

# **The Role of Microfinance in Women's Empowerment**

A Comparative Study of Rural & Urban Groups  
in India

While much has been written about the promise of Microfinance as a tool for poverty alleviation and the empowerment of women, Raji Ajwani's book makes important new contributions to the field. New insights into theoretical understanding and policy lessons are derived from her extensive analysis of two models of Microfinance in rural and urban India. Extending beyond a narrow focus on income generation, the book presents new evidence on the multiple dimensions of women's well-being for those who participate in Microfinance projects, their families, and communities. I therefore commend this book to anyone with an interest in gender and development issues, not only in India but anywhere where Microfinance models need to be better designed and implemented

– *Dr Andrew Bradly, Senior Lecturer &  
Deputy Director (Education),  
Research School of Management,  
Australian National University*

This major work of scholarship compares two alternative models of microfinance in developing countries. Combining statistical and ethnographic evidence, it provides important new insights into the obstacles to the empowerment of women and their participation in work. It is essential reading for all researchers in microfinance and women's empowerment.

– *Dr Mark C. Casson, Professor of Economics,  
Director of the Centre for Institutional Performance,  
University of Reading, UK  
(see [https://en.wikipedia.org/wiki/Mark\\_Casson](https://en.wikipedia.org/wiki/Mark_Casson) and  
<http://www.henley.ac.uk/web/files/economics/markcasson.pdf>)*

First, you draw insightful lessons from a specially mounted field research into two successful models of microfinance. Parallely, you study some well-known theories on gender and empowerment to appreciate their nuances and limitations. Then you finely blend these two pieces to produce a new theoretical model. That is Raji's book for you! I have no doubt that the book is a valuable addition to the writings in the domain of 'pathways out of poverty', and will contribute immensely towards formulating effective policies and products for inclusive development

– *S. Sivakumar, Architect of ITC e-Choupal,  
CEO ITC Agribusiness Division ITC Ltd, India  
(see <http://www.itcportal.com/about-itc/leadership/corporate-management-committee.aspx>)*

# The Role of Microfinance in Women's Empowerment

A Comparative Study of Rural & Urban Groups in India

*By*

Raji Ajwani-Ramchandani  
*BAIF Development Research Foundation,  
Pune, India*



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2017

Copyright © 2017 Emerald Publishing Limited

**Reprints and permissions service**

Contact: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-78714-426-2 (Print)

ISBN: 978-1-78714-425-5 (Online)

ISBN: 978-1-78714-928-1 (Epub)



**ISOQAR**  
REGISTERED

Certificate Number 1985  
ISO 14001

ISOQAR certified  
Management System,  
awarded to Emerald  
for adherence to  
Environmental  
standard  
ISO 14001:2004.



INVESTOR IN PEOPLE

# Contents

List of Figures	vii	
List of Tables	xi	
List of Boxes	xiii	
List of Maps	xv	
List of Abbreviations	xvii	
Preface	xxiii	
Foreword	xxv	
Acknowledgements	xxvii	
CHAPTER 1	Introduction	1
CHAPTER 2	Literature Review	15
CHAPTER 3	Conceptualising Empowerment: A Theoretical Model	25
CHAPTER 4	Nationalisation to Demonetisation: An Overview of the Indian Banking Sector	45
CHAPTER 5	Microfinance in India – The Self-Help Group Federation and Joint Liability Models	67
CHAPTER 6	Data and Methods	81

CHAPTER 7	An Overview of the MFI Organisations: Annapurna Pariwar (AP) and GMSS	103
CHAPTER 8	Observations and Discussion – Rural Area	125
CHAPTER 9	Observations and Discussion – Urban Area	173
CHAPTER 10	Vetale Village: Then and Now (2013–2016)	211
CHAPTER 11	Concluding Remarks	227
Appendix 1	A ‘Bad Loans’ Bank for India	273
Appendix 2	Less Cash or Cashless: What about the Common Man?	275
References		283
Index		295

# List of Figures

<b>Chapter 1</b>		
Figure 1.1	Empowerment: Select Components and Relationships. . . . .	2
<b>Chapter 2</b>		
Figure 2.1	Flowchart for the Review of Literature. . . . .	17
<b>Chapter 3</b>		
Figure 3.1	Theoretical Representation: Life Cycle of a Poor Woman/Microfinance Beneficiary. . . . .	29
Figure 3.2	Entitlement-Breakdown Position – Empowerment. . . . .	34
Figure 3.3	Stages: Moving towards the Goal of Empowerment. . . . .	35
Figure 3.4	Theoretical Framework for Empowerment. . . . .	39
Figure 3.5	Towards Empowerment – Conceptualised by the Author Based on Sen (1987). . . . .	40
Figure 3.6	Positive Effect of CBMFIs in Improving the Breakdown Position of Members. . . . .	42
<b>Chapter 4</b>		
Figure 4.1	Elements of Financial Inclusion. . . . .	51
<b>Chapter 5</b>		
Figure 5.1	Evolution of Microfinance in India. . . . .	70
<b>Chapter 6</b>		
Figure 6.1	Keeping the Member Centre Stage . . . . .	82
Figure 6.2	Sex Ratio in Maharashtra vis-à-vis India. . . . .	85
Figure 6.3	Mixed Methods: An Important Aid for Data Triangulation. . . . .	91

Figure 6.4	Data Triangulation Approach. . . . .	92
Figure 6.5	Design Map of the Study. . . . .	94
Figure 6.6	Timeline of the Research. . . . .	96
<b>Chapter 7</b>		
Figure 7.1	Annapurna Parivar: Organization Structure and Institutions. . . . .	105
Figure 7.2	Details of Day-Care Centres (Number of Centres and Their Charges) . . . . .	108
Figure 7.3	Number of Children Benefited by Day-Care Centres. . . . .	108
Figure 7.4	The SHG Federation Model. . . . .	116
<b>Chapter 8</b>		
Figure 8.1	Process Followed during the Study. . . . .	126
Figure 8.2	Changes in Income and Saving. . . . .	152
Figure 8.3	Increase in Saving after SHG. . . . .	152
Figure 8.4	Changes in Saving Pattern after SHG. . . . .	153
Figure 8.5	Changes in the Ability to Contribute after SHG.. . . . .	155
Figure 8.6	Member's Ability to Access/Service Credit (in Her Own Name) . . . . .	156
Figure 8.7	Ability to Repay Household Loans with Own Funds. . . . .	157
Figure 8.8	Participation in Deciding the Usage of Funds. . . . .	157
Figure 8.9	Changes in the Appreciation Received: Family/Friends . . . . .	158
Figure 8.10	Changes in the Members' Ability to Venture Out . . . . .	159
Figure 8.11	Changes in the Ability to Speak Up and Express Views/Opinions . . . . .	160
Figure 8.12	Changes in the Ability to Face Medical Emergencies. . . . .	162
Figure 8.13	Members Having Bank Accounts (%). . . . .	163
Figure 8.14	Changes in the Ability to Undertake Banking Transactions Independently. . . . .	163



