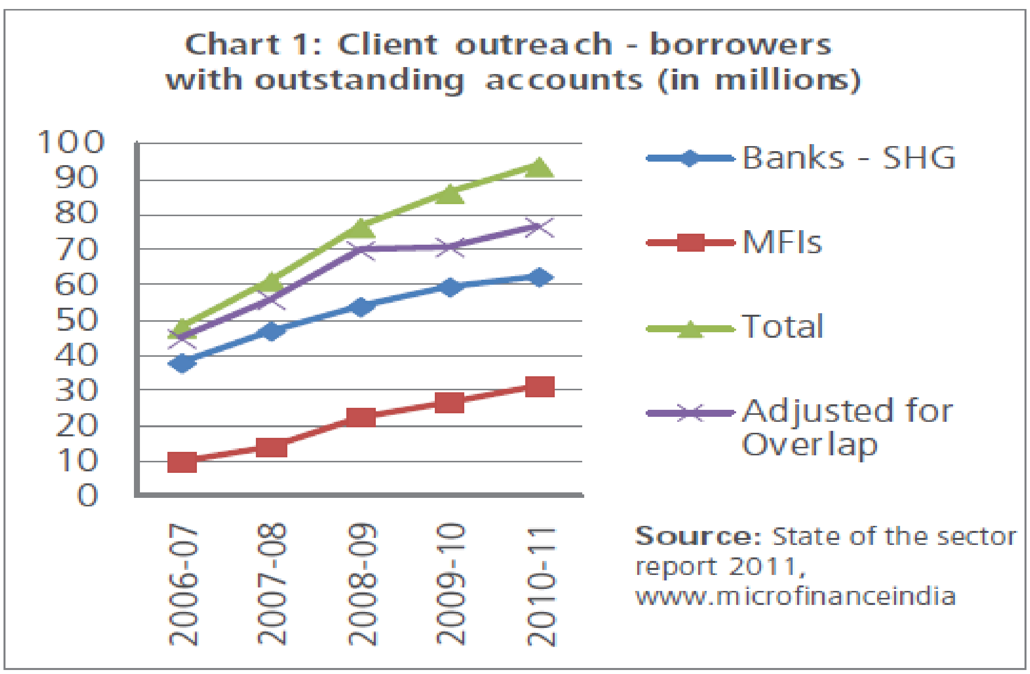
It is stated that SIDBI is one of the providers of micro finance through the MFIs. Rating of NBFCs- MFIs: Another contribution of SIDBI is in facilitating NBFCs is rating of NBFCs by credit agencies like CRISIL- M-CRIL and CARE. Institutional Capacity Assessment; SIDBI has also adopted the institutional capacity assessment tool (I-CAT) of access development services (ADS), a private sector consulting organisation, for rating of start-up/small and mid-sized MFIs. Transformation Loan:

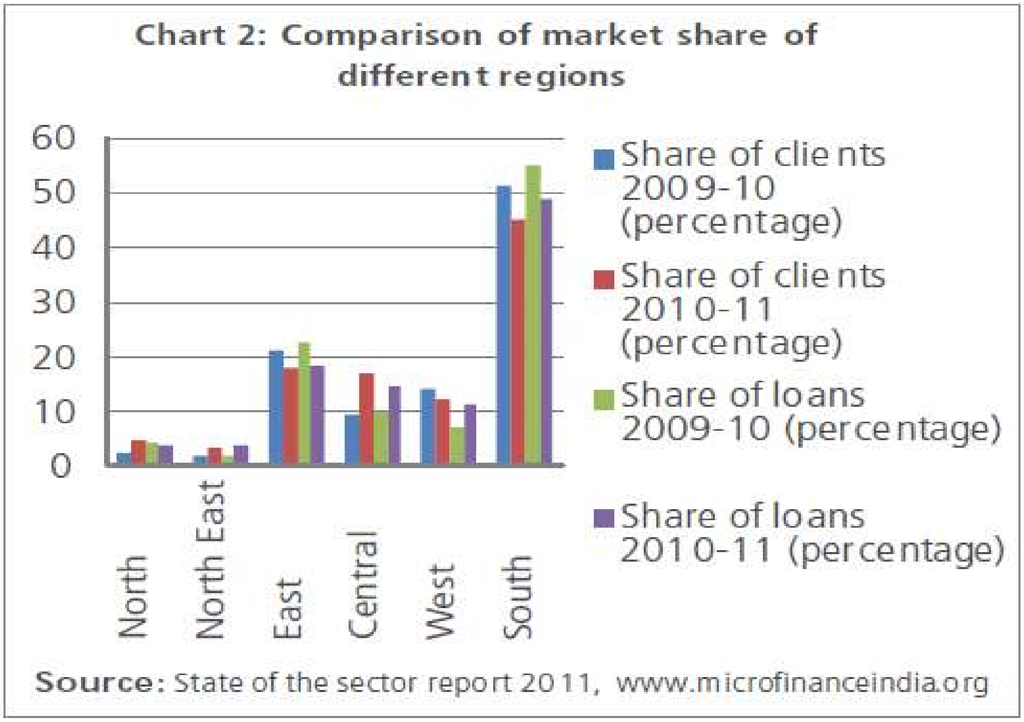
> *"SIDBI introduced a product called 'transformation loan' in 2003 to enable the MFIs to transform themselves from an informal set up to more formal entities. This loan is a quasi-equity product with longer repayment period and features for conversion into equity at a later date, when the MFI decides to convert itself into a corporate entity. Consequently, a number of MFIs went ahead with the transformation and some of them have now*

grown significantly and are serving millions of clients across several states."

SIDBI has also financed substantially to SKS where is issue of unsecured interest free loan of 1.6 crores Director of the company has figured in the news reports. Thus, microfinance services have been reaching the poor in India, mainly through two ways, the MFIs and the SBLP. It is observed that to quote "The microfinance sector in India has been dominated by the SBLP. As can be seen from the **chart 1 below,** the client outreach of the SBLP was almost 80 percent in 2006-07 and maintained its dominance in the year 2010-11. However, the MFIs have been gradually increasing their share of client outreach, by posting a higher growth rate of 17.6% compared to 4.9% by SBLP.

After the adjustment for overlap of clients between MFIs and SBLP, the overall increase in the client base has been 8.0%. The microfinance sector has not spread evenly across India. As can be noted from the **chart 2 below,** microfinance mainly concentrates in the southern region with 48.9% of share of loans in 2010-11.





Thus the major approach in Micro Finance for removal of poverty and empowerment of women has been: (a) through bank finance MFIs working for mixed mode objective of financial inclusion with reasonable rate of recovery under regulatory framework, (b) for profit companies for a rate of return which meet market expectations. NABARD and SIDBI under its model of sustainable micro-finance, with shift in policy pronounced by GOI, moved to finance for profit companies through NABARD Micro-Finance Development and Equity Fund (MFDEF) and SIDBI-Foundation for Micro-credit seems to have encouraged equity based NBFCs. These companies whereas expanded very fast both in terms clients and credit portfolio , as observed above, as required to meet market expectations, created a crisis in 2005-06 in Andhra Pradesh leading to issuance of an ordinance by Andhra Pradesh Governement for regulation of these companies. Subsequently in 2010-11 causing RBI to set up Malegam Committee to devised method of regulation and Promotion of micro finance. Let us briefly describe the crisis and genesis ordinance and followed by Malegam Committee of RBI.

2.8.2 Two Case Studies Showing Impact of Working of for Profit Companies

Ramesh S. Arunachalam has brought out a bone chilling case study about working of for profit model that led to crisis in micro Finance. A case study pertains to a women who borrowed by almost all leading MFI Companies namely, SKS(Pedda Loan), 20,000, repayment schedule weekly, (50 installments), Chinna Laon Rs.14,000 installments 50 weekly payment, Share Rs.40,000/- (50 Installment) payment schedule weekly, Spandana Rs.30,000 (50 installments) payment schedule weekly, Local MFI Rs.18,000 (50 Installments) payment schedule weekly, Asmitha Rs. 20,000/- (50 Installments) weekly, Baxis Rs.18,000/- installments not kown , monthly installment from Sriram – not know. Total borrowing was Rs.160,0000 with total income earning base of Rs,2700/- per month of the family.

This is case is of Zahira Bee, member of five member JLG, who committed suicide under enormous pressure of lenders as she was not able to pay weekly installments. This may be exceptional case, but fact of the matter is that almost all the known for profit MFI were involved in this case. Yet another fact is that news paper reported several of such suicide and coercive activities of lenders.

This is a case for profit companies MFI has a major objective of expansion of business under the pressure to meet the targets, they are eager to poach the clients irrespective of their repayment capacity, They want to expand and show investors about the growth and coverage. Owing to this fact such crisis are bound to happen. This may be an exception case, but there may be several such cases with different degree of crisis. In our view , which has and is likely to result in elimination of poor women rather than removal of poverty and empowerment of Women.

My discussion with SGH members in Rajasthan revealed that for profit companies charge high rate of interest and the pressure for repayment is strong. Incidentally this has given education in financial literacy to illiterate and made them to compare financial inclusion through NGOs and financial inclusion through company MFIs. Women are often required to borrow from them not necessarily for income generation activities but to tie up financial problem owing sickness of family members. Therefore, given the economic scenario of rural areas, where income generation activities and marketing their products, where women needs support of social action group, can company based on for profit model of micro finance help removal of poverty and empowerment of women is major issue ?

2.8.3 Self Serving Management Model of NBFCs

This is one aspect of for profit based MFIs. There is yet another aspect pertaining to management of for profit companies. We have mentioned earlier that many companies having duel ownership of NGO and for profit companies have booked NPA to NGO and shown better performance of for profit MFIs. There is yet another case again reported by Ramesh S. Arunchalam in his book The Journey of Indian Micro Finance – lesson for future. This case is of SKS Micro –Finance . It may be noted this is the companies whhich lent two loans to Zaheera Bee along with all others,who committed suicide?

This company also started as a society and moved as for profit NBFC. This company had shown very fast growth and went for public offer of its share. Besides quarrels with in the company between CEO and MD what went wrong was subtle system of financial manipulation which in fact tantamount to financial fraud on public at large as also on share holding companies.

Director of the company took unsecured interest free loan of Rs. 1.6 crores, from the company, which holding of 7 .19 percent from public sector SIDBI, besides majority holding by lakhs share holders grouped under Mutual Benefit Trust. Other holdings were from Vinod Khosla, Pratibh and Ravi Foundation and Unitas each having 15.09 per cent share. This shows how financial manipulation takes place in the for profit company to benefit the Director at the cost of large poor retail share holders and public sector SIDBI who have funds from the state exchequer which comes from tax payers at large. Such decision in board of the companies take place only when other Director and independent director are or can be managed through heavy perks and payments.

2.8.4 Fast Track Growth

The of story of growth of MFI, after initial set back during owing to 2006 crisis, yet another setback came owing to faster rate of growth of for profit –MFI often referred as Six large MFI headquartered in Andhra Pradesh. Their client growth jumped from 2.2 lakhs in 2006 to 14.4 lakhs in 2010. Percentage of active borrowers of the total members in the 93 to almost 95 % during the period of 2006 to 2010 with .$ 22.8 million to $ 280.6 in 2010.This fast track growth encouraged by GOI Policy, venture capitalist led to many borrower taking loan from several companies and heavy indebtedness without capacity to repay, unfavorable rate of interest short repayment period – one weak in most of the cases and coercive practices of lender led to commitment of suicide by several borrowers. This lead to severe criticism in press in Andhra Pradesh India and abroad .That made Andhra Government, as most of these companies were headquarter in Andhra, as observed above, pass an ordinance to prohibit companies to recover loan on weekly basis, and made borrower to repay on monthly basis to government offices. This caused crisis in micro fiancé sector throughout India and alerted people world over. The Case study of Zahira Bee narrated above was reported world over.

We have brought out these two case studies and narrated facts of fast track growth with a view to highlight the possible limitations of for profit companies to address the one more of the three postulates of Malegam Committee report.

2.9 To sum up

The history and growth of Micro-finance since 1986 to 2010 shows significant shift in approach. Initially Micro-Finance concept started with a mission mode to help removing poverty and empowerment of women through banking system and social action by NGOs not for profit. It moved heavily in favour of for profit non-banking finance companies from very those who initially worked with poor not for profit motive.

This movement was facilitated by the policy of GOI and its sponsored institutions namely NABARD, SIDBI and commercial banks. GOI also facilitated FDI through automatic route with a cap so as to enable equity based NBFCs to acquire foreign funds for removal of poverty, of course with a profit motive. This approach is viewed by some as making business at the bottom of pyramid of Indian economy.

This approach also caused crisis in 2010. Leading setting up of Malegam Committee to redeem the Problem. Under this scenario we will make an attempt to examine what has been out come this growth through various studies conducted on the micro-finance and our own analysis based on some field data in the subsequent chapters.

Chapter 3

Review of Literature

3.1 Introduction

World over micro finance has in practice to support micro enterprises. Cases of credit by shopkeepers to farmers and money lenders for petty shops could be traced over centuries. It is said that:

> *"Small, informal savings and credit groups have operated for centuries across the world, from Ghana to Mexico to India and beyond "In Europe, the Catholic Church promoted pawnshops as an alternative to usurious moneylenders in the early 15th century. The 15th century saw the spread of these pawnshops across the urban areas in Europe. Formal credit and savings institutions for the poor have also been around for generations, offering financial services for customers who were traditionally neglected by commercial banks3. The most talked about example is of the Irish Loan Fund system that started in the early 1700s. It has spread throughout Ireland by the 1840s with 300 funds functioning."*

> *"In the 1800s, larger and more formal savings and credit institutions emerged in Europe that focused mainly on the rural and urban poor. The financial co-operative also developed in Germany during this period that aimed to reduce the dependence of the rural population on moneylenders and thereby improve their welfare. France saw the emergence of this movement in 1865 while Quebec in 1900. Many of present day financial co-operatives in Africa, Latin America, and Asia can trace their roots to this movement in Europe. British government set up co-operatives in rural India to buy peace with peasants4. The Indonesian People's Credit Banks (BPRs) that were set up in 1895 are also one of the earliest examples of the largest micro finance system in Indonesia, with nearly 9000 branches"*[3]

In early 1900s in Latin America various forms of savings and credit appeared in rural areas mainly to support agriculture and farm activities. These were in the form of rural banks for lending to farmers. In 1950 and 1970 government of India focused on providing credit to farmers.

[3] Stuart Rutherford and Surjit Singh and Sagar, Micro Finance Centre: Annotated Bibliography on Micro Finance Studies in Rajasthan

3.2 Paradigm Shift-1 from Provision of Credit to Social Action

During this period the focus was only to provide funds to needy at a subsidized rate of interest. The focus making credit available to women entrepreneurs started with setting of up of Grammin Bank in Bangladesh. The bank provided credit of small amount to women entrepreneurs without any collateral but the repayment was guaranteed by members of the group namely, solidarity group. Similar development also happened in Brazil and Latin America. This movement of supporting women entrepreneurs also spread in United States and in India this was very effectively done by Self Employed Women's Association Bank. This was a paradigm shift in providing loans to women entrepreneurs as also to mobilize women in Self Help Groups for saving, credit for micro-enterprise and to empower them. Many NGOs were engaged in mobilizing women to form Self Help Groups. They also helped to discuss and intervene in health, education and general social issues among members of group. The repayment of loan by members of Self Help Group was almost full and it built confidence and engaged women in income generating activities.

3.3 Paradigm Shift-2 from Social Action to for Profit Financial Inclusion

This success led to many persons who were engaged through social service activities to engage in the business activities for providing loan to women and other micro entrepreneurs. This took the form of Micro Finance Institutes (MFIs) Two major companies which engaged in the providing funds to women entrepreneurs were: Basix and other is SKS. These MFIs have also been funded by equity shares.

These MFIs investment for micro enterprise is substantial and covers large number of persons. The business model these MFIs has its own strength and weakness. Strength is that it is scalable, because funds can be provided by the investors who see the opportunity of assured return. Weakness is that in order to show the profit and return to investors MFIs can degenerate into charging high rate of interest and coercive activities.

The news paper reports on coercive aspects of MFIs led Andhra Government to enact legislation about rate of interest and other regulatory measures. This had potential to harm positive aspects of MFIs' ability to provide funds for micro enterprise. Ultimately this situation led RBI to set up Sub- Committee of its Directors headed by Malegam to deliberate and make recommendation about the Micro –Finance. As a committee of Central Bank of India, it mainly addressed the issue of MFis for Micro- Enterprise and has given recommendations with regard to rate of interest, treating MFIs separate entity from money lender covered under Money lending Act and other regulatory aspect of Micro Finance. It is hoped that this might reduce negative aspect of MFIs and free MFIs from excessive control by state government.

3.4 Review of Studies

Studies in micro finance could be grouped into following areas:

1. Micro Finance as Source Credit

Studies by Malika Singh et al, Aravali, M. Sriram, Smita Parhi, Rastria Mahila Kosh and Basix could be put under this group. All these studies addressed the issue of availability of credit to rural people. Catalyst role played by of NABARD, Mahila Kosh and Basix in making credit available to self help groups and for micro enterprise. Studies also point out limitations and failure of Micro Finance to address emergency needs of credit by rural people and their dependence on local money lender.

2. Micro Finance as source of credit, capacity building linkage with banks and Govt. support

Studies by Surjit Singh, M.S.Sriram and Radha Kumar, Akhileswar Pathak and MS. Sriram fall in this group. Studies based on field level data have revealed the role played by NGOs in mobilization of SHGs, Professional and Skill Development and empowerment and self esteem, Role played by AP Statement government and international funding agencies in promoting micro credit to rural people and self help groups. Role played by Banks in Karnatka-Maryada to promote rural credit. Formation of

Federations of SHGs to mobilize funds from Commercial banks. Studies also points out problems related to structure of governance of such federations

3. Micro Finance as Source of Development and Achieving Millennium Development Goal

Studies by EDA Rural System and Wolfgang Hannover fall under this group. These studies pertain to analyse the development impact of micro finance. These reveal that micro finance services having indirect and direct impact of Millennium Development Goal as well help capacity building, raise income and expenditure of house hold, enhance nutritional level of intake and women empowerment as about 90% of loan beneficiaries are women. Study by EDA also point out about limitation of impact in terms of lack of diversification and dependence on few standardized products.

There are a couple of studies under this group conducted by Society for Educational and Economic Development (SEED) as part of evaluating the impact of Micro Finance on income generation for livelihood funded by a charitable organization under a unique model of funding. These studies reveal a significant proportion of funds going for income generation activities and empowerment of women. A brief reporting of this model and NGOs involved in implementing this model may be relevant here.

This model of charitable funding devised is as follows:

> *"Funds are provided by Dewan Foundation to NGOs for providing funds to members of women self help groups for income generation for livelihood for a period of 5 years. The NGOs gives fund to women member of self help group at a very nominal rate of interest say 12%. SHG members save a nominal amount of say Rs.100 every month. Savings + interest on the loan advanced and loan repayment forms a revolved fund. Under this model funds get multiplied to the extent 1.5 to 1.7. It is expected that in a period 5 years both savings plus repayment and interest amount will be able to generate a corpus which then can be used as capital for providing funds to SHG members for income generation activities. Foundation should be paid back one fifth of total loan fund over*

another period of five years. 10% of loan fund is allowed to be retained by the NGOs towards administrative cost. Funds so refunded are given to another NGO for similar activities. This model besides makes credit available enables SHGs to build a corpus of their own for providing funds to members for income generation activities. Thus it attains sort of perpetuation of revolving fund for use by the SHGs. Thus model in fact free members of SHGs to depend on either bank loan or loan from other sources at a very high rate of interest. In fact it acts as sort of mini cooperative bank of their own. However role of NGOs to enable it to happen is very crucial".

3.5 Studies on MF as a Source of Credit

Apart from the quoted studies, following will also be considered for literature review:

1. **Vikas Batra and Sumanjeet State of Microfinance in India, emergence, Delivery models and issues. April 2011, Working paper No AIUB-BUS-ECON-2011-02 http://orp.aiub.edu.**

   The achieve the desired goals, the financial system should be truly inclusive. Diverse channels are needed to get diverse financial services into the hands of diverse range of people who are currently excluded. It should meet the needs of everyone who can fruitfully use financial services including the poor. Indeed, financial services cannot solve all the problems caused by poverty. But they can help to put power and resources into the hands of the poor and low income people themselves.

2. **Report of the Internal Group to Examine Issues Relating to Rural Credit and Microfinance, Reserve Bank of India, July 2005. H.R. Khan.**

   "It is important to understand both the supply and the demand side perspectives that lead to such a wide gap in availability of financial services. The exclusion of large numbers of the rural population from the formal banking sector may be for several reasons from the supply side, such as: (a) persons are unbankable in the evaluation/perception of bankers, (b) the loan amount is too small to invite attention of the bankers, (c) the person is bankable on a credit appraisal approach but distances are too long for servicing and supporting the accounts and expanding branch network is not feasible and viable, (d) high transaction costs particularly in dealing with a large number of small accounts, (e) lack of collateral security, (f) inability to evaluate and monitor cash flow cycles and repayment capacities due to information asymmetry, lack of data base and absence of credit history of people with small means, (g) human resources related constraints both in terms of inadequacy of manpower and lack of proper orientation/expertise, (h) adverse security situation prevailing in some parts of rural India, (i) lack of banking habits and credit culture, (j) information-shadow geographical areas, and (k)inadequacy of extension services which is crucial to improve the production efficiency of the farmers leading to better loan repayments."

3. According to the estimation made by KDMS mission, 2008-09 released in 2009.

The amount of thrift pooled by NHGs in Kerala is Rs.1003.41 crore against which loan of Rs.2539.74 crore is disbursed as on 31 March 2008. In addition to the loan from their own savings, NHGs have facilitated to avail loan from bank through bank linkage programme. Through the linkage banking, Rs. 554.07 crore is given to 92978 NHGs in the state as on March 2008.

The cooperation between KDMS SHGs of women below poverty line and local governments is generally good. Local government institutions rely on KDMS for the planning and execution of its various development projects and programmes. The results of our field survey reveal that KDMS programme made substantial impact on various sectors and areas covering health, education, agriculture, animal husbandry, dairy development, enterprise development, child development, women empowerment and rehabilitation of destitute.

Capacity, morale and confidence of women of KDMS SHGs have increased substantially. KDMS members have acquired skills, knowledge, and confidence and leadership qualities substantially. The status of women in families has also improved **(See Table 4.3).** About 67 percent women got opportunity to understand banking operations and have become confident in visiting banks and availing banks facilities. There is a clear evidence of political empowerment of poor women. About 3200 KDMS women contested and over 1400 of them got elected in the election to the local government in Kerala in 2005.

4. **Linda Mayoux and Maria Hartl.Gender and rural microfinance: Reaching and empowering women, International Fund for Agricultural Development (IFAD) August 2009**

Both the opportunities and the challenges have gender dimensions that need to be taken into account in the current process of innovation and expansion. If rural microfinance aims to contribute to pro-poor development and economic growth, and particularly to IFAD's strategic goal of empowering poor rural women and men, gender mainstreaming and women's empowerment must be integral to rural finance interventions.

5. **Lanmdau Mayoux's study (1998) on Participatory Learning for Women's Empowerment in Micro Finance Programs (IDS Bulletin, Vol. 29 No.4, 1998).**

Proposes a participatory approach for integrating women's empowerment concerns into ongoing programs of learning, which itself would be a contribution to empowerment. Micro finance programs for women are currently promoted not only as a strategy for poverty alleviation but also for women's empowerment.

6. **The World Bank Report of 2003 on Microfinance, http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:20782109~menuPK:295606~pagePK:2865066~piPK:2865079~theSitePK:295584,00.html.**

Says on India's progress in microfinance that In India, since the early national plans, successive governments have emphasized the link between improving access to finance and reducing poverty, a stance that has had influence globally. Access to finance for the rural poor has improved somewhat over the past decades. But the vast majority of India's rural poor still do not have access to either formal finance or microfinance.

Informal sector lenders thus retain a strong presence in rural India. The typical expenditure profile of the households is also of small, daily or irregular expenses, incurred all through the month. Moreover, the overwhelming majority of rural households report having to deal with at least one unusual expense each year, which they are forced to finance either from cash at home, or through informal loans from family, friends, or moneylenders. Research shows that poor people value financial services and want these to be reliable, convenient, continuous and flexible.

3.6 Studies on MF through SHGs as a Source of Credit, Capacity Building linkage with Banks

1. V. V. Desai Self Help Groups: An Integrated Approach of Empowerment for She Entrepreneurs International Journal of Research in Computer Application & Management www.ijrcm.org.in Vol. No. 1 (2011), Issue No. 7 (September).

The enhancement of entrepreneurship qualities among the members of self help groups is an important step in the social and economic empowerment of women. The SHGs have improved the quality of status of women as participants, decision takers and beneficiaries in the democratic, economic and socio cultural life. The important suggestions for improvement are the development of skill oriented training programmes, encouragement of good leadership in the group and constant guidance and support through the government and non-government organizations.

2. Reddy, Manak, Sandeep Self-Help Groups: A Keystone of Microfinance in India - Women empowerment & social security, October 2005, Mahila Abhivruddhi Society, Andhra Pradesh

‘SHPIs could help facilitate processes whereby women made long-term plans for their villages as a whole, and worked steadily towards the transformation of their villages into modern and equitable hubs of creative and sustainable actions there is a reasonable amount of infrastructure that state-owned rural banks operate. As some SHGs have grown and matured to a sizeable scale, they need access to more financial services. Governments can address this need through their state-owned banks by introducing flexible and easily accessible products. Specifically, products such as innovative savings products, micro-insurance, larger loans and enterprise financing can be introduced. Banks lending to SHG federations could also facilitate access to livelihood finance by the women SHG members.'

3. **Dutta, Pinky (2011) The Growth and Impact of NABARD's SHG-Bank Linkage Programme In India, Indian Journal of Finance, December 2011**

The SHG –Bank Linkage programme is yielding promising results. There has been a significant rise in the performance of SHGs but this is not uniform. The growth is dominant in the southern states although it is very successful in the alleviation of poverty and has increased the income and savings of the poor.

3.7 Micro Finance as a Source of Development and Achieving Millennium Development Goals (MDGs)

1. **Client Protection & Social Performance of Indian MFIs - An Empirical Report by Sa-Dhan**

Microfinance is a social enterprise and the financial performance is only a means to social performance. In fact, there is growing evidence that social performance enhances overall performance6. The relationship between social performance and financial performance of MFI is not difficult to comprehend. In any financial industry or for that matter any other industry; it is a well established fact that that customers need to be central to the service, so to say 'The customer is the king'. Similarly other recognized principles like 'marketing' builds customer loyalty rather than 'selling', 'satisfied customer is the best advertisement' etc underline the importance of customer service, in any business. a study of the Microfinance Information Exchange (MIX), the relationships between three financial performance indicators (productivity, portfolio quality, efficiency) and social performance indicators (targeting of poverty level, non financial services, training on social performance, client retention, social responsibility to clients, and social responsibility to staff) were tested. The results confirm that investments in human capital (social performance training and social responsibility) go hand-in-hand with higher staff productivity and better portfolio quality, but lower efficiency.

2. **Singh N. Tejmani, Micro Finance Practices In India: An Overview International Review of Business Research Papers Vol. 5 No. 5 September 2009 Pp. 131-146,**

“Micro finance in India – its essence, the different institutions involved in its promotion, the different modes of delivery, its weakness and their challenges that lie ahead, the programme of micro finance that has made rapid strides in India. Micro finance is a participative model that can address the needs of the poor especially women members.”

3. **Palanichamy A.P Women empowerment through microfinance: A case study of women in self help group of Uthangarai Taluk in Krishnagiri district Tamilnadu International Multidisciplinary Research Journal 2011, 1(2):31-35 ISSN: 2231-6302 Available Online: http://irjs.info/**

The age wise distribution explains the average age of 31-40, members are very active and motivate the groups. After joining with SHGS, the member composition and incomes have increased. The main purpose of saving of the respondents is for the education, marriage, agriculture and building. After joining with SHG members are self confident and are living with the community. Majority of the respondents feel light after becoming economically empowered. Priority is given to start using loans and advances.

4. **Managing risks and designing products for agricultural microfinance, Occasional Paper 11, issued on August 2005 by the Consultative Group to Assist the Poor (CGAP)**

‘Many millions of rural people would be much better served if more financial institutions applied the features of the emerging agricultural microfinance model demonstrated by the minority of relatively successful programmes set out in this paper. The authors hope that donors and governments will abandon the old paradigm as a failure and continue to invest in the development of the elements of this new model.’

