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## Sub-Group on Sex Disaggregated Data of the IAWG on Gender and Development

### Database Issues: Women's Access to Credit and Rural Micro-finance in India

by

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The analysis and policy recommendations of this Paper do not necessarily reflect the views of the United Nations, its Executive Board or its Member States

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## GLOSSARY

ARWIND	Assistance to Rural Women in Non-farm Development
ASA	Association for Social Advancement
CARE	Co-operative for Assistance and Relief Everywhere
CB	Commercial Banks
CDF	Co-operative Development Foundation
CGB	Cauvery Grameena Bank
DHAN	Development of Human Action
DRAS	Debt Relief Assurance Scheme
FDI	Foreign Direct Investment
FWWB	Friends of Women's World Banking
HDFC	Housing Development Finance Corporation
HUDCO	Housing and Urban Development Corporation
ICNW	The Indian Co-operative Network For Women
IES	Impact Evaluation Studies
IRDP	Integrated Rural Development Programme
JRY	Jawahar Rozgar Yojana
LABs	Local Area Banks
LBS	Lead Bank Scheme
M-CRIL	Micro-Credit Ratings India Limited
MCS	Micro Credit Schemes
MFI	Micro Finance Institutions
MYRADA	The Mysore Rehabilitation and Development Agency
NABARD	National Bank for Agriculture and Rural Development
NBFCs	Non-Banking Finance Companies
NBJK	Nav Bharat Jagrati Kendra
NGOs	Non-governmental Organisations
NRI	Non-Resident Indian
PMTK	Poverty Measurement Tool Kit
PRA	Participatory Rural Appraisal
PRADHAN	Professional Assistance for Development Action
RBI	Reserve Bank of India
PMRY	Pradhan Mantri Rozgar Yojana
REDPs	Rural Entrepreneurship Development Programs
RMK	Rashtriya Mahila Kosh
ROSCAS	Rotating Savings and Credit Associations

RRB	Regional Rural Banks
SCBs	Scheduled Commercial Banks
SHARE	Self Help Association for Rural Education and Employment
SEWA	Self Employed Women's Association
SHGs	Self-help Groups
SIDBI	Small Industrial Development Bank of India
SIFFS	South Indian Fishermen's Federation Society
TPCs	Training-cum Production Centres
WDC	Women Development Cells
WWF	Working Women's Forum
YCO	Youth Charitable Organisation

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## Introduction

### 1.1 The Initiative of Micro-Finance

The provision of micro-finance involves initiatives on the part of state and non-state organizations, in making available very small amounts of credit to poor clients. There is an acute need among the poor for credit that often forms the deciding line between their survival and their succumbing to poverty. This need for credit is both for consumption as well as for production. In other words, credit is sought for basic requirements such as food, as well as for income generation activities<sup>1</sup>. The rationale of micro-finance is based on the hypothesis that the poor can be relied upon to return the money that they borrow. Moreover, the repayment will also be on time. It has been proved that the poor are capable of thrift and savings<sup>2</sup>. It is these existing requirements and conditions that are tapped by micro-finance initiatives.

Micro-finance as a development initiative has been justified on the grounds that it is beneficial to both micro-finance institutions as well as clients. Since the poor can be banked upon to return loans on time, it is believed that micro-finance and profits are not antithetical to each other. In fact this intervention is being hailed as the one method that will

address both development and promote market behavior. On the part of the clients, it is believed that it is possible for micro-finance institutions to instill trust in the poor to give up their savings and to avail of micro-credit so that they can pull themselves out of the poverty trap.

The need of the poor for credit is not new. So far, this need has been met largely by informal sources such as moneylenders, support by kith and kin, friends, employers and landlords. Borrowing from these informal sources often involves exploitative rates of interest and results in strengthening of systems of oppression. The formal sources of credit in India have been banks and poverty alleviation programs promoted by the government. The track record of these formal sources has not been positive. Micro-finance, in the form in which it is being promoted currently, circumvents the drawbacks of both the formal and the informal systems of credit delivery.

Among the real and potential clients of micro-finance, women are seen as the most reliable in terms of repayment and utilisation of loans. The gender dimension of micro-finance is based on the understanding that the entire household benefits when the loans are given to women. Further, it is argued that

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<sup>1</sup> It has been found that besides food, credit is also needed for health, housing and education. These needs are also critical to survival. See, Stern and Stern, n.d.; Zeller, 2000

<sup>2</sup> For a discussion of the capacity to save and the need for credit of the poor, see Rutherford, 2000

*The initiative of providing credit to the poor is not a new one in India*

micro-finance can empower women since it instills a perception of strength and confidence when the poverty trap is broken. Most micro-credit initiatives require the formation of small 'self-help groups' (SHGs) of 10-20 persons, who come together with the intention of saving and rotating loans amongst the members. Once these groups stabilize, they are accorded formal support so as to widen their lending capacities. The entire process of forming a group, of functioning in a sustained manner, of regulating finances, and being mutually accountable, is in itself, empowering<sup>3</sup>. An important dimension of SHGs is the peer pressure, which the members of a group exert amongst themselves, which acts as a substitute for formal collateral in that it is taken as the guarantee for loan repayment.

The initiative of providing credit to the poor is not a new one in India. In the mid-sixties, the Government set up co-operative societies to meet the credit needs of people. Unfortunately, for a variety of reasons, this initiative did not meet the purposes that it was supposed to fulfill. Following this, 1969 saw the nationalisation of banks in the hope that the credit requirements of the poor could be addressed in a more meaningful manner. These efforts were

supplemented with poverty alleviation programmes like the Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojana (JRY) and Pradhan Mantri Rozgar Yojana (PMRY), the results of which have also proved unsatisfactory.