Figure 8.15	Changes in Personal Grooming Pattern. . . . .	166
Figure 8.16	Changes in Awareness of Development Programmes. . . . .	167
Figure 8.17	Details about Aadhaar Card. . . . .	169
<b>Chapter 9</b>		
Figure 9.1	Annapurna Pariwar: A Group of Five Organisations. . . . .	174
Figure 9.2	Changes in Awareness about Various Development Programmes. . . . .	199
Figure 9.3	Changes in the Personal Grooming Pattern. . . . .	200
Figure 9.4	Changes in the Independent Mobility. . . . .	201
Figure 9.5	Changes in Appreciation Level. . . . .	201
Figure 9.6	Changes in Saving Pattern of the JLG Members. . . . .	202
Figure 9.7	Ability of the Members to Borrow in Own Name. . . . .	204
Figure 9.8	Change in the Ability to Repay the Loans. . . . .	205
Figure 9.9	Ability to Participate in Deciding the Usage of Funds at the Household Level. . . . .	206
Figure 9.10	Changes in the Ability to Undertake Banking Transactions Independently. . . . .	207
Figure 9.11	Change in the Confidence Level to Face Medical Emergencies. . . . .	208
<b>Chapter 10</b>		
Figure 10.1	Before Demonetization. . . . .	214
Figure 10.2	After Demonetization. . . . .	215
<b>Chapter 11</b>		
Figure 11.1	SKS Microfinance's Choppy IPO Graph. . . . .	237
Figure 11.2	Attaining and Sustaining the 'Power Within'. . . . .	242
Figure 11.3	Prevailing Banking System: Transaction Flows. . . . .	263
Figure 11.4	Block Chain: Transaction Flow. . . . .	264

This page intentionally left blank

# List of Tables

## Chapter 1

Table 1.1	Characteristics of Effective Gender Development Policies. . . . .	9
-----------	---	---

## Chapter 5

Table 5.1	Progress of Microfinance in India. . . . .	71
Table 5.2	Overall Progress of the SHG-BLP in India. . . . .	72
Table 5.3	Region-wise Share in Average Loan Outstanding (2015–2016). . . . .	74
Table 5.4	Region-wise Trend of JLGs in India (2012–2014). . . . .	77

## Chapter 6

Table 6.1	Details of the Selected Village as per Government of India Census 2011. . . . .	89
Table 6.2	Details of Branches of Annapurna Parivar in Mumbai and Pune. . . . .	90
Table 6.3	Details of Selected Villages and Sample Households. . . . .	93

## Chapter 7

Table 7.1	Annapurna Mahila Co-operative Credit Society Ltd. . . . .	109
-----------	---	-----

## Chapter 8

Table 8.1	Details on GMSS Outreach (Data as on April 2015). . . . .	128
Table 8.2	Details of the Loans and Advances Given by GMSS to Sister SHG Federations (in Indian Rupees: INR). . . . .	128
Table 8.3	Education Levels of the Respondents and Their Spouses. . . . .	130
Table 8.4	Number of Children (Rural). . . . .	131

Table 8.5	Details on Profile of the SHGs. . . . .	132
Table 8.6	Qualities of a Good Leader (Vetale Village). . .	135
Table 8.7	Size of Landholding in Vetale Village. . . . .	135
Table 8.8	Cultivation Pattern of Farmland (Vetale Village).	135
Table 8.9	Access to Toilets (Vetale Village). . . . .	137
Table 8.10	Characteristics of an Empowered Woman (Vetale Village). . . . .	138
Table 8.11	Role Model (Vetale Village). . . . .	140
Table 8.12	Challenges for SHGs (Vetale Village). . . . .	140
Table 8.13	SHGs – Feedback Rubric. . . . .	142–147
Table 8.14	Loan Record Details of R17 (Age: 52 years).. .	148
Table 8.15	Loan Records of R27 (Age: 75 years). . . . .	149
Table 8.16	Records of R38 (Age: 39 years). . . . .	150
Table 8.17	Changes after Access to Microfinance (Rural)..	151
Table 8.18	Details on Groups Being Run at Household Level. . . . .	168
Table 8.19	Details on <i>Bhishi</i> System of Savings. . . . .	169
Table 8.20	Other Assets Owned by the Sample Respondent. . . . .	170
<b>Chapter 9</b>		
Table 9.1	Details of Annapurna’s Microfinance Portfolio – As on 31 March 2015.. . . . .	175
Table 9.2	Details about Selected (Sample) Members and Their Household Assets. . . . .	178
Table 9.3	Details of the Dwellings: Urban (JLG) Members.	179
Table 9.4	Avenues of Saving (Urban-JLG). . . . .	180
Table 9.5	Credit Avenues Available to Members (Urban- JLG).. . . . .	180
Table 9.6	Amount and Purpose of Taking a Loan from the JLG. . . . .	183
Table 9.7	Payer of Loan Instalments: In the Urban-JLG. .	184
Table 9.8	JLG Members’ Views: Medical Coverage Plan.	186
Table 9.9	JLG Member Groups – Feedback Rubric. .188–195	
Table 9.10	Hypothesis Test Results for the JLGs. . . . .	197–198

# List of Boxes

## Chapter 4

- Box 4.1 Bank-Able or Not?. . . . . 49  
Box 4.2 Saving for a ‘Rainy Day’. . . . . 62

## Chapter 7

- Box 7.1 Together as a Team. . . . . 111  
Box 7.2 From Despair to Hope. . . . . 112  
Box 7.3 All that Glitters...is Gold. . . . . 113  
Box 7.4 Borrowing for a Better Future: Investing in the  
Girl Child’s Education.. . . . 114  
Box 7.5 Mobilising the Power of Aggregation  
for Change. . . . . 118  
Box 7.6 The Desire to Learn .... . 122