5. **Smita Nirbachita Badajena, Prof. Haripriya Gundimeda, Self Help Group Bank linkage model and financial inclusion in India**

   Self Help Group bank Linkage Model also helps to reduce transaction costs facilitates proper monitoring of funds by group members, economic empowerment of SHG members by collective decision making etc. In spite of the increased spread of formal banking network in the recent past, access to basic financial services are still beyond the reach of large sections of society. SHG bank linkage model exhibits the potential to provide an alternative mechanism to extend financial services to large unbanked sections of the society.

6. **Nagendra P. Singh, Self Help Group – An Initiative**

   The NGOs should actively help the SHGs in both backward and forward linkages and provide them market support in particular. The officials of SHG promoting organizations should also be exposed to SHGs sensitization programmes so that they do not hold skeptic views towards SHGs and must have faith in the SHGs' ability to alleviate rural poverty, Resources should be allocated and spent on creating market support to the SHGs for their IGA products and also provide some sort of reward to successful SHGs as an incentive for good work.

7. **Gaiha, Raghav & Nandhi Mani Arul, Microfinance, Self-Help Groups and Empowerment in Maharashtra, October, 2007 ASARC Working Paper 2007/15**

   SHGs benefit from the presence of networks, also contribute to trust, reciprocity and associational capital (e.g. through strengthening of local institutions). Domestic violence was reduced. However, greater responsibilities for women also involved longer hours of work.

8. **ANNUAL ADMINISTRATION REPORT 2008 – 09, KUDUMBASHREE**

   State Poverty Eradication Mission, Built around three critical components – micro credit, entrepreneurship and empowerment, the Kudumbashree initiative has today succeeded in addressing the basic needs of the less privileged women – thus providing them a more dignified life and a better future. Kudumbashree differs from conventional programmes in that it perceives poverty not just as the deprivation of money, but also as the deprivation of basic rights. The poor need to find a collective voice to help claim these rights.

9. S. Mahendra Dev et al, Mid-Term Appraisal of Andhra Pradesh Rural Poverty Reduction Project, Centre for Economic and Social Studies

There had been an increase in the proportion of households who own milch and draught animals between BLS and MTA both among participants and non-participants; however, the proportion of households with small ruminants remained unchanged. The increase was higher among participants than non-participants (4 and 2% for draught animals). Within districts too, the trends were similar. This was true across socio-economic categories as well. The average number of milch and draught animals too registered an increase (39 and 8% respectively) between the two periods while it was different for participants in the case of small ruminants.

Similar trends can be seen across districts also. Within economic categories, among the PoP there was an increase even in small animals along with milch and draught animals (Table-5.1 and Fig-7). Among SC households, the improvement for participants was significantly different compared to non-participants, in terms of the average number of milch animals.

Further, the number of participant households having milch animals has substantially increased over BLS (13% increase) while there was no improvement for the non-participants. Thus, this clearly indicates that there was an increase in the number of households possessing both milch and draught animals for the participants as compared to nonparticipants.

This finding holds true across the districts. Improvement in ownership of animals was seen in the case of PoP among the socio-economic categories and participants among SCs.

10. Alok Misra 2006, Micro Finance in India and Millennium Development Goals: Maximising Impact on Poverty Discussion paper for Workshop on World Bank

The impressive gains made by SHG-Bank linkage programme in coverage of rural population with financial services offers a ray of hope. The paper argues for mainstreaming of impact assessment and incorporation of local factors in service delivery to maximize impact of SHG –Bank linkage programme on achievement of MDGs and not letting go this opportunity. India's achievement of the MDG of halving the population of poor by 2015 as well as achieving a broad based economic growth also hinges on a successful poverty alleviation strategy.

11. **NABARD Report 2005-06 PROGRESS OF SHG BANK LINKAGE IN INDIA-2005-06 http://www.nabard.org/pdf/introduction05-06.pdf**

12. **NABARD Annual Report 2009-10 http://www.nabard.org/pdf/Status% 20of%20Micro%20Finance%202009-10%20Eng.pdf**

13. Report of the Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector – Malegom Report of Reserve Bank of India by Y.H. Malegam.

MFIs need to find the right balance between the pursuit of the social objective of microfinance and the interests of their shareholders. Responsible finance has meaning only in that context. While several MFIs have published vision statements, not many have demonstrated their commitment to that vision. We, however, believe that there is now a growing acceptance within the MFI community that mistakes have been made in the past and we hope that these will translate to a desire to learn from these mistakes. We are encouraged in this belief by the steps taken for the formation of industry associations and the declared agenda for these associations. In making our recommendations, we have recognised the need to protect the borrowers who represent a vulnerable section of society. We must however, also, recognise that MFIs can only function effectively in a proper business environment.

This means that while the lender has a responsibility to provide timely and adequate credit at a fair price in a transparent manner, the borrower also has the responsibility to honour his commitment for payment of interest and repayment of principal. A financial system depends ultimately on the circulation of funds within the system. If the recovery culture is adversely affected and free flow of funds is interrupted, the system will break down. This will adversely affect the borrowers themselves as the slow-down of recovery will inevitably reduce the flow of fresh funds into the system.

Microfinance is an important plank in the agenda for financial inclusion. The future cannot be left entirely to the stating of good intentions. It, therefore, calls for strong regulation. We believe that if the recommendations made by us are implemented and if MFIs honour the commitments they have proposed in the agenda of the industry associations and if these efforts are accompanied by adequate and effective regulation, a new dawn will emerge for the microfinance sector and the need for State intervention will no longer exist.

14. Gaiha, Raghav and Thapa Ganesh, Occasional paper of IFAD, A methodology for assessment of the impact of microfinance on empowerment and vulnerability.

"One of IFAD's strategic objectives in contributing to the goal of reducing rural poverty is to provide improved financial and related non-financial services in rural areas. In fact, two thirds of the Fund's current projects have a rural finance component and approximately one fifth of the Fund's resources are dedicated to rural finance. Rural finance interventions provide small-scale credit and other financial services to poor households and very small, informal businesses. They provide a mechanism for the poor to smooth the effects of income shocks on consumption, find safe and affordable repositories for their savings, take advantage of profitable investment opportunities and insure against risk. Experience worldwide shows that when microfinance services reach women, the benefits are particularly sustainable. Savings rates are higher; group life is more intensive; repayment rates are remarkable; enterprise growth and graduation are stronger; and there are measurable improvements in child nutrition and education, family health and household sanitation, shelter and general welfare."

This study: "Rather than providing a checklist of impact indicators, this paper identifies a few key indicators that impinge on aspects of social capital, empowerment of the poorest and self-insurance. The indicators used are familiar and easy to construct. As there are few detailed empirical reviews, an attempt is made to propose a selective list of indicators that could be adapted, refined and extended through systematic application"

15. *Dr. Y.S.P. Thorat in her paper on* **Microfinance in India: Sectoral issues and challenges,** (2006) pointed out 'the Indian banking system is not able to internalise lending to the poor as a viable activity but only as a social obligation. Thus loans to the poor were part of social sector lending and not commercial lending; the poor were not borrowers, they were beneficiaries; poor beneficiaries did not avail of loans, they availed of assistance. To solve this problem, she suggests two models, a Bank partnership model where a bank is the lender and the MFI acts as an agent for handling items of work relating to credit monitoring, supervision and recovery.

In other words, the MFI acts as an agent and takes care of all relationships with the client, from first contact to final repayment. The model has the potential to significantly increase the amount of funding that MFIs can leverage on a relatively small equity base. A sub-variation of this model is where the MFI, as an NBFC, holds the individual loans on its books for a while before securitising them and selling them to the bank. Second is a Service company model where a bank floats a MFI or NBFC and then work hand in hand with the MFI to extend loans and other services. On paper, the model is similar to the partnership model: the MFI originates the loans and the bank books them. This enables the bank to economize as the MFI uses the branch network of the bank as its outlets and both the financial and infrastructure strength of the bank creates lower cost and faster growth.

16. Rajarshi Ghosh, Microfinance in India: A critique, http://www.aptsource.in/admin/resources/1273818337_UNPAN024232.pdf

Women, the world over, tend to spend increasing proportion of their income on the welfare of the family. The same phenomenon is observed among women made self sufficient by micro finance. These findings get corroborated in the field survey of the author. "We can now put our children in school" The flip side to this argument is that the interest rates charged by the Microfinance Institutions has had a tremendous beneficial effect in bringing down the interest rates charged by the moneylenders from 2 to 30% (K.G.Karmakar)per month to an uniform level of 3 to 5% per month. (Field Survey)The rates came down because with the appearance of the Microfinance Institution all the villagers migrated to it en-masse and the village money lender, sitting with idle money had no choice but to bring down the lending rate. (MFI can be called a much benign moneylender.) It has been reported that some researchers analyzing other pockets of SHG movement across India have come to identical conclusions.

Microfinance remains a powerful tool for development. It may be a drop in the ocean, but it has made people self sufficient. Our task is to spread Microfinance and bring down the cost of capital and the operating costs and strengthen the bonding between Microfinance and the Formal Financial System. However, for sustainable development of the poor and rural economy, we have to focus on development of rural infrastructure and the rural economy, otherwise there will be few activities requiring finance.

17. Surender, Sunil Kumari, Ramesh Kumar Sehrawat(2011) Can Self - Help Groups Generate Employment Opportunity for Rural Poor? European Journal of Social Sciences – Volume 19, Number 3 (2011)

The study has examined critically the impact of SHG on employment generation. It was found that employment generation with the help of SHGs is more in BPL than APL members. Expenditure of Beneficiaries had increased from last year to current year. It was showing the positive impact of SHGs on earning. It was more than in APL members. Annual Income of Beneficiaries had increased from last year to current year. It was showing the positive impact of SHGs on employment generation. It was more than in BPL. Number of working days of beneficiaries in Live-Stock, Business and any others profession had increased after joining the SHGs.

18. Mahendra Varman P- Impact of Self- Help Groups on Formal Banking Habits, *Economic and Political Weekly*, 2005 *Vol. 40, No. 17, Apr. 23-29, 2005.*

Paper finds the relationship between the borrowings and savings pattern of individuals and households in the BPL category and thereby finds the factors that determine the deposit and current account holdings of individuals and households in commercial banks

However, even as this expansion was taking place, doubts were being raised about the systemic capability to reach the poor. Regional Rural Banks were set up in 1975 as low cost institutions mandated to reach the poorest in the credit-deficient areas of the country. In hindsight it may not be wrong to say that RRBs are perhaps the only institutions in the Indian context which were created with specific poverty alleviation – microfinance mandate.

The Journey of Indian Micro –Finance – lessons for future by Ramesh S. Arunachalam is a vivid account of growth and development of micro-finance and its positive and negative impacts, particularly micro-finance being promoted and operated by Non-Banking Finance Companies. The book clearly highlights the experiments by NBFC gone horribly wrong and suggests that there is very carefully crafted role of regulatory bodies. The fast growth by NBFCs – stated to b to quote " Champions of downtrodden had turned into agents of oppression and harassment – or so it seemed !"How has this happen is story of systematic creeping of forces of vested interest through the process of investment to reap profit from bottom of the pyramid.

Microfinance in India- issues, Problems and Prospects – A critical Review of Literature by S.L. Shetty is bery good account of writings on this subject in a conceptual and theoretical framework. The broad theme of financial inclusion for removal of poverty has been dealt with the wider challenges faced by the financial system. It has clearly highlighted the limitations of MFI movement to satisfy credit need of vast informal sector enterprises. Authors suggests measures for reaching out to small and informal sector in more effective way. It however, avoids the issue of women empowerment through micro-finance.

Chapter 4

Micro Finance for Removal of Poverty: International Experience

4.1 Introduction

As observed in history and growth of Micro Finance, decade of 1970 was full of concern for poverty existing in various parts of world, more particularly in about 100 developing countries of the world. Along with experiment by SEWA, Pradan and other NGOs in India and Grameen Bank in Bangladesh experiment to tackle the problem of poverty through micro-credit/micro – finance was also initiated in Bolvia and Brazil in Latin America in late 1970s and early eighties. There are four countries in Latin America which started Micro-Finance Programme with US Aid and World Bank Support. However, philosophy and approach of Micro-Finance as a tool to address the problems of poverty through micro-credit at low interest rate and social action was changed with the advent of introduction of Micro-Finance through US Aid and World Bank support under the policy of Jeffery Sachs. Whereas, Bolivia was first country in Latin America to start micro-finance, it was also a first country to adopt Micro-Finance Model as commercial operation which would be entirely self financing. This was different from Grameen Bnak style micro-finance or SEWA Bank style Financing, Social Action NGOs state supported banking to poor and farmers through SBLP funding under NABARD or Nationalized Bank during the initial period until the start of for Profit NBFCs. This change happened through Banco SOI –an NGO. To quote:

> *"----- Banco Sol, an NGO converted into the world's first commercially-oriented microfinance bank, Bolivia effectively showed the way for commercialized microfinance to expand right around the globe (Rhyne 2001).".Other organization in Latin America included FINCA (Foundation for International Community Assistance) founded by John Hatch in 1984, with nearly two thirds of its funding provided by USAID. Also joining the microfinance movement was the Inter-American Development Bank (IDB) which began many programs of its own".*

A Washington DC based organization named as Micro-Credit Summit. It conducts decennial meetings of Micro Finance Credit Summit to assess and encourage the use of micro-finance as a movement for addressing the problem of poverty. This organization reports that to quote:

> *"In the early 1970s, visionaries in Bangladesh and Brazil and Bolivia saw that the lack of access to credit was one of the barriers that made it almost impossible for the poor to break out of the cycle of poverty. So microfinance institutions were created as a way to offer credit in the form of tiny loans to poor people to allow them to start or expand tiny self-employment businesses that would allow them to work their way out of poverty." It of course misses the efforts made in India. Nevertheless, it reports that when the first summit was held in 1979 at Washington DC the "field had several hundred Micro-Finance practitioners and about 7.6 million borrowers."*

The progress of micro-finance movement indicates that as on 2009 a good proportion of population in some of the developed countries have been covered by Micro Finance Programme. The Coverage of poor population through Micro Finance as reported by Gonzes (2010) and Rozas and Sinha 2010 shows that almost one quarter in Bangladesh and about 6-15% population in some of the developing countries seems to have been covered through Micro Finance (see Table 4.1).

One of the analysis shows that:

> *"Bangladesh reports the highest number of loan recipients per 1000 (342.77) at an average loan ticket of 17.72% of per capita income. Bolivia, on the other hand, has only 55.99 borrowers per 1000. However, the average loan size is estimated at 147.06% of per capita income. These statistics exemplify the incongruities in availability and access to credit at a micro level. MIX statistics indicate that the gross loan portfolio for the East Asia and Pacific region totals over $21.2 billion serving a client base of 15.8 million active borrowers. The average loan balance per borrower in this region is estimated at $306.5".*

Table 4.1: Microfinance penetration by 2009

Global ranking	Country	Borrower accounts/ population
1	Bangladesh	25%
	(Andhra Pradesh State, India)	17%*
2	Bosnia and Herzegovina	15%
3	Mongolia	15%
4	Cambodia	13%
5	Nicaragua	11%
6	Sri Lanka	10%
7	Montenegro	10%
8	Viet Nam	10%
9	Peru	10%
10	Armenia	9%
11	Bolivia	9%
12	Thailand	8%
13	India	7%
14	Paraguay	6%
15	El Salvador	6%

Source: Gonzalez (2010); *Rozas and Sinha (2010).

The Micro Finance Movement Summit 2011 report states that:

> *"The field now serves over 137 million very poor borrowers, mostly women, with micro loans and other financial and social services. Studies have shown that millions of families have been lifted out of severe poverty partly as a result of the impact of microfinance in their lives and communities."*

4.2 Concern Expressed by International Organizations and Foreign Providers

After the World War II most world institutions namely, UN and World Bank and International Monetary Fund as well as several aid programme had a charter of poverty removal. However it is observed that most of foreign aid programme were directed to facilitate companies to have business in developing countries. It is also observed that IMF and World Bank conditions of loans and suggested "structural adjustment programme" which required borrowing countries to reduce social spending had negative impact on removal of poverty and in fact added poverty in borrowing countries.

The Millennium Development Goals of UN 2005, has its first goal as removal of poverty in the world by half by 2015. The actual language of the basic goal is: "To reduce by half the proportion of people living on less than one dollar per day." Later, it was changed to $1.25 per day. Both figures are adjusted for Purchasing Power Parity (PPP). (See United Nations, *Millennium Development Goals Report 2011* (New York: United Nations, 2011), pp 6-8").

However, to quote:

> *"The Millennium Development Goals 2011 Report, right after touting the projection that the world will achieve MDG #1 by 2015, it is stated that there will still be roughly 900 million people living in severe poverty around the world, half of them in India! Also, while absolute poverty or severe poverty is reducing, the relative gap between the rich nations of the global north and the poor nations of the global south has been widening in recent years, as has the gap between the rich and everybody else within all nations, poor and rich alike."*

4.3 Focus of work on Micro Finance

Most of the work on micro finance is devoted to show expansion and growth of availability of micro-credit to poor and do those who were not bankable through traditional banking system. What is the impact of this growth and what is impact newly devised model of commercialization of micro finance is not yet fully researched.

4.4 Operational Aspects of Micro Finance: Global Scenario

However, an analysis of operation of Micro Finance in the latin American Countries namely, Bolivia, Brazil, Peru, Columbia and Maxico through commercial model present very educative stories in the field of Micro-Finance. All the Latin American countries experienced: fast growth of micro-finance, high rate of interest, more than Marwari Rate of interest in India which was abhorred world over.-which never went beyond 30 percent in those days. In these countries interest rate ranged between 50 to 190 percent, high indebtedness, high consumption expenditure and multiple lending to single borrower has put serious pressure and caused indebtedness among the poor rather than alleviating their poverty. To quote:

"The serious problems that have emerged in precise tandem with increased commercialisation have been simply ignored. Central among these problems is the fact that, contrary to all neoliberal theory and microfinance advocates' predictions, the highly deregulated and ultra-competitive microfinance market in Mexico has generated ultra-high and rising interest rates. This was most graphically shown when it emerged that the high profits made by Compartamos are today being generated thanks to interest rates of around 195%," This has attracted foreign banks to Maxico to quote " ..a significant rise on the interest rates applied in earlier years. Such ultra-high interest rates are, of course, one of the reasons that since 2007 foreign banks have been desperate to have a presence in the Mexican microfinance market."

With regard to interest rate situation was not better in Bolivia until Leftist government of Evo Morales came into power 2006 after Micro-Finance meltdown owing to market saturation to quote:

"First 'microfinance meltdown' that took place over 1999-2000. The microfinance sector only managed to recover when some key MFIs withdrew from the Bolivian market, notably a Chilean consumer lending institution. Later on, when the government of leftist Evo Morales was elected into office in 2006, the microfinance sector continued to grow fast, but it also now came under much greater scrutiny in terms of the real role it played in poverty reduction and sustainable development. With many reservations concerning the real development role of the microfinance model, the Morales government put the microfinance sector under much stricter oversight and control. For example, interest rates were capped to an extent and other measures enacted to slow down the growth of the sector." This however, did not happen in Maxico and other Latin American Countries. To quote the case of Columbia "The government has taken a strong interest in promoting rapid growth of the microfinance sector, though not, it is quick to add, if this involves exploitation of the poor through high interest rates. For that reason, Colombia has been one country ------- where interest rate caps have been deployed. However, intense lobbying pressure by many of Colombia's leading commercial banks recently succeeded in getting the Colombian government to raise the interest rate cap from its initial level of 33% to 53%. Even though the evidence points to there being an over-supply of micro credit already, the argument justifying the changes to the interest rate cap was publicly based on the idea that the supply of micro credit would be increased as a

result. Perhaps the real reason for the change, many have speculated, was the fact that the leading commercial banks and MFIs in Colombia, which were already highly profitable at the old 33% cap, simply wanted to emulate their Mexican counterparts ----- and be in a position to raise their interest rates in Research Department order to make even higher profits than ever: which is exactly what they did. Admittedly, with much higher interest rates and profits now possible, many more foreign banks have shown a willingness to enter Colombia's microfinance market. So the supply of microfinance has increased. But the result of this foreign entry has been to add yet more fuel to the fire of personal over-indebtedness, which is now getting completely out of hand. Of particular concern is the very dramatic rise in consumer credit in recent years: consumer credit as a percentage of total private lending went from just 16% in 2000 (Jiménez/Manuelito 2011: 49) to reach a massive 42% by 2012."

The Malegam Committee of RBI in India had recommended a cap of 24 percent, but under intense lobbying as stated in chapter on history growth, RBI seems to have relaxed this cap.

4.5 Interest Rates a Global Driving Force[4]

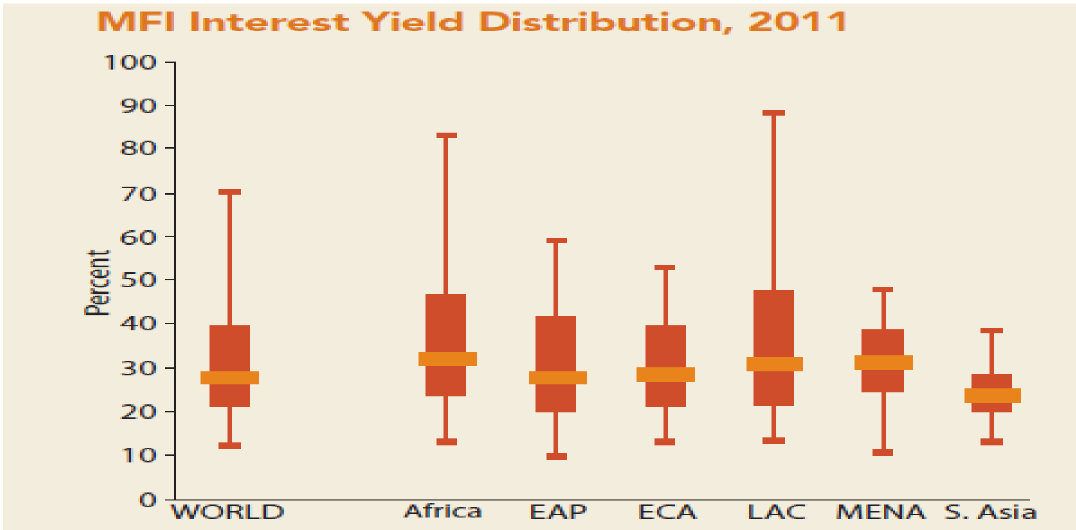
Micro Finance programme before commercialization had interest rate in rage of 12-24 percent. Most of the bank loan range from 18-22%. Subsidized interest rate may be between 6-8 percent also. Key to possibility of helping poor and women is cost of loan acquired by them. If the cost of loan as defined in terms of: interest rate, service charges, periodicity of repayment, compulsory deposit with or without interest is more than what a borrower can afford given the possibility of return on loan amount invested for income generation or his earning from the vocation he/she engages, it is very likely that loan amount may lead to indebtedness of the borrower and follow up consequences. It is, therefore, very important to see what has been general trend of cost of loan product for the borrower globally. Cases of Latin American countries narrated above are somewhat frightening and appear to cause serious crisis in micro-finance sector. In fact it has already caused the crisis in 2006 and 2010. A Washington DC base organization named as CGAP KfW and Micro Finance Information Exchange, (MIX) in its report presented data pertaining to interest rates of micro-finance

[4] Microcredit Interest Rates and their Determinants, 2004-11, Access to Finance 'FORUM' Reported by CGAP and Its Partners, No. 7, June 2013.

over a period for various regions and countries in the world. In its report for the years 2013 presents full range data from 2004-2011. The report defines interest rate for borrower as Annual Percentage Rate (APR) which includes Principal and Interest rate, other changes and fees and compulsory deposit if any. In fact it calculates all the costs of loan explicitly or implicitly designed by the lender. The lenders always use interest yield and gross loan portfolio (GLP) which may hide real interest rate. The example is that, if interest rate is 20% but borrower is required to keep some amount as deposit than actual amount available with the borrower may be less and real interest may be higher says 25% or so. Therefore, APR is appropriate indicator of loan cost for the borrower. However data analysis available for interest yields rather than APR. Interest yield data reveal the following (see Figures 4.1 to 4.5):

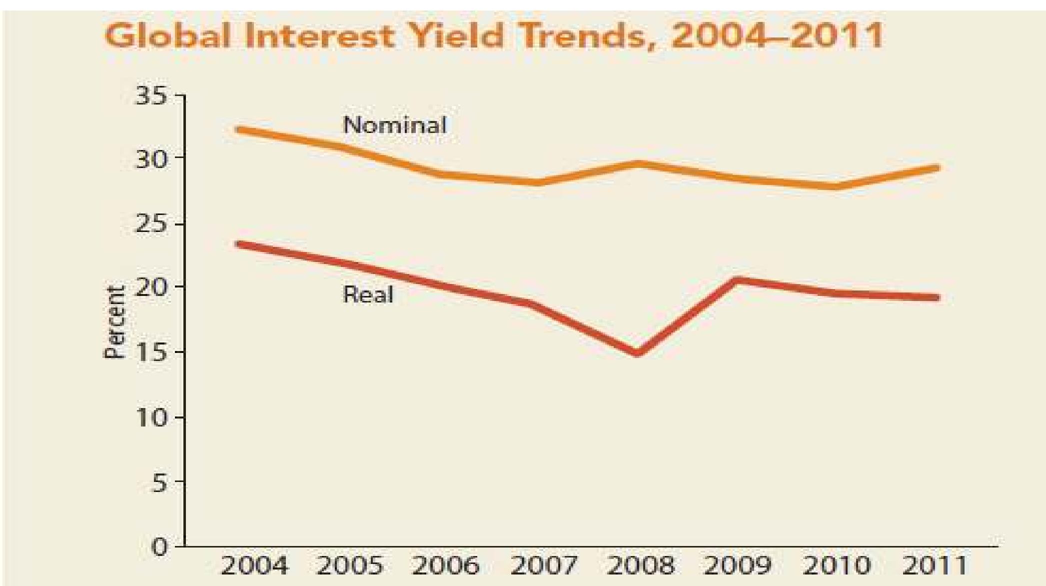
The global picture interest yield reveals that median interest yield is 27%. This median interest yield hides vast variation among the region. The interest yield in terms most of MFIs (95%) and (5%) collecting in Latin America is highest. It ranges below and about 70% for World and for Latin America it is below and about 90 percent, for Africa it is below about 85% for South Asia it is lowest ie. below and about 40%. The median yield is low for South Asia. However there is less variations. Most of the Reports on Micro Finance focus on interest yield, cost of funds, loss of fund and return to investment. There are in general very few studies which analyses return on investment from borrowed amount by the borrower if he/she is using it for income generation activities. Given this limitation let us see the position of interest yield for MFIs /money lenders. The above report shows that interest has more or less remained stable over the period 2004-11 expect for some decline after 2006 in the 2007-8 after this it stopped declining. Interest yield in real terms never went below 20%. This is fairly high given the inflation rate of 6-8 percent. The normal rate ranged between 30-35 %.

Figure 4.1: MFI Interest Yield Distribution, 2011



Note: Interest and fee income from loan portfolio as % of average GLP, 866 MFIs reporting to MIX. The thick horizontal bars represent medians; the top and bottom of the solid boxes represent the 75th and 25th percentiles, respectively; and the high and low short bars represent the 95th and 5th percentiles, respectively. So, for example, 95 percent of the MFIs in the sample are collecting an interest yield below about 70 percent. Data here are unweighted: each MFI counts the same regardless of size. EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, MENA = Middle East and North Africa.

Figure 4.2: Global Interest Yield Trends, 2004-2011



Note: Global interest and fee income from loans/average total GLP, weighted by GLP, both nominal and net of inflation.