Over the past three decades, women and their credit needs have been explicitly addressed by women's organisations like Self Employed Women's Association (SEWA) in Ahmedabad, Gujarat, Working Women's Forum (WWF) in Chennai, Tamil Nadu, and Annapurna Mahila Mandal in Mumbai, Maharashtra. Their efforts have resulted in far-reaching changes in the lives of their women clients. Even so, today, micro-finance is perceived as a paradigm shift in the *quality* of micro-finance delivery<sup>4</sup>. Further, the push has come internationally, from donor agencies, UN organizations, and the World Bank, all of whom are advocating micro-finance as *the* banner under which development can be achieved and poverty can be eradicated worldwide<sup>5</sup>.

## **1.2 Summits and Meetings on Microcredit**

Officially, the intervention of micro-finance has been heralded world-wide as the best cure for poverty. There have

<sup>3</sup> The print media has particularly been highlighting the benefits of micro credit for women. NGO experiences in this context are being reported regularly in newspapers. The library of Centre for Women's Development Studies, New Delhi has such documentation

<sup>4</sup> The new micro-finance initiative involves several features, such as - simple procedures for approving loan applications; delivery of credit and related services at commercial rates of interest in a convenient and user-friendly way; quick disbursement of small and short term loans; clear recovery procedures and strategies; maintenance of high repayment rates; incentives of access to larger loans immediately following successful repayment of first loan; organisational culture, structure, capacity and operating systems that can support and sustain delivery to a significant and growing number of poor clients and encouraging and accepting savings in concert with lending programmes.

<sup>5</sup> There are several web sites available through which the international input towards micro-finance can be located. A particularly useful one is Hari Srinivasan's Virtual Library on Microcredit, whose address is <http://www.gdrc.org>



been a series of meetings and summits that have been held over the last few years, to design an approach that can be followed by all countries across the globe<sup>6</sup>. The meetings worked towards contributing inputs for the World Micro-Credit Summit Campaign held in February 1997. The South Indian Consultation was held in Hyderabad, India on, 23-24 August 1996. A meeting of 20 practitioner NGOs, development financial institutions and development professionals arrived at a common position and action plan. The Dhaka Declaration of the South Asian Coalition for the Micro-credit Summit articulates the collective consensus among 21 networks and agencies delivering financial services to over 4.5 million poor people across Bangladesh, India, Nepal and Pakistan. It endorsed the importance of micro-credit and emphasised that microcredit should be approached as a socially responsible business. Prior to the Washington Summit, a group of NGOs and development finance institutions met in New Delhi on 23, January, 1997. The objective was to review the progress made and to discuss modifications to the draft documents released by the Summit Secretariat in November 1996.

### World Micro Credit Summit

The World Micro Credit Summit was held in Washington DC in February 1997. More than 2,900 people representing 1,500 institutions from 137 countries participated in the Summit. The Summit announced a global target of

supporting 100 million of the world's poorest families, especially women, with micro credit for self-employment and other financial and business services by the year 2005. This Summit received impetus in the mid-1990s after the World Summit for Social Development in Copenhagen in March 1995. Four core themes were stressed as part of a 55-page Declaration and Plan of Action.

- **Reaching the poorest:** 1.2 billion people - some 240 million families - in the world are living in absolute poverty. This is the group that is targeted by the Microcredit Summit. The Summit promotes the use of quality poverty measurements to identify the poorest.
- **Reaching and empowering women:** Since women are supposed to be good credit risks, and women-run enterprises yield benefits for their families, micro credit is seen as a tool to empower women.
- **Building financially self-sufficient institutions:** This theme is based on the experience of developing countries which have shown that micro credit programs can improve their efficiency and structure their interest rates and fees to eventually cover their operating and financial costs. The Campaign offered daylong courses at global and regional meetings held from 1999 through 2001, which trained practitioners in this regard.

*The World Micro Credit Summit announced a global target of supporting 100 million of the world's poorest families, especially women, with micro credit for self-employment and other financial and business services by the year 2005*

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<sup>6</sup> There have been a series of meetings and summits that have been held to design an agenda that can be followed by all countries across the globe. The meetings worked towards contributing inputs for the World Micro Credit Summit Campaign held in February 1997. For additional information about meetings see Annexure One.

*The four core themes of the Summit Campaign help to focus on both the targeted poor households as well as on the quality of the practitioner's work*

- ***Ensuring a positive, measurable impact on the lives of clients and their families:*** Two impact evaluation studies conducted by an NGO, Freedom From Hunger, showed that current clients of its affiliate institutions in Honduras and Mali had experienced positive program impact at the individual, household and community levels. The studies showed the higher levels of empowerment of client households as compared to non-client households in terms of larger enterprises, increases in personal income and household food consumption, savings and a feeling of self-esteem.

These four core themes of the Summit Campaign help to focus on both the targeted poor households as well as on the quality of the practitioner's work. Papers prepared for the Summit, substantiated these themes and have since been updated and used widely as guidelines by practitioners in this sector<sup>7</sup>. After the 1997 Washington Summit, by December 1999 more than 1600 micro credit institutions joined the Summit's Council of practitioners. In doing so each institution had endorsed the Summit goals and agreed to submit an Action Plan within one year of joining the council. In November 1999, Institutional Action Plan grids were mailed for the year 2000 to the 1,600 institutions. In India the All India Women's Conference was designated to collect data for this survey. All practitioner-Action Plans submitted were reviewed by the Summit staff. In an effort to verify the data, the

fifty largest institutions in Africa, Asia, and Latin America were asked to identify donor agencies, research organizations and networks that could take up this task. The survey findings from the larger survey of 1,065 micro credit institutions and from the survey of those institutions whose data has been verified are as follows:

- During the two-year period from, Jan I, 1998 to December 31, 1999, there was an increase of 82 percent more in the number of poorest clients. The numbers increased from 7.6 million at the end of 1997, to 13.8 million at the end of 1999. A total of 512 programs reported a 16 percent increase in the number of poorest women reached during January 1, to December 31, 1999, which meant an increase of 1.4 million women belonging to the poorest groups.
- Two-thirds of the 512 institutions reporting for the year January 1, 1999 to December 31, 1999, used a poverty measurement tool other than an estimate. Of this group 102 institutions report using one of the two tools from the Microcredit Summit Campaign's Poverty Measurement Tool Kit (PMTK). The first two measurements included in the PMTK were the CASPHOR House Index for use in rural Asia and the Participatory Wealth Ranking. This tool kit is supposed to aid institutions in assessing the poverty levels of the clients they serve<sup>8</sup>.