## Chapter 8

- Box 8.1 Illiterate or Innovative?. . . . . 133  
Box 8.2 When the Group Leader Misleads the Members.. 134  
Box 8.3 An Opportunity Lost due to Lack of Market  
Linkages.. . . . . 136  
Box 8.4 Remaining within the Societal Norms. . . . . 139  
Box 8.5 Wanted: Cottage Industry: Livelihood  
Opportunities. . . . . 141  
Box 8.6 Saving: Every Little Drop Counts. . . . . 154  
Box 8.7 Tarabai Bombale: Managing the Homefront –  
While the Son Serves on the Warfront.. . . . . 155  
Box 8.8 A Unique ‘Pyramid’ Goatery Livelihood  
Model: Story of Chandrakala Bombale. . . . . 161  
Box 8.9 Black Beauty: The Buffalo that Brought in the  
Money!. . . . . 164

**Chapter 9**

Box 9.1 Poor or Not?. . . . . 176

Box 9.2 The Debt Trap. . . . . 181

Box 9.3 Funding Dreams through Education: Sudha Kamble’s Efforts to Educate Four Daughters. . . 183

Box 9.4 Empowered or Not? Staying in One-Sided Relationships – Keeping the Family Central. . . 185

Box 9.5 An Accident: Who Can Help It?.. . . . 187

Box 9.6 Demanding Her Rightful Space. . . . . 199

Box 9.7 Every Roti Counts... . . . . 203

Box 9.8 When a Major Train Accident Derailed Sangeeta’s Household. . . . . 208

**Chapter 10**

Box 10.1 Boomerang. . . . . 218

Box 10.2 A House of Cards – And How Demonetization Came to the Rescue. . . . . 219

**Chapter 11**

Box 11.1 Banking on ... What?. . . . . 231

# List of Maps

**Chapter 6**

Map 6.1 Location of the Study Area: Pune District,  
Maharashtra, India. . . . . 89

**Chapter 8**

Map 8.1 Location of Selected Study Blocks in  
Pune District. . . . . 127

This page intentionally left blank



# List of Abbreviations

AID	Agency for International Development AID
AIDIS	All India Debt and Investments Survey
AIRCRC	All India Rural Credit Review Committee
AMCCL	Annapurna Mahila Credit Co-Operative
AMCCS	Annapurna Mahila Co-Operative Credit Society
AMCCSL	Annapurna Mahila Cooperative Credit Society Ltd
AMICS	Annapurna Mahila Industrial Cooperative Society
AMMM	Annapurna Mahila Mandal Mumbai
AMMP	Annapurna Mahila Mandal Pune
AP	Annapurna Pariwar
A-PAC	Asia Pacific Region
APL	Above Poverty Line
APVS	Annapurna Pariwar Vikas Samvardhan
ARF	Asset Reconstruction Fund
BCs	Banking Correspondents
BOM	Branch Office Manager
BOP	Base of the Pyramid
BPL	Below Poverty line
BRAC	Bangladesh Rural Advancement Committee
BSBDAs	Basic Savings Bank Deposit A/c
BURO	Basic Unit for Resources and Opportunities
CBMFI	Community Based Microfinance Organizations
CBWCMFIs	Community based Women Centric Microfinance
CIDA	Canadian International Development Agency
CMFIs	Community based Microfinance Institutions
CRP	Community Resource Person
CRR	Cash Reserve Ratio

CSR	Corporate Social Responsibility
CSD	Centre for Self-help Development
DWCRA	Development of Women and Children in Rural Areas)
FGDs	Focus Group Discussions
FI	Financial Institutions
FSDC	Financial Stability and Development Council
FSF	Family Security Fund
FWWB	Friends of Women's World Banking
GCC	General Credit Card
GDP	Gross Domestic Product
GII	Gender Inequality Index
GKY	Ganga Kalyan Yojana
GMSS	Gramin Mahila Swayam Siddha Sangh
GP	Gram Panchayat (Village Level Governing Body)
GSDP	gross state domestic product
HMF	Health Mutual Fund
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
INR	Indian Rupee
IRDP	Integrated Rural Development Programme
JLG	Joint Liability Groups
JLGs	Joint Liability Group.
JRY	Jawhar Rozgar Yojna
KCCs	Kisan Credit Card
KYC	Know Your Customer
LDCs	Less Developed Countries
LMF	Life Mutual Fund
LSO	Loans and Savings Officer
LWE	Left Wing Extremist Affected Areas
MDGs	Millennium Development Goals
MF	Micro Finance

MFI	Micro Finance Institution
MLP	Markets and Livelihoods Programme
MNCH	Maternal, newborn and child health services
MNEs	Multinational Enterprises
MOSPI	Ministry of Statistics and Programme Implementation
MRB	Indian Market Research Bureau
MWS	Million Wells Schemes
MYRADA	Mysore Rehabilitation and Development Agency
NA	Not Applicable
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non Banking Finance Company
NCRB	National Crime Record Bureau
NFA	No Frills Account
NGOs	Non-Government Organizations
NPA	Non-Performing Asset'
NRDP	National Rural Development Programme
NRI	Non Resident Indians
NRLM	National Rural Livelihood Mission
NSSO	National Sample Survey Office,
OBC	Other Backward Castes
OD	Over Draft
PAB	Practical Action Bangladesh
PACS	Primary Agricultural Credit Societies
PSU	Public Sector Banks
RBI	Reserve Bank of India
RFA	Revolving Fund Assistance
RFI	Rural financial institutions
RLEGP	Rural Landless Employment Guarantee Programme
SCB	Scheduled Commercial Banks
SEDP	Small Enterprise Development Project
SEED	Small Economic Enterprise Development
SEWA	Self Employed Women's Association

SFDS	Small Farmers Development Scheme
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SGM	Assistant General Manager
SGSY	Swaranjayanti Gram Swarozgar Yojana
SHG	Self Help Groups
SHG-BLP	SHG-Bank Linkage Programme
SHPIs	Self Help Promoting Institutions
SIDBI	Small Industries Development Bank of India
SITRA	Supply of Improved Toolkits to Rural Artisans
SLR	Statutory Liquidity Ratio
TNWDP	Tamil Nadu Women's Development Programme
TPP	Twenty Point Programme
TRYSEM	Training of Rural Youth for Self Employment
UN	United Nations
UN MDGs	United Nation Millennium Development Goals
UNDP	United Nations Development Programme
UNECOSOC	United Nations Economic and Social council
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nation Development Fund for Women
VPP	Village Phone Program
VSSCS	Vatsalyapurna Swayamrojgar Seva Cooperative Society
WEP	Women Empowerment Program
WRT	With Respect To
WWF	Working Women's Forum
YOY	Year on Year

For Madhu & Mohan Ajwani: for giving me life

and

Harish, Amit & Tarini: for giving me hope and confidence

This page intentionally left blank

# Preface

Being poor can be challenging anywhere, particularly in a developing country. In such a scenario, the support of empathetic peer groups can be crucial in bolstering the confidence and in helping to circumvent the binds of social dos and don'ts with minimal friction and adverse repercussions.