Figure 4.3: Interest Yield Changes, 2004-2011

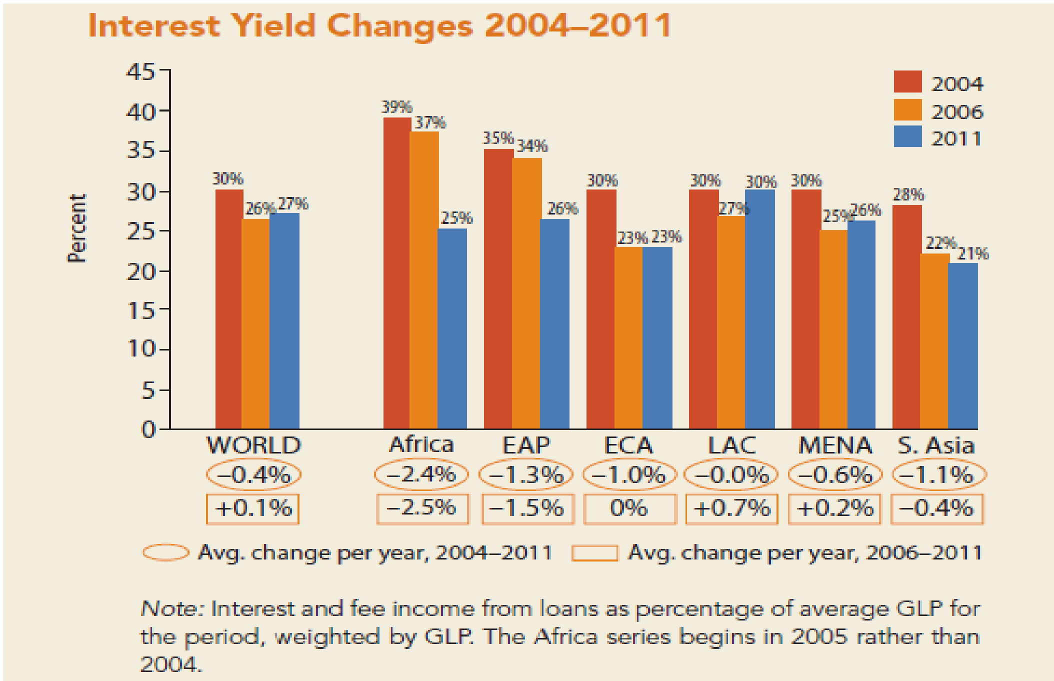


Figure 4.4: Prof-Profit vs. Nonprofit Interest Yield, 2004-2011

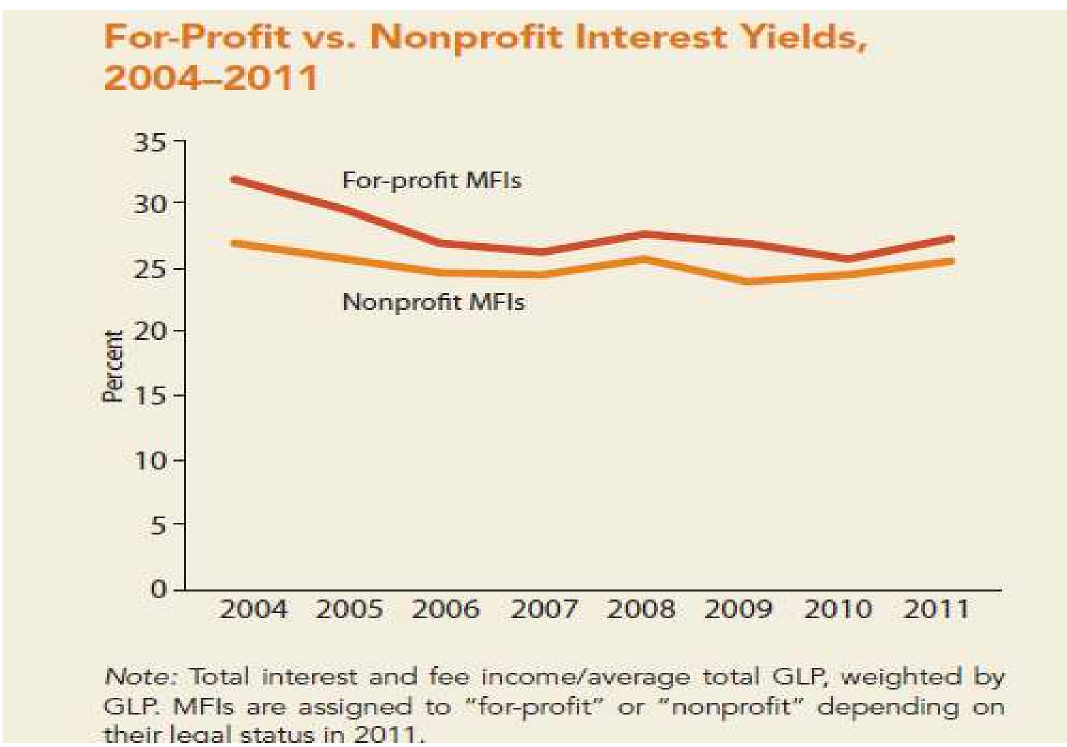


Figure 4.5: Interest Yield by Target Market, 2004-2011

Note: Total interest and fee income / average total GLP, weighted by GLP, nominal. MFIs are grouped by "depth"—average loan balance per borrower as % of per capita gross national income. For the "low end" market, depth is <20% or average loan balance < US$150. For "broad," depth is between 20% and 149%. For "high end," depth is between 150% and 250%. For the "small business" market, which is not included in this graph, depth is over 250%.

The interest among the region has declined over a period except for Latin America please see figure above. Interest yield is higher for for profit org and relative less for not for profit organizations. See figure below 2004-2011 period.

4.6 Loan Loss Provisions 2004-2011[5]

Provision for loan loss to Gross Loan Portfolio has increased over the period. Loan loss provisions have shot very high for Mexico and India after 2006 when equity based MFI cause very fast rate of growth of clients and loan amount. For other region loan loss provisions were very normal. Please see figures 4.6 & 4.7.

[5] Ibid.

Figure 4.6: Loan Loss Provision 2004-2011

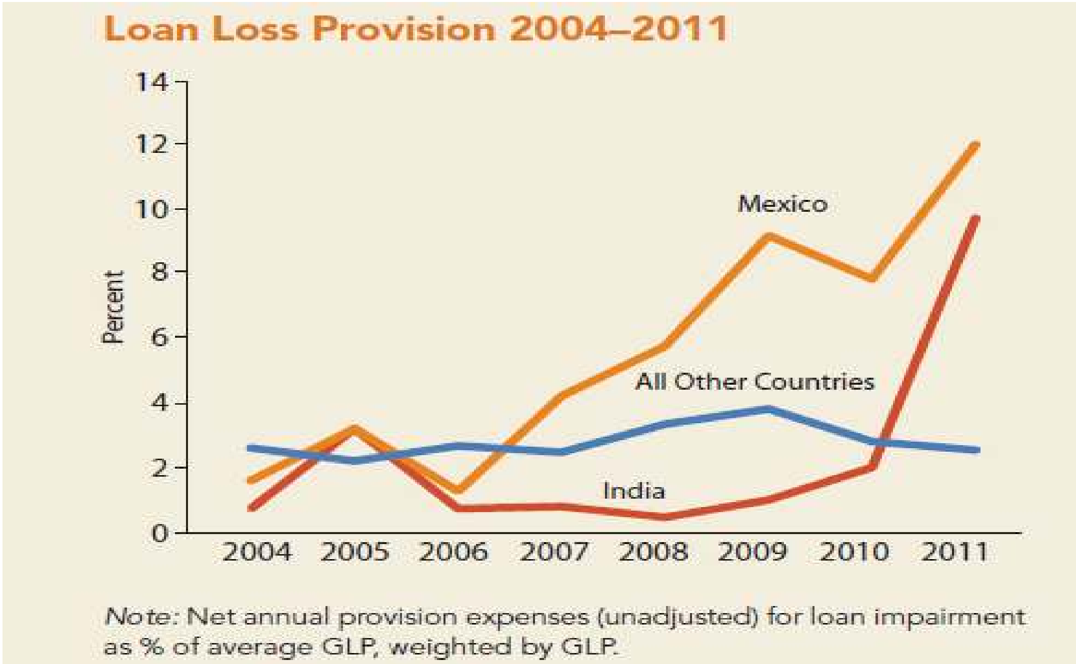
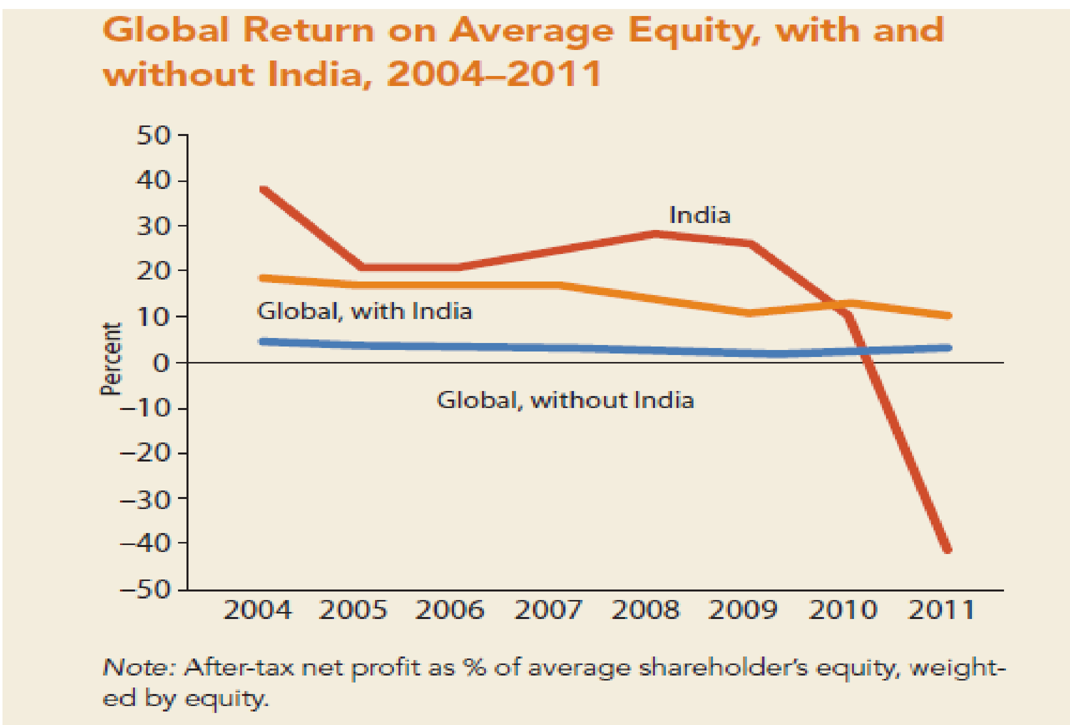


Figure 4.7: Global Return on Average Equity, with and without India, 2004-2011



Globally interest yield is around 27 percent 2011. Initially in 2004 it was 29 percent it declined in 2007 but remained stable thereafter. The interest which may not true reflection of cost to borrower is considerably high. Profit margin as ratio of interest is also very positive. Micro finance suffered losses owing to fast growth, higher interest rate and equity participation. Situation was very serious in Mexico and India. India has been one key factor in decline in return to equity. Micro finance since 2004 has been more of business proposition to make profit from bottom of the pyramid. The lead was taken by Latin American Countries and followed by India.

4.7 Informal Sector Vs Industrialization a Model for Removal of Poverty

The latin American Countries experienced has raised a issue that high interest rate has assured flow credit to micro and tiny producers but it has affected growth of Industry. This is the dimension which is receiving a negative reporting, though logically, if micro finance has helped growth of informal sector, it should lead to poverty alleviation as it is at that level poverty is deep rooted, yet for some economist, it has become a cause of concern and they have termed it as anti-development of modern industrial sector owing to lack of credit for SMEs and Industries as information sector credit earns higher rate of return than the formal sector. This kind of reporting is from most talked Latin American Country-Bolivia. The Peru economist had suggested for development of informal sector through Micro-Finance. Those votary of industrialization and large scale production processes for economies of scale find it at odd the policy of credit for informal sector. Informal sector, as in the case of Bangladesh, India and many of developing countries in Africa and Latin America consists of poor women and those who do not posses economic assets, Hence they engage in patty business to meet both ends and it helps them to meet the challenge of poverty. But the votary of industrialization and large scale production and large scale marketing, a developed countries model, insists that growth of information sector affects the growth of formal industrial sector. The question is at which place, within the developing countries or in developed countries as their large scale production goods needs world market. Developing countries are more suited to provide this market. Even if developing countries go for large scale production in the sector where world market is flooded by developed economies it would find difficult to succeed or else it would work for developed countries outsourced industrial base. The debate is which kind of model will reduce poverty-employment oriented centralized production model with high rate of educated as well uneducated unemployment or micro enterprise model with custom made products and their distribution in local areas. This is larger question we will attempt in our final analysis. Here it may be important to highlight the Bolivian case which is making lot of concern for industrial development economist. For the benefit of readers we will quote:

> *"The microfinance sector --- plays a very central role in financial intermediation in Bolivia, probably more than in any other country in Latin America, if not globally. Commercial banks in Bolivia derive their capital from deposits and bond issues, and with few mechanisms to pass on risk to others in the financial system (such as insurance companies and pension funds), they effectively have to seek out lower-risk/high profit projects. Informal micro enterprises and one-person self-employment ventures fit the bill perfectly: hence the 'downscaling' into precisely these areas of business. On the other hand, managers in Bolivia's formal enterprise sector rate 'access to finance' as the third most important barrier they have to overcome (World Bank 2011a: 4), suggesting that they are clearly not finding it anywhere near as easy as the typical informal micro enterprise to access financial support. "It further points out that "Predictably, informal micro enterprise activities have expanded to become the most dominant group of clients for the microfinance sector in Bolivia (Baldivia-Urdininea 2004; Brett 2006). The overall result is that the Bolivian economy has seen very rapid growth in the informal sector since the arrival of the microfinance sector in the late 1980s, but comparatively little development (and getting less year by year) in its far more productive formal small and medium enterprise sectors. --- More than 52% of non-agricultural workers are employed in the informal sector (ILO 2012). ------*

Moreover, all indicators point to the fact that the local economy is not just dominated by informal microenterprises and self-employment ventures, but also that the vast bulk of formal and informal microenterprises that do manage to operate in the industrial sector are extremely weak as well.----- productivity in Bolivia's ballooning microenterprise sector was the lowest in all of Latin America. Since then Bolivia's microfinance sector has become even more reluctant to fund industrial sector microenterprises. The reason is that funding industrial sector microenterprises is much less attractive compared to funding tiny informal petty trade-based and handicraft microenterprises, mostly involving poor women and that can pay very high interest Research Department rates through the simple quick turnover activities they engage in. Moreover, in the manufacturing sector specifically, microenterprises now also dominate more than ever: 91% of Bolivia's manufacturing enterprises employ less than ten people, meaning few scale economies are being realised here (IDB 2010: 77)." However, there is no study or mention of impact on poverty alleviation and possible empowerment of women. The debate seems to have taken the convention small vs large scale base industrialization ignoring existing state of industrial and market development in world's developed economies.

4.8 North American Scenario with Regard to Micro Finance

A Pilot study in the 1990s and for nearly a decade by Calmeadow in some of Canada's earliest micro lending experiments based on issues such as: (i) a highly dispersed customer base, (ii) competing sources of commercial credit, and (iii) reluctance to charge adequate interest, revealed that:

> *"It was not possible to build sustainable programs of lending in the Canadian pilot areas: First Nations communities, rural Nova Scotia, Vancouver, Toronto and Halifax, without significant ongoing and sustained charitable subsidies. It was determined that a model that could cover direct costs, financial costs and collection costs would require an effective loan interest rate in excess of 50% per annum. The pilots used a charitable subsidy of approximately 30% to bring lending rates down to more acceptable levels." Followed by this Omega commissioned Calmeadow to study the resurgence of Micor-finance.*

The report of Calmeadow revealed that to quote:

> "Confirms it has developed deep roots and now provides affordable and accessible financial services to millions of low-income largely self-employed micro entrepreneurs. Capital to finance these institutions is now available primarily through local equity investment and deposits, complemented by international private, government for- and not-for-profit funding. Dedicated microfinance organizations manage and direct globally over $7 billion of targeted microfinance investment funds."

It provides list of institutions engaged in providing funds to MFIs.

Country	Institution
China	China Postal Savings Bank
	The Industrial and Commercial Bank of China (ICBC)
India	National Savings Institute, Ministry of Finance
	National Bank for Agriculture and Rural Development (NABARD)
Indonesia	P.T. Bank Tabungan Negara (Persero)
Iran	Postbank Company of Iran
Japan	Postal Savings Business Department, Financial Business Headquarters, Japan Post
Kazakhstan	Halyk Savings Bank of Kazakhstan
Korea (Republic of)	Dongbu Savings Bank
	Korea Federation of Savings Banks (KFSB)
	Korea Post, Postal Savings Division
	Korean Savings Banks Group (Korea Savings Bank, JimHeung Savings Banks, GeyongGgi Savings Bank)
Macau	Caixa Económica Postal de Macau
Malaysia	Bank Simpanan Nasional
Mongolia	The Savings Bank, Mongolia
Pakistan	Central Directorate of National Savings
Philippines	Philippine Postal Savings Bank
Sri Lanka	National Savings Bank
	Hatton National Bank Limited (HNB)
Tajikistan	The State Savings Bank of the Republic of Tajikistan "Amonatbonk"
Thailand	Government Savings Bank of Thailand
Uzbekistan	The State Commercial People Bank of the Republic of Uzbekistan
Vietnam	Vietnam Postal Savings Service Company
	Vietnam Bank for Agriculture and Rural Development (VBARD)

4.9 Over All Global Scenarios

The Micro-Credit movement Summit Report of 2011 state that:

> "The microfinance movement is now reaching saturation in many countries, particularly in Asia.In India and Bangladesh, it is not uncommon to have four or five microlenders operating in a single village or urban slum. As a result, many borrowers have taken out loans from multiple lenders and have become over-indebted. There is no system in place yet for a microlender to be informed about other loans owed by an applicant. Furthermore, the lure of a "fortune at the bottom of the pyramid" has brought many profit-maximizing lenders into the field with interest rates as high as 120%, little evaluation of a borrower's ability to pay, no support for repayment, no requirement that loans be used for income generation, and overreaching collection practices. Such excesses have created a storm of criticism and a backlash from some governments."

The Micro-Credit Summit claimed that their goal of 100 million families out of poverty line was achieved in 2009 since their first meeting in 1997. It also states that the summit adopted two new goals keeping in view the aim of Millennium Development Goal No.1. These resolutions were:

1. *Working to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by 2015.*

2. *Working to ensure that, from a starting point of 1990, 100 million of the world's poorest families move from below US $1 a day adjusted for purchasing power parity (PPP) to above $1 a day adjusted for PPP.*

   The above figures were changed keeping in view the revised poverty line definition by world Bank from $ 1 to $1.25.per day per person.

   To this proposal and millennium development goal the founder of Micro Credit Summit Mr. Sam Dale – Harris pointed out that to quote:

   > "___the new poverty ending goal, while timely and needed, is inadequate as currently stated. The problem with the goal to move 100 million families out of severe poverty is that it doesn't really have a baseline. Reliable statistics about the poverty levels of microfinance borrowers were scarce in1990, 7 years before the first Microcredit Summit and 16 years before the Microcredit Summit in Halifax. And there Were almost no measurements of the movement of borrowers above the $1 a day poverty line. So it will be important to establish a baseline for measurement very soon."

It is a matter of concern of the present researchers that in spite of the fact that Micro-Finance grew very fast to address the problems of poverty, yet there are not many very hard core data based studies to show - how far this instrument of financial inclusion or credit availability have impacted the borrowers in terms of income generation, women empowerment and creation national wealth from bottom of pyramid? Most of the work focuses on supply side of micro-finance concern of suppliers of micro-finance rather than of those who have received micro-finance /credit. It ignores the distinction between for profit and not for profit micro-finance /micro credit activities. Studies on impact are far and few and have been conducted mainly from the point of view of supplier so as to justify the supply side activities.

Mircro-Credit Summit 2011 as stated above expressed the certain challenges arising out of Andhra Pradesh and Bangladesh cases as also general scenario of doubt arising out of practices of micro-finance more particularly for profit MFIs. Some of the concern highlighted by the Micro-Credit Summit sums up the challenges and appeal to overcome these in the interest of movement. Some the challenges highlighted by it pertain to :

(a) Micro-Finance Market saturated and leading to over indebtedness,

(b) Lack transparency and accountability,

(c) Lack of regulation,

(d) MFIs no longer focus on serving poor,

(e) Unscrupulous actors entered the market,

(f) No base line survey of clients,

(g) MF does not move people substantially out of poverty, and

(h) Criticism by academics, press, media and studies showing poor results, to overcome these challenges the Summit suggests 10 action points attempting to tackle the challenges.

However, the Summit as promoters of movement ignores basic question for profit and not for profit approaches and their likely impact on processes and practices of Micro-finance for a cause- that is poverty removal and empowerment of women. It attempts to appeal for both approaches to work together under the concept of “Big Tent Approach” without resolving the contradiction in these two approaches more particularly problems & havoc caused by the later, which though has been admitted by the Summit but it has conveniently ignored to resolve the fundamental contradiction between these two approaches.

Poverty is very complex issue and is caused by approaches state economic policy, business economic practices and socio-economic structures, attitudes, values, models of development, economic endowments and policy of redistribution of economic endowments. Therefore mere financial inclusion in a commercial model of micro-finance can hardly handle such a complex phenomena. It may, on the contrary become a tool in the hands of capital owners to make business at the bottom of pyramid and push them further to poverty and indebtedness both economic and socio-psychological evil leading many people to end their life. Yes, through this poor can be eliminated and not the poverty.

International Experience brings out the following:

- *Micro-finance Programme though started with a mission to intervene in economic life of poor people through providing financial assistance, research and social action soon adopted the model of financial inclusion through commercialized model of micro Finance/ micro-credit. Whereas some continued with mission mode approach, but most of expansion in coverage and loan portfolio increased with commercial model.*

- *Commercial model seeing business at the bottom of pyramid charged high rate of interest and went ahead with high increase in per person loan portfolio in Latin America whereas in Asia loan portfolio per person remained relatively low yet it high enough to cause worry and indebtedness.*

- *Most of the foreign banks seeing good business and high rate of return in micro finance invested more in micro-finance. Equity investment also came as response to possible high rate of return and assured repayment. However, In Maxico and India loan loss was very high resulting in meltdown of micro finance all round criticism in press in academia.*

- *Bolivia was the first country to move to commercial model of Micro-Finance. It also raised a very interesting case pertaining to model of development that is Micro-tiny business/production Vs Small and industrial* *production. Studies are not available on impact of growth of micro and tiny business on families income and living standard pre and post participation in tiny and micro business.*

- *Universally model seems to have been to develop new intermediary financial institution (MFIs) with profit motive, which acquire funds from banks, donors, and equity funds and passes on to poor to meet their micro-credit/finance needs or pushes them to have loan to do business and repay with heavy interest. Not all loan funds goes for income generation activities, it also goes for meeting consumption needs, sickness needs and repayment needs. There are no study indicating how much return and tiny or micro-enterprise can get given the small size and poor market for their products? If return is lower than the interest rate, which is true in these cases as the interest rate have ranged from 30-190 percent, borrower is likely to loose out and remain indebted. This seriously raised the question self sustaining commercialized micro-finance model.*

We will attempt to deal with some of these issues in the subsequent chapters.

Chapter 5

Models of Micro Finance and Meta-Analysis of Impact of Micro-Finance

5.1 Introduction

History and Growth of micro finance review of literature on micro finance and international experience bring forth different models of micro finance. Some have specific objective of addressing the problem of poverty and empowerment of women, yet others have main object of financial inclusion and making credit available to poor and women members of Self Help Group (SHG) or Joint Liability Group (JLG) or just individual borrower. Models as revealed from the above analysis could be described as follows:

5.2 Models of Micro Finance

I Donor Supported and Financed Model

i) Social Action for poverty removal by NGO not for profit through SHG financially supported by donor national/international with inbuilt device to make itself sustaining-focus on poverty removal with low interest rate.

II Banking Institutions' Supported – not-for-profit – With Regulated Interest Rate

i) Social Action for poverty removal by NGO not for profit with the support of banks as financial intermediary.

ii) Bank guided and supported funding to Self Help Groups- focus financial inclusion.

iii) NGOs/ Government agencies sponsored Self Help Groups and financed by banks.

iv) NGO promoted SHGs and financed by banks using NGOs/formal agencies as financial intermediaries

III MFI (NBFCs) Working for Not-for-Profit, Yet Desire/Policy to Expand

i) Micro-Finance Institutions(NBFC) not for profit registered as Trust/ section 25 companies/cooperative/society with high interest.

IV MFIs (NBFCs) Working for Profit-focus being Return on Investment

i) Micro Finance Institutions NBFCs registered with respective countries' authorities and in India With Reserve Bank of India working for profit with high interest rate and compulsions to expand

There are seven ways through micro-finance/micro-credit is taking place world over. In India also these variants of micro-finance are operating. Though micro-finance started with a noble objective of helping poor and in particular women, yet it swiftly moved into the concept of financial inclusion and addressing the problem of poverty through micro-credit. However, to begin with most of the expansion and growth of micro-finance in India was through supported & financed by banks or through NABARD working as refinance to banks for expansion & support. Followed by this, the expansion and growth was through MFI-NBFCs working for profit or for not profit. Here also main sources of funding was through banks, cooperatives, savings from NGOs based trustees as equity fund. The SIDBI fiancé as equity fund to SKS is an example cited above.

There may be several variants of Micro-Finance, but there are four broad models having distinct philosophical and logical make up to address the problem of poverty. Most of studies do not explicitly discuss this aspect, as it is believed that making credit available to poor will address the problems of poverty. This in our view is very simplistic approach. Poverty being complex phenomena only credit or financial inclusion may or may not tackle the problems related to poverty. It that is so than , if Malegam Committee's three postulates of micro-finance (which mainly emanates from concern for poverty and women empowerment) has to be kept in view than one must address the issue of philosophy and logic of models of micro-finance. We would like to make an attempt towards this. The theoretical construct of philosophy and logic discussed below may not be explicitly understood and followed in these models, yet there an implicit philosophical and logical back on any action on the ground.

5.3 Philosophy and Logic of Models of Micro Finance

5.3.1 Donor Supported and Financed Model: This model has built in objects of helping poor and in particular women members of Self Help Group Hence the NGOs engaged in this activity has to be necessarily social action and research oriented with philosophy and logical set up to mobilized, motivate, work for finding market for income generating activity, act as change agent in social and economic set up of their location. Such NGOs were not under any pressure to increase membership of SHG or loan disbursement. They also took a long term view of their poor conditions and adjusted with emergency needs of borrower beneficiaries. It adopted holistic approach and friend, philosopher and guide approach to address the problem of poverty.

Author and members of SEED have personal experience of visiting such NGOs , Srijan, IBTDA, Deepalya, Pradan , St. Paul Trust and Brighter Future Trust, in Rajasthan, Haryana, Madhya Pradesh, Jharkhand and Andhra Pradesh (Now Telengana and Simandhra) and interacting with beneficiaries and villagers. Philosophy and logical set up of these NGOs, though receiving funds from DONORs- national and international, government agencies and banks were to address the problems of poverty and empowerment of women. These were working in most difficult areas and social environment, yet making their impact on lives of people.

5.3.2 Dewan Foundation Micro Finance Model: Within this donor supported model, there was a unique model of micro-finance supported by Dewan Foundation of UK. It was unique in the sense that it attempted to: (a) provide funds with reasonable interest rate say 10-12 percent per annum, thereby making difference from charity concept, as borrower returned the money with interest. However, money so returned and saving done by member became the capital of the group. This, over a period could become substantial amount to be available for intra group loaning and self sustaining, (b) empower women SHG members to engage in income generating activity and acquire place of proud in the family. Enhancement of social status was through engaging in income generating activity or even by providing acquired loan funds to spouse for income generating activity. Occasionally, some women members, with support of social action NGOs, fought the bad habits such as drinking of spouses. Hence logically and philosophically this model could fit in one or more of postulates of Malegam Committee.

The Dewan Foundation devised that in a period of five year the group should be self sustaining and principal amount should be returned to Foundation at the 25% per year over 5 years for the amount to make available to other NGOs engaged in this activity. It is estimated in 10 year period each group and NGOs finance would be become self sustaining. NGOs were paid 10% of the some as administrative expenses.

5.3.3 Bank Financed and Supported Model of Micro-Finance directly or through NGOs and refinance by NABARD and Other Public Sector Banks: This model when it worked through NGOs has somewhat social action orientation as NGOs were receiving support from other agencies for social action and research. Yet from the point of view of finance it was financial inclusion model and making micro credit available to poor and women it did not have any explicit philosophy and logical set up to empower women and make it self sustaining. Financial inclusion works in helping member of SHG to get funds from banks at the reasonable rate of interest pay them on monthly installments through NGOs or directly. As there is no collateral either NGOs stand for guarantee or group stand for guarantee. Once the loan is over no capital accumulation takes place with the group and therefore it does not become self sustaining. It assumes once the credit available at a reasonable rate after repayment they can borrow again and over period and individual borrower SHG member can come out of poverty cycle. This assumption is not found true on ground level situation. However, in the event of major calamity and loan default, if government wishes it can waive the loan and interest. Thus indirectly it transfer funds to borrowers of course with some social stigma /trauma. Philosophy and logical make up of this approach is financial inclusion one or more times that enable SHG members to come out of poverty cycle. The extent of success to such approach needs to thoroughly research. Prima facie the model does seems to address the complex problems of poverty.