<sup>7</sup> Visit <http://www.microcreditsummit.org/papers/papers.html>. See Annexure One for list of papers prepared for Summit

<sup>8</sup> A considerable amount of work has gone in to further the Summit Campaign's agenda. See Simanowitz et al, 2000, at above address.

## 1.3 Issues Regarding Data

### Availability and Requirements

The data generated by various micro-finance initiatives are both quantitative and qualitative in nature. Data can be scrutinized on the basis of two factors:-

- Availability and
- Requirements

Available data is the end product of an exercise of generation, collection and tabulation. Access to available data is mediated by the following factors:

- **Genesis:** The purpose behind the exercise throws light on how the data has been generated and collected.
- **Method:** A variety of methods and a combination of them can be used to collect the data that is pertinent to the purpose of the exercise. Data formats in particular are important in understanding the method.
- **Adequacy:** While methods can be evaluated individually for their consistency and correctness, their relevance to the genesis is also important. Data formats can be studied in order to assess whether the method/s used are adequate for the original purpose or not.
- **Gaps:** Ascertaining of the level of relevance and adequacy of data available automatically leads to identifying gaps that exist in the available data. These gaps could emerge at any of the above levels, and could be due to a lack of clarity about the purpose of data collection, methodological shortcomings or inadequacies in data format/s.

The requirement(s) of generating data links closely to the ethos of micro-finance *per se*. In as much as there are gaps in the available data and inadequacies in the existing exercises, the data will fall short of enhancing an understanding of the intervention and its dimensions. This understanding is absolutely vital if the initiative of micro-finance is to be harnessed for poverty eradication.

Wherever there are gaps, there is also scope for improvement both in the methods of data collection as well as in the way the micro-finance initiative can be carried forward. Requirements could include extensions of existing efforts, new methods of data generation and collection for the existing purposes, and new methods /new kinds of data for new purposes. These issues will be highlighted with explicit examples and references from available data efforts.

### Two Approaches to Data Issues

Data issues with respect to micro-finance emerge in as many ways as purposes for which data is collected. Both quantitative and qualitative data should be examined for their availability and their relevance to the requirements of a specific micro-finance initiative. This can be approached through either of two methods. The first method traces data through the institutional mapping in the credit delivery system and is called the '**vertical approach**' to data issues. This approach illustrates *how* the initiative of micro-finance is carried out. The data points to the socio-economic health and performance of the various participants within the institutional mapping. The second method is to trace data through

*Both quantitative and qualitative data should be examined for their availability and their relevance to the requirements of a specific micro-finance initiative*

the contextual mapping of the conceptual rationale of micro-finance, through the intervention, to the impact that this effort has had on the lives of clients. This method is called the **'horizontal approach'** to data issues. This approach matches impact evaluation studies with the philosophy behind micro-finance and helps to ascertain whether the ends have justified the means.



## The Vertical Approach to Data Issues: Institutional Mapping

### 2.1 Data Availability

The available data can be scrutinized using the vertical approach. In such case, one finds that the data emerges in six different dimensions. Data throws light on the following aspects of *each* of the participants in the institutional mapping:

- **Status of the participant** ( nature, composition, socio-economic profiles)
- **Organizational working** (democratic nature, nature and turnover of staff members, laws, bye-laws)
- **Operational functions of the participant** (availing of funds, disbursement of loans, mobilization of savings, saving-investment-credit products available, repayment rules).
- **Performance of participant** (financial health, sustainability, quantitative data about intermediaries, judgmental data regarding standardization, rating, regulation and monitoring of participants, especially MFIs )
- **Operational dynamics** (inter-participant, intra-participant, both in relation to conflict resolution in the formation of groups and their relationships with other participants)
- **Resultant best practice norms** relating to 2-5

### Current Structure of the Micro-finance Sector in India

The rural financial system in India has evolved through two sets of financial institutions - formal and informal. The formal system consists of a multi-agency approach, comprising co-operatives, public sector commercial banks (CB) and regional rural banks (RRB), private sector banks. The public sector banks and RRBs constitute the government sector. The cooperative sector comprises of district cooperative banks (within which are primary societies and urban banks) and primary land development banks. Private commercial banks constitute the third channel. Since existing private banks do not do much rural lending, the Reserve Bank of India has provided for the setting up of Local Area Banks in the private sector to promote savings in the rural sector and to provide credit locally. The rules and regulations within the financial sector govern these institutions. The informal system consists of rotating savings and credit associations (ROSCAS), traders, merchants, contractors, commission agents, moneylender's etc. Each of these are governed by norms and rules that have been formulated by the concerned institution/person.