Community-based women centric microfinance institutions can play a very big role in enabling women realize their own inner strengths by leveraging the power of aggregation. However, in the immense ocean of microfinance literature and the resulting discourse, such grassroots focused institutions are often overlooked or are clubbed with the 'rest'.

This book attempts to bring to the forefront the work of two women centric grassroots organisations that have been working for empowering women for over a quarter century. They have transformed the social and cultural landscape in the areas where they operate, by enabling their members get access to formal sources of finance and credit, as well by providing them with the necessary capacity building inputs.

These models have withstood the test of time and have developed a formidable membership base. Given the fast paced changes that have been witnessed in the Indian banking sector over the past couple of months after the demonetisation announcement, these institutions are placed at an important juncture where they will be required to reinvent certain aspects of their processes and operations. However, their journey thus far is fascinating and this book has tried to capture various facets of it through the eyes of their members. The focus has been to bring

the picture of the way things are at ‘ground-zero’, with ample case studies, data and illustrations.<sup>1</sup>

The Indian banking landscape is changing at a rapid pace and the delivery of financial services as well as the product offerings will have to adopt accordingly. The microfinance space will also see changes which will have a greater component of electronic usage: in the delivery and management of client portfolios. Hopefully those changes will have a positive impact in simplifying the lives of poor particularly women and facilitate the process of financial inclusion – in practice rather than in spirit.

---

<sup>1</sup>The names of the respondents have been changed in order to protect their identity and respect their privacy



# Foreword

## Microfinance and Female Empowerment

The correlation between a lack of female empowerment and other indicators of societal and economic underdevelopment is extremely strong and this has been widely documented in both the academic literature as well as in policy studies. The theoretical basis for this correlation is rooted in the inherent inefficiency of traditional patriarchal societies wherein the suppression of women's voices is a symptom of a deeper malaise that blocks development. It is a reflection of a backward-looking traditionalism that inhibits progress on all fronts. Hence, while empowering women has direct practical effects on poverty reduction, these are likely to be the tip of the iceberg. The broader effects on societal values may well be far more significant.

It is now well established that access to credit is a key factor in empowering women and it typically takes the form of microfinance. It follows that credit for women is one of the most important tools of development. However, the vast majority of this literature has focused on the rural context (Hashemi et al., 1996). The urban context has received much less attention. Comparisons of microfinance programs between rural and urban areas are even more rare. Hence this study that compares microfinance programmes in these two contexts, taking into the account the nature of the relevant programs (the Self Help Group model in rural areas and the Joint Liability Group model in urban areas) is path breaking in scope.

This study finds that nature of the challenges faced in the two contexts is fundamentally different and therefore need to leverage different tools and resources. These findings are of seminal importance and can be linked to slightly more general arguments with regard to entrepreneurship in poverty-stricken economies (Hill and Mudambi, 2010). These are that bottom-up development requires focusing on linkages (in rural areas) and flexibility of production (in urban areas).

Women's empowerment also has effects on men and not all of these are positive. There is a literature documenting that as women's empowerment has become the social priority of development policymakers, men have been neglected. This has often been accompanied by men being disempowered and no longer able to fulfil "their male roles as head of household and breadwinner" (Silberschmidt, 2001).

This current study also notes that an unintended and undesirable effect of women's empowerment is an increase in violence (including sexual violence) against women by such disempowered men. Hence in addition to analysing a key and understudied area, this study points out crucial avenues for future research. I laud Raji Ajwani for placing this valuable new resource in the hands of academics and policymakers.

Ram Mudambi  
*Frank M. Speakman Professor of Strategy*  
*Temple University, Philadelphia, USA*

# Acknowledgements

**T**his book is the culmination of over seven years of effort. From idea to execution, it has been a cathartic process: wherein I stumbled a lot, learnt a great deal and experienced a world that is very different from the one that most of us live in. The grit and the mental resilience of majority of the women that I met made me realize and appreciate a lot of things that I had assumed to be commonplace and had taken for granted. A good meal, a safe home, a caring family and the freedom to speak up and articulate my thoughts are some examples that come to mind. But no matter how good a story might be for the author, someone needs to believe and give that first chance – and I'm very grateful to Dr Ram Mudambi for giving me that opportunity. Ram is a mentor par excellence who inspires through his work. Ram is one of the most versatile individuals that I have come across: a great academic, best-selling fiction writer, competitive biker, world traveler, devoted AIB office bearer, caring family man and a great human being. Even if I can become a fraction of what he is – will be a miracle!

Dr Susan Mudambi for her encouragement. Susan's calm voice and bright smile can make a dull day seem fantastic. Charlotte Maiorana and Fiona Mattison at Emerald Insight for believing in my research and enabling the publication of my maiden book. Dr Mark Casson for his time and advice given his stature and seniority. Dr Sonali Bhattacharya and Dr Andrew Bradly for their feedback which helped me to improve the manuscript. Dr Shrikant Kalamkar and Dr Manju Singh for weathering many a storm with me. Dr Shrikant is a great PhD supervisor who has always given me the requisite support whenever I needed it. He is an extremely down to earth and an optimistic individual, who readily offers unconditional help.

Dr Manju Singh's pragmatic approach helped me during some trying moments. Mr S. Sivakumar for his rock solid support and encouragement. Sivakumar Sir is the voice of reason that I turn to when in doubt. He is analytical, very creative and

has a great ability to visualise the road ahead. Above all he is an extremely compassionate person who is committed to improving the lives of poor in India – by adopting a sustainable approach and integrating it into the business strategy. His *E-Choupal* model has helped to improve the lives of millions of farmers in India by eliminating the brokers.

Mr Girish Sohani of BAIF, I learnt the art of going well prepared for meetings after learning the hard way when I had first met him nearly seven years ago! Sohani Sir's foresight and humble approach has helped to make BAIF one of the most respected development organizations in India today.