5.3.4 MFI–NBFCs Micro Finance Not-for-Profit: As per provisions of Trust Act, Societies Act and Section 25 of companies Act activities including Non-Banking Financial MFIs profit cannot be claimed by trusty, or the office bearers of the society and owner of the company. Such entities are also exempted from income tax under section 80G of Income Tax Act. Surplus so generated by their entities are ploughed back for promotion objects of these entities. Hence philosophical and logical make of MFI could be poverty removal and empowerment of women. Yet desire and policy for expansion ay make them to work as banks to provide micro credit or for financial inclusion. These MFI may charge interest rate to cover the cost plus some surplus for expansion and development. A good number of MFIs in India are working under section 25 of companies act. They have also expanded their reach and loan funds to SHGS or JLG. Since they work as financial institutes, they have to ensure repayment with interest and adopt the practices of NBFCs. Such MFI may have some social action and research objects, but in practice they work for financial inclusion with group liability collateral funding and the issue as providing micro credit. Rate of interest is expected to cover both administrative cost plus some surplus for expansion and development. It also assumes availability of credit will help borrower to generate income and come out of poverty cycle. How far this assumption hold valid is a matter of further research, on the prima facie it may not hold true at there is not in built mechanism to ensure sustainability when such entities withdraw from the scene.

5.3.5 NBFC's MFI Working-for-Profit: Philosophy and Logic of this model is well defined in terms of profit ie., business at the bottom of the pyramid. It assumes financial inclusion of poor with sustainable system of micro–finance by MFIs. Sustainable in the sense that it makes profit and attracts more investment, more investments reaches to larger number and larger number contribute to growth and development of MFI which continue to do business at the bottom of pyramid. Those who have credit on group liability basis pay installments and interest and there is large band of worker who ensure to meet expansion target and recovery of the loan and interest amount, if need be with coercion. Funding to such MFIs come from cooperative banks, equity investors, Public Sector banks, equity fund from trust and other refinance banks including foreign banks. As FDI is through automatic root in micro-finance foreign equity based funding is also available to such MFI. Rate of interest has to cover cost plus profit so as to attract investors. Here the main object is financial inclusion and assuming micro-credit will help members to come out of poverty cycle. Most of the problem of micro-finance has emanated from this model in the year 2006 in Latin America and India and 2010 in India. Reason for setting up of Malegam Committee to examine the problem and suggest solutions came as a response to problems such as: multiple lending without ensuring repayment possibility, heavy interest rate, short duration of repayment installment, coercive practices, suicides by borrower caused by such MFIs and follow up intervention by Government of Andhra Pradesh, as most of MFIs were headquartered in AP. Philosophical and logical make of this model is anti poverty removal and empowerment of women. In the event if such companies fail, investors loose- which could be banks, cooperative banks, Private investors, trustee investors. Except for private investors, public at large losses out of amount given to state exchequer at tax, deposited in banks as savings. Gain could be partly to borrower as companies stop bothering them, but their social stigma and sort of trauma of indebtedness with the individual and family of borrowers. This indebtedness may push borrower to deeper cycle of poverty.

Under above theoretical construct we attempt to analyze impact of micro – finance on removal of poverty through some existing studies and meta analysis of five studies conducted by SEED at different points of time within span of 10 years and of different NGOs working of removal of poverty and empowerment of women through micro-finance supported by Dewan Foundation and other sources of funding. Before attempting meta-analysis it may be pertinent to theoretical construct of meta analysis.

5.4 Meta Analysis – The Concept and Practice

Meta-analysis involves the statistical analysis of previously conducted studies or reported research findings on a given empirical effect, intervention, hypothesis or research question. It allows the combination of all relevant literature in a particular research area using statistical methods with the aim of evaluating and synthesizing the existing evidence (Card and Krueger, 1995). Meta-analysis makes it possible to combine, and contrast, different studies, with the view to identifying patterns in existing findings and other relevant relationships which can only be observed in the context of multiple studies. By statistically combining the empirical results from existing studies, the 'power' of the analysis is increased; hence, the precision of estimates are improved. It is viewed that "The microfinance industry which includes services such as microcredit, micro-insurance, micro savings and money transfers, amongst other things, has caught the attention of a wide range of people. Microfinance over the past few decades has grown to become one of the major development programmes in the world, both in terms of the number of people targeted as well as the financial input that it receives (Rooyen et al., 2012). The industry has attained considerable growth around the world with the promise of helping alleviate poverty. While the truth behind its ability to alleviate poverty, amongst other things, is still a subject of public discourse, Copestake (2002) indicates that a major reason for the popularity and growth of the industry is its 'market friendly' nature which is characterised by flexible lending mechanisms. Some, however, remain sceptical about the positive impact of microfinance and thus donors (both prospective and current), government agencies, policy makers and stakeholders are showing much interest in understanding what works, and what does not work, in microfinance. There is, thus, a need for more evidence to ascertain what the impacts of microfinance interventions entail. This points to the urgent need to pull together, and analyse, the existing evidence on the impact of microfinance interventions."

Besides what is observed above:

> ***There are no impact studies segregating different models of micro-finance. Most of the studies of impact carried out by the researchers in various countries take a generic view of micro-finance and carry out impact analysis by using different parameters relevant to their studies. We would make an attempt to do a sort of meta-analysis of review of impact studies highlighting their findings on the subject on the basis of their analysis. We may not be able to do precise meta-analysis of these studies conducted in different parts of the world and in India and Bangladesh most talked about countries in this field. However literature review and reporting of findings of impact studies would reveal fair amount of situation obtaining in the field of micro –finance although it will fall short of our desire to study micro-finance under different models of financing. As in most of the countries a commercial model of micro –finance is prevailing, these finding could be taken valid for such model of finance though not with certainty, but as indicative. This leads us to urge for deeper hard core data based studies considering different models of micro-finance.***
>
> ***We may attempt to carry out analysis in two parts. First part will deal with existing meta-analysis of literature review already carried out by researchers and impact studies carried out for different countries by other researchers. The second part will deal with meta-analysis of studies conducted by SEED on the impact of micro-finance on income generation and empowerment of women in India.***

5.4.1 The Meta-Analysis of Review of Studies

Duvendack and others published 2011 systematic review of research papers on micro-finance impact on income generation and empowerment of women. Similarly Steward and other conducted similar analysis and published in 2012. “These two systematic reviews conducted their own search to identify every article or paper published on microfinance and then analyzed them according to the comprehensiveness and quality of the research.”

The systematic review conducted and published 2011 not only measured how accurate and valid the current literature on microfinance is, but it also measured the outcomes of the institutions published in the literature. They followed rigorous methods for both identifying and summarizing relevant studies. Each study was evaluated on relevancy and comprehensiveness.

They conclude that “the vast majority of articles on microfinance to date are methodologically weak and have insufficient data. Because of this, it is difficult to truly assess the reliability of the impact estimates. The review did conclude, however, that there was no evidence for a beneficial impact on women and the studies that did find such positive impacts were weak in their research design” (Duvendack et al., 2011, pg. 3-4).

Similarly, Stewart et al. (2012) found over 14,000 citations on microfinance that were assessed for inclusion or exclusion for the review. From these, based on relevancy, the citations were narrowed down to 84 studies and then further narrowed down to only 17. These 17 were chosen to be included in the review as they were identified as robust enough by the review’s criteria, which championed randomized control trials (RCTs) as the most rigorous, hence valid, experimental design.

Overall, this survey does not find any evidence to show that microfinance has a large impact on either poverty or women’s empowerment.

This review concludes:

> *“There is less risk if services are targeted at those who already have some financial security, such as savings… which will allow them to make loan repayments even if their businesses do not generate a profit immediately” (Stewart et al., 2012, p.105)”.*
>
> *“The only positive result that these reviewers found was that micro-savings had a relatively positive result on clients without causing greater harm to them. In terms of whether or not there are benefits for women in microfinance, there was no evidence found that concluded whether institutions solely targeting women was beneficial or not. This review also concluded that more research of the effects of microfinance should be conducted”.*

The other existing literature on the impact of microfinance can largely be divided into three main categories:

- first category examines the impact of microfinance on poverty (see, eg., Hulme and Mosley, 1996, Pitt and Khandker, 1998, Copestake, 2002, Wood and Sharif, 1997, Khandker, 2005, Tedeschi, 2010, Banerjee et al., 2009);

- second strand of literature examines the impact of microfinance on women empowerment (see, eg., Mizan, 1993, Hashemi et al., 1996, Steele et al., 1998, Rahman et al., 2009, Pitt et al., 2006, Garikipati, 2012); and
- third set of studies examine other effects of microfinance, such as the impact on education, health and nutrition (see, eg., DeLoach and Lamanna, 2011, Gertler et al., 2006, Jacobsen, 2009, Kouassi, 2008, Leatherman and Dunford, 2010, Hazarika and Sarangi, 2008). Given that the evidence presented by these studies are mixed, potential exists for ambiguous conclusions as to whether microfinance is indeed efficient in fulfilling the promises it makes. This can also affect evidence based policy making.

Unlike in the health care, social care and education research arena where meta-analyses are widely used, meta-analysis in the area of economics is a new development. To the best of our knowledge, no meta-analysis based studies exist regarding the impact of microfinance interventions more particularly as stated above considering different models of micro-finance.

Given this limitation, it may relevant to share findings of the studies mentioned above with regard to women empowerment.

5.4.2 Women Empowerment

Studies reviewing existing studies on women empowerment states that “The fundamental measures of women empowerment are constructed mainly to capture the multidimensional nature of the status of women (Mason, 1986) with regards to key indicators such as mobility, decision making and independence amongst other things. Hashemi et al. (1996) argue that in conducting women empowerment assessments, the most challenging task is the development of a valid and reliable measurement index, given that empowerment can be considered from various perspectives. The existing studies on the impact of microfinance on women empowerment vary significantly, not only in terms of findings made by these studies, but also in terms of the indicators and measures of women empowerment used. From the existing literature, it is apparent that there is no coherent measure of women empowerment; however, some indicators have been consistently considered as a key determinant of empowerment in most studies. Some of the key indicators used include mobility, political and legal awareness, economic security (Hashemi et al., 1996, Steele et al., 1998), decision making ability (Mizan, 1993, Pitt et al., 2006, Steele et al., 1998), and increase in assets and control over these assets (Goetz and Gupta, 1996, Montgomery et al., 1996)." The key findings these studies as reported by review studies states that:

> *"Some studies show that microfinance has developed the confidence level of women by helping them increase their income opportunities (Hashemi et al., 1996, Pitt et al., 2006), others suggest that the loans given to women in most cases end up with their husbands or under their control which, in the long-run, leave women even more vulnerable (Garikipati, 2012, Rahman et al., 2009)."*

5.4.3 Review of Impact Studies on Micro-Finance

Here we present findings of studies conducted to study the impact of micro-finance for removal of poverty and women empowerment in India and different parts of world.

5.4.3.1 India

Economic and Social Impacts of Self-help Groups in India (Klaus Deininger and Yanyan Liu)

This particular paper seeks to study the impact of self-help groups (SHG) by utilizing data from Indhira Kranthi Patham (IKP), a program in Andra Pradesh. The SHG for IKP consists of a group of 10-15 people who come together to discuss social issues, make deposits into a joint account, and decide on issues pertaining to loans. The outcome variables this paper chose to study were whether or not there were changes in female empowerment, nutritional status, and per capita income, consumption, and assets.

In terms of changes within female empowerment, the study found positive results. "About 21% of groups implemented specific activities in the social sphere to counter discriminatory practices and enhance female empowerment" (8). In addition, social capital and economic empowerment increased to the same extent for both borrowers and non-borrowers in the same area, insinuating positive externalities. In terms of changes in nutritional status, there were also positive results. ***Results showed that there was increased knowledge among participants towards nutrition and there were gains in consumption for participants in new groups. Lastly, results for income, consumption, and assets were not so positive. There were no results that showed increases in income or assets.*** The authors provide several possible reasons for this outcome. They speculate that borrowers could have spent their loan money in a non-productive manner. There was also an intense drought during this period that may have lead to an inability to realize loan potential. Lastly, the authors speculate that income effects may occur later as one of the main goals of the project was to smooth consumption for borrowers.

Microfinance and Household Poverty Reduction: New Evidence from India (Katsushi Imai, Thankom Arun, Samuel Kobina Annim)

This particular study used SIDBI (Small Industries Development Bank of India) for survey data in order to study whether or not microfinance institutions have poverty-reducing effects. They utilized IBR indicators to indicate levels of poverty to test and see if MFI loans were raising people out of poverty. The IBR indicators take into account agriculture, employment (this includes income and type of employment), animal husbandry, transport and household assets, house ownership and housing type, and sanitation. These different indicators that group people into five categories: very poor, poor, moderately poor or borderline, self-sufficient, and surplus. The study also has two definitions of microfinance to analyze impact. One is whether a household is a client of any MFI or not and another is whether a household has taken a loan from an MFI for a productive activity.

The results display a difference between female borrowing and male borrowing. Households with female heads are more likely to be clients, yet males were found more likely to use the loans they procured for productive purposes. Household that had a larger amount of educated people were also more likely to take out a loan for productive purposes***. In terms of the effects of the loans on poverty, there was a correlation between loans and poverty reduction. It***

was also noted that the larger the loan amount, the greater poverty reduction in urban and rural areas. Overall the authors declare that microfinance plays a significant role in the reduction of poverty.

5.4.3.2 Nairobi

Evaluation of a Savings and Micro-credit Program for Vulnerable Young Women in Nairobi (Annabel S. Erulkar and Erica Chong)

Erulkar and Chong, in their paper entitled "Evaluation of a Savings and Micro-credit Program for Vulnerable Young Women in Nairobi" seek to study the impact of TRY, a program started by the Population council and K-Rep Development Agency (KDA) in Nairobi. TRY's program involved utilizing both micro-savings and micro-credit, and in addition acted as a place for young women to seek social support. TRY participants were required to form groups of 15-25 members ages 16 to 22. The program combined "savings, micro-credit, training in business and life skills, reproductive health education, and mentoring by adults from the community" (4). After six days of training, participants are required to place 50 kenyan shillings (US$0.65) per week into their savings account (in order to act as collateral against later loan) and meet once a week with their KDA credit officer. According to Erulkar and Chong, "For many girls, the group meetings also became an occasion to share intimate experiences of their lives and troubles, sometimes involving their relationships with partners or parents" (5).

The study attempts to find the impact of this program on three different variables: Whether or not TRY has contributed to increases in income per capita, savings, and household assets, whether or not attitudes regarding gender have changed after participation in the program, and whether TRY increases knowledge of HIV, reproductive health, and their ability to negotiate sex. The study's methods were to compare baseline and endline results between matched samples. Girls who participated in the program were matched very closely to control girls living in the same neighborhood who had the same age, education, marital status, parenthood status, and employment status. ***The results of the study, overall, were very positive. In terms of income levels, household assets, and savings, girls who participated in TRY had a very significant increase***

compared to the control girls. There were also significant results in participants holding more progressive gender attitudes and having more knowledge of reproductive health.

5.4.3.3 Vietnam

Is a Government Micro-credit Program For the Poor Really Pro-Poor? Evidence from Vietnam (Nguyen Viet Cuong)

Cuong in his paper entitled, "Is a Governmental Micro-credit Program For the Poor Really Pro-Poor? Evidence from Vietnam, seeks to study whether or not the Vietnam Bank for Social Policies (VBSP), an institution started by the Vietnam government, really accomplishes its attempt to reach the poor and whether or not their program has any effect on reducing poverty. According the Cuong, the Vietnam government has spent large amounts of money on VBSP's programs, therefore the study was conducted as a way of suggesting policies for improvement or termination if these programs are not really creating the desired results specified.

The Vietnam Bank for the Poor does not require collateral from recipients of loans and the loaning system is based off of clients forming groups of between 5 and 50 members from the same village. Those who wish to join the group must be classified as poor by the government commune authority beforehand. Once a list of possible participants is put together, it is then sent to the People's Committee who must approve it before the process can proceed. According to Cuong, VBSP tries to keep its overdue loan rates as low as possible as the government will issue them less funds if they have a large amount of overdue outstanding loans. Cuong also states that VBSP tends to exclude individuals who are really poor as they are less likely to repay their loans.

To test for these effects (whether or not this institution is really targeting the poor and whether or not this program has any impact on poverty reduction) data was collected from the Vietnam Household Living Standard Surveys (VHLSS) from 2002 and 2004. ***The study resulted in showing that VBSP does not target the really poor. "75.9% of the program participants were non poor***

households" (159) and "only 12% of the poor households in rural areas participated in the program in 2004" (170-171). However, there were positive and statistically significant results in regards to consumption expenditure per capita and income per capita.

5.4.3.4 Indonesia

The Short-Term Poverty Impact of Small-Scale, Collateral-Free Microcredit in Indonesia: A Matching Estimator Approach (Kazushi Takahashi, Takayuki Higashikata, and Kazunari Tsukada).

Takahashi, Higashikata, and Tsukada study the impact of a new NGO, offering collateral free loans, on poverty alleviation one year after the program began distributing loans. According to Takahashi et al., the majority of institutions set up in Indonesia have been for profit institutions, while Yayasan Bina Swadaya Bank Perkreditan Rakyat (BPR-YBS) is a rarity in that it is a non -governmental organization. Takahashi claims that for profit institutions in ***Indonesia have the propensity to make profitability their primary goal and have therefore not been as successful at targeting the poor population***. BPR-YBS was chosen by this study as the organization to collect data from as BPR-YBS does not require collateral and may therefore be seen as more pro-poor. In addition, the researchers for this paper found out that BPR-YBS was opening a new branch and decided that, in order to better control for endogeneity, this was a perfect opportunity for a study on the impact of microfinance.

BPR-YBS requires individuals to join groups of around ten to thirty women. This institution also requires clients to attend weekly group meetings and to deposit mandatory savings per week at these meetings. They must attend four of these meetings before they can begin borrowing. The required deposits into savings act as collateral against future loans to be made.

This study utilizes the difference-in-difference approach as well as propensity score matching to illustrate the impact of "micro-credit on household income, profits and sales (revenues) of self-employed businesses, savings and investment in assets such as durables and livestock, and schooling and medical expenses as well as expenditure on female clothing" (132). Pre-treatment and post-treatment data was collected from "participants in treated villages, nonparticipants in the same treated villages, and nonparticipants in control villages where BPR-YBS did not provide any service during the observation periods" (137). ***The study found that BPR-YBS did not have an immediate effect on poverty alleviation after one year***.

5.4.3.5 Zambia

Inequality and the Polarizing Impact of Microcredit: Evidence from Zambia's Copperbelt (James Copestake)

James Copestake seeks to specifically examine the impact of micro-credit on inequality by using data from a microfinance project created by the Christian Enterprise Trust of Zambia (CETZAM). The specific factors and reasons cited for such polarizing effects include two possibilities: First, that microfinance institutions tend to favor richer clients as they are more likely to repay their loans, leading to more stratification between rich and poor. Secondly, most institutions require credit groups to be formed, in order to lessen the risk of default for the institution, before loans can be accessed. These groups, with each successful repayment, are allowed to access greater amounts of funds, making it harder for those who were already struggling to repay, to pay their loans back, eventually leading to these individuals getting dropped from the group.

The data utilized for this study involved finding "the poverty status of CETZAM clients, based on secondary data, the first year impact of loans on income and other variables, based on data from a sample survey of 'one-year-old' clients with a comparison group of 'pipeline' clients, reasons for exit based on a survey of 131 leavers, and impact beyond the first year of borrowing through repeat interviews with random subsamples of one-year-old borrowers first interviewed as part of the sample survey" (745). In terms of poverty status, ***the study shows an decrease in poverty for those involved with CETZAM. Copestake reports results from a sample survey showing that 65% of borrowers were living under the poverty line and 50% were within the standards of extreme poverty when they joined CETZAM. However these rates at the time of the***

study were shown to be 59% and 39% respectively, suggesting CETZAM had an impact in reaching the poor population. All in all, however, this paper does conclude that CETZAM has possibly lead to greater income inequality. Copestake states, summing things up, "… the evidence presented here suggests that while micro-credit can make a positive contribution to short-term poverty reduction it may do this at the cost of increasing inequality, particularly during periods of wider economic stagnation or decline" (753).

Assessing the Impact of Microcredit on Poverty: A Zambian Case Study (James Copestake, Sonia Bhalotra, Susan Johnson)

This study by Copestake, Bhalotra, and Johnson targeted an organization by the name of PULSE (Peri-urban Lusaka Small Enterprise Project), a group based micro-credit institution that targets borrowers who own a business that is as least 6 months old and is the main source of family income. PULSE members were required to form groups of 25-35 people and attend a weekly training session for 8 weeks. Acting as collateral for loans, PULSE also had a loan insurance fund (LIF) in which mandatory deposits, equal to 10% of the loan amount, were made by each member.

The authors of this study had three aims for their analysis. The first was "to identify characteristics of loan recipients such as gender relative poverty and age of business and to estimate the programme's depth of outreach, the second research goal was to identify and estimate direct impacts of loans on borrowers, their businesses and their households, and to identify indirect effects of the programme" (10-11). In order to accomplish these goals, the following sources of data were used: "a questionnaire-based sample survey of PULSE participants, secondary survey data drawn from the wider population of businesses and households, and a cascading set of qualitative focus group discussions and key informant interviews" (10). The data was analyzed using both regression analysis and an analysis of variance.

The results are as follows***. No significant effects on profit growth for borrowers was noticed after receiving their first loan, however, a clearer relationship between profit growth and the second loan was found. "This***

indicated that monthly profits were raised by 4.5% for every Kw. 100,000 (33 euros) received as a second loan" (15). There were also strong correlations drawn between profit growth and the business training that PULSE provided. The analysis also found that the program did not successfully target the poorest of the poor, however, they did achieve in targeting 1/3 of clients who were below the poverty line. The borrowers that were made worse off by joining the program were those that dropped out after their first loan cycle, which, in one period was 52%.

5.4.3.6 PERU

Monitoring the Diversity of the Poverty Outreach and Impact of Microfinance: A Comparison of Methods Using Data from Peru (J. Copestake, P. Dawson, J.-P. Fanning, A. McKay, and K. Wright-Revolledo)

Copestake, Dawson, Fanning, McKay, and Wright-Revolledo study the effects of microfinance in Peru through utilizing Promuc in Peru, a combination for NGO and not for profit institutions formed in 1994 to advance microfinance to reduce poverty and empower women. In their paper, they highlight the "double bottom line" standard many microfinance institutions have adopted in which they are both concerned about financial performance as well as social performance, arguing that the two are often hard to keep in balance when both are present. They claim that the financial aspect of evaluating MFIs is widely agreed upon, yet analyzing the social performance is not as easy. Their methodology is as follows: "On poverty outreach, we favour monitoring of proxy indicators for clients against national household survey data, and on impact we recommend making more use of individual in-depth interviews" (703). The article seeks to study two methods of monitoring social performance: poverty outreach and impact.

Poverty was assessed by using the CGAP poverty assessment tool in which the first stage of this assessment involves matching new clients with others living nearby. The second stage involved comparing poverty rates in areas that were selected for operation with national poverty rates. The CGAP tool determined, "that Promuc clients were generally worse-off than other people living in the same locality" (706). On a national level however Promuc clients were found to be below the poverty and extreme poverty lines.

To study the impact of Promuc, sample surveys were utilized. The authors then use the survey data to identify correlations between the data and per capita income. Overall, ***"the results suggest that the programme had a significant effect on individual and household income but no effect on business sales or profits" (714).***

5.4.3.7 Egypt

Evaluating the Impact of Egyptian Social Fund for Development Programs (Hala Abou-Ali, Hesham El-Azony, Heba El-Laithy, Jonathan Haughton, Shahidur R. Khandker)

In their paper "Evaluating the Impact of Egyptian Social Fund for Development Programs," the authors seek answer to three questions: "How large is the impact of the SFD interventions? Have the benefits been commensurate with the costs? And have the programs been targeted successfully to the poor?" (33). The authors utilize data from the Egyptian Social Fund for Development (SFD), which is a semi-autonomous agency reporting to the office of the prime minister. The mandate of SFD is "to reduce poverty by supporting community-level initiatives, to increase employment opportunities, and to encourage small-enterprise development" (2). ***Social funds are distinguished from microfinance institutions in that they do not lend directly to borrowers, instead they support small projects that have the goal of benefitting those in poverty. The analysis of this paper rests on the assumption that if micro-credit has an impact, then the Egyptian Social Fund for Development's support for micro-credit has an impact.***

In terms of the impact of micro-credit, the paper concludes that micro lending does seem to lead to higher income per capita in urban areas, excluding farm income per capita. There was also a significant difference between more metropolitan areas and the rest of the country with metropolitan areas having larger levels of expenditure, food expenditure, and income, and lower poverty levels. This was not the case for the rest of Egypt, in fact, it was the exact opposite with lower expenditure and income and higher poverty.

The paper also conducted a test to see if SFD successfully targeted those in poverty they had set out to***. The paper concludes, "The SFD interventions that we have analyzed go to areas that have a higher headcount poverty rate than the national average (21.6% vs 19.6%) and a lower level of average per capita annual household expenditure (LE 2,292 vs. LE 2,556). In this broad sense, SFD interventions are pro-poor, although at first sight only modestly so" (35).***

5.4.3.8 Bangladesh

Does Microfinance Reduce Poverty in Bangladesh? New Evidence from Household Panel Data (Katsushi S. Imai and Md. Shafiul Azam)

This study published in 2010 seeks to analyze the effects of microfinance institutions in poverty reduction by using nationally representative household panel data from years 1997 to 2004. Panel data was drawn from 13 Bangladesh Rural Employment Support Foundation (PKSF) partner organizations, which consisted of more than 3000 households for each round, throughout Bangladesh in an attempt to get a representative data set. Control villages were also selected from nearby villages. This research was funded by the World Bank and states of its data, "This is the largest and the most comprehensive data of its kind so far in Bangladesh collected with detailed information on a number of socio economic variables, including household demographics, consumption, assets anc income, health and education and participation in microcredit programs" (8). Microfinance's effects on women's body mass indices were also measured.

Averages of the panel data are as follows. The average size of each household is around 6 people and classifications for education level and occupation were divided into "illiterate, completing primary education, secondary education, higher education… farmers, agricultural wage laborers, non-agricultural wage laborers, small business, professionals, and other" (9). ***It was found that income per***

capita was higher for the people who did not participate in MFI programs or pull of loans from MFIs.

The results after using fixed effects models are that there is a positive and significant effect of the MFI loans for household income and food consumption, "but this is due to the positive effect of the productive component for income, and the non-productive component for food consumption" (18). It was also found that non-productive loans reduce BMI. The DID-PSM analyses found that those who accessed loans from MFIs in 2004-2005 had a higher food consumption growth than those who did not take out loans.

5.4.3.9 Philippines

Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts of Manila (Dean Karlan and Jonathan Zinman)

This study looks spefically at Manila in the Philippines by conducting a field experiment in addition to surveys in order to attempt to find the impact of microfinance institutions. The authors use First Macro Bank (FMB), a for-profit institution in order to conduct their experiment. FMB came into being in the 1960s, charges an interest rate of 63% for first time borrowers and is a relatively small institution compares to other MFIs in the Asian area. The study finds that with the development of microfinance institutions that formal borrowing increases while informal borrowing decreases.

In terms of the effects of credit expansion to those in Manila, according to the authors, the results are "varied, diffuse, and surprising in many respects" (2). The results concluded that the size of businesses, as a result from receiving a loan, decrease mostly from laying off unproductive workers. The results also conclude that profit increases for male borrowers. Borrowers are also less likely to use formal insurance, as trust in neighborhoods and emergency credit from family and friends increases. ***Overall, there were no increases found in subjective well-being and the authors states, "if anything, the results point to a small overall decrease" (2). Results also suggest that loans benefit males with***

higher incomes the most, while not so much for female micro entrepreneurs. Men are also seen to utilize their profits to send a child to school.