*The rural financial system in India has evolved through two sets of financial institutions-formal and informal*

*A dilemma seems to exist between developing a sound banking system and simultaneously dealing with poverty*

The major objective of the nationalization of banks in 1969 and 1980 was to improve the flow of institutional credit into rural households, especially the poor. Commercial Banks play a dominant role in rural financial markets in contemporary India. Priority sector lending was one of the most important tenets whereby the RBI stipulated commercial banks to earmark 40 per cent of their advances for priority sector lending. Of this 18 per cent was for agriculture and 10 per cent for weaker sections. The rural credit market expanded significantly in the post-nationalization phase. There has been a significant improvement in outreach due to nationalization and social banking. Between mid 1970s and mid 1990s bank credit in the rural sector increased by nearly 240,000 million and rural deposits increased by about 410,000 million. Therefore, the share of both rural credit and deposits almost doubled during this period. The poverty eradication programs of the government also played important roles in addressing the credit needs of the poor. The Integrated Rural Development Program (IRDP) was the largest ever anti-poverty program launched during the Sixth Plan. It used the banking channel to direct assistance, which was a combination of credit and subsidy to those below the poverty line. (Nair, 2000)

However, trends also show that the accent on development banking of commercial banks weakened considerably in the 1980s and 1990s. There has been deterioration in the pace of increase in outreach of commercial agencies and a decline in non-institutional sources in

the 1980s. There is also a deceleration in the growth of commercial bank credit to rural areas in terms of both disbursal and outstandings in the late 1980s and early 1990s. Further there has been relative fall in the proportion of bank credit flowing to the priority sectors, especially agriculture, since the mid-1980s. There is a close connection between the commercial banks outreach to the rural economy and the government's commitment to anti-poverty programs. It may be argued that the so-called development outlook of the banking sector is in fact a reflected one and does not by itself signify its belief in the bankability of the poor. The IRDP targets were achieved because the banks were compelled to do so. Several relaxations were made with respect to eligibility criteria, procedures, rate of interest, collateral security and guarantee for the loan etc. However, the viability of loans is open to question and the recovery performance has also not been satisfactory. (ibid.).

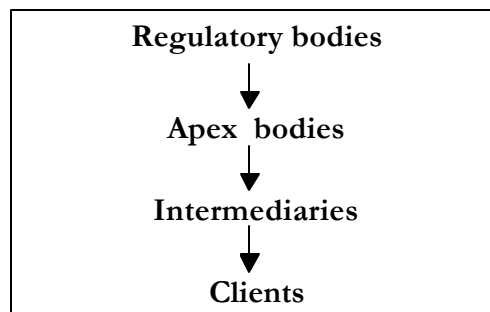
A dilemma seems to exist between developing a sound banking system and simultaneously dealing with poverty. There appears to be a mismatch between development goals and what is expected of economic/financial prudence. Banks have generally shown disinclination to service the poor who are distanced spatially and metaphorically from them and hence whose risk profile is difficult to assess. In the recent years, economic factors eventually took precedence over the social agenda. Regional Rural Banks which were set up with the primary objective of meeting the credit needs of the weaker sections, were advised to

lend 60 per cent of their incremental credit to the target population in the early 1990s. This was later brought down to 40 per cent and by end 1990s it was 10 per cent. Further, frequent loan waivers and write-offs, which were steps taken in political interests, hastened the process of the erosion of the rural credit delivery system<sup>9</sup>. Now there seems to be a general agreement among the banking authorities and development professionals that development agencies in the non-governmental sector should be called upon to act as intermediaries in the delivery and management of rural credit. The formal sector consequently took the initiative to develop a supplementary credit delivery mechanism by encouraging non-governmental organizations (NGOs) to act as facilitators and intermediaries<sup>10</sup>.

Currently, the rural micro-finance sector is dualistic in nature. The formal structure has a legal and regulated component, which provides credit and other services to the non-formal sector. The non-formal structure largely comprising NGOs, SHGs, clusters and federations of groups operate outside the legalized structure and have demonstrated considerable organizational flexibility and dynamism in responding to the demands at the grass roots. The institutional mapping of the participants involved in micro-finance interventions spans from regulatory bodies (like the Reserve Bank of India and NABARD), to apex bodies that disburse bulk credit for

onlending to intermediaries that are involved in providing financial services to clients, and finally to the clients themselves who are the beneficiaries of the initiative<sup>11</sup>.

### **Institutional Mapping of Micro-Finance Participants**



Within the institutional mapping of micro-finance participants in India, the players constituting the regulatory bodies, apex bodies, and intermediaries, comprise those responsible for the supply side of the intervention. The clients constitute the demand side of the intervention. The regulatory body is primarily the Reserve Bank of India. NABARD also performs a regulatory role, although this bank features among the suppliers of bulk credit too. The apex bodies, also called the wholesalers, are those who supply bulk credit for onlending purposes. Some of the major institutional sources of bulk credit to the Indian micro-finance sector consist of

- NABARD, Mumbai;
- Small Industrial Development Bank of India (SIDBI), Lucknow;
- Rashtriya Mahila Kosh RMK, a

*There seems to be a general agreement among the banking authorities and development professionals that development agencies in the non-governmental sector should be called upon to act as intermediaries in the delivery and management of rural credit*

<sup>9</sup> For an account of the rural credit delivery system in India see Karmarkar, 1999

<sup>10</sup> Initially, NABARD had a pilot project in Karnataka (1991-91) whereby self-help groups were linked with formal banks mediated through an NGO. The project was apparently successful. This led to its institutionalizing in 1996 by the RBI

<sup>11</sup> For additional information about participants see Annexure Two

government initiated NGO under the department of Women and Child Development;

- Housing and Urban Development Corporation (HUDCO), New Delhi;
- Housing Development Finance Corporation (HDFC), Mumbai;
- Friends of Women's World Banking (FWWB), Ahmedabad;

(SIDBI, 2000b)

*The RBI sees the provision of micro credit by banks as an important instrument for poverty alleviation, particularly in the rural areas, as it raises the productive capacities of the beneficiaries*

The next components of the institutional mapping are the intermediary agencies, which comprise of banks of various kinds-scheduled, regional rural and co-operative, micro-finance institutions and facilitating NGOs.