Dr Sudha Kothari, Founder of the NGO, Chaitanya which is located in Rajgurunagar (Khed block of Pune district). It was a candid conversation with Dr Sudha nearly a decade ago, which got me interested in the topic of community based microfinance and women empowerment. Dr Sudha has truly transformed the lives of hundreds of rural women in Maharashtra over the past quarter of a century. She is one of the most humble individuals that I have been fortunate to meet. Dr Medha Samant's (of Annapurna Pariwar) dynamism and passion was so evident when I first met her, that we spoke for over an hour. Actually she spoke and I listened: because I could identify with her story in many ways and also because she is a powerful orator. She left a lucrative bank career to help poor women earn a living without being exploited by money lenders and pawn brokers.

The seeds of interest were probably sown nearly 25 years ago, when I began my career as a management trainee with what was then known as the ANZ Grindlays Bank, in Kolkata. I realized very quickly that targets and profits were what mattered to the senior management and there was really no scope to think about the poor, their banking patterns and needs: we wanted the money that came from them as long we did not have to deal with them directly. As the Relationship Manager for Mother Theresa's Missionaries of Charity, I used to visit the 'Mother-House' practically thrice a week. Those visits gave me a chance to interact with Mother Theresa and witness the power of small donations-to make a huge difference. Every day, we would receive cheques in the bank from various corners of the world: written in various currencies and for all kinds of amounts (mostly small denomination cheques) the funds had helped to transform the lives of hundreds of orphaned children, women and the elderly. That idea of the pooling in of small funds to make a positive difference-even-tually led me to this study. I wanted to see how the poor,

particularly women managed and whether aggregation of small funds could really empower them and if so how?

Samarth Dargan for working tirelessly to help me in formatting the manuscript. Samarth gave up some of his weekends and on some days worked on the way back home while travelling in the busy Delhi metro. Considering that I have never met him in real life, he has been amazing ‘virtual’ support member.

Madhu and Mohan Ajwani for their support in helping me reach a point where I could sustain myself and my aspirations.

Last but not the least Harish, Amit and Tarini, for being a part of this roller coaster ride for seven years. We need to make up for many holidays and fun moments that had to be placed aside while I worked on this project. Your support means a lot to me: thanks for your well-meaning but brutally honest remarks. I hope that I have been able to take care of them – I have tried my best.

Raji Ajwani-Ramchandani  
*Pune, India*  
*February 14, 2017*

This page intentionally left blank

## 1

## Introduction

## 1. Introduction

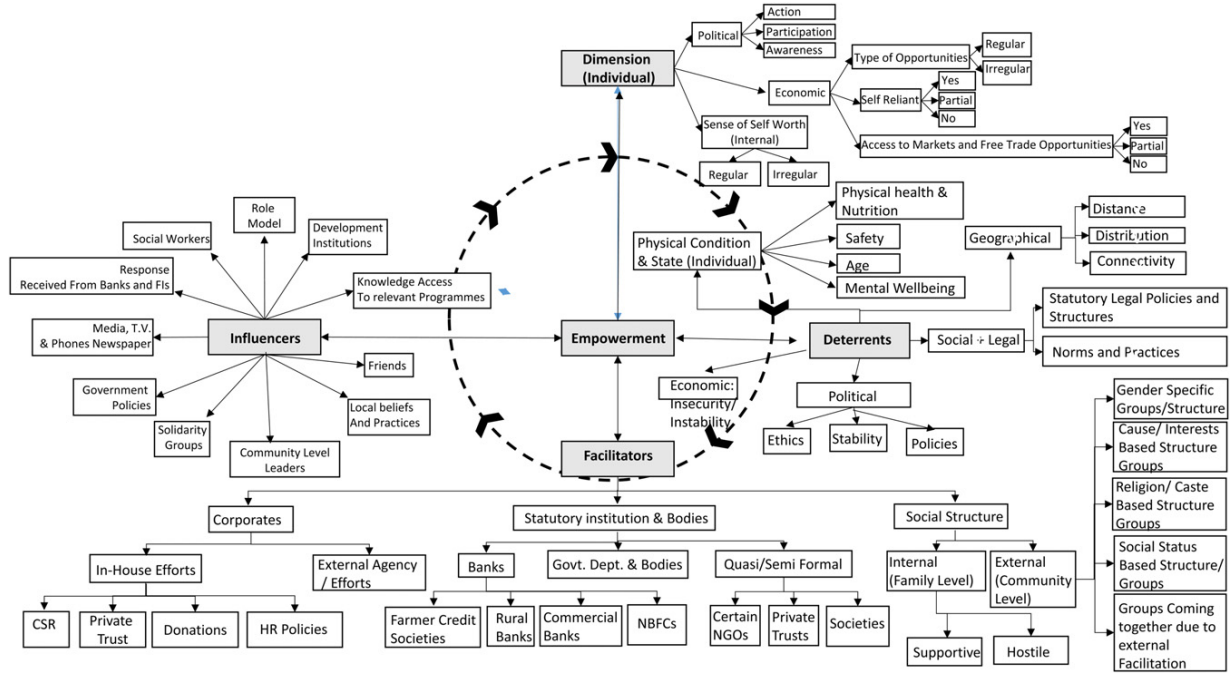
---

Understanding empowerment of women is a complex exercise. Trying to decipher whether microfinance has facilitated it is even harder. I've been trying to understand the connection between the two for the last six years, and to be honest just feel that whatever little that I have seen, experienced and understood is merely the tip of the iceberg. So much of what a woman perceives often described by the term 'power within' is dependent upon factors such as her socio-economic environment, education level, physical well-being, emotional state, support structures be it family, friends, community members or groups of like-minded individuals that she may be associated with in the course of her daily life.<sup>1</sup>

Figure 1.1 illustrates the concept of empowerment in the context of poor women in developing countries. As can be seen in this rather complex figure, empowerment has various connotations. It is the interplay of these elements or variables that impacts the individual exposed to them. The response and the resulting outcome can vary from person to person. This is

---

<sup>1</sup>The next couple of chapters are devoted to understanding the concept of empowerment as described by various researchers over the years. Chapter 2 covers the review of literature on the subject, whereas Chapter 3 presents a theoretical model based upon fieldwork and buttressed by seminal literature on the subject.



**Figure 1.1:** Empowerment: Select Components and Relationships. *Source:* Author.



because each woman is a unique individual in terms of her education, financial status, prevailing socio-economic conditions, presence or absence of support structures and the power that they wield over such an individual. There are various 'Influencers' such as physical and/or financial access to resources, levels of awareness of various development programmes, policies and statutory frameworks that can shape the thought process of women. The sense of self-worth may be high or low based on the stimuli received from the support structures that such a subject (woman) comes in contact with and the extent of influence exerted by them as well as the frequency of such interventions/influence.