5.4.3.10 Uganda

The Impact of Three Microfinance Programs in Uganda (Carolyn Barnes, Gary Gaile, and Richard Kibombo)

Carolyn Barnes, Gary Gaile, and Richard Kibombo's paper studied three separate microfinance insitutions, attempting to find results on the impact of each program as well as who the programs are reaching. The study is focused on FINCA (Foundation for International Community Assistance), FOCCAS (Foundation for Credit and Community Assistance), and PRIDE (Promotion of Rural Initiatives and Development Enterprises) with these three institutions lying within the following cities: Kampala, Masaka, and rural Mbale. All three institutions require that a certain percentage of the loan be used for purposes within the clients business. The study was conducted by selecting clients from these institutions and then matching them with non-clients with similar characteristics. These clients were surveyed both for the baseline and the follow on survey. The baseline survey participants were then relocated for the follow on survey.

Results in terms of what clientele base these institutions are reaching overall were positive. According to the baseline survey, these programs were reaching micro-entrepreneurs that were neither extremely poor nor wealthy, displaying a possible self-selection bias. However, FOCCAS reached some of the poorest households with its services. There were positive and negative results from the feedback within the survey. Many cited the weekly meetings they must attend as too long and feelings of frustration towards having to assist in the repayment of another members loan. However, only 10% of clients claimed that they had gained no benefits from participation. In terms of increases in financial well being, All three microfinance institutions had clients with increases in profit. Overall, "the study found that program participation is strongly associated with specific types of diversification of income sources," (90) showing that clients now multiple ways of spreading out risk.

Chapter 6

Meta Analysis of Four Evaluative Studies on Funding for Income Generation for Livelihood of SHG Members

(Dewan Foundation Model of Funding for Income Generation for Livelihood of Members of Self Help Groups)

6.1 Introduction

The SEED carried out evaluative studies of funding by Dewan Foundation, UK to NGO for income generation for livelihood and empowerment of women at different points of time within last 5 years for DEEPALAYA, Delhi Based NGO working in Haryana and Uttarakhand, Srijan, Delhi based NGO working in Rajasthan, Madhyapradesh, IBTADA Alwar, Rajasthan based NGO working in Alwar District, St Paul Trust based at Samalkot, Andhrapradesh, Briter Future Society, based at Vijanagaram both working for HIV affted/effected and leprosy population, Pradan based in Delhi working in Jharkhand among other states. Meta analysis of four studies pertaining to Srijan, Ibtada, St Paut Trust, and Future Brighter Society is presented by aggregating sample data collected for evaluating work of these NGOs. Data collected for Deepalya was too little and Pradan in Jharkhand had different set up pertaining to poultry farming, which did not fit in to meta analysis hence these two evaluative studies were not included in data analysis. However finding from all the studies on impact of micro-finance as revealed by research after personal interview with beneficiaries will be shared here.

6.2 The Model

The Model provides for an arrangement between Dewan Foundation and NGO(in this case Srijan) through MOU to join hands for providing loan funds to women members of Self Help Groups to acquire assets for income generation activities for their livelihood and through this empower women. To recover the loan amount in easy installments from the beneficiary and plough it back to funds of self help groups so that more women members could be provided funds for income generation activities for livelihood. SHGs could charge nominal rate of interest, as decided by the group, to be ploughed back in the account of Self Help Group. Members of Self Help Groups are also encouraged to save and deposit in the SHG account and borrow from this fund also. Thus there is possibility of inter-loaning among the members of group out of the saving amount as well as loan from funding by the Dewan Foundation. Inter-loaning (loaning among themselves) is normally to tie up their urgent needs. The Dewan Foundation funds are for acquiring assets for livelihood activities. It is envisaged that in course of time, every SHG will have sufficient funds in its account for their micro-financing for income generation activities for their livelihood. This period could be around three to five years. Having achieved this objective of making every SHG to become self greliant the SGH will refund the amount to Dewan Foundation at the rate of 15% per annum so that the same amount could be ploughed back for helping more number of poor people either through Srijan or through other NGOs.

6.3 Funding Arrangement

The arrangement as agreed to by Dewan and NGO (Srijan) is as follows:

i) Dewan Foundation will provide a sum equivalent to 5% on every disbursement of the amount to Srijan to develop corpus fund or meet expenses as decided by it. SGHs will pay Srijan a service charge of 5% per annum on the remaining funds with SHGs out of funds provided by the Dewan Foundation to SHGs. Srijan would be free to use this fund for building corpus or cover cost of backup and support provided by it. This is presumed to be out of interest amount charged by the SHGs from their member. The rate of interest will be decided by the members of SHGs. This rate of interest as observed in practices was 12% per annum with five percent service charges. SHGs will repay after three-five years a sum equivalent to 15% per cent of loan funds to Foundation through Srijan. Sirjan would start repaying the amount from 4th year to the Foundation and repay up to 90 per cent of the total amount funded by the Foundation and retain 10 per cent to build corpus or to meet their administrative cost. Dewan Foundation will pay 5% to Srijan at the time of repayment of 90% amount for providing technical support.

ii) Thus for every sum of Rs.1 lakh Srijan would get a sum of Rs. 5000 to meet the operational cost. Srijan would be able charge as service charges of 5% on the balance funds with SHGs from loan funds provided by the Foundation annually. Srijan would be able to retain Rs. 10,000 at the exit point at the time of repayment of Rs. 90,000 out of Rs.1 Lakh. Srijan Foundation would pay another Rs.5000 to Srijan as technical support.

iii) Accordingly, for funding to the tune of Rs. 100 lakhs given to Srijan for disbursement the Srijan would be given additional Rs.5/- lakhs as operational cost. Srijan would be able to charge from SHGs 5% per cent of balance amount with SHGs as services charges, which could be between 3-5 lakhs (Approximately) Per Annum. Then this amount would be tapering out at the rate of 15% per annum after three year to five years. At the time of full repayment the Srijan would get Rs. 10 Lakhs, and Dewan Foundation Rs. 90 lakhs. Dewan Foundation will pay another Rs.5 lakhs to Srijan for Technical support. Thus effectively Dewan Foundation will get repayment of Rs.85/- lakhs By that time it is envisaged that SHGs would have build enough corpus as revolving fund to provide micro credit among themselves and become self reliant. This is a new approach through which the concept of self reliance and perpetuity /sustainability of activities both among the poor people for livelihood and NGO is being promoted by the Dewan Foundation. This model with little variations depending on the location health and poverty conditions were adopted for funding to NGOs discussed here.

6.4 Brief Description of Location and Work of NGOs

The evaluative studies of funding by Dewan Foundation to the following NGOs located/operating in Rajasthan, Madhya Pradesh, Andhra Pradesh, and Jharkhand was carried out by SEED office. Two NGOs namely, Srijan and Ibtda Alwar were operating in District Duni and District Alwar. Srijan was engaged in loan funding, motivation and support of rural women for income generation through live stock rearing and selling of milk. Srijan also made provision for collection and cold storage for sale of milk. It formed sort of federation of SHGs. Srijan worked in Vidisha and provided loan funds to women for acquiring irrigation pumps it their accessories.

Ibtda was working in rural areas of Alwar. They were engaged in providing loan facilities to rural women members of SHG for various income generation activities ranging from shop, live stock, to help women to reclaim their mortgaged land for cultivation. It established very good rapport with women. NGOs staff worked for empowerment of women through social and economic education. This researcher while visiting the beneficiaries found out tha not only funding through this NGO was available , but several other Micro Finance Institutions were also operating in the field. It also observed the it gave good financial literacy to women who attempted to borrow from more than one sources. There are three case studies which highlight aspects of financial literacy, aspects of empowerment, aspects of helplessness for want of small credit to reclaim mortgaged cultivable land.

Srijan worked in Duni of Tonk District and in Jaisingh Nagar (Sagar) and Sanchi, Vidisha in Madhypradesh. In Duni, Tonk Rajasthan it provided financial support of women members of SHGs for acquiring mainly the milch animal like buffalo in Jaising Nagar also it provided loan to SHG members for acquiring milch animal , whereas in Sanchi it provided funding for acquiring tube wells for irrigation of land. There are cases of women and old people working for livelihood with great jeel and ability to struggle for survival and development. Here the presence of other MFIs were not so prominent in deep rural areas.

Funding in Andhra Pradesh, Vijaywada area and Samalkot area were for those HIV affected and infected families. They also provided funds to families who were supporting children of parents who expired owing to HIVs. Here support was for the kind of activities which were more close to them. Some preferred shops, some rearing goats, some small groceries, preparation snacks, tiffen for workers, vegetable vending, tailoring and shoe making. Liprocy affected people were given loan for houses. Presence of MFIs is more prominent in Andhrapradesh. However, MFIs presence among HIV affected and infected were no found to be very prominent.

6.5 Primary Data Analysis

Primary data collected from households of beneficiaries in these states which were separately analysed for individual studies are being analyzed by putting together to find out: type of beneficiaries, social economic and education background, their family size, the range of amount borrowed, amount repaid and impact of loan funding on livelihood of women members of SHGs. This analysis is done to find out what type micro finance activities would work to ameliorate poverty, increase productivity, empower women and give impetus to development from below as distinct from development from above.

6.5.1 Data Analysis

Of the 261 household surveyed in these three states 50% were from Andhra Pradesh, a much talked about states in field of Micro Finance for both bad and good reasons. 27 and 23 perecent are from Rajasthan and Madhypradesh. See Table 6.1. Distribution of sample by districts within the states is given Table 6.2. Districts from which sample was drawn are economically backward districts and having substantial proportion of poor.

Table 6.1: State-wise sample

Name of the State	No. of Beneficiaries	Percent
Rajasthan	70	**26.8**
Madhya Pradesh	59	**22.6**
Andhra Pradesh	132	**50.6**
Total	**261**	**100.0**

Table 6.2: District and State-wise number of beneficiaries and name of NGO's

Name of the District	Name of State	No. of Beneficiaries	Name of the NGO's & Address	Percent
Tonk	**Rajasthan**	33	**IBTADA** Moti Doongri, Alwar, Rajasthan	**26.8**
Alwar		37		
Jaisinagar (Sagar)	**Madhya Pradesh**	30	**SRIJAN Delhi** 4, Community Shopping Centre, First Floor, Anupam Apartments MB Road, New Delhi	**22.6**
Vidisha		29		
Vizianagaram	**Andhra Pradesh**	30	**Brighter Future Development Trust** PO Box 18, Plot 705, VUDA Layout, Vizianagaram District, Andhra Pradesh	**51.6**
Peddapuram		16		
Pedapudi		8		
Anaparthy		11		
Jaggampeta		6		
Samalkot		20		
Biccavolu		16		
Kakinada		19		
Gandepalli		5		
Jaggampeta		1		
	Total	**261**		**100.0**

6.5.2 Social Status

If any chart of poverty distribution is worked out one would observe that quarters of them are from SC another 10 percent are from ST, 40 percent from OBC and others accounted for another quarter of poor people. Here it may be pointed out that beneficiaries studied here really do not come from poorest of poor, as poorest of poor neither have land to keep milk animal, nor do they have space to open shop. They do not have any money to become members of the SHGs. Frankly speaking they are completely left out, though these may be small in numbers they have nothing to offer, but their labour at very cheap rate. Any attempt to empower women of this group would need a different approach/

scheme from what is being conceived under various schemes and funding for livelihood. Only exception is: what is being conceived a programme for HIV infected and affected people. An attempt would be made to give out some suggestions for such population (see Table 6.3).

Table 6.3: Social studies of beneficiaries

Name of the District and State		Social Status of Beneficiary				Total
		SC	ST	OBC	Others	
Tonk, Rajasthan	Nos.	5	15	13	0	**33**
	%	1.9%	5.7%	5.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	6	6	10	8	**30**
	%	2.3%	2.3%	3.8%	3.1%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	14	1	19	19	**53**
	%	5.4%	.4%	7.3%	7.3%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	26	6	14	20	**66**
	%	10.0%	2.3%	5.4%	7.7%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	1	0	8	2	**11**
	%	.4%	.0%	3.1%	.8%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	3	0	1	2	**6**
	%	1.1%	.0%	.4%	.8%	**2.3%**
Samalkot, Andra Pradesh	Nos.	2	0	8	11	**21**
	%	.8%	.0%	3.1%	4.2%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	4	0	12	0	**16**
	%	1.5%	.0%	4.6%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	3	0	14	2	**19**
	%	1.1%	.0%	5.4%	.8%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	0	0	5	0	**5**
	%	.0%	.0%	1.9%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	1	0	**1**
	%	.0%	.0%	.4%	.0%	**.4%**
Total	**Nos.**	**64**	**28**	**105**	**64**	**261**
	%	**24.5%**	**10.7%**	**40.2%**	**24.5%**	**100.0%**

The model of micro finance as outlined above and the presence of MFIs for tackling the problem of poverty and empowerment of women.

We need three pronged approach, one for the poorest of poor- where state has to set up decentralized production and manufacturing facilities to engage the poorest of poor in income earning activities, another set of approach is to provide micro finance through SHGs in a type of model outlined above with least repayment pressure, easy payment installments, low rate of interest, third type would be for those who can afford to pay interest rate ranging from 20-24 percent as against IPO based 30-60 percent of interest rate, which is sure to lead people default in loan repayment and under pressure of payment commit suicide. End of the day the failure of MFIs. In our view any rate of interest, more than 4-5 percent of the inflation rate is likely to put enormous pressure on borrower. The return on any small amount of investment, after recovering the cost of livelihood, is considerable low to pay interest and installment. Weakly installments are killers. Added to this there is a problem of high correlation between poverty and ill health resulting into need for more borrowing to meet the exigencies. We will discuss all these aspect in details in subsequent section.

6.5.3 Religious Distribution of Poverty

Of the total beneficiaries surveyed nearly 85 were Hindus, 7 percent were Muslims and 8 percent were Christians. Majority of Christian in this group were from Vidisha, Madhyapradesh followed by Biccvolu, Andhrapradesh. Majority of Muslims in this group were from Kotma, Madhyapradesh (see Table 6.4).

6.5.4 Family Size of Poor

More than half of beneficiaries had 4 and below 4 members. They accounted for 54 percent. One third had 5-6 members. Those above six members were very small. Hence the poverty is not owing to large population size of family. It is among standard and below standard size of 5 member family (see Table 6.5).

Table 6.4: Religion status of beneficiaries

Name of the District and State		Religion Status of Beneficiary			Total
		Hindu	Muslim	Christian	
Tonk, Rajasthan	Nos.	33	0	0	**33**
	%	12.6%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	30	0	0	**30**
	%	11.5%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	35	17	1	**53**
	%	13.4%	6.5%	.4%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	57	0	9	**66**
	%	21.8%	.0%	3.4%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	8	0	3	**11**
	%	3.1%	.0%	1.1%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	6	0	0	**6**
	%	2.3%	.0%	.0%	**2.3%**
Samalkot, Andra Pradesh	Nos.	20	0	1	**21**
	%	7.7%	.0%	.4%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	12	0	4	**16**
	%	4.6%	.0%	1.5%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	15	1	3	**19**
	%	5.7%	.4%	1.1%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	4	1	0	**5**
	%	1.5%	.4%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	1	0	0	**1**
	%	.4%	.0%	.0%	**.4%**
Total	**Nos.**	**221**	**19**	**21**	**261**
	%	**84.7%**	**7.3%**	**8.0%**	**100.0%**

Table 6.5: Total family size (male and female)

Name of the District and State		Total family size				Total
		Below 4 member	5 to 6 member	7 to 8 member	9 to 10 member	
Tonk, Rajasthan	Nos.	13	18	2	0	**33**
	%	5.0%	6.9%	.8%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	15	8	6	1	**30**
	%	5.7%	3.1%	2.3%	.4%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	23	23	7	0	**53**
	%	8.8%	8.8%	2.7%	.0%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	36	20	10	0	**66**
	%	13.8%	7.7%	3.8%	.0%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	7	3	1	0	**11**
	%	2.7%	1.1%	.4%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	5	1	0	0	**6**
	%	1.9%	.4%	.0%	.0%	**2.3%**
Samalkot, Andra Pradesh	Nos.	14	5	2	0	**21**
	%	5.4%	1.9%	.8%	.0%	**8.0%**

	Biccavolu, Andhra Pradesh	Nos.	13	3	0	0	**16**
		%	5.0%	1.1%	.0%	.0%	**6.1%**
	Kakinanda, Andhra Pradesh	Nos.	11	5	2	1	**19**
		%	4.2%	1.9%	.8%	.4%	**7.3%**
	Gandepalli, Andhtra Pradesh	Nos.	5	0	0	0	**5**
		%	1.9%	.0%	.0%	.0%	**1.9%**
	Jaggampeta, Andhra Pradesh	Nos.	1	0	0	0	**1**
		%	.4%	.0%	.0%	.0%	**.4%**
Total		**Nos.**	**143**	**86**	**30**	**2**	**261**
		%	**54.8%**	**33.0%**	**11.5%**	**.8%**	**100.0%**

6.5.5 Age Profile of Borrowers/Beneficiaries

The age profile of borrowers under Self Help Groups for income generation for livelihood indicates that majority of persons are in the age group range 26-40 They account for more than 60 percent. Those below 26 years account for nearly 18 percent and those above 40 upto 60 + age group account for nearly 22 percent. Thus those who are taking loans for income generation activities have physical strength to work for earning and repay the loan. We would like to draw another inference that the age profile distribution also shows age distribution of .general population. That being so, there is very good scope for engaging youth in productive activities through providing loans for income generation activities. These persons being women it may significantly contribute to the economy, if they are involved in economic activities with loan funding (see Table 6.6).

6.5.6 Education Profile of Borrower/Beneficiaries

Education profile of poor women members of SHG is disappointing as 69 percent of them are illiterate and another 20 percent are primary level educated. 8 percent did not respond and 1-2 percent was secondary and senior secondary level educated. In spite of claim of high enrollments in schools, it seems education has not reached poor women in villages (see Table 6.7).

Table 6.6: Age-group of Beneficiaries

Name of the District and State		Beneficiaries age-group												
		No response	Below 20	21 to 25	26 to 30	31 to 35	36 to 40	41 to 45	46 to 50	51 to 55	56 to 60	61and above	Not applicable	Total
Tonk, Rajasthan	Nos.	0	1	0	8	9	6	2	1	1	3	2	0	**33**
	%	.0%	.4%	.0%	3.1%	3.4%	2.3%	.8%	.4%	.4%	1.1%	.8%	.0%	**12.6%**
Jaisinagar (Sagar), MP	Nos.	0	0	2	5	6	6	3	4	3	1	0	0	**30**
	%	.0%	.0%	.8%	1.9%	2.3%	2.3%	1.1%	1.5%	1.1%	.4%	.0%	.0%	**11.5%**
Kotma (Anuppur), MP	Nos.	0	1	1	15	13	8	7	2	2	3	1	0	**53**
	%	.0%	.4%	.4%	5.7%	5.0%	3.1%	2.7%	.8%	.8%	1.1%	.4%	.0%	**20.3%**
Vidisha, MP	Nos.	2	1	9	13	9	17	3	6	5	1	0	0	**66**
	%	.8%	.4%	3.4%	5.0%	3.4%	6.5%	1.1%	2.3%	1.9%	.4%	.0%	.0%	**25.3%**
Ichhawar (Sehore), MP	Nos.	0	0	2	3	2	0	0	2	1	1	0	0	**11**
	%	.0%	.0%	.8%	1.1%	.8%	.0%	.0%	.8%	.4%	.4%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), MP	Nos.	0	0	0	0	1	1	0	0	2	1	0	1	**6**
	%	.0%	.0%	.0%	.0%	.4%	.4%	.0%	.0%	.8%	.4%	.0%	.4%	**2.3%**
Samalkot, AP	Nos.	0	0	5	6	3	4	0	1	1	0	0	1	**21**
	%	.0%	.0%	1.9%	2.3%	1.1%	1.5%	.0%	.4%	.4%	.0%	.0%	.4%	**8.0%**
Biccavolu, AP	Nos.	0	0	1	4	4	3	3	1	0	0	0	0	**16**
	%	.0%	.0%	.4%	1.5%	1.5%	1.1%	1.1%	.4%	.0%	.0%	.0%	.0%	**6.1%**
Kakinanda, AP	Nos.	0	0	0	4	6	3	4	1	1	0	0	0	**19**
	%	.0%	.0%	.0%	1.5%	2.3%	1.1%	1.5%	.4%	.4%	.0%	.0%	.0%	**7.3%**
Gandepalli, AP	Nos.	0	0	1	3	0	1	0	0	0	0	0	0	**5**
	%	.0%	.0%	.4%	1.1%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, AP	Nos.	0	0	0	1	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**2**	**3**	**21**	**62**	**53**	**49**	**22**	**18**	**16**	**10**	**3**	**2**	**261**
	%	**.8%**	**1.1%**	**8.0%**	**23.8%**	**20.3%**	**18.8%**	**8.4%**	**6.9%**	**6.1%**	**3.8%**	**1.1%**	**.8%**	**100.0%**

Table 6.7: Educational Qualification Beneficiaries

Name of the District and State		Background of Beneficiaries – Education Level							
		No Response	Illiterate	Primary	Middle	Secondary	Senior Secondary	NA	Total
Tonk, Rajasthan	Nos.	0	21	11	1	0	0	0	**33**
	%	.0%	8.0%	4.2%	.4%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), MP	Nos.	0	21	8	1	0	0	0	**30**
	%	.0%	8.0%	3.1%	.4%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	0	43	7	3	0	0	0	**53**
	%	.0%	16.5%	2.7%	1.1%	.0%	.0%	.0%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	2	45	10	7	2	0	0	**66**
	%	.8%	17.2%	3.8%	2.7%	.8%	.0%	.0%	**25.3%**
Ichhawar (Sehore), MP	Nos.	0	5	2	3	1	0	0	**11**
	%	.0%	1.9%	.8%	1.1%	.4%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), MP	Nos.	0	4	0	1	0	0	1	**6**
	%	.0%	1.5%	.0%	.4%	.0%	.0%	.4%	**2.3%**
Samalkot, Andhra Pradesh	Nos.	0	10	6	2	2	0	1	**21**
	%	.0%	3.8%	2.3%	.8%	.8%	.0%	.4%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	0	13	3	0	0	0	0	**16**
	%	.0%	5.0%	1.1%	.0%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	0	15	3	0	0	1	0	**19**
	%	.0%	5.7%	1.1%	.0%	.0%	.4%	.0%	**7.3%**
Gandepalli, Andhra Pradesh	Nos.	0	3	2	0	0	0	0	**5**
	%	.0%	1.1%	.8%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	1	0	0	0	0	0	**1**
	%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	Nos.	2	181	52	18	5	1	2	**261**
	%	.8%	69.3%	19.9%	6.9%	1.9%	.4%	.8%	**100.0%**

6.5.7 Health Profile of Borrower/Beneficiaries

In these four studies, two studies pertains to Andhra Pradesh, specifically to those beneficiaries who are HIV effected/ HIV affected/died owing to HIV. Hence aggregate health profile of borrowers would show this bias. Hence it may not be generalized. Nevertheless, analysis reveal that half of them are in good health. Those who accounted for other than HIV related health problem indicated, not feeling well 2.7 percent, eye problem- 1.1 percent and Asthma 1.1 percent mainly in MP. The remaining were having HIV related health problems (see Table 6.8).

Table 6.8: Health Status Beneficiaries

Name of the District and State		Background of Beneficiaries - Health Status											Total
		No Response	Normal	Not well	Eye Problem	Chest Pain	Slightly Nervousness	Asthma	People living with HIV AIDS	Family is Affected there is no HIV	HIV Positive	Expire due to HIV Positive	
Tonk, Rajasthan	Nos.	0	31	2	0	0	0	0	0	0	0	0	**33**
	%	.0%	11.9%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	0	26	2	1	1	0	0	0	0	0	0	**30**
	%	.0%	10.0%	.8%	.4%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	0	35	1	0	0	0	1	14	2	0	0	**53**
	%	.0%	13.4%	.4%	.0%	.0%	.0%	.4%	5.4%	.8%	.0%	.0%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	2	44	2	2	0	1	2	11	1	1	0	**66**
	%	.8%	16.9%	.8%	.8%	.0%	.4%	.8%	4.2%	.4%	.4%	.0%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	0	0	0	0	0	0	0	2	9	0	0	**11**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.8%	3.4%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	0	0	0	0	0	0	0	2	3	0	1	**6**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.8%	1.1%	.0%	.4%	**2.3%**
Samalkot, Andra Pradesh	Nos.	0	0	0	0	0	0	0	4	11	5	1	**21**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	1.5%	4.2%	1.9%	.4%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	9	7	0	0	**16**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	3.4%	2.7%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	6	13	0	0	**19**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	2.3%	5.0%	.0%	.0%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	0	0	0	0	0	0	0	2	3	0	0	**5**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.8%	1.1%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	1	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**2**	**136**	**7**	**3**	**1**	**1**	**3**	**51**	**49**	**6**	**2**	**261**
	%	**.8%**	**52.1%**	**2.7%**	**1.1%**	**.4%**	**.4%**	**1.1%**	**19.5%**	**18.8%**	**2.3%**	**.8%**	**100.0%**

6.5.8 Income Profile of Borrowers/Beneficiaries

The level of poverty is acute. About half of them earn less than 5000 per month. 2 percent earn between 5-10 thousand. About 12 percent earn between 10.1-15 thousand per month. Another 5 percent of beneficiaries earn between 15.1-20 thousand. Those earning between 20.1-25 thousand and 25.1-30 thousand per month about 6 and 4 percent respectively. Those earning between30.1-40 and 40-1-50 thousand accounted for three and 2 percent respectively. Thus majority of families were poverty stricken with monthly income less than 5000 per month and between 5-15 thousand per month. Assuming family of four the amount works out as Rs. 1-4 thousand per month. Half of the borrower / beneficiaries' income is Rs. 33 per day per person. I think it is great challenge for the country to ensure that every borne Indian has adequate income to keep soul and body together (see Table 6.9).

Table 6.9: Beneficiaries Monthly Income

Name of the District and State		Monthly Income (in Rs.)											Total
		No response	Below 5000	5,001-10,000	10,001-15,000	15,001-20,000	20,001-25,000	25,001-30,000	30,001-40,000	40,001-50,000	60,001 and above	Data not filled	
Tonk, Rajasthan	Nos.	0	33	0	0	0	0	0	0	0	0	0	**33**
	%	.0%	12.6%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), MP	Nos.	0	30	0	0	0	0	0	0	0	0	0	**30**
	%	.0%	11.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), MP	Nos.	0	36	2	6	2	2	3	1	0	0	1	**53**
	%	.0%	13.8%	.8%	2.3%	.8%	.8%	1.1%	.4%	.0%	.0%	.4%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	24	36	1	1	0	1	2	1	0	0	0	**66**
	%	9.2%	13.8%	.4%	.4%	.0%	.4%	.8%	.4%	.0%	.0%	.0%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	0	0	0	3	2	2	2	0	1	1	0	**11**
	%	.0%	.0%	.0%	1.1%	.8%	.8%	.8%	.0%	.4%	.4%	.0%	**4.2%**
Jatara (Tikamgarh), MP	Nos.	0	0	1	1	1	1	1	0	0	0	1	**6**
	%	.0%	.0%	.4%	.4%	.4%	.4%	.4%	.0%	.0%	.0%	.4%	**2.3%**
Samalkot, Andhra Pradesh	Nos.	0	0	1	6	3	4	1	2	3	0	1	**21**
	%	.0%	.0%	.4%	2.3%	1.1%	1.5%	.4%	.8%	1.1%	.0%	.4%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	1	1	0	10	0	3	0	1	0	0	0	**16**
	%	.4%	.4%	.0%	3.8%	.0%	1.1%	.0%	.4%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	1	0	0	5	4	2	2	3	1	1	0	**19**
	%	.4%	.0%	.0%	1.9%	1.5%	.8%	.8%	1.1%	.4%	.4%	.0%	**7.3%**
Gandepalli, Andhra Pradesh	Nos.	0	0	2	1	2	0	0	0	0	0	0	**5**
	%	.0%	.0%	.8%	.4%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	0	0	1	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**26**	**136**	**7**	**33**	**15**	**15**	**11**	**8**	**5**	**2**	**3**	**261**
	%	**10.0%**	**52.1%**	**2.7%**	**12.6%**	**5.7%**	**5.7%**	**4.2%**	**3.1%**	**1.9%**	**.8%**	**1.1%**	**100.0%**

6.5.9 Loan Amount taken by Borrowers/Beneficiaries

The amount of loan taken by beneficiaries range between Rs. 5000-25000 for income generation activities for livelihood. About 28 percent have taken loan of Rs. 5000 and another 35 percent have taken loan of Rs. 15,000/- . About 15 percent between 16-20 thousand. Those who have taken loan of Rs. 25000/- accounted for 8 percent only. Hence the investment requirement either for capital account or working expenses account is very limited. With small investment of Rs.10-20 thousand a great support could be made available to poor family. For removal of poverty a new approach is needed. This approach should be decentralized production and distribution processes through micro enterprise. Such concept should attempt to build skill and loan amount for undertaking micro enterprise work by able bodied persons. This will lead to enhancement of productivity, quality of product and services and self respect among poor people, particularly women as they would have paid back their amount in due course of time, It will create assets for an individual borrower. Creating community assets through NERGA kind of scheme may sound good, but in practice it has degenerated into corruption and wastage and leakages (see Tables 6.10 & 6.11).