### Regulatory Bodies

Regulatory bodies like the Reserve Bank of India and NABARD, perform the role of officially regulating micro-finance interventions and providing directions for policy. The RBI sees the provision of micro credit by banks as an important instrument for poverty alleviation,

particularly in the rural areas, as it raises the productive capacities of the beneficiaries. In keeping with this philosophy, in February 2000, banks were advised to make micro credit an integral part of their corporate credit plan. Since then micro credit is reckoned as part of the banks' priority sector lending. Separate data about credit flow to women is to be generated by the banks and quarterly reports submitted to the RBI, which will create a separate database for women. Data are to be collected separately for micro credit, for credit to the small scale, medium scale and large scale industries. Already, most banks have started collecting data, as required, from the branches, on a periodic basis. The data is consolidated at the head offices. A 14-Point Action Plan, which concerns credit for women, was outlined for implementation by banks. By the end of the first year of the implementation of this Plan, factual data would be available on the number of women financed, the amount of credit flow extended to women as also the percentage to net bank credit. It is recommended that the RBI should prescribe a special format for data collection from the banks so that the data is available separately for amounts advanced to women entrepreneurs for micro credit, for small/medium/large scale industries<sup>12</sup>.

NABARD is the primary agency for coordinating and facilitating the extension of rural credit. Commercial banks supplement the efforts of NABARD and co-operative banks, in meeting the credit requirements of rural India. In the

#### Box 1: Credit for Women - 14 Point Action Plan

- |   |   |
|---|---|
| ● Redefining of banks' policies/long term plans;                                | ● Specialized branches for women;                             |
| ● Setting up of women cells;  | ● Motivational strategies to enthuse bank officers/staff;     |
| ● Simplification of procedural formalities;                                     | ● Monitoring system;  |
| ● Orientation of bank officers on gender concerns/credit requirements of women; | ● Data collection;  |
| ● Publicity campaigns for creating awareness about credit facilities;           | ● Strengthening of existing schemes;                          |
| ● Entrepreneurship development programs/training facilities for women;          | ● Increasing the limit for not obtaining collateral security; |
|   | ● Involving NGOs/SHGs/women's cooperatives;                   |
|   | ● Mahila Rural Cooperative Bank.                              |

<sup>12</sup> For details, see Bolina, 2001



year 2000, the RBI set up a special cell to liaise with NABARD and other institutions for augmenting the flow of credit. A Task Force was instituted by the Bank to evolve an organizational and regulatory framework for mainstreaming micro-finance operations. Prior to that, the SHG – Bank linkage was introduced by NABARD in February 1992, as a Pilot Project to cover 500 SHGs with policy back-up from the RBI. NABARD brought together the SHGs already promoted by NGOs, and the banking system, to provide various financial services. The launch was tried in Karnataka and Tamil Nadu. The pilot phase was followed by the setting up of the Working Group on NGOs and SHGs by the RBI in 1994. This came up with wide-ranging recommendations on the internalization of the SHG concept as a potential intervention tool in the area of micro-finance.

Totally, under the linkage program, 81,780 SHGs were provided micro credit by banks during 1999-2000 bringing the cumulative number of SHGs credit linked to 114,775 as on 31<sup>st</sup> March 2000. NABARD has also introduced the concept of bulk lending to NGOs in the form of revolving fund assistance to be provided on a selective basis to NGOs who find it difficult to secure loans from banks for on-lending to SHGs. The amount of such assistance, cumulative upto September 1999 is Rs.110.7 million. NABARD provides 100 per cent refinance assistance to banks at an interest rate of 6.4 per cent per annum for financing SHGs. Cumulatively till March 31, 2000, the bank loans disbursed to the SHGs aggregated

Rs.1929.8 million while NABARD's refinance availed of by the banks aggregated Rs.1501.3 million. NABARD has also been providing grants on a selective basis for the capacity building of the NGOs that are involved in micro-finance activities. The cumulative grant assistance sanctioned till March 31, 2000, for promotion and linkage of SHGs, aggregated to Rs.24.8 million, covering 72 NGOs and 16,911 SHGs. Additionally, NABARD also provides other types of support, such as, for training of bank staff, NGOs, and government agencies involved in the area of micro-finance. As on 31 March 2001, the regional spread of SHGs was as follows - the cumulative number of SHGs credit linked in the northern region was 3222, in the north-eastern region was 196, in the eastern region was 9298, in the central region was 15256, in the western region was 7983 and in the southern region was 78720. Totally in India 114,775 SHGs were credit linked as on 31 March 2001.

NABARD's credit schemes are gender neutral. Focussed attention to gender issues in credit and support services, is given through the women's cell set up by NABARD where credit is provided in the form of refinance assistance to the banking system in respect of their advances for agricultural, allied sectoral rural cottage and village industries activities. NABARD has brought out a number of schemes exclusively for the benefit of women- entrepreneurs. These are

- Assistance to Rural Women in Non-farm Development (ARWIND)
- Support for setting up women development cells (WDC)

*NABARD's credit schemes are gender neutral. Focussed attention to gender issues in credit and support services, is given through the women's cell*

- Assistance for Marketing of Non-farm Products of Rural Women (MAHIMA)
- Gender Sensitization Programs

NABARD has also sanctioned a number of credit-linked promotional programs in the form of Rural Entrepreneurship Development Programs (REDPs), Artisan guilds, and Training-cum Production Centres (TPCs), with the intention of enhancing women's entrepreneurial capabilities and settling them into self-employment and wage employment.

