

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 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>)*

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A Comparative Study of Rural & Urban Groups in India

By

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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

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.¹

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.

¹The 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.

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Acknowledgements

This 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-eventually 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.

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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.

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February 14, 2017