Table 6.10: Beneficiaries amount of loan taken (in Rs.)

Name of the District and State		Amount of Loan Taken (Amount in Rs.)													Total
		2000	3000	5000	7000	10000	11500	12500	14250	15000	16124	18000	20000	25000	
Tonk, Rajasthan	Nos.	0	0	0	0	0	0	6	0	27	0	0	0	0	**33**
	%	.0%	.0%	.0%	.0%	.0%	.0%	2.3%	.0%	10.3%	.0%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), MP	Nos.	0	0	0	0	0	0	0	1	29	0	0	0	0	**30**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	11.1%	.0%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	0	0	10	0	4	0	0	0	5	0	21	13	0	**53**
	%	.0%	.0%	3.8%	.0%	1.5%	.0%	.0%	.0%	1.9%	.0%	8.0%	5.0%	.0%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	0	1	9	0	9	1	0	0	19	1	2	2	22	**66**
	%	.0%	.4%	3.4%	.0%	3.4%	.4%	.0%	.0%	7.3%	.4%	.8%	.8%	8.4%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	0	0	7	0	2	0	0	0	2	0	0	0	0	**11**
	%	.0%	.0%	2.7%	.0%	.8%	.0%	.0%	.0%	.8%	.0%	.0%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	1	0	3	0	0	0	0	0	2	0	0	0	0	**6**
	%	.4%	.0%	1.1%	.0%	.0%	.0%	.0%	.0%	.8%	.0%	.0%	.0%	.0%	**2.3%**
Samalkot, Andhra Pradesh	Nos.	1	0	15	0	2	0	0	0	2	0	0	1	0	**21**
	%	.4%	.0%	5.7%	.0%	.8%	.0%	.0%	.0%	.8%	.0%	.0%	.4%	.0%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	0	1	11	0	2	0	0	0	2	0	0	0	0	**16**
	%	.0%	.4%	4.2%	.0%	.8%	.0%	.0%	.0%	.8%	.0%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	0	0	14	0	2	0	0	0	3	0	0	0	0	**19**
	%	.0%	.0%	5.4%	.0%	.8%	.0%	.0%	.0%	1.1%	.0%	.0%	.0%	.0%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	0	0	3	1	0	0	0	0	1	0	0	0	0	**5**
	%	.0%	.0%	1.1%	.4%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	1	0	0	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	Nos.	**2**	**2**	73	**1**	21	**1**	**6**	**1**	92	**1**	**23**	**16**	**22**	**261**
	%	**.8%**	**.8%**	**28.0%**	**.4%**	**8.0%**	**.4%**	**2.3%**	**.4%**	**35.2%**	**.4%**	**8.8%**	**6.1%**	**8.4%**	**100.0%**

Table 6.11: Beneficiaries amount of loan taken (in Rs.)

Name of the District and State		Amount of Loan Taken (Amount in Rs.) Below 5,000	5,001-10,000	10,001-15,000	15,001-18,000	18,001-20,000	20,001-25,000	Total
Tonk, Rajasthan	Nos.	0	0	33	0	0	0	**33**
	%	.0%	.0%	12.6%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	0	0	30	0	0	0	**30**
	%	.0%	.0%	11.5%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	11	3	5	21	13	0	**53**
	%	4.2%	1.1%	1.9%	8.0%	5.0%	.0%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	10	9	20	3	2	22	**66**
	%	3.8%	3.4%	7.7%	1.1%	.8%	8.4%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	7	2	2	0	0	0	**11**
	%	2.7%	.8%	.8%	.0%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	4	0	2	0	0	0	**6**
	%	1.5%	.0%	.8%	.0%	.0%	.0%	**2.3%**
Samalkot, Andhra Pradesh	Nos.	16	2	2	0	1	0	**21**
	%	6.1%	.8%	.8%	.0%	.4%	.0%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	12	2	2	0	0	0	**16**
	%	4.6%	.8%	.8%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	14	2	3	0	0	0	**19**
	%	5.4%	.8%	1.1%	.0%	.0%	.0%	**7.3%**
Gandepalli, Andhra Pradesh	Nos.	3	1	1	0	0	0	**5**
	%	1.1%	.4%	.4%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	1	0	0	0	0	0	**1**
	%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**78**	**21**	**100**	**24**	**16**	**22**	**261**
	%	**29.9%**	**8.0%**	**38.3%**	**9.2%**	**6.1%**	**8.4%**	**100.0%**

6.5.10 The Purpose of Loan for Livelihood

The majority of borrowers/beneficiaries have taken loan for live stock. They account for nearly 36 percent of total borrowers. However, this is due to most of the borrowers/beneficiaries from Rajasthan. In fact purpose of borrowing for livelihood income differs among regions as also due to focus of NGO and donor for particular area's project. For example in Vidisha in MP it is the issue of water, there borrowing would be related to that area's economic conditions and need of the people. Similarly purpose of borrowing by the beneficiaries from Andhra Pradesh was according to need of the people and therefore varied from other states. In Vidisha it was problem of drawing water for irrigation of land. Therefore, purpose of loan related to equipment and machines for drawing of ground water. In Andhra Pradesh, it is for various livelihood activities ranging from small shop, tailoring, shoe making, vegetable, cigar making, small snakes and Tiffin shops. And so on. What is important to note is that the amount of borrowing is small and this normally is taken to provide varied services need to the people of that village/small town (see Table 6.12).

Table 6.12: Beneficiaries Purpose of Loan

Purpose of Loan		Name of State and District											Total
		Raj-asthan	Madhya Pradesh					Andhra Pradesh					
		Tonk	Jaisin agar (Sagar)	Kotma (Anup pur)	Vidis ha	Ichha war (Seho re)	Jatara (Tikamg arh)	Samal kot	Biccav olu	Kakina nda	Gande palli	Jaggam peta	
Buffalo	No.	33	30	27	3	0	0	2	0	0	0	0	**95**
	%	12.6%	11.5%	10.3%	1.1%	.0%	.0%	.8%	.0%	.0%	.0%	.0%	**36.4%**
Tube well	No.	0	0	0	17	0	0	0	0	0	0	0	**17**
	%	.0%	.0%	.0%	6.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**6.5%**
Engine Pipe	No.	0	0	0	11	0	0	0	0	0	0	0	**11**
	%	.0%	.0%	.0%	4.2%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**4.2%**
Diesel Pump set	No.	0	0	0	1	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Shop/Kirana Business	No.	0	0	7	6	0	0	1	0	0	0	0	**14**
	%	.0%	.0%	2.7%	2.3%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**5.4%**
Pappu Vadalu	No.	0	0	2	0	0	0	0	0	0	0	0	**2**
	%	.0%	.0%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.8%**
Tailoring	No.	0	0	0	1	1	0	1	1	3	0	0	**7**
	%	.0%	.0%	.0%	.4%	.4%	.0%	.4%	.4%	1.1%	.0%	.0%	**2.7%**
Rice Business	No.	0	0	1	0	1	0	1	0	1	0	0	**4**
	%	.0%	.0%	.4%	.0%	.4%	.0%	.4%	.0%	.4%	.0%	.0%	**1.5%**
Cloth/Fancy Dress Business	No.	0	0	2	0	2	0	4	1	1	0	1	**11**
	%	.0%	.0%	.8%	.0%	.8%	.0%	1.5%	.4%	.4%	.0%	.4%	**4.2%**
Dry Fish and Chicken Business	No.	0	0	1	0	0	0	0	0	0	1	0	**2**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	**.8%**
Goat Business	No.	0	0	3	6	0	0	0	1	0	1	0	**11**
	%	.0%	.0%	1.1%	2.3%	.0%	.0%	.0%	.4%	.0%	.4%	.0%	**4.2%**
Fancy Items	No.	0	0	1	2	1	0	0	0	0	1	0	**5**
	%	.0%	.0%	.4%	.8%	.4%	.0%	.0%	.0%	.0%	.4%	.0%	**1.9%**
Cool drinks/Fruit Business	No.	0	0	0	4	0	1	1	0	1	0	0	**7**
	%	.0%	.0%	.0%	1.5%	.0%	.4%	.4%	.0%	.4%	.0%	.0%	**2.7%**
Mini shop/ Provision Store	No.	0	0	0	1	0	1	0	0	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.8%**
Buffalo/Cow	No.	0	0	0	3	0	0	1	0	0	0	0	**4**
	%	.0%	.0%	.0%	1.1%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**1.5%**
Cooking Cool	No.	0	0	0	1	0	0	1	0	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**.8%**
Fish	No.	0	0	0	1	0	0	1	0	3	0	0	**5**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.0%	1.1%	.0%	.0%	**1.9%**
Sprayer	No.	0	0	0	1	0	0	0	1	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	**.8%**
Cigar/Tobacco	No.	0	0	2	3	0	0	2	1	1	0	0	**9**
	%	.0%	.0%	.8%	1.1%	.0%	.0%	.8%	.4%	.4%	.0%	.0%	**3.4%**
Kirana Items	No.	0	0	2	3	1	0	0	0	0	0	0	**6**
	%	.0%	.0%	.8%	1.1%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**2.3%**

Milk	No.	0	0	1	1	1	1	2	3	0	1	0	**10**
	%	.0%	.0%	.4%	.4%	.4%	.4%	.8%	1.1%	.0%	.4%	.0%	**3.8%**
Vegetable	No.	0	0	0	0	0	0	1	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**.4%**
Bakery Items	No.	0	0	1	0	2	0	0	1	0	0	0	**4**
	%	.0%	.0%	.4%	.0%	.8%	.0%	.0%	.4%	.0%	.0%	.0%	**1.5%**
Pan and Pan Leaf	No.	0	0	0	0	0	0	0	0	2	0	0	**2**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.8%	.0%	.0%	**.8%**
Mini Hotel and Tea Staff	No.	0	0	2	0	0	0	1	0	4	0	0	**7**
	%	.0%	.0%	.8%	.0%	.0%	.0%	.4%	.0%	1.5%	.0%	.0%	**2.7%**
Petty Business	No.	0	0	0	0	1	1	2	6	1	0	0	**11**
	%	.0%	.0%	.0%	.0%	.4%	.4%	.8%	2.3%	.4%	.0%	.0%	**4.2%**
Cable Network	No.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Muggu Business	No.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Build Material Items	No.	0	0	0	1	0	0	0	0	1	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	**.8%**
Wood Scrapping Machine	No.	0	0	0	0	0	0	0	0	1	1	0	**2**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.4%	.0%	**.8%**
Liquor Items	No.	0	0	0	0	1	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Grinder	No.	0	0	1	0	0	0	0	1	0	0	0	**2**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	**.8%**
Total	**No.**	**33**	**30**	**53**	**66**	**11**	**6**	**21**	**16**	**19**	**5**	**1**	**261**
	%	**12.6%**	**11.5%**	**20.3%**	**25.3%**	**4.2%**	**2.3%**	**8.0%**	**6.1%**	**7.3%**	**1.9%**	**.4%**	**100.0%**

6.5.11 Repayment of Loan – No. of Installments Agreed

Loan amount is without collateral and expected to be paid in easy installments. Most of the beneficiaries/ borrowers agreed to pay the amount ranging 15-20 installments. This has been normal practice as also agreement with donor agencies. Of the general practice there is some what different repayment schedule where income depending on sale of product of farm. There installment is linked sale or product period. The idea behind this approach is twofold. One is to enable borrower to repay at ease and the other is that repayment helps other members of self help group to borrow for their economic livelihood. There is multiplier effect in such system A revolving fund is created through receipt from borrowing and out of this fund more members of SHG are provided finance assistance/ credit. Multiplier effect i.e. one rupee get rotated seven times through this process of loaning and loan repayment (see Table 6.13).

Table 6.13: Beneficiaries number of installments agreed to pay loan

Name of the District and State		No. of Installments agreed to pay loan (in Numbers)													Total
		No response	2	3	4	12	15	19	20	24	26	29	34	NA	
Tonk, Rajasthan	Nos.	1	0	0	0	4	27	0	0	1	0	0	0	0	**33**
	%	.4%	.0%	.0%	.0%	1.5%	10.3%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	0	0	0	0	0	0	17	0	0	2	0	11	0	**30**
	%	.0%	.0%	.0%	.0%	.0%	.0%	6.5%	.0%	.0%	.8%	.0%	4.2%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	0	0	0	0	0	34	0	16	0	0	0	0	3	**53**
	%	.0%	.0%	.0%	.0%	.0%	13.0%	.0%	6.1%	.0%	.0%	.0%	.0%	1.1%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	0	2	4	23	0	8	0	28	0	0	1	0	0	**66**
	%	.0%	.8%	1.5%	8.8%	.0%	3.1%	.0%	10.7%	.0%	.0%	.4%	.0%	.0%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	0	0	0	0	0	0	0	11	0	0	0	0	0	**11**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	4.2%	.0%	.0%	.0%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	0	0	0	0	0	0	0	6	0	0	0	0	0	**6**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	2.3%	.0%	.0%	.0%	.0%	.0%	**2.3%**
Samalkot, Andra Pradesh	Nos.	0	0	0	0	0	0	0	21	0	0	0	0	0	**21**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	8.0%	.0%	.0%	.0%	.0%	.0%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	16	0	0	0	0	0	**16**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	6.1%	.0%	.0%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	19	0	0	0	0	0	**19**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	7.3%	.0%	.0%	.0%	.0%	.0%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	0	0	0	0	0	0	0	5	0	0	0	0	0	**5**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	1.9%	.0%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**1**	**2**	**4**	**23**	**4**	**69**	**17**	**123**	**1**	**2**	**1**	**11**	**3**	**261**
	%	**.4%**	**.8%**	**1.5%**	**8.8%**	**1.5%**	**26.4%**	**6.5%**	**47.1%**	**.4%**	**.8%**	**.4%**	**4.2%**	**1.1%**	**100.0%**

6.5.12 Repayment of Loan – No. of Installment Paid

The data reveals that almost 85 percent of the borrowers seem to be paying and paid installments. No. of installments paid by the borrowers depend on the time the loan was taken by them and time when this study was conducted. Borrower's repayments of installments indicate some sort of regularity in payment of installments. However figure of nearly 15 percent who has not given data are somewhat disturbing. It is generally stated that there may be delay in payment and may not meet definition of bank loan in terms of non-performing assets, but repayment is very high and defaulters are a few. If bank definition of 90 days period is accepted to declare it non-performing assets, than the proportion of NPA may be very high. However at micro level credit to poor may run into several difficulties and limitations. This is because of sickness, family problems and so forth (see Table 6.14).

6.5.13 Formation Assets Out-of-Loan Amount by the Beneficiaries

Most of the data on loan available in various studies do not show kind of assets formed which helps in income generation activities. Data reveal that loan amount is used as capital assets items and as working capital. Most of those who are engaged small kirana and services activities take loan for working capital and those engaged in production take loan for assets or capital formation. In case of sample borrowers nearly 60 percent have taken loan for assets formation for lively hood. Of this 40 percent have taken for buffalo, the rest of pumps, motor, pipe, sewing machine, goats etc. The remaining forty percent borrowers have spent loan amount for working capital to run their small business (see Tables 6.15 & 6.16).

Table 6.14: Beneficiaries number of installments paid loan

Name of the District and State		No. of Installments paid (in Numbers)																			Total
		No response	1	2	3	4	5	6	7	8	9	10	11	12	13	14	16	17	18	NA	
Tonk, Rajasthan	Nos.	0	4	4	5	14	0	2	0	3	1	0	0	0	0	0	0	0	0	0	**33**
	%	.0%	1.5%	1.5%	1.9%	5.4%	.0%	.8%	.0%	1.1%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**12.6%**
Jaisinagar (Sagar), Madhya Pradesh	Nos.	16	8	5	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**30**
	%	6.1%	3.1%	1.9%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**11.5%**
Kotma (Anuppur), Madhya Pradesh	Nos.	0	2	2	4	2	2	5	5	3	2	3	12	2	2	1	0	0	0	6	**53**
	%	.0%	.8%	.8%	1.5%	.8%	.8%	1.9%	1.9%	1.1%	.8%	1.1%	4.6%	.8%	.8%	.4%	.0%	.0%	.0%	2.3%	**20.3%**
Vidisha, Madhya Pradesh	Nos.	21	8	1	3	3	0	2	1	3	5	7	3	2	1	0	2	2	2	0	**66**
	%	8.0%	3.1%	.4%	1.1%	1.1%	.0%	.8%	.4%	1.1%	1.9%	2.7%	1.1%	.8%	.4%	.0%	.8%	.8%	.8%	.0%	**25.3%**
Ichhawar (Sehore), Madhya Pradesh	Nos.	0	0	0	1	0	3	0	2	3	2	0	0	0	0	0	0	0	0	0	**11**
	%	.0%	.0%	.0%	.4%	.0%	1.1%	.0%	.8%	1.1%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**4.2%**
Jatara (Tikamgarh), Madhya Pradesh	Nos.	0	0	0	0	0	2	1	2	1	0	0	0	0	0	0	0	0	0	0	**6**
	%	.0%	.0%	.0%	.0%	.0%	.8%	.4%	.8%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**2.3%**
Samalkot, Andra Pradesh	Nos.	1	0	2	3	2	3	1	4	1	4	0	0	0	0	0	0	0	0	0	**21**
	%	.4%	.0%	.8%	1.1%	.8%	1.1%	.4%	1.5%	.4%	1.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**8.0%**
Biccavolu, Andhra Pradesh	Nos.	0	0	1	1	1	5	2	1	3	0	2	0	0	0	0	0	0	0	0	**16**
	%	.0%	.0%	.4%	.4%	.4%	1.9%	.8%	.4%	1.1%	.0%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**6.1%**
Kakinanda, Andhra Pradesh	Nos.	0	0	1	0	0	1	3	9	0	1	0	0	4	0	0	0	0	0	0	**19**
	%	.0%	.0%	.4%	.0%	.0%	.4%	1.1%	3.4%	.0%	.4%	.0%	.0%	1.5%	.0%	.0%	.0%	.0%	.0%	.0%	**7.3%**
Gandepalli, Andhtra Pradesh	Nos.	0	0	0	0	0	0	0	2	1	2	0	0	0	0	0	0	0	0	0	**5**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.8%	.4%	.8%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**1.9%**
Jaggampeta, Andhra Pradesh	Nos.	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**38**	**22**	**16**	**18**	**22**	**17**	**16**	**26**	**18**	**17**	**12**	**15**	**8**	**3**	**1**	**2**	**2**	**2**	**6**	**261**
	%	**14.6%**	**8.4%**	**6.1%**	**6.9%**	**8.4%**	**6.5%**	**6.1%**	**10.0%**	**6.9%**	**6.5%**	**4.6%**	**5.7%**	**3.1%**	**1.1%**	**.4%**	**.8%**	**.8%**	**.8%**	**2.3%**	**100.0%**

Table 6.15: Beneficiaries name of assets bought from loan

Name of Assets bought from loan		Name of the State/District											Total
		Rajasthan	Madhya Pradesh					Andhra Pradesh					
		Tonk	Jaisinagar (Sagar)	Kotma (Anuppur)	Vidisha	Ichhawar (Sehore)	Jatara (Tikamgarh)	Samalkot	Biccavolu	Kakinanda	Gandepalli	Jaggampeta	
Buffalo	Nos.	33	30	28	4	1	1	4	3	0	1	0	**105**
	%	12.6%	11.5%	10.7%	1.5%	.4%	.4%	1.5%	1.1%	.0%	.4%	.0%	**40.2%**
Tube well	Nos.	0	0	0	17	0	0	0	0	0	0	0	**17**
	%	.0%	.0%	.0%	6.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**6.5%**
Engine Pipe	Nos.	0	0	0	11	0	0	0	0	0	0	0	**11**
	%	.0%	.0%	.0%	4.2%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**4.2%**
Diesel Pump set	Nos.	0	0	0	1	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Tailoring Machine	Nos.	0	0	3	5	1	0	1	1	3	0	0	**14**
	%	.0%	.0%	1.1%	1.9%	.4%	.0%	.4%	.4%	1.1%	.0%	.0%	**5.4%**
Rice Bag	Nos.	0	0	3	0	1	0	1	0	1	0	0	**6**
	%	.0%	.0%	1.1%	.0%	.4%	.0%	.4%	.0%	.4%	.0%	.0%	**2.3%**
Fancy Dress/Cloth	Nos.	0	0	2	0	2	0	4	1	1	0	1	**11**
	%	.0%	.0%	.8%	.0%	.8%	.0%	1.5%	.4%	.4%	.0%	.4%	**4.2%**
Dry Fish and Chicken	Nos.	0	0	1	1	0	0	0	0	3	1	0	**6**
	%	.0%	.0%	.4%	.4%	.0%	.0%	.0%	.0%	1.1%	.4%	.0%	**2.3%**
Goat	Nos.	0	0	4	0	1	0	0	1	0	1	0	**7**
	%	.0%	.0%	1.5%	.0%	.4%	.0%	.0%	.4%	.0%	.4%	.0%	**2.7%**
Fancy Items	Nos.	0	0	5	1	1	0	0	0	1	1	0	**9**
	%	.0%	.0%	1.9%	.4%	.4%	.0%	.0%	.0%	.4%	.4%	.0%	**3.4%**
Cool drinks/Fruit	Nos.	0	0	0	8	0	1	1	0	1	0	0	**11**
	%	.0%	.0%	.0%	3.1%	.0%	.4%	.4%	.0%	.4%	.0%	.0%	**4.2%**
Kieran Shop/ Provision Store	Nos.	0	0	2	3	2	1	1	0	0	0	0	**9**
	%	.0%	.0%	.8%	1.1%	.8%	.4%	.4%	.0%	.0%	.0%	.0%	**3.4%**
Buffalo	Nos.	0	0	0	1	0	0	1	0	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**.8%**

Cooking Cool	Nos.	0	0	0	2	0	0	1	0	0	0	0	**3**
	%	.0%	.0%	.0%	.8%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**1.1%**
Fish	Nos.	0	0	0	2	0	0	1	0	1	0	0	**4**
	%	.0%	.0%	.0%	.8%	.0%	.0%	.4%	.0%	.4%	.0%	.0%	**1.5%**
Sprayer	Nos.	0	0	0	1	0	0	0	1	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	**.8%**
Cigar/Tabbaco	Nos.	0	0	2	3	0	0	2	1	1	0	0	**9**
	%	.0%	.0%	.8%	1.1%	.0%	.0%	.8%	.4%	.4%	.0%	.0%	**3.4%**
Vegetable	Nos.	0	0	0	1	0	0	1	1	0	0	0	**3**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.4%	.0%	.0%	.0%	**1.1%**
Bacary	Nos.	0	0	0	2	1	0	0	1	0	0	0	**4**
	%	.0%	.0%	.0%	.8%	.4%	.0%	.0%	.4%	.0%	.0%	.0%	**1.5%**
Pan, Pan Leaf and Eating Items	Nos.	0	0	1	1	0	0	0	0	2	0	0	**4**
	%	.0%	.0%	.4%	.4%	.0%	.0%	.0%	.0%	.8%	.0%	.0%	**1.5%**
Tea, Tiffen etc.	Nos.	0	0	1	0	0	0	1	0	4	0	0	**6**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.4%	.0%	1.5%	.0%	.0%	**2.3%**
Petty Items	Nos.	0	0	0	0	0	1	2	6	0	0	0	**9**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.8%	2.3%	.0%	.0%	.0%	**3.4%**
Cable Network	Nos.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Muggu	Nos.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Building Material Items	Nos.	0	0	0	1	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Wood Scrapping Machine	Nos.	0	0	0	1	0	0	0	0	1	1	0	**3**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.4%	.4%	.0%	**1.1%**
Liquor	Nos.	0	0	0	0	1	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Grinder	Nos.	0	0	1	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**33**	**30**	**53**	**66**	**11**	**6**	**21**	**16**	**19**	**5**	**1**	**261**
	%	**12.6%**	**11.5%**	**20.3%**	**25.3%**	**4.2%**	**2.3%**	**8.0%**	**6.1%**	**7.3%**	**1.9%**	**.4%**	**100.0%**

Table 6.16: Beneficiaries nature of economic activity assets acquired

Nature of Economic Activity with assets Acquired		Name of the State/District											
		Rajasthan	Madhya Pradesh					Andhra Pradesh					
		Tonk	Jaisinagar (Sagar)	Kotma (Anuppur)	Vidisha	Ichhawar (Sehore)	Jatara (Tikamgar)	Samalkot	Biccavolu	Kakinanda	Gandepalli	Jaggampeta	Total
No response	Nos.	0	0	0	4	0	0	0	0	0	0	0	**4**
	%	.0%	.0%	.0%	1.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**1.5%**
Agriculture Worker	Nos.	28	26	16	27	0	0	0	0	0	0	0	**97**
	%	10.7%	10.0%	6.1%	10.3%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**37.2%**
Labour Workers	Nos.	4	3	1	0	0	0	0	0	0	0	0	**8**
	%	1.5%	1.1%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**3.1%**
Mine Worker	Nos.	1	0	1	0	0	0	0	0	0	0	0	**2**
	%	.4%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.8%**
Bidi Worker	Nos.	0	1	0	0	0	0	0	0	0	0	0	**1**
	%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Tea Stall	Nos.	0	0	0	4	0	0	0	0	0	0	0	**4**
	%	.0%	.0%	.0%	1.5%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**1.5%**
Driver	Nos.	0	0	1	1	0	0	0	0	0	0	0	**2**
	%	.0%	.0%	.4%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.8%**
Sale of Milk	Nos.	0	0	4	1	0	0	2	2	0	1	0	**10**
	%	.0%	.0%	1.5%	.4%	.0%	.0%	.8%	.8%	.0%	.4%	.0%	**3.8%**
Shop/Kirana Business	Nos.	0	0	3	3	1	0	3	1	1	0	0	**12**
	%	.0%	.0%	1.1%	1.1%	.4%	.0%	1.1%	.4%	.4%	.0%	.0%	**4.6%**
Sales of Pappad	Nos.	0	0	5	3	0	0	0	0	0	0	0	**8**
	%	.0%	.0%	1.9%	1.1%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**3.1%**
Tailoring	Nos.	0	0	6	2	1	0	1	1	3	0	0	**14**
	%	.0%	.0%	2.3%	.8%	.4%	.0%	.4%	.4%	1.1%	.0%	.0%	**5.4%**
Rice Sales and Purchase	Nos.	0	0	2	0	1	0	1	0	1	0	0	**5**
	%	.0%	.0%	.8%	.0%	.4%	.0%	.4%	.0%	.4%	.0%	.0%	**1.9%**
Cloth/Fancy Dress Sales and Purchase	Nos.	0	0	3	0	2	0	4	1	1	0	1	**12**
	%	.0%	.0%	1.1%	.0%	.8%	.0%	1.5%	.4%	.4%	.0%	.4%	**4.6%**
Dry Fish and Chiken Sales and Purchase	Nos.	0	0	1	0	0	0	0	0	3	1	0	**5**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	1.1%	.4%	.0%	**1.9%**

Goats Rearing	Nos.	0	0	3	0	1	0	0	1	0	1	0	**6**
	%	.0%	.0%	1.1%	.0%	.4%	.0%	.0%	.4%	.0%	.4%	.0%	**2.3%**
Fancy Items, Elect. Items and Home Needs Items	Nos.	0	0	1	1	1	0	0	0	1	1	0	**5**
	%	.0%	.0%	.4%	.4%	.4%	.0%	.0%	.0%	.4%	.4%	.0%	**1.9%**
Cooldrinks/Fruit Business	Nos.	0	0	0	3	0	1	0	0	0	0	0	**4**
	%	.0%	.0%	.0%	1.1%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**1.5%**
Minisshop/ Provision Store	Nos.	0	0	0	2	0	1	0	0	0	0	0	**3**
	%	.0%	.0%	.0%	.8%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**1.1%**
Milk	Nos.	0	0	0	4	1	1	3	1	0	0	0	**10**
	%	.0%	.0%	.0%	1.5%	.4%	.4%	1.1%	.4%	.0%	.0%	.0%	**3.8%**
Cooking Cool	Nos.	0	0	0	1	0	0	1	0	0	0	0	**2**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	**.8%**
Fish	Nos.	0	0	0	1	0	0	1	0	1	0	0	**3**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.4%	.0%	.4%	.0%	.0%	**1.1%**
Sprayer	Nos.	0	0	0	3	0	0	0	1	0	0	0	**4**
	%	.0%	.0%	.0%	1.1%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	**1.5%**
Cigar and Tabbaco	Nos.	0	0	2	2	0	0	2	1	1	0	0	**8**
	%	.0%	.0%	.8%	.8%	.0%	.0%	.8%	.4%	.4%	.0%	.0%	**3.1%**
Bacary Items	Nos.	0	0	0	2	1	0	0	1	0	0	0	**4**
	%	.0%	.0%	.0%	.8%	.4%	.0%	.0%	.4%	.0%	.0%	.0%	**1.5%**
Pan and Pan Leaf	Nos.	0	0	0	1	0	0	0	0	2	0	0	**3**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.8%	.0%	.0%	**1.1%**
Tea, Tiffens etc.	Nos.	0	0	2	0	0	0	1	0	4	0	0	**7**
	%	.0%	.0%	.8%	.0%	.0%	.0%	.4%	.0%	1.5%	.0%	.0%	**2.7%**
Goats	Nos.	0	0	1	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Petty Business	Nos.	0	0	0	0	1	1	2	6	0	0	0	**10**
	%	.0%	.0%	.0%	.0%	.4%	.4%	.8%	2.3%	.0%	.0%	.0%	**3.8%**
Cable Network	Nos.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Muggu	Nos.	0	0	0	0	0	1	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	**.4%**
Building Material Items	Nos.	0	0	0	1	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**

Wood Scrapping	Nos.	0	0	0	0	0	0	0	0	1	1	0	**2**
	%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.4%	.4%	.0%	**.8%**
Liquor Bottles	Nos.	0	0	0	0	1	0	0	0	0	0	0	**1**
	%	.0%	.0%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Grinder	Nos.	0	0	1	0	0	0	0	0	0	0	0	**1**
	%	.0%	.0%	.4%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	.0%	**.4%**
Total	**Nos.**	**33**	**30**	**53**	**66**	**11**	**6**	**21**	**16**	**19**	**5**	**1**	**261**
	%	**12.6%**	**11.5%**	**20.3%**	**25.3%**	**4.2%**	**2.3%**	**8.0%**	**6.1%**	**7.3%**	**1.9%**	**.4%**	**100.0%**

6.6 Personal Interaction/Interview Based Findings/Observations

6.6.1 Srijan

- Sirjan has brought about a major change in thinking about income generation activities for lively hood, social cohesion and empowerment of women members of SHGs. The concept of loan funding has been very well received by the members. This has caused self respect and confidence among the members owing to change from charity living to self help living.
- Although most of the beneficiaries are from very poor economic and social background, yet Srijan has yet to reach out to poorest among the poor, which is some what risky, yet most rewarding in the long run.
- Srijan has evolved a system of monthly meeting with members of SHGs which besides insuring regular repayment provide an opportunity for social cohesion and collective efforts for development.
- The concept of loan funding, development of revolving fund by SHG would ensure continues micro finance support for income generation activities for a large members of members in the group. It will ensure perpetuity of relationship, sustainability of poverty removal and developmental activities of SHGs and Srijan.
- Very commendable work is being done by the Srijan on all the three locations by the staff and ground level workers.