The research study '*Micro-finance Regulation in India*' (Sa-Dhan, 2001), unravels the features of a self-regulatory mechanism in micro-finance in India. The sequel to the report of the National Task Force on Supportive Policy and Regulatory Framework for Micro-finance, had suggested the need to encourage the development of a self-regulatory mechanism and had also defined some of the broad parameters under which such a regulatory mechanism could be given shape. The above study after researching into the existing micro finance scenario, recommends that regulation should not be left to the market nor to the government. The role of the government is seen as one that provides an enabling environment and does not proactively direct and control the activities of the participants. The potential objectives and benefits of self-regulation lie in

- Protecting the depositors,
- Offering saving services,
- Gaining access to refinance facilities

- Lower refinance costs,
- Enhancing the image of the sector,
- Helping MFIs build capacity and improve performance,
- Pre-empting regressive government intervention.

The report lists the participants that should come under self-regulation as - the SHGs; the Federations of the SHGs; NGO MFIs; NGO facilitators; Co-operatives; other formal MFIs like banks, NBFCs, and LABs. The Self-Regulatory Authority (SRA) is expected to verify if the MFIs are really serving the poor, set accountancy rules, reporting and disclosure requirements, establish prudential norms and performance standards, and accredit the complying MFIs. It is also expected to give credit ratings and provide deposit insurance financed from contributions of members. The study recommends that even if regulation norms and standards are established by the MFIs themselves, supervision must be done by an independent institution. (Sa-Dhan, 2001)

### **Apex Bodies/Wholesalers**

Apex bodies are responsible for the disbursement of bulk credit for on lending purposes. Following are some of the major apex bodies operating in the Indian micro-finance sector. It must be noted here that NABARD is also an apex body along with being a regulatory one. As examples, below are outlined the operations of SIDBI and Rashtriya Mahila Kosh (RMK).

**SIDBI** had launched the Rs.1000 million SIDBI Foundation for Micro Credit

*The role of the government is seen as one that provides an enabling environment and does not proactively direct and control the activities of the participants*

(SFMC), in November 1998. It is a fully functional separate department of SIDBI since January 1999. The Foundation is supposed to assist NGOs and voluntary organizations on soft terms, which would in turn extend micro credit to poor people. As of March 31 2001, the SFMC has 49 MFI clients. It has an outstanding loan portfolio of Rs. 332 million. 150,000 are ultimate clients, out of which 80 per cent are poor and 70 per cent are women. (Mohan, 2001).

SIDBI has designed a number of schemes and programs to support women entrepreneurs with financial assistance as well as providing training and extension services. These schemes are, Mahila Udhyam Nidhi, Mahila Vikas Nidhi, Micro Credit Schemes (MCS). Under the MCS fund, support is provided to well managed NGOs to on-lend to rural poor women to set up their own micro enterprises. Wherever SHGs exist, the NGO lends to them, and they in turn advance the credit to their members. The cumulative assistance under MCS for the period March 1999, aggregated Rs. 307.1 million, channelised through 142 NGOs/ MFIs across 24 states/union territories benefiting over 112,000 rural poor, of which more than 90% were women. In all, 97 programs have been supported with the assistance of Rs. 6.7 million for providing training to 1550 NGOs in the areas of credit usage, management, monitoring and administration on credit programs.

The Government of India established the **Rashtriya Mahila Kosh** (National Credit Fund for Women), in 1993, with a corpus fund of Rs. 310 million. This initiative was taken since there was a

need for a quasi-formal credit delivery mechanism which was client friendly, had simple and minimal procedures, disbursed credit quickly and repeatedly, had flexible repayment schedules, linked credit to thrift and savings, and had low transaction costs. The Main Loan Scheme of the Kosh aims to provide credit to poor women both in the urban and rural areas for income generation activities (unless specifically sanctioned for other purposes). Specifically, women below the poverty line are eligible for support. The credit facility is channeled through eligible organizations to needy women without the insistence of collateral. During the year 2000-2001, totally in the country, RMK attended to 46,559 borrowers. The cumulative number of borrowers since inception upto 31, March 2001, was 406,942. During the same period, 861 new NGOs availed of RMK assistance and 354 repeated previous experience. In all, the amount sanctioned by RMK was Rs.1034.73 million and the amount disbursed was Rs. 765.53 million for the same period.

### **Intermediaries**

The intermediaries consist of institutions that act as the link between the apex bodies and the clients. Public sector banks are currently extending credit facilities to women entrepreneurs both under Government sponsored schemes and under other schemes designed especially for women. The credit extended by Scheduled Commercial Banks (SCBs) primarily cover priority sector lending and the sponsoring of Regional Rural Banks (RRBs). As reported in March 2000, the total priority sector lending of

*The Main Loan Scheme of the Rashtriya Mahila Kosh aims to provide credit to poor women both in the urban and rural areas for income generation activities*

*NGOs are the most preferred MFIs as they are particularly good providers of socially oriented financial services*

PSBs constituted 43.6% of net bank credit. The total priority sector lending of private sector banks as of the same date was 38.7 % of net bank credit. The Lead Bank Scheme (LBS) of the RBI is supposed to enhance the proportion of bank finance to the priority sector. This scheme co-ordinates the activities of banks and other developmental agencies. As on 31, March 2000 the LBS have covered 575 districts. The co-operative banking system in India is structured along the following lines - the urban areas are served by the Primary (Urban) Co-operative Banks, whereas the rural areas have two sets of institutions dispensing short term and long term credit respectively. The former group consists of the State Co-operative Banks at the apex levels, the District Central Co-operative Banks at the intermediary level, and the Primary Agricultural Credit Societies at the grass root level. Under the long-term credit structure, the State Co-operative Agriculture and Rural Development Banks are at the apex level, the Primary Co-operative Agriculture and Rural Development Banks are at the base levels. NABARD has been working towards linking more self-help groups to the banking system also through the co-operative banking system. Further, in a significant move, since April 2000, micro credit/rural credit has been included in the list of eligible non-banking financial companies' (NFBC) activity for being considered for FDI/OCB/NRI investment. This would cover extension of credit facilities at the micro level to small producers and small enterprises in the rural and urban areas.