The economic position of the subject individually and in relation to a larger related group can also impact a woman. An example of this can be a situation wherein a woman is married off to an individual who may be a part of a large affluent joint family but individually may be incapable of supporting his family. In case of such a relationship, the level and frequency of influence exerted by the family head/main members on the spouse and/or her may shape the subject's response. Facilitators of empowerment can be various business entities that can take the shape of trusts, CSR departments of large companies, donors of microfinance programmes. Facilitators can be external or internal. External entities can include formal institutions such as banks, farming and credit societies or staff welfare bodies, quasi-institutions such as NGOs, charitable trusts, NBFC-MFIs, etc. Support groups, formal or informal can help to facilitate empowerment. Deterrents can be physical inability that may be caused due to factors such as lack of proper safety, nutrition, health and care. Economic dependence can be a big deterrent. In fact, economic independence is the cornerstone that can accelerate the journey towards the goal of empowerment because reliance on an external economic provider can have an effect on the self-esteem which, in turn, can impact the 'power within'. Other deterrents can be the geographical proximity and distribution of safe banking and financial outlets, time and cost taken to reach such destinations and the availability of affordable means of transport. Political stability, policies and environment can also have a big impact on women. The complex effect of various stimuli enumerated above can result in outcomes – which are referred to in this book as the dimensions of empowerment. Dimensions of empowerment can be further sliced into variables. These variables have been described and a theoretical model has been proposed (see Chapter 3).

Microfinance has been considered as an effective tool to combat some of the factors described in [Figure 1.1](#), especially when it pertains to providing basic services such as savings, relatively affordable credit, skill-based training and even access to affordable medical care. It helps the poor tide over emergencies which would potentially be devastating because the poor are often left to fend for themselves in extremely difficult circumstances – particularly those that prevail in most developing economies. Grass-root-level microfinance institutions (MFIs) help to fill ‘institutional voids’ (Mair, Marti, & Ventresca, 2012). They enable to level the playing field and the ‘rules of the game’ (North, 1995), especially in cases where institutions that are supposed to facilitate inclusive growth and markets are weak (Campbell, 1990). This is important because the local institutional arrangements comprise complex inter-meshing of formal rules such as constitutional rulings, property rights, government rules as well as informal rules that can influence customs, traditions, religious beliefs (Fligstein, 2001) and such rules that can constrain or enable market activity. This study presents a perspective that is based on studying Indian microfinance groups that are focused on empowering women and helping them to develop leadership qualities and find supportive peers and a framework that allows them to discover the ‘power within’.

Hence the potential of well-designed financially inclusive products, programmes and services is extremely crucial, and remains the focus of apex development and funding institutions such as the United Nations (UN), World Bank, etc. However, given the magnitude of the problem and the complexities involved due to geographical, cultural, social, linguistic variations, a large section of the needy population remain uncovered.

For example, the eight Millennium Development Goals (MDGs<sup>2</sup>) propagated by the UN formed a blueprint agreed to by all the world’s countries and leading development institutions. These goals ranged from halving poverty rates, providing universal access to education, to preventing the spread of HIV/AIDS by the year 2015.

Yet, in 2017 it is estimated that globally over two billion people are excluded from access to basic financial services, which in turn has an impact on the access to and the fulfilment of basic

---

<sup>2</sup><http://www.un.org/millenniumgoals>.

sustenance needs such as food, health & hygiene, education, housing, etc. The situation is worse in less developed countries (LDCs), where more than 90% of the population is excluded from access to the formal financial system (UN, 2006<sup>3</sup>). Many of them have to depend entirely on informal sources of finance, generally at unfairly high rate of interest. It is in this context that financial inclusion<sup>4</sup> initiatives aimed at women and managed by women assume greater importance.

Comprehensive microfinance programmes help to leverage the power of aggregation: be it in pooling and redeploying savings effectively, offering affordable health care services to the members or creating avenues for developing leadership potential and practices that can ensure sustainability. Funds received from MFIs can be used for consumption or entrepreneurial activities (Karlan & Valdivia, 2011). Some MFIs help to encourage entrepreneurial activities by providing relevant supplementary knowledge and support to help borrowers become effective entrepreneurs (Chakrabarty & Bass, 2013).

This is relevant in the light of some global trends that adversely affect poor women, such as the following.

#### DISPARITIES IN EMPLOYMENT OPPORTUNITIES AND COMPENSATION BETWEEN MEN AND WOMEN

Increasing globalisation and the resulting profit-centric approach has resulted in a spurt of work that is ‘informal’ in nature (ILO, 2002).<sup>5</sup> Women tend to be employed in greater numbers in such sectors (in which the work is poorly paid, precarious in nature, with practically no benefits and labour protection). Globally too, the share of such unfavourable (female) employment as a percentage of employment was 52.7% for women in 2007 as compared with 49.1% for men in the same year.

---

<sup>3</sup>As quoted in Financial Inclusion (RBI), <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=10494>.

<sup>4</sup>Financial inclusion is a delivery of banking services at an affordable cost to the vast sections of disadvantage and low-income groups who tend to be excluded.

<sup>5</sup>ILO (2002), Decent work and the informal economy (Report VI. 90<sup>th</sup> session of the ILO, Geneva).

### CHALLENGES ASSOCIATED WITH A GLOBALLY INTEGRATED ECONOMY: ITS ADVERSE IMPACT ON WOMEN'S ECONOMIC EMPOWERMENT

A globally integrated economy has led to major changes in the scope, manner and volume of economic transactions across the world. Cut-throat competition between countries has resulted in economic policies that have led to a reduced role of the State (i.e. government) and reduced the 'policy space' available to the government.

Trade policies have implications for gender equality due to their impact on employment opportunities, prices and incomes. Removal of trade barriers and the consequent reduction in government collections can adversely affect social spending (Williams, 2007).

Tight monetary policies, deregulated financial markets, privatisation and licencing of new banks affect the supply of credit and its access by the lesser privileged sections of the society. Financial institutions like banks tend to favour well-established and large clients and have a commercial approach rather than a development angle in determining the availability of credit. For example, customers in urban areas with well-established documented credit histories and mortgage-backed low transaction costs may be preferred to rural customers particularly women who don't generally have assets like land, home, etc. in their name.