6.6.2 Ibtada

The macro and micro review of funding by Dewan Foundation under the unique concept of loan financing to poor and needy women in Self Help Groups through Ibtada – An NGO in Alwar has significantly contributed in income generation for livelihood of women members of SHGs in Alwar district.

6.6.2.1 Macro-Review

The macro review and audit revealed that funds have been distributed to a large number of SHGs members across the large number of villages in Alwar district.

Purpose for which loan has been distributed tends to increase economic activities in the family of beneficiaries and related to environment of rural area, as the major portion of loan has gone to support rearing of buffalos , which tend to generate chain of economic activities in the form selling of milk and milk products, namely, curd, butter milk, and Ghee. It also produces fuel from buffalo dung and manure for farms. It can also be used for producing gas fuel. Reproductive process of buffalos adds to animal assets and helps further income generation and continuation of economic activities. Investment thus has great multiplier effect on poor and needy family economy and rural economy.

Method of loan funding under SHG concept has multiplier effect through saving and repayment of loan, which then can be used for payment of loan to other beneficiaries. In this particular case multiplier effect is estimated to be I unit leading to increase to 1.7 units.

Fund received by the NGO has remained idle for 6-7 months. It will help greatly if a time frame is mutually agreed by Dewan Foundation and NGO regarding distribution of funds.

It may be very useful to indicate the amount of interest earned the idle period so as to have a true picture of availability of funds for these activities.

6.6.2.2 Micro-Review

Micro-review revealed that funds has been used to benefit of poor and needy women members of SHGs. It is spread across area, religion and casts. On the spot study by the research/audit team has shown that funds have been actually used for the income generation activities by poor and needy women of SHGs.

The loan funding has significantly helped poor and needy women to engage in income generation activities.

As a large number of them are engaged in rearing of buffalos it has ensured income generation through production and sale of milk and milk products.

Unsold milk has been used for providing milk to children and preparing milk products. Provision of milk to children has enhanced nutrition intake among them. Income so generated has helped the house hold and education and health of children.

Other income generating activities by SHGs beneficiaries, though in small proportion, has also helped poor and needy women in income generation for livelihood. It has often supplemented the effort of spouse in income generating activities.

Income generated from economic activities by women adds to family income. This also enhances economic and social position of women in the house hold and in society.

Repayment of loan by beneficiaries is regular. Some of the beneficiaries, who are solely depending on one buffalo or single economic activity experiences difficulties in repayment of loan. Yet such beneficiary gives priority to repayment of loan.

Beneficiaries expressed the need for knowledge and skill training in the area of their activities as well other economic activities so that they can do the present activity efficiently and engage in other economic activity during spare time.

The second review of Ibtada from the interaction with SHG members revealed the following:

- ***The financial literacy among women members of self help group is considerably good. They are able to make differences between funding by Micro Finance institutions, Banks and Funding by Dewan Foundation. They are finding funding by Dewan foundation is more suitable and with less rate of interest as compared to all other Micro Finance Institutions.***

- ***That women members have empowered themselves and fought menace of man folk getting into drinking habit and losing their land resources. They even fought in groups to prevent bootleggers coming in villages with unauthorized vending of liquor in Transport Truck Tubes. In this process one of the members has made her husband to go into jail for drinking habit. They took loan for land reclaim, till the land and now happy with income generation through land reclaim.***

- ***Repayment of loan is very good practice with women self help groups in IBTDA.***

- ***The problem of Land mortgage is serious and therefore requires special attention to address the same. For several social and other reasons rural folk take the loan against land and they are not able to pay loan and reclaim the land. A special drive to support this cause will go a long way in helping women to engage in income generation activity and poverty alleviation.***

- ***Numeracy and Literacy rate among women member and office bearer is poor. There should special drive to given literacy and numeracy education to all members particularly and office bearer of the groups/ federation.***

6.3 St. Paul Trust, Samalkot, Kakinada, Andhra Pradesh

Beneficiaries showed enthusiasm about new activities and were very happy about taking loan for income generating activity. The Cigar making lady also provided employment to other person with a wage of Rs. 80/- per day. Two beneficiaries were engaged in multiple activities for income generation. All the beneficiaries were sending their children to schools. In spite of uncertainty about their life, they showed great courage and love for the activities they were engaged in. The credit for this goes to Dr. Jacob and his staff and the Dewan Foundation for this change.

It was observed that beneficiaries whose house holds were visited lived in very poor living and working conditions. They need an urgent support for improving their living and working conditions. They need to be oriented in health and hygiene for healthy living of their children and family. They also need training in micro enterprise management.

6.3.1 To sum up

- ***The contribution made through Micro-finance at Kakinada and Samalkot of Andhra Pradesh has a far greater impact on women who are on the brink of death, but the project has given them a new meaning of life.***

- ***There is a strong need for orientation and training in micro entrepreneurship to beneficiaries and mobilizers.***

- ***There is also need for orientation and training in health and hygiene to beneficiaries.***

- ***There is need to improve working and living conditions of beneficiaries.***

- ***There is need to move from basic income generating activity to sustainable activity with professional helps and training.***

- ***There is need to develop complementary system of supply and demand sides management i.e. from where to buy and how to sell the products or provide services.***

- ***Some of the SHGs could be involved in developing cooperatives to respond to supply and demand sides needs of micro enterprises.***

- ***There is need to develop a system of record, data and information management so that data/information can flow regularly.***

- ***There is need to further examine the impact of direct funding to beneficiary by St. Paul's Trust. As also the impact of small but larger number of installments on repayment schedule so as to draw a policy on the same.***

- ***There is a need for a regular auditing and monitoring of the progress of implementation. This will improve efficiency and effectiveness of the micro finance.***

- ***The concept of micro finance to poor and needy women needs to be expanded further. This will bring about a major economic reform in development, empowerment of women and removal of poverty.***

6.4 Brighter Future Society, Vijaynagaram, Andhra Pradesh

General Observations

- ***The project seems to be running very well in this region by Dewan Foundation- Brighter Future Micro – Finance Institute in providing loan funds to HIV affected and infected male and female population in the area of Vijaynagaram of Andhrapradesh.***

- ***Provision of licence to women vegetable vendors by local authority and funding by Dewan Foundation for income generation activity has considerably helped women vegetable vendors. Loan to women beneficiaries for growing vegetable has further strengthened their economic base by providing opportunity for backward linkage in vegetable marketing.***

- ***The loan funding from Dewan Foundation to women and man beneficiaries has considerably added to local informal economy and caused value addition in every product sold in informal local economy.***

Other than above reported finding as part of aggregate data analysis there two more evaluative studies which have not been included in the aggregate analysis for the reasons mentioned above. However we share the observation and findings from visit to beneficiaries of these two NGOs, namely Deepalaya and Pradan.

Deepalaya The visit of households and discussion with beneficiary and the family members revealed the following:

- Interaction with peer group and Deepalaya staff gave tremendous confidence to women;

- Most of women beneficiary were engaged in income generating activity, this is the purpose for which loan is given by Foundation. This accorded social status to beneficiary within and outside household. Thus the loan funding attempted to address the twin problems namely, livelihood and empowerment of women;

- Most of beneficiary said that they supplemented the income in the family. Even if the loan amount was used by the husband of the beneficiary for income generating activity, the status of women in the family was enhanced;

- Most of them sent their children to school as they realized the importance of education and could now afford the same with supplementary income;
- Some of them realized the importance of enterprise and took loan second time. Some of them wanted more loan amount;
- They, however, lacked know-how and training in micro enterprise management; and
- They needed education and training in sustainable micro enterprise management and change.

A discussion with some of beneficiary and staff managing the activity at **Tauru** with the President Seed revealed the following:

- The President and office bearers of SHGs have a acquired leadership quality and confidence in micro enterprise. With little more training they can further improve their skills.
- Other beneficiaries displayed confidence and happiness in managing micro enterprise leading to supplement their income in the family. For sustainability of enterprise they need to be guided further.

The discussion with staff revealed that:

- There has been significant change in women in this backward region after becoming member of SHGs and after availing loan for income generation activities. It has given them confidence and empowered them to deal with economic and social matters in the family.
- There is a need for introducing Milk cooperatives for the sustainable income from milk animals. There is need to find out what will constitute minimum critical number of milk animals for sustainable income. There is also need to introduce the cattle insurance to cover the risk.
- In certain areas prices of land have gone up and those in poor category have also acquired wealth. Some groups have also saved enough. They now wish to come out of SHG by repaying the loan.

6.5 Deepalya

The household visit and discussion with beneficiary and their family slums of Delhi revealed the following:

- Loan finance by Dewan Foundation has helped in income generating activity in the family and supplemented income of the family;
- It has empowered women in slum areas and given them much needed income help in urban living. They have learned to help themselves through this support;
- It has supported education of their children and most of them are sending children to schools; and
- Good number of beneficiary displayed their shops and activities to visiting team. One or two avoided the visiting team.

6.6 Pradan

Pradan intervention in poverty removal in Hazaribag ofJharkhand is different from the studies reported above. It may be relevant to describe the project and its operation in brief before sharing the findings.

6.6.1 Operation of Project

Poultry Sheds have been provided by the State Government Funding. Government Provided a sum of Rs.17,000 for sheds and Rs. 5000 towards equipment. Actual Cost of Shed + Equipment is stated to be Rs.35,00,00. There is a deficit of Rs. 13,000 which is stated to be met out of member's contribution. Remaining amount Rs 10,700 is stated to be working cost per shed. This amount is met from loan funding from funds provided by Dewan Foundation. Pradan stated to have help building 600 shed from the funding by the State Government and from various scheme of Govt. of India.

6.6.2 How Things Work

Producers Company purchases broilers and they are given to members of Self Help Groups having Poultry Sheds. Feed and know how to grow broilers as chicken with certain level weight is given to members of SHGs. From time to time support is being provided by veterinary doctor who is also officer of the company and staff of Pradan. After six weeks or so when broilers are developed as chicken they are being sold by company to buyers. Purchase order is received by company keeping in view rate in the market. Company then directs buyers to collect broiler from a particular SHG member from the shed. Some time gap is given and same cycle is repeated. It is stated each member is able to earn about Rs.3500 or so for each package sales of chicken. By that means a SHG member can earn about Rs. 21,000 annually, assuming six cycles of production in a year. This is an additional income for house hold by the member of SHG. The nature of rearing and care is such that broilers have to be attended three to – four times a day. This is done by member or any of her family members. As far provision of feed is concerned Pradan has set up another company which supplies feed for broilers to SGH members.

6.6.3 Observations

- Pradan has been able to mobilize very backward region and provided opportunity of income generation for livelihood through women members of SHGs.
- Support provided by the professionals in rural backward and tribal areas is praiseworthy.
- Working of project here is somewhat different from what is observed elsewhere with regard to income generation activity by members of SHGs for livelihood

6.6.4 Case Studies

We present some of the case studies highlighting the impact of micro-finance through NGOs effort with the support of Dewan Foundation Model.

Tailoring Shop of Beneficiary: One of the women trained in this centre also opened a shop of tailoring in the Market. An interaction with the beneficiary revealed that training has given her lot of confidence in setting tailoring shop. She is earning enough to meet her expenses and also able to repay loan with interest. This has considerably empowered her. She is able to send her children to school. Her happiness was very much evident during the time of interaction with the expert.

From Cobbler to Shoe Making and Mending Shop: The Trust has also provided loan funds to HIV affected and infected males. Some of them were cobblers and doing cobblers work on payment. With the loan amount they were able to set up a small shop and engaged in not only mending shoes and Slippers but even making them and selling in the market. An interaction with some of the beneficiaries revealed that with a loan amount of Rs.10, 000- they could start their petty shop and earn livelihood. They have regularly paid their loan instalments and interest on the same. This change in their life with small funds has value added to their services and helped developing the products like shoes and Slippers (Chapples).

Loans to Women Vegetable Vendors: Group of women vegetable vendors were given loans. These women acquire vegetables from villages and sale in the vegetable market. A discussion with women beneficiaries revealed that local administration managing the vegetable market has given licence to these women vendors. This has enabled women to legally conduct vegetable sale business in the market. Every beneficiary expressed happiness for getting loan from Foundation through the Trust and was regularly repaying the loan with interest. They revealed that this has helped in generating income and has immensely benefited them in their struggle for livelihood. Some of the beneficiaries were also doing vegetable and fruit business from loan amount outside the market.

Chapter 7

Conclusions and Policy Recommendations

The three postulates of Malegam Committee Report, which may become policy prescription and regulatory mechanism for operations of Micro Finance in India, would need to be assessed in the light of practice of micro-finance in India and abroad. Policy of financial inclusion of unbanked people and poor people is one aspect, the financial inclusion for removal of poverty through micro-finance by way of encouraging poor women to engage in income generating activity for livelihood and thereby their empowerment is yet another aspect. We wish to spell out this in the context of analysis carried out in the earlier chapters. We wish to describe what our meta analysis, in previous chapters, have revealed and what should be the future course of action, if we really wish to address the issue of poverty and women empowerment through micro-finance, keeping in view of spirit and intention as envisaged by RBI Committee chaired by Shri Malegam.

7.1 Poverty – A Complex Phenomenon

To begin with we wish to delve briefly the issue of poverty in the context of provision of financial support for income generation activity for livelihood and women empowerment. The poverty is very complex phenomena, more so when one links it to women. Complex in the sense that: (a) it has many interwoven layers, as far as individual and group of individual are concerned such as poverty as defined by income level of households, socio-economic conditions of households, (b) socio-economic status, model of economic development and political mechanism of a nation state. Hence when we attempt to address the problem of poverty and women empowerment we must recognize this complexity. Among the individuals/family there are different layers. Namely: (a) those individuals who have some economic assets, but are unable to earn enough to meet both ends – more particularly those who have been displaced by change in means of production and distribution, (b) there are individual and family they have nothing but to sell their labour to earn daily bread. They are termed as land less labourers – here landless often refers as not owning cultivable land. But among these, there are individuals and families they do not have plot of land, where they can rear cow, buffalo or goats. . Among them also there are persons whose labour is accepted and there are persons whose labour may not be accepted owing to social structuring or owing to the fact that they not have skills to do labour in the field for farming or for rearing and caring of animals. For example persons in Mehabubnagar area of (now) Telengana and erstwhile Andhra Pradesh, living in remote places (Chenchus) do not have skills to till the land they depend on rats and forest produce for their food. Such examples can be multiplied for remotest areas of almost all the states of India.

There are individual and family they have some economic assets and have potential to engage in income generating activity with financial support/ assistance.

Therefore, a simplified criterion of poverty as: $1 or $1.5 or Rs. 35 per person per day is very crude measure of understanding the poverty. And when it comes to women this indicator may appear more absurd. No system of mere financial inclusion or zero account balance for opening bank account can help even reaching nearer to the issue of poverty and women empowerment.

Financial inclusion would help those who have some economic assets/ endowments, but have mortgaged that, have skills of tilling, rearing a caring of animals, skills to provide services with some economic assets and working capital. Here also mere financial inclusion, without addressing social, skills and issues of marketing of product will not help.

Financial inclusion will certainly help those who own economic assets, plot of land are more or less acquired skills to market their product – for example women vegetable vendors in Vijaynagaram district –with the support of some helpful local administration that helped them and provided them space for marketing their produce. As also at their back end or friends' back end they had vegetable farms.

Thus financial inclusion through RBI and Government of India banking policy and micro-finance policy has a role in partly checking individuals and family from falling below poverty line and hardly has any possibility to reaching out real poor and particularly women.

The system of production and distribution and international trade can further disrupt the process of income generation activity for livelihood by such people. For example coco-cola with Rs. 5/- pauch has seriously disrupted local Tandia or chach (butter milk business in rural areas) Those engaged in rearing and caring of milch animal not only sale , milk, curd, ghee, but butter milk also. Their income is reduced owing to reduction in demand of Chach. Those engaged in production of chach find impossible to compete, let alone produce coco-cola for the new market. Similarly used cloth sent by developed countries and marketed to rural areas has severely affected the business of cloth merchant and tailors in small towns and villages. Such examples can be multiplied for good number of decentralized income generating activities, which directly comes into conflict with centralized system of production and distribution. This situation, in due course of time, may put poor borrower in to difficulty and push him/ her further down the poverty line and in debt.

What we wish to point out that serious effort to deal with poverty, even with financial inclusion and support might run into difficulty owing to system of centralized production and distribution and international trade. What we wish to state that poverty is not an unconnected phenomenon with socio-economic and political mechanism and policy of nation sate. Hence, when one is trying to address the problem of poverty and women empowerment one must recognize larger intervening forces.

7.2 Micro Finance Initiative to Address the Poverty and Women Empowerment

Micro Finance initiatives in India started with noble mission to involve women through concept of members Self Help Group understand their socio-economic issues and financially support them to engage in income generating activities, make provisions for marketing their produce. This mission oriented approach for its spread and larger coverage of poor women needed massive financial support. With the Government and RBI policy initiatives, for financial support for linking of SHG with bank finance became an instrument of reaching out to larger number and areas. Many NGOs engaged poverty removal and empowerment of women attempted to link members of SHGs with bank finance. Here RBI policy of priority lending became important. In order enable banks refinance institution like National Bank for Agriculture and Rural Development became major refinance organization to support these initiatives. Since initially it was a mission oriented approach by NGOs engaged in such activities, these also had one to one contact, regularly held meetings of members addressed their problem repayment of loan was very good. Seeing this opportunity many of NGOs with a view to scale up their activities and reach out to larger number of poor women changed their track and attempted to address the problem through non-banking finance companies a good number of them for profit and a few are not for profit. They also enlarged scope by introducing the concept of Joint Liability Group as also involving men and personal consumption finance. The rate of interest was substantial and periodicity of loan repayment also small ie., weekly –in unthinkable with small means of production and marketing. This was further commercialized through equity finance. This new track needed speedy growth and expansion to demonstrate the success of the mission. But in practice it created problems such as lack of one to one contact and addressing social and other related issues, easy loan made them to indulge personal consumption and debt, coercive activities of lenders made them to commit suicide or serious suffer social status and self respect. This resulted in serious crisis in Andhra Pradesh where most of these NBFCs were headquartered. Nearly 50 or more NBFCs got engaged in the micro-finance and attempted to reach out to large numbers of people for meeting their credit needs. Here many NBFCs and listed companies and investors saw a great opportunity at bottom pyramid. Indian NBFC also got boost through FDI in micro-finance through automatic root –of course with some cap. It may be mentioned that experience of Micro –Finance in Latin America and Africa also encourage banks to enter into this field seeing great opportunity for business at the bottom of pyramid. In Latin America interest rate was very high say ranging from 50-130 percent per annum. In India interest rate has ranged around 30 percent with NBFCs. The analysis shows that this change of track was not for removal of poverty and empowerment of women although all policy pronouncements and the logic advanced were in the name of addressing the problem of poverty. It did make easy for people to borrow, but not necessarily income generating activities and not necessarily an attempt to address the issue of poverty and women empowerment. Those who were relatively better in economic endowments did benefit from this, occasionally repayment problem of borrower was solved through waiving of loan repayment partly or fully. The interest rates were discouraging, as no business at the bottom of pyramid yields more than 20 percent of return. If personal service cost is to be covered this return was very low to repay the loan with high rate of interest of NBFCs. It may be mentioned that Malegam Committee report has recommended a cap 24% rate of interest. However, recent policy pronouncement by RBI has left the rate to be decided by NBFCs. Therefore, aspects of financial inclusion, making credit available to people should not be confused with poverty removal and women empowerment. If RBI has engaged in this business with the government policy and budgetary pronouncement, it should go beyond banking philosophy and rules and practices. Micro-finance may boost some economic activities in the non-formal and decentralized system of production and distribution, but if the produce of such system come into competition with centralized system of production and distribution, non-formal and decentralized system will lose out and investment and efforts of poor people will go waste. It may push people into poverty and debt. In Latin America this conflict was very visible and some of European economist denounced growth of non-formal system. RBI needs home grown solutions; no IMF designed solutions will work in India.

7.3 Research Studies on Micro Finance

It is a much sad situation is that in spite of very heavy investment on this sector by NABARD, SIDBI and many banks there are not many serious studies analyzing impact of micro-finance on poverty removal and empowerment of women. No large scale survey has been conducted on the impact through number of beneficiaries eventhough amount invested has crossed figures of several millions and the spread is throughout length and breadth of the country. Some studies by NABARD and SIDBI at the best can be termed as to justify their activities. No third party critical review has been done, no scholarship and fellowship has been instituted in the universities to study this aspect. The literature review reveals that more of the studies are story telling or reviewing what has been done. Even RBI –policy planner and regulators on micro –finance did not attempt a thorough analysis of practices and impact of micro – finance on poverty removal and empowerment of women. In fact poverty as a complex phenomenon has not been recognized and general statement is made about poverty rather spelling out various layers of poverty and commensurate efforts that are needed to address them through the mechanism of Micro-Finance.

Some impact studies have been carried out by international scholars on Latin American countries situation. Some Meta Analysis of literature review was also been conducted by them. However, clear policy prescription or methods through which system of micro-finance can be made more effective to tackle the various layers of poverty and women empowerment. These have also not dealt with the likely conflict between small scale decentralized production with large scale centralized and heavy media oriented and sales men pushed system of distribution/marketing.

7.4 International Experience on Micro Finance

The experiment of Md.Yunus in Bangldesh has been very inspiring and has been appreciated and recognized world over. However, this experiment only through the process of banking seems to have run into political difficulty. There is only one study conducted by IMF scholar indicating benefits of micro-finance for poverty removal in Bangladesh, yet another scholar have questioned practices loan repayment following standard banking practices which may not be relevant and working in the field of micro-finance. Impact studies of Latin American Countries have revealed that micro- fiancé has enhanced economic activities in non-formal sector, but it seems to have come into conflict with formal industrial production sector.

Rate of Interest: Rate of interest has been very exorbitant making any small scale business very successful and retaining larger share of profit with producer rather than financiers. Allowing FDI in many Latin American countries has caused government of respective countries to regulate working and interest rate of Banks/NBFCs, some time with success some other time without success. Impact studies in Mexico, Peru, Bolvia looks at the problem of growth of informal sector with micro-finance vs formal industrial sector, without analyzing what has been impact of growth of non-formal sector on lives of people with least economic means? How have they been able to meet their daily food, health and education needs? How the women engaged in non-formal sector feels? Most of sponsored studies in Latin America, Africa pertain to impact on formal economy rather than impact on lives of people. In fact this aspect may not interest investors or banking system. It is a matter of concern for political processes. Political being pulled towards liberalization and market economy, may find it not very useful to look into alternative means of production and distribution which favours their people and economy. Forces and process of liberation as unleashed by centralized system of production and distribution of developed countries are so strong that many nation states find it difficult of look into their problems innovatively and indigenously. India is no exception to this observation. As far as these developed countries are concerned it is essential for sustaining of their economic and military power position to find market in developing economies. Hence, any decentralized means of production, distribution and consumption by the people come into conflict with their design of liberalization and market push. If for economic reasons, developing countries populations stop using international products, there will be hue and cry in the name of patriotism, nationalism as it conflicts with the paradigm of globalism of their kind.

7.5 Models of Micro Finance

The analysis revealed that models of micro-finance have direct bearing on whether three postulates of Malegam Committee can be achieved or not? If not to what an extent these are met? If yes, to what an extent these can be met? There are not many studies reflecting on spirit and intention of three postulates, as these were not available with the researcher then. Since these are available now one can conceptually analyze them keeping in view the operation of these models in the past. We may recapitulate these models and three postulates of Malegam Committee report for readers' understanding. Three model of micro-finance are:

7.5.1 Donor Supported and Financed Model

(1) Social Action for poverty removal by NGO not for profit through SHG financially supported by donor national/international with inbuilt device to make itself sustaining-focus on poverty removal with low interest rate.

7.5.2 Banking Institutions' Supported – not for profit – with regulated interest rate

(2) Social Action for poverty removal by NGO not for profit with the support of banks as financial intermediary.

(3) Bank guided and supported funding to Self Help Groups- focus financial inclusion.

(4) NGOs/Government agencies sponsored Self Help Groups and financed by banks.

(5) NGO promoted SHGs and financed by banks using NGOs/formal agencies as financial intermediaries.

7.5.3 MFI (NBFCs) working for - not for profit, yet they desire to expand

(6) Micro-Finance Institutions (NBFC) not for profit registered as Trust/Section 25 companies/cooperative/society with high interest.