Besides the data that is available with the RBI, NABARD and SIDBI, there are individual case studies of banks and their efforts to promote micro-finance among the rural poor. For example, the Cauvery Grameena Bank (CGB), a Regional Rural Bank (RRB) sponsored by the State Bank of Mysore, was launched on October 2, 1976. It now operates in three districts in Karnataka with a network of 118 branches. CGB has been actively financing SHGs prompted by NGOs since the launch of NABARD's pilot project during 1992-93. In 1995-96 CGB was identified as the first RRB in the country to participate in NABARD's project of promoting RRBs as Self-help Promoting Institutions (SHPI). By March 1998, the bank had formed 143 SHGs of which 92 are women's groups with a total membership of 2,135. The groups were able to generate savings of Rs.1,320,000 upto March 1998. (Rao, 2000)<sup>13</sup>.

NGOs are the most preferred MFIs as they are particularly good providers of socially oriented financial services (Nair, 2001) Many of the NGOs have completely changed their strategies of social intermediation – from issue based activities to financial intermediation. Some of them are on their way to becoming formally established, self-sustaining commercial banks. The transition is not a simple switching from one activity to another. There is a radical transformation in the way NGOs have to function. These require dramatic changes in approach (from intensive area-centric planning to extensive target oriented planning); in the language

<sup>13</sup> Also see, Sharma, 2000; Jindal, 2000; Gain, Malhotra and Dheulkar, 2001; Malhotra and Chauhan. 2001.

of communication within the organization; in the language of communication between the organization and the people; the skills of functionaries in the organizational culture and in administrative practices. The Government of India has initiated schemes that are directed towards extending micro credit towards rural poor households. Some schemes are exclusively directed towards women. Intermediaries are instrumental at various levels and in different capacities, in implementing these schemes.

The SIDBI Best Practices Handbook in Micro-finance describes three types of NGO-MFIs depending upon the amount of savings they have mobilised. The first type are without deposit taking or have mobilised savings of less than Rs.0.2 million. The second type are those with mobilised savings more than Rs. 0.2 million and less than Rs. 2.5 million. The third type of NGO-MFIs are those with mobilised savings more than Rs. 2.5 million.

NGO-MFIs are functioning in diverse manners thereby generating different models of micro-finance interventions. The SIDBI Handbook has outlined fourteen different types of generic approaches that have evolved in India. These are

- ***The basic SHG model and minor variations thereof:*** Examples of these are PRADHAN (Professional Assistance for Development Action), DHAN (Development of Human Action) Foundation, MYRADA (The Mysore Rehabilitation and Development Agency), CARE (Co-operative for Assistance and Relief Everywhere) India, NBJK (Nav Bharat Jagriti). This

type mobilises clients into self-help groups, which are mostly of women. Shared problems of poverty, oppression and gender-based discrimination are used as entry points after which credit and savings are introduced. The SHG is not too large or too small and functions on a democratic basis. Savings are a compulsory feature of the SHG activity. Only those SHGs which have performed well and have sustained, are assisted with linkages with banks and other financial intermediaries like federations and clusters. Hence the NGO acts as a catalyst and performs the role of social intermediation. It plans, builds capacity, creates linkages to donors, and MFI wholesalers.

- ***The Federated SHG Approach:*** Examples of these are PRADHAN, DHAN, MYRADA, Chaitanya, SEWA (Self Employed Women's Association), etc. NGO-MFIs such as these have federated several SHGs so as to overcome the limitations of individual SHGs. Federations when registered, usually come under the Societies Registration Act. They have between 1000-3000 members. In a three-tiered structure, the groups form SHGs after which clusters are formed and then Federations. In the two-tiered structure, the SHGs are directly federated.
- ***The Rural Industries Promotion (SHG) Framework:*** MYRADA is an illustration of this kind of an approach, which attempts to facilitate delivery of a total package to women. The structure is so established that it

*NGO-MFIs are functioning in diverse manners thereby generating different models of micro-finance interventions*

manages itself like a private limited company for, by and of women.

- ***The Pure/Adapted Grameen Replicator Approach:*** These undertake essentially, individual lending, but all borrowers are members of groups within which peer pressure is the key factor in ensuring repayment. Each borrower's credit-worthiness is determined by the overall credit worthiness of the group. Savings are a compulsory component of the loan repayment schedule, but do not determine the magnitude and timing of the loan. SHARE (Self Help Association for Rural Education and Employment), ASA (Association for Social Advancement), NBJK (Nav Bharat Jagrati Kendra) are examples of this approach.
- ***The Urban Co-operative Banking Model:*** SEWA is an example of this kind of a model which primarily lends to the urban sector but has also extended its services to rural women. Savings groups consist of 10-15 members whose deposits range from Rs. 10-25 per month. These are collected from the women's homes by bank staff. The ability and motivation to save is an important pre-condition for a woman to be able to obtain credit.
- ***The Co-operative Solidarity Model:*** ICNW (The Indian Co-operative Network For Women) is an illustration of this model where women organise themselves into neighbourhood-loan groups of 5-15 members. The women are residents of the same area and have lived there for a period of more than 5 years.
- ***The Enabling Co-operative Networking Framework:*** The CDF (Co-operative Development Foundation) is an example of this approach. The CDF is a Not-for-Profit institution involved in promoting and supporting MFIs. This co-operative system consists of bringing together women's and men's thrift co-operatives which consist of 300 members usually from the same village.
- ***The Co-operative-Grameen Hybrid Model:*** Mahila Vikasa is an example of this kind of an approach wherein it is registered as a Mutually Aided Co-operative Society (MACS), and covers clients in five different districts, three rural and two urban. The Society uses joint liability groups of five members each to provide loans.
- ***The Ecelectic NBFC Approach:*** BASIX , a group company, is an example of this model of micro-finance. The mission of BASIX is to promote a large number of sustainable livelihoods through the provision of financial services and technical assistance in an integrated manner. The entire community is viewed as an interconnected whole, hence this institution involves the poor as well as the not-so-poor. Credit is seen as a necessary but not a sufficient condition for generating and sustaining livelihoods. BASIX consists of - a for-profit NBFC, Bharatiya Samriddhi Finance Ltd. which provides the financial services and a not-for-profit company, Indian Grameen Services, that provides the technical assistance.