There has been an increase in microfinance as a means to bridge this 'demand–supply' gap particularly with respect to poor women. However, it cannot compensate for the systemic failure to offer such base of the pyramid (BOP) clients an increased access and choice to a broad and comprehensive range of financial products and services.

### LIMITED ACCESS OF WOMEN TO LAND, HOUSING AND OTHER PRODUCTIVE RESOURCES

The important roles performed by women in agriculture and food production is a strong reason to provide them with greater access to the land that they cultivate as well as food security (Grown, 2006). On the other hand, the negative impact associated with climate change and growing threats to sustainable development pose a greater threat for women, and place them in a particularly vulnerable position during droughts, famines or erratic rainfall patterns (IFAD, 2008).

Access to immovable property can have a positive impact on women, their families and communities on multiple fronts such as productivity gains or welfare benefits (Carlsson, 2004). In Asian countries, marriage practices, inheritance, family and communal practices impact the distribution of resources. Patrilineal norms are mostly prevalent across Asia and Africa. Such norms negate the role and importance of women family members. Some of the factors that foster inequality between men and women in terms of access and control over land resources are: unequal share of access to land at birth, discriminatory marriage norms and the patriarchal system of registering the land or the property in the name of the head of the household who is often a male (Grown, 2005).

Enforcement of laws and the availability of funds to invoke the legal process or even oppose customs that are biased is often an uphill task for women belonging to countries like India. Agarwal (1994) listed factors such as an ingrained secondary status, illiteracy, cultural norms and a fear of being ostracised as being deterrents in a woman's ability to claim her share of rights to the property.

### COLLECTIVE BARGAINING POWER

The ability of women to demand their rights such as fair wages and decent working conditions is often undermined due to their unfavourable position in the labour markets as well as a lack of a forum that can represent their collective grievances. Hence, in many parts of the world, particularly in the developing economies, women are likely to give in to the impenetrable framework of social pressures coupled with disjointed working avenues and opt to work in the unorganised or the informal sector.

Federations promoting women's rights have helped in articulating the issues about their rights (Chikarmane & Narayanan, 2005). A spurt in the women-only trade unions in the 1990s has been attributed to the failure of the conventional unions in addressing issues affecting women. Broadbent and Ford (2007) have described the rise of three women trade unions in the Republic of Korea in 1994, to prevent and fight the exploitation of women workers in the late 1990s. Similarly the 'Movement of Working and Unemployed Women' was set up in Nicaragua in 1994 due to the failure of the main (male-dominated) trade union to address and voice the needs of women workers (Mendez, 2005).

### ACCESS TO BASIC INFRASTRUCTURE: WATER, TRANSPORT, ELECTRICITY, ETC.

Water is an essential ingredient for survival. However, for farmers and women who are mainly engaged in agriculture, it can be associated with a lot of drudgery and effort. According to Hawkins and Seager (2010), women and children in Africa spend over 40 billion hours every year collecting water. The drudgery increases tremendously during instances of erratic weather events much of which are a by-product of the slack legal enforcement mechanisms particularly in the developing nations like India.

In developing nations, groups, communities or a collective pool of individuals are in a better position to safeguard natural resources particularly forests, water bodies and the flora and fauna associated with the region. However, Agarwal (2001) states that the social norms often result in the domination of such groups by men or by the more affluent sections of the community. Moreover, since joint forestry management programmes (undertaken along with some government body) often stipulate the presence of one member per household, women often get excluded since the 'head of the household' who is typically male is included in such initiatives. Some legal guidelines have been amended so as to incorporate women members, however, at the grass-roots level; these guidelines are not generally followed in the true spirit.

Access to transport facilities and the lack of the same also contribute to the time and physical burden. Roberts (2006) found that poverty and limited access to roads were strongly correlated with high female mortality rates and low school enrolment rates among young girls. Conversely, good transport facilities can improve women's productivity and incomes as well as increase their participation in community activities (Fernando & Porter, 2002).

Gender-specific policies designed by women and for women keeping the grass-roots reality in mind can be one way to provide workable solutions to disparities and even out prevailing anomalies. Some of the characteristics of effective gender development policies are given in [Table 1.1](#).

In developing countries, the growth of microfinance<sup>6</sup> institutions (MFIs) which specifically target low-income individuals is

---

<sup>6</sup>Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.

**Table 1.1:** Characteristics of Effective Gender Development Policies.

Sr. No.	Characteristics	Author/s
1	Should be designed with women-centric objectives and outcomes since a mere redistributive approach is not effective	Ostry, Berg, and Tsangarides (2014)
2	Comprehensive	Elborgh et al. (2013)
3	Improve education opportunities	Das, Jain-Chandra, Kocchar, and Kumar (2015)
4	Facilitate access to affordable health care	Esteve-Volart (2004)
5	Develop infrastructure (e.g. better community areas and roads so as to facilitate access to jobs and promote a better quality of life)	Das et al. (2015)
6	Provide simple and easy access to affordable finance	Kabeer (2005a, 2005b)
7	Help to eliminate patriarchal gender-based legal restrictions (such as ownership of property)	Gonzales, Jain-Chandra, and Kocchar (2015)

*Source:* Compiled by the author from various documents (staff discussion notes, working papers, etc.) of IMF ([www.imf.org](http://www.imf.org)).

viewed as potentially useful for the promotion of financial inclusion and addressing some issues mentioned above. Microfinance programmes are mainly aimed at women (de Aghion & Morduch, 2010) and it is estimated that more than 70% of the MFI clients were women in 2007 (Daley-Harris, 2009).

The main arguments in lending to women are: (i) it improves household income (Johnson, 2005), (ii) it leads to better health and education outcomes and (iii) it increases livelihood diversification (Hulme & Mosley, 1996; Khandker, 1998; Todd, 1996, 2001) and higher school enrolment for girls (Kabeer, 2001a).

However, the transmission flow from the availability of microfinance and the effect of that on women beneficiaries is not very easy to trace.

Some of the reasons for this are that loans taken in the name of women may be used by the male members in the household (Amin, 1993) or even if women access the credit, it may get utilised in male-dominated household activities in which they may not have co-ownership (Goetz & Gupta, 1996). Moreover,

the patriarchal social norms and entrenched division of labour within rural households may often limit the business activities in which investments are made by women (Johnson, 2004). Also loans given to women may result in a greater dependence on the men folk for repayment of loan instalments and sometimes may even cause domestic stress (Rahman, 1999a). Given this context, studies that focus on the beneficiaries as they exist within a natural setting of their socio-economic nucleus can help to provide some answers about the efficacy of the respective microfinance programme in empowering its beneficiaries. This study attempts to examine the effect of two different models of microfinance in empowering the beneficiaries from different socio-economic settings. The rationale for the study is given in the next section.