7.5.4 MFIs (NBFCs) working for profit – focus being return on investment

Micro Finance Institutions NBFCs registered with respective countries' authorities and in India with Reserve Bank of India working for profit with high interest rate and compulsions to expand

7.6 Definition and Aim of Micro Finance

The term Micro Finance has been defined by RBI- Malegam Report as:

> *"Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counseling, etc."*

There are three following important postulates stated by the Committee**:**

> ***"a)*** *It addresses the concerns of poverty alleviation by enabling the poor to work their way out of poverty.*
>
> ***b)*** *It provides credit to that section of society that is unable to obtain credit at reasonable rates from traditional sources.*
>
> ***c)*** *It enables women's empowerment by routing credit directly to women, thereby enhancing their status within their families, the community and society at large".*

The definition and postulates when viewed in the context of models of Micro-Finance and practice of Micro-Finance, as observed in the analysis in previous chapters, points toward the fact that some of the models may help meeting these postulates to some extent, yet those working for profit models may not be able to meet these postulates. Even model of NBFC -not for profit may be able meet it to some extent as their may aim would be to cover the cost and expand. These both objectives would limit their scope to address the issue of poverty fully. Only NGOs supported by donors with no pressure for high rate of interest and early payment, social and developmental action can help achieving these postulates effectively. Here the model as operated through the funding by Dewan Foundation –which in principle " not for profit and not for charity" can help achieving intention and spirit of these postulates. The NGO based model may have limits of growth and expansion, yet pattern of financing and social and developmental action through a new model of micro –finance can achieve these postulates. Here main role has to be played by RBI with a clear vision to go beyond traditional system of micro-finance through process and rules of banking. Even the government of India may have to re-think of suitable model than the models so far it had promoted and operated upon. RBI present policy of drawing their feet back from the recommendation of Malegam Committee report pertaining to cap of interest of 24 per cent for landing to SHGs, seriously questions the intention of RBI to address the problem of poverty and women empowerment through policy and regulatory initiatives. Therefore, making credit available to people through NBFC for profit and not –for profit as also bank supported loan, plays greater role to reach out to unreached and may upper layer of poor, yet that should be confused as addressing the problem of poverty and women empowerment to the extent as envisaged in these three postulates.

7.7 Not – for Profit and Not for Charity Model of Micro Finance

Meta Analysis was carried out for model of Not-for Profit and Not-For Charity micro-finance operating by Srijan in Rajasthan, Madhya Pradesh, IBTDA in Alwar-backward district of Rajasthan, Pradan – in Hazaribag- backward not socially tensed area of Jharkhand, Deepalaya in Delhi and Taoru in Haryana and two districts Andhra Pradesh which have high proportion of HIV affected and infected people and Lyprosy people in SamalKot and Vijaynagarm Districts. Revealed that this model has worked to a great extent to address the problem of poverty and women empowerment at the same time it gave self respect and made them free from any obligation of charity. For the benefit of readers may be recapitulate the concepts and practice of this model.

7.7.1 Dewan Foundation Micro Finance Model

Within this donor supported model, there was a unique model of micro-finance supported by Dewan Foundation of UK. It was unique in the sense that it attempted to: (a) provide funds with reasonable interest rate say 10-12 percent per annum, thereby making difference from charity concept, as borrower returned the money with interest. However, interest money so returned and saving done by member became the capital of the group. This, over a period could become substantial amount to be available for intra- group loaning and self sustaining, (b) empower women SHG members to engage in income generating activity and acquire place of proud in the family. Enhancement of social status was through engaging in income generating activity or even by providing acquired loan funds to spouse for income generating activity. Occasionally, some women members, with support of social action NGOs, fought the bad habits such as drinking of spouses. The foundation signed an MOU with NGOs which required them to loan the amount for income generating activity to members of SHGs. The amount so funded by Foundation was required to repaid to Foundation after five years in four equal installments so the principal funded to through NGOs with 10 per cent deduction of administrative cost comes back to Foundation for loaning it to another NGO. NGO engaged in loaning funds over a period of five years develop enough revolving funds with interest and saving from the members of SHGs and it can run in self sustaining manner for long term. It has been observed the multiplier effect through this model is almost seven times of a unit of money employed in this not for profit and not for charity model, expect 10 percent of the principal sum which goes for administrative cost of NGO. If amount is say one crores NGO 10 lacks and can retain sum of interest paid by borrower to run its activities. Hence, logically and philosophically this model could fit in one or more of postulates of Malegam Committee

7.8 Policy Recommendations

Micro-finance is very important instrument to tackle the problem of poverty, development from below, decentralized development, empowering women, enabling people to escape possible fall below the poverty line. But the instrument needs to carefully designed so as go beyond traditional rule of baking, implemented in mission mode approach and regularly researched for its impact and monitored properly. Many economic activities at the decentralized and individual level need relatively less finances as compared to Small and Median Industries. If this financial assistance is routed through women, it has dual impact of economic and social up gradation women. It also ensures participation of women in economic decision making in the house hold. This proposition is, however, very generic and well meaning. To make instrument of Micro-Finance work effectively on ground, certain ground realities have to be understood and new ground rules have to be framed that are different from prevailing practices and processes of banking or oft repeated concept financial inclusion and making credit available to large number of people. It may be pertinent to spell out ground realities as understood by us. When we look at the population reeling in poverty ,the statement of below poverty line with income less than $1.2 sound very strange. This is particularly so, as a large part of rural and remote area economy is not monetized. Here, location, economic asset possession, economic skill possession, social stratification, area's economic endowments and climatic conditions, degree of poverty and chances of coming out of vicious circle of poverty, considerably matters in understanding the degree and intensity of poverty and position of women. . The existing banking practices and processes may work for certain level, yet it may not work for enabling people, particularly women way out of poverty syndrome with mere financial assistance, as financial assistance and inclusion may be a very important instrument, but it may not be sufficient instrument. Also financial instrument as such may not be even important instrument unless this instrument is redesigned to suit the need and economic conditions of specific area, specific group and specific economic activities attempted for income generation for livelihood more particularly by women or women and men co-joined. Given the variations of the kind stated above, there are three layers-where in people are reeling in poverty. Those who possess some economic endowments like small size of land, milch animal and heavily depend on rains for produce. Good rains they are able meet both ends, bad rains they find it difficult to meet both ends and search for wage labour jobs within or outside their area. These people could be termed as upper layer group or 1st layer group in descending order. Second layer group of population is those who had some economic endowments, but owing to circumstances have mortgaged their economic assets, like half or full size of small farm and depending on shared crop arrangement for working on their farm. Where there are no cultivable land like in parts of J&K the size of animal holdings by shaphered –like gujjar bakarwals, determine their economic position. Those who hold less than critical number animals, their chances of getting into poverty abyss is high. In the similar category are those service providers, barber, potters, weavers, tailors, washer men, cleaners who depend on general economic development of area and economic endowment of people of the region. If economic conditions of the area/ region keeping in view climatic conditions and rains rises or declines, their income level varies accordingly. These people invariably live almost hand to mouth every day when general economic situation is bad. If general economic situation is good, they are able save for future to meet exigencies.

The third layer group of people who do not possess any land nor milk or wool animals and greatly depend on availability of wage labour on farms or households or with the other service providers, they struggle to meet both ends on daily basis. Levels of skills among these people also determine the availability of wage labour. Position of women belonging to families in all these layers is relatively lower than that of males. Therefore, when we are attempting to use instrument of micro-finance to help people way out of poverty and women empowerment, as postulated by Malegam Committee Report, we have to frame new ground rules than simple financial inclusion or making credit available.

7.8.1 The New Ground Rules

The first question we should address is a larger economic question i.e, What is overall economic impact, if these people are helped to participate effectively in economic activities in which they are engaged, given their economic and social structure and strength? If not helped what is the impact? Can subsidy direct transfer of funds, help them to sustain and survive perpetually under those conditions? In our view whatever economic model of development we follow, the involvement of larger number of population in economic activities of their area, is very essential for the economic wealth of a nation state. Centralized industrial development model as followed by developed countries in the past may not be an appropriate answer for vast majority of underdeveloped areas in different climatic and economic conditions. The model has to be decentralized development from below. This is opposite to the model of the business at the bottom of pyramid, as proposed by market economists. This is likely to be short lived with and there is a greater possibility that it cracks under its own weight. Having said so, we make an attempt to suggest policies to make this wonderful instrument of micro-finance very effective to handle problems of poverty and women empowerment at these three layers' groups of population.

7.8.2 Not for Profit and Not For Charity Model of Micro Finance

The instrument of micro- finance has to be necessarily a not for profit as also not for charity. It would be mean any RBI policy which allows NBFCs or NGOs to charge a rate of interest inclusive of service and other costs more than 15-20 percent may not really help addressing the problems of any of groups in these layers. There should be necessarily a cap at pre-defined level and should not be left to NGOs or NBFCs. Malegam Committee has recommended a cap of 24 percent all inclusive. We feel that this may not be workable as the rate of return on income generating livelihood activities may not be more than 20 percent after covering their cost including labour cost. Our analysis show that kind of income generating activities in which women are engaged hardly yields high return. In case of sickness or loss of asset or sale, they hardly have anything to fall upon. Such loan should have built in provision for exigencies. Traditional insurance mechanism may not work here. Special provision for insurance may be made here in loan and repayment of loan with minimum premium.

All for profit NBFCs should be banned for using Micro-finance instrument to make business at the bottom of pyramid. Such NBFCs are engaged in loan finance for consumption purpose. Such consumption purpose loan while making borrowers spend on their need, it also encourage them using it for products other than locally produced goods and services. A good number of them are being marketed by globally branded sellers. The number at the bottom of pyramid being large even small pouches of their product adds up to a large proportion of their sale. Hence their interest may be to fund NBFCs and NGOs who provides consumption loan at commercial rate. This leads to increase in indebtedness of borrowers, adversely affecting local economy and promoting developed countries economy. It may, instead of helping poor people way out of poverty and push them to indebtedness and poverty. Therefore, NBFCs working for profit may be disallowed to operate.

NGOs or NBFCs proposing to engaged instrument of micro-finance for addressing the problems of poverty and empowerment of women should necessarily be a action research oriented organization and should engage in social mobilization, education, awareness, training and possible marketing or facilitating the marketing of their produce. Administrative cost of such NGOs and NBFCs should be met out of state funding or CSR funds specifically earmarked to poverty removal through income generating activities. These NGOs or NBFCs should specifically cater to the need of first and second layers groups of population. They should work for producing and marketing their product and services mostly within the region. Often marketing done in other urban market meets occasional success but it does make a regular demand for their products. Focus should be improving the quality of goods and service need to the local and region keeping in view their socio-cultural moorings. Their product and service quality should be so attractive that it weans away people from shifting their demand to globally branded produce. Here skill training and education will play a major role.

Most venerable of people are in third layers' group, they would need a special approach then just making loan funding available. They would need to be first engaged in skill development and then may be provided space, machine / assets to produce and earn. It may help, if some small and medium industrial or agriculture produce farm is developed in cluster of such villages and such people are engaged in them on wage cum- profit sharing basis. Profit sharing should lead to increasing the capital of the group employed in such activities. This capital may be re-ploughed into production farm or industry. In course of time they should own it through NGOs or NBFCs.

7.8.3 Revolving Fund Model for Micro Finance

Dewan Foundation type of revolving model of micro-finance, as stated above, may be very effective way out of poverty through income generating activities and empowerment of women. This model has great multiplier economic (7-8 times one unit of input) effect and potential of sustainability. NGOs engaged in micro-finance as instrument of poverty removal and empowerment of women may be given a revolving fund for period of five years. Interest earned during the period may be allowed to be kept by SHGs to build their capital. In course of time each SHG Group and NGOs would have enough funds for intra- and inter group loaning for economic activities. After five years, SHGs through NGOs may be asked to return the principal amount over a period of five years. This refunded amount could be used by another NGOs engaged in such activities. This would be a non-charity not for profit model. About 10% of fund cost management should be considered poverty removal services cost paid to NGOs. This amount would be more than paid owing to seven or eight time multiplier effect in economy. This revolving poverty removal fund can be created by state as also by CSR fund. Charity would lead to consumption the revolving fund would lead to creation and generation wealth for economy.

7.8.4 Centralized vs Decentralized/Small vs Large/Capital in Few Hands vs Capital Faily Distributed in Large Numbers of Hands

The last question we would like to address is conflict between centralized and decentralized model of production and distribution and how to resolve this conflict. This also has other connotation small enterprises vs large conglomerated anti –enterprise model. Manufacturing of shirts and trousers by big manufacturer like von husen, lue phillip or levy vs small locally produced designer well fitting shirts and trouser for that matter any similar product. In the conglomerate model a large number of people are engaged as wage earners at different levels and a few own capital. It also has connotation that national wealth is owned by handful people or owned by a large number of small, medium and reasonably large enterprises. A fairly redistributed national and global wealth or highly concentrated in a few hands the national and global wealth. As an economic process, the large conglomerate model always collects funds from a large number of people and own/ manage the large amount with 20 or less than 20 percent share ownership. The rest is distributed among a large numbers, therefore, they can not claim ownership through the system of management. Such conglomerates find it difficult to adjust to changes and often loose. This makes millions of people to lose their savings amount. Not only this when such large conglomerate fails a large number of wage earners are retrenched. These people not finding easy avenues commit suicide in large number. There are several cases of this type. The large system also thwarts innovations and competition. Therefore a nation state with attempts develop economy with fairly distributed national wealth and strength to check global conglomerates needs to encourage all the three levels of enterprises mainly small, medium and house hold or cooperative owned enterprise. Such a model will help economy to lift from below and would help removal of poverty and empowerment of women in particular. Therefore, in order to ensure development from below and ensure completion and innovations state should promote a policy of encouraging small, medium and household based enterprises, of course with all the technology –mini and nano technology at command. There should be cap on holding of wealth by a few business houses and individuals. Large holding by a few within nation state or globally has great potential of exploitation and pushing large masses to poverty and squalor.

*****

Selected Bibliography

Professor Muhammad Yunus, A Letter Addressed to Grameen Bank Members from Nobel Laureate on the Occasion of his departure from Grameen Bank

Aruinchalam , Ramesh S, "*Legal Chal;lenges in Micro-Finance", Working Paper, Micro-Finance Consulting Group (MCG), Chennai*

Arunachalam, Ramesh S. The Journey of Indian Micro Finance : Lessons for Future, Aapti Publications,2011

Aloysius P. Fernandez, (2010), *"Is Micro Finance Leading to a Macro Mess, the AP Ordinance",Unpublished Paper*

Akerlof, G., 1970, "The Market of '*Lemons, Quality of Uncertainty and the Market Mechanism" Quarterly Journal of Economics.*

Annie Duflo, Micro Finance in India ,overview, challenges, and the role of technology Centre for Micro Finance Research ,October 28, 2005,FMR(ppt)

Alok Misra 2006, Micro Finance in India and Millennium Development Goals: Maximising Impact on Poverty Discussion paper for Workshop on World Bank

Bamako, (2000), "*Innovation in Microfinance", Technical Note 5*

Banking International Standards (BIS) (2010), "*Compensation and Corporate Governance*"

Bob Sample: Moving 100 Million Families Out of Severe Poverty: How Can We Do It? Colorado State Coordinator, RESULTS/RESULTS Educational Fund Denver, Colorado, USA, 28 December 2011

Buckley, G. (1997). "Microfinance in Africa: Is it either the problem or the solution?" World Development 25(7): 1081-1093.

Bhatt, N. and S. Y. Tang (2001). "Delivering microfinance in developing countries: Controversies and policy perspectives." Policy Studies Journal 29(2): 319-333.

Benjamin, L.J.S. Rubin, et al. (2004). "Community development financial institutions: Current issues and future prospects." Journal of Urban Affairs 26(2): 177-195.

CARE Ratings – Press Release, (July 14, 2010), "*CARE Assigns 'CARE IPO GRADE 4' to the Proposed IPO of SKS Microfinance LTD"*

CRISIL: India's Top 50 Micro Finance Institutions, - A Financial Awareness Initiative; 2009

EDA Rural System Private Limited (2010) with MFI client and lone data analysis by Karuna Krishnaswamy and Alejandro Ponce, "*Competition and the Role of*

Consultative Group to Assist the Poor (CGAP),Managing risks and designing products for agricultural microfinance, Occasional Paper 11, issued on August 2005

Cohen, M. and K. Wright (2003). "How do microfinance organisations become more client- led? - Lessons from Latin America." Ids Bulletin-Institute of Development Studies 34(4):

De Aghion, B.A. and J. Morduch (2000). "Microfinance beyond group lending." Economics of Transition 8(2): 401-420.

Dr. Y.S.P. Thorat in her paper on Microfinance in India: Sectoral issues and challenges,

Develtere, P. and A. Huybrechts (2005). "The impact of microcredit on the poor in Bangladesh." Alternatives 30(2): 165-189.

Easton,T. (2005). "The hidden wealth of the poor." Economist, 377 (8451): 3-6, 11/5/2005**.**

External Agents: The 2009 delinquency crisis in southern Karnataka"

Elisabeth Rhyne, (Dec 17, 2008), "*Standers for Microfinance Growth*"

Evans, T.G., A.M. Adams, et al.(1999). "Demystifying non participation in micro credit: A population-based analysis." World Development 27(2): 419-430.

Graham A.N Wright, Ramesh S Arunachalam, S. Mishra and Narayanan, (May 2005) "*MicroSave*

Godquin, M. (2004). "Microfinance repayment performance in Bangladesh: How to improve the allocation of loans by MFIs." World Development 32(11): 1909-1926.

Gaiha, Raghav and Thapa Ganesh, Occasional paper of IFAD, A methodology for assessment of the impact of microfinance on empowerment and vulnerability,

Gaiha, Raghav & Nandhi Mani Arul, Microfinance, Self-Help Groups and Empowerment in Maharashtra, October, 2007 ASARC Working Paper 2007/15,

H.R. Khan, Report of the Internal Group to Examine Issues Relating to Rural Credit and Microfinance, Reserve Bank of India, July 2005.

http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:20782109~menuPK:295606~pagePK:2865066~piPK:2865079~theSitePK:295584,00.html.

http://www.nabard.org/pdf/Status%20of%20Micro%20Finance%202009-10%20Eng.pdf

http://www.aptsource.in/admin/resources/1273818337_UNPAN024232.pdf

Imp-Act in collaboration with Microfinance Centre, (2005), "*Social Performance Management in Microfinance: Guidelines*"

India Today, (Jun 6, 2011), "*The House of Dawood*"

Intellecap, (2010), "*Inverting the Pyramid (Third Edition), India Microfinance Coming of Age,*

Jan, Postmus, (2010), "*Micro-Finance at Cross Road, "Unpublished Working Paper*

Jan, Postmus, (2009), "*Lesson for Microfinance (based on 'the Prey')*", at http://www.microfinance.

Johnson, S. (2004). "Gender norms in financial markets: Evidence from Kenya." World Development 32(8): 1355-1374.

Johnson, S. (2004). "The impact of microfinance institutions in local financial markets: a case study from Kenya." Journal of International Development 16(3): 501.

John Samuel Raja D Et M Rajshekhar, Et Bureau, (Feb 1, 2011), "*Share Microfin MD takes home 7.4cr, More than double HDFC Bank MD's salary*

Kshma V Kaushik and Kaushik and Kaushik Dutta, (2005),"*Corporate Governance Myth to Reality*

Kudumbashree, Annual Administration Report 2008 – 09,

Livermore, M. (1996). "Social work, social development and micro enterprises: Techniques and issues for implementation." Journal of Applied Social Sciences 21(1): 37-44.

Leo Hornrck, (May 8, 2011), "*Why the dream of Microfinance is turning sour,*

Lanmdau Mayoux's study (1998) on Participatory Learning for Women's Empowerment in Micro Finance Programs (IDS Bulletin, Vol. 29 No.4, 1998)

Linda Mayoux and Maria Hartl.Gender and rural microfinance: Reaching and empowering women, International Fund for Agricultural Development (IFAD) August 2009

Madhav A. Chanchani, (July 21 2010), *George Sros' Quantum Picks U Stake in IPO-Bound SKS For Rs 19Cr"*, at http//www.vccircle.com/500/news/George-soros-quantum-picks-up-stake-in-ipo-bound-sks-for-rs-19cr

Microfinance institutions, http://www.mixmarket.org/mfi/country/India#ixzz2jIWoPoce

Malika Singh et al , Aravali, M. Sriram, Smita Parhi, Micro- Finance as source credit-studies

McKernan, S. M. (2002). "The impact of microcredit programs on self-employment profits: Do non-credit program aspects matter?" Review of Economics and Statistics 84(1): 93-115.

Mk Nelly, B. and M. Kevane (2002). "Improving design and performance of group lending: Suggestions from Burkina Faso." World Development 30(11): 2017-2032.

Mosley, P. and J. Rock. (2004). "Microfinance, labour markets and poverty in Africa: a study of six institutions." Journal of International Development 16(3): 467.

McIntosh, C. and B. Wydick (2005). "Competition and microfinance." Journal of Development Economics 78(2): 271-298.

Mosley, P. and J. Rock. (2004). "Microfinance, labour markets and poverty in Africa: A study of six institutions." Journal of International Development 16(3): 467.

McIntosh, C. A. de Janvry, et al. (2005). "How rising competition among microfinance institutions affects incumbent lenders." Economic Journal 115(506): 987-1004.

McIntosh, C.,A. de Janvry, et al. (2005). "How rising competition among microfinance institutions affects incumbent lenders." Economic Journal 115(506): 987-1004.

Mahendra Varman P- Impact of Self- Help Groups on Formal Banking Habits, *Economic and Political Weekly*, 2005 *Vol. 40, No. 17, Apr. 23-29, 2005,*

NABARD, (2009-10), "*Status of Micro Finance in India"*

Nachikat Mor, Institute of Financial Management and Research, Centre for Development Finance Working Paper Series, (October 2006), "*Some Thoughts on Access to Market as a Strategy to Address Poverty"*

Nagesh Kumar S., (April 20, 2006), "*The Making of a Debt Trap in Andhra Pradesh", the Hindu*

Naren Karunakaran, ET Bureau, (*Nov 12, 2010), "*How to fix flaws in the present microfinance Model"*

Nagendra P. Singh, Self Help Group – An initiative , ?

NABARD Report 2005-06 PROGRESS OF SHG BANK LINKAGE IN INDIA-2005-06 http://www.nabard.org/pdf/introduction05-06.pdf

NABARD Annual Report 2009-10

Nl/en-GB/Content.aspxtyep- newsEtid-196

Prabhu Ghate, (2006), "*Microfinance in India A State of the Sector Report"*

Press Trust of India, (Nov 22, 2010), "*MFIs no better than money lenders, must be regulated: YV Reddy"*

Palanichamy A.P Women empowerment through microfinance: A case study of women in self help group of Uthangarai Taluk in Krishnagiri district Tamilnadu International Multidisciplinary Research Journal 2011, 1(2):31-35 ISSN: 2231-6302 Available Online: http://irjs.info/

*Patten, R.H., J.K. Rosengard, et.al. (2001)."M*icrofinance success amidst macro economic failure:The experience of Bank Rakyat Indonesia during the East Asian crisis." World Development 29(6): 1057 1069.

Pretes,M. (2002). "Micro equity and microfinance." World Development 30(8): 1341-1353.

Rajshekhar. M. ET M Anand. Et Bureau, (Oct 8, 2010), "*More to sks script than meets the eye" The Economic Times*

Rajalaximei Kamath and Prof Srinivasan, (2009), "*Microfinance in India: Small, Ostensibly Rigid and Self",IIM B Working Paper*

Rajalaxmi Kamath, Arnab Mukherji and Smita Ramanathan, "*Ramanagaram Financial Diarries: Loan Repayments and Cash Patterns of the Urban Slums",* IIMB Working Paper No. 268.

RBI Press Release, (Oct 28, 2010) "*RBI Sub Committee of the Central Board of Directors to Study Issues and Concerns in MFI Sector"*

Ruchita Sharma, (Oct 7, 2010), "*Aligned Objectives of MFIN Et MFT*", MFTransparency

Reddy, Manak, Sandeep Self-Help Groups: A Keystone of Microfinance in India - Women empowerment & social security, October 2005, Mahila Abhivruddhi Society, Andhra Pradesh

Rajarshi Ghosh, Microfinance in India: A critique,

Scout Gaul, Willimam Ford,and OlgaTomilova, Micro Credit Interest Rates and Their Determinants: 2004-2011, FORUM, CGAP,KFW Mix

Standards and Norms, Case Laws in favour of NGOs Engaged in Micro Finance, An Anitiative by FMSF, December,2011

SEED, Studies on Micro Finance – Evaluative Studies of SGH Micro Finance, by SRIJAN, DIPALYA, IBTDA, PRADAN, St. Paul Trust, and Brighter Future Trust, SEED, NEW Delhi 2008-2013

Surjit Singh, M.S.Sriram and Radha Kumar, Akhileswar Pathak and MS. Sriram, Micro-Finance as source of credit, capacity building linkage with banks and Govt. support-Studies

SEBI, (Mar 2010), "*Draft Red Herring Prospectus of SKS Microfinance"*

Shyamal Majundar, Business Standard, December 25, 2008, "'*Nodders 'in the boardroom* "

SKS, (2007), *"SKS Audit Financial Statement, March 2007*

SKS, (2008), *"SKS Microfinance Ltd Audit Financial, March 2008, Academic Foundation, New Delhi,2012*

S.L. Shetty, Microfinance in India:Issues, Problems and Prospects, A Critical Reveiew of Literature, ?

Sriram Adjunct Professor, IIM – A, (2010), "*Commercialization of Microfinance in India: A Discussion of the Emperor's Apparel* ", (Economic and Political Weekly___)?

Smita Nirbachita Badajena, Prof. Haripriya Gundimeda, Self Help Group Bank linkage model and financial inclusion in India,

S. Mahendra Dev et al, Mid-Term Appraisal of Andhra Pradesh Rural Poverty Reduction Project, Centre for Economic and Social Studies,

Surender, Sunil Kumari, Ramesh Kumar Sehrawat(2011) Can Self - Help Groups Generate Employment Opportunity for Rural Poor? European Journal of Social Sciences – Volume 19, Number 3 (2011)

Ssewamala, F.M. and M. Sherraden (2004). "Integrating saving into microenterprise programs for the poor: Do institutions matter?" Social Service Review 78(3): 404-428.

Snow, D. R. and T.F. Buss (2001). "Development and the role of microcredit." Policy Studies Journal 29(2): 296-307.

Sriram Adjunct Professor, IIM – A (2010), "*The Anxiety of Growth in Microfinance " , Unpublished Paper*

Srinivasan N., (2010), "*Microfinance in India State of the Sector Report ", Sage Publication*

Srinivasan N., (2008), *"Microfinance in India State of the Sector Report",* Sage Publication

Susan Feiner Drucilla Barker, (2007), *Microcredit and Women's Poverty "*

Sa-Dhan,Client Protection & Social Performance of Indian MFIs - An Empirical Report

Singh N. Tejmani, Micro Finance Practices In India: An Overview International Review of Business Research Papers Vol. 5 No. 5 September 2009 Pp. 131-146,

Tankha, Ajay (2009), "*Microfinance Institutions and "Mission Drift",* Pluralist

Tankha, Ajay (Oct 2006), "*Challenges and Potential for Indian banks to Implement Business Facilitator and Business Correspondent Models",* A status report, GTZ and NABARD

Thorat, Y S P and Ramesh S Arunachalam, (May, 2005), "*Regulation and Areas of Potential Market Failure in Micro-Finance*", Paper Presented at the NABARD High level Policy conference in New Delhi

The Economic Times, (July 11, 2010), "*SKS MF gets SEBI NOD for IPO, issue likely by end-July"*

The World Bank Report of 2003 on Microfinance,

Tsai, K.S. (2004). "Imperfect substitutes: The local political economy of informal finance and microfinance in rural China and India." World Development 32(9): 1487-1507.

Usha Thorat, (2008), "*Inclusive growth – the role of Review in emerging economies"*

Vijay Mahajan, (June 28m 2010), "*MFIs as engine of inclusive growth* ", The Economics Times

Vikash Kumar ET Daniel Rozas, (May, 2010), "*SKS Microfinance Journey to IPO – An inside story "* May 15, 2011

Vikas Batra and Sumanjeet State of Microfinance in India, emergence, Delivery models and issues. April 2011, Working paper No AIUB-BUS-ECON-2011-02 http://orp.aiub.edu

V. V. Desai, Self Help Groups: An Integrated Approach of Empowerment for She Entrepreneurs International Journal of Research in Computer Application & Management www.ijrcm.org.in volume no. 1 (2011), issue no. 7 (September)

Y.H.Malegam. Report of the Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector Reserve Bank of India

Wolfgang Hannover: Micro–Finance as Source of Development & Achieving Millennium Development Goal

Weekly (EPW), June 12, 2010 – Vol: XLV No:24) and "*Commercialization of Microfinance in India: A Discussion on the Emperor's* Apparel " (W.P No.2010-03-04, March 2010)

Weber, H. (2004). "The 'new economy' and social risk: banking on the poor?" Review of International Political Economy 11(2): 356-386.