## 2. Rationale for the Study

---

There are a lot of studies that focus on the effects of microfinance on various dimensions/variables such as savings, investments and financial management skills (Ondoro & Omena, 2012: Africa); gender and reproductive health (Santillan et al., 2004: Vietnam); participants and non-participants of microfinance (Bangladesh); intra-household decision making (Goetz & Gupta, 1996: Bangladesh); entrepreneurship activity with/without access to microfinance (Banerjee, Duflo, Glennerster, & Kinnan, 2009: India); policy and impact on poverty (McCulloh & Baulch, 2000: Pakistan); Hunt and Kasynathan's (2001) study covering three NGOs in Bangladesh and one in Bihar that use microcredit to empower women.

Overall, although most research in this area documents the economic benefits of microfinance, few studies focus upon the benefits experienced by the women beneficiaries *per se*. The effects of microcredit on empowering women are more ambiguous and may depend upon other factors that are exogenous to credit.

This study attempts to do just that. It attempts to focus on the women beneficiaries by studying them within their socio-economic and familial nucleus and capturing their account by studying both the qualitative and quantitative aspects of change as experienced by them.

An attempt has been made to highlight mature community-based women-centric groups, which rarely find a mention in the massive realm of microfinance literature. Majority of the studies



do not differentiate between specific microfinance delivery models. This study compares mature women-centric community-based MFI models (self-help group (SHG) federation and joint liability group (JLG)). Both the MFIs have a vintage of more than two decades and are region and segment specific (i.e. both operate only in the state of Maharashtra).

Another unique aspect of this study is that it has included MFI models that are also starkly different in their underlying ethos: the SHG federation model (rural) only includes women beneficiaries while the JLG (urban) model allows both male and female members.<sup>7</sup>

The southern part of India continues to be the hub of microfinance activity (this is discussed in greater detail in Chapter 5). There are very few studies that are based upon primary data collected in the western region (Maharashtra) of India. This study tries to shed light on the situation prevailing at the grass-roots level by covering the experiences of beneficiaries from a village (Vetale) and four slums of Metropolitan Pune city.

The study attempts to answer the questions that are discussed in the following section.

### 3. Research Questions/Objectives/ Hypotheses

---

1. What is the profile of the MFI women members/beneficiaries?
2. Has the access to the MFI helped to empower the members?

---

<sup>7</sup>While the urban MFI model allows male participation, the author came across only one male member in a sample of 87 women belonging to the Khairewadi slum area of Pune. The male member mentioned that while his name had been given as loan beneficiary, it was his wife who was managing all the activities pertaining to the JLG. He personally seemed to prefer the idea because he felt out of place attending group meetings in which he was the only male member. Moreover, he acknowledged that this arrangement had come into existence at the insistence of his wife who had initially come up with the idea of borrowing the funds to enable set-up his own roadside stall for selling fresh vegetables after he lost his job. She wanted him to feel ‘in-charge’ of the business and that’s how he had become a member/borrower.

3. What are the characteristics of an empowered woman?
4. What are the alternate savings and credit avenues used by the urban members?
5. Who is the payer of the MFI loan in the urban context?
6. What are the limitations faced by the MFI members in the current context?

Based upon the research questions, the following objectives and hypotheses were formulated.

#### OBJECTIVES OF THE STUDY

1. To study the status of empowerment of women beneficiaries after access to microfinance.
2. To capture the limitations of the current models as perceived by the beneficiaries.
3. To recommend suggestions for improving the efficacy of the models.

#### RESEARCH HYPOTHESES

- H1. There is no impact on women empowerment due to access to microfinance.
- H2. There is a greater impact of microfinance in the rural areas than in the urban areas.

Like any other study of its kind, this one too had its own limitations.

## 4. Scope and Limitation of the Study

This study is based upon data collected from two microfinance models and organisations that are based in Pune district, Maharashtra and members of these organisations. Repeated trips to the village and the slums were necessitated to build a rapport with the members and also to accommodate their work schedules. The turbulence in the sector post the breakout of the microfinance crisis in the fall of 2010 was a contributory factor since getting access to and cooperation from the NGOs and members was challenging. Since this was a self-funded study, resource constraints meant very long days and a

lot of time spent using various modes of transport to manage within the available funds. An area of further research can be the study of (i) different types community-based, women-centric microfinance models pan India/across different geographies and (ii) a comparison between beneficiary and non-beneficiary groups and (iii) tracing the long-term effect on the existing beneficiaries (panel data) to capture the impact of microfinance on empowerment over an expanse of time.

## 5. Structure of the Book

---

The book is organised into 11 chapters. Chapter 1 is an introduction to the topic; Chapter 2 consists of a review of existing literature and discussion on various aspects of microfinance such as its genesis, impact, benefits, its role in balancing the social and financial objectives, etc. This chapter also covers the concepts and dimensions related to women empowerment, the relevance, the requirement and the objective of the research. Chapter 3 presents a theoretical model for empowerment based upon the discussion of literature, data and macro-economic trends presented in Chapters 1 and 2. A theoretical model is proposed, based on related literature. The framework of the model has been developed by using Amartya Sen's work in the area of gender and cooperative conflicts (Sen, 1987), Freedom of Choice (Sen, 1988) and Human Rights and Capabilities (Sen, 2005; Blumen, Kogan, & McCarthy, 1955; Spilerman, 1972; Subbarao, 2013; Mayoux, 2000, 2006; Kabeer, 1999, 2005a, 2005b). An attempt has been made to connect the observations from the fieldwork to some of the well-accepted theories and concepts in literature.

Chapter 4 discusses the concepts of financial inclusion/exclusion along with the causes and consequences. Since this research is based in the Indian context, this chapter traces the evolution of the Indian banking system from the pre-nationalisation era up to its current form. This has been done to provide the reader with a contextual backdrop pertaining to the research topic. Chapter 5 discusses the SHG federation and the JLG models, their genesis, growth trends, features, etc.

Chapter 6 discusses the research methodology used in the study. Chapter 7 provides an overview of both the MFI organisations covered in the study. Chapter 8 presents the

observations pertaining to the rural groups, whereas Chapter 9 presents the observations pertaining to urban group. Chapter 10 covers some of the events and developments that have transpired in the rural context from the time of the fieldwork up to October 2016. Chapter 11 is the concluding chapter.