- **The Training cum Production Centre Approach:** This approach is unique, since it provides for loans of raw materials rather than real money. Poor women are organised into groups of 5-10, which are then provided extensive training in the specific processes involved in any production activity. The members are then issued the raw material required for the particular production process that they are trained in. The value of the raw material is credited to their name as the loan amount.
- **The Kosh NBFC Model:** Sarva Jana Seva Kosh Ltd. (Kosh) is a non-banking financial company and is an example of this kind of approach. It is owned by the members of village communities, which provides a variety of financial services to a group of people, otherwise untouched by formal financial institutions. This institution provides support to the Gram Sabha Nidhi foundations in managing the rural communities' financial resources.
- **The SHG Co-operative Model:** Youth Charitable Organisation (YCO), is a non-profit rural development agency based in Andhra Pradesh. This NGO works with the poorest marginalised rural families and promotes self-reliance and self-help.. Programmes include micro-finance, housing, income-generation, water, sanitation, agriculture, health, education, agro-forestry and waste-land management.
- **The Federated Society Model:** SIFFS is a large network of fishermen's

organisations and currently operates in the states of Kerala and Tamil Nadu and the Union Territory of Pondicherry. It is to establish its operations in Andhra Pradesh too. The NGO has three core business areas- fish marketing, technology intervention and credit delivery/facilitation (linkages with banks). SIFFS establishes bank linkages, enables fishermen to tap external funds and directly lends to members.

- **The SECTION 25 NBFC (Sanghamitra) Model:** This is a new model of micro-finance that attempts to cater mainly to the needs in mature SHGs. It is related to aspects of scaling-up and sustainability. It lends to mature SHGs with a good savings and credit background. Loans are disbursed in the form of cheques only and repayment is also collected in the form of cheques only. Consequently SHGs and its members understand and utilise banking mechanisms<sup>14</sup>.

Data is available about the status, organizational working, operational functions, performance and operational dynamics of various MFIs in the country in different forms.

*One* is through the institutions self-reporting to various evaluatory and rating organizations.

*Two* is through the documentation and annual reports that the institutions maintain for their own records.

*Three* is through the presentation of case studies of the institutions and their successes for different audiences.

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<sup>14</sup> For an analysis of the working of different models of MFI/NGOs, see, EDA Rural Systems 1996

In addition MFIs/NGOs who are working with SHGs necessarily collect information about the groups that they are working with. As part of the operationalising of SHGs and as a requirement of their functioning, the following documentation is carried out:

**Accounting Systems** which generally include

- **Cash Books:** Meant to record each cash transaction as it occurs in a meeting;
- **Member Ledger Book:** A document that is derived from the cash book which may be used to keep track of the current balance of each individual member in the group—her savings, loans taken and repayments;
- **Pass Books:** These are given to individual members to record their individual savings and loan status. In new groups, introducing pass books often encourages members to save more as they have a personalised document of their net savings amount;
- **The Minutes Book cum Attendance Register:** Used to record the proceedings of each meeting and the names of members present.
- **Loan and Repayment Forms:** To be filled each time a member takes a loan. Each form has details of the loan amount, the purpose for which the loan has been taken, the frequency of repayment and the amount of each installment.

- **General Ledger:** To be maintained along with the member ledger for receipt and payment transactions, common to the whole group. (The Savings and Credit Manual, PRADHAN, Resource and Research Group, 1998)

The performance of the SHG is also documented using **indicators** that are seen as relevant to the situation and region. For example, the Cooperative Development Foundation (CDF) in Hyderabad, records performance with the help of the following indicators\*:

- Number of members;
- Number of Thrift Cooperatives;
- Association of Thrift Cooperatives (number);
- Regular Thrift (Rs.);
- Thrift Defaulters (number);
- Thrift Default Amount(Rs.);
- Members with recurring deposits (no.);
- Recurring Deposits (Rs.);
- Members with savings accounts (no.);
- Savings (Rs.);
- Members with fixed deposits (Rs.);
- Fixed deposits (Rs.);
- Members in DRAS<sup>15</sup> (no.);
- DRAS deposits (Rs.);
- Other funds (Rs.);
- Total own funds;
- Borrowings (Rs.);

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\* CDF, 1999

<sup>15</sup> Debt Relief Assurance Scheme which assures that the cooperative, the guarantor and the member's family do not suffer in case a member dies



- Borrowers (no.);
- Loan outstanding (Rs.);
- Loan defaulters (no.);
- Loan default amount (Rs.);
- Average membership in a cooperative (no.);
- Average thrift per member (Rs.);
- Average loan outstanding (Rs.);
- Loans disbursed during the year (Rs.);
- Number of loans given during the year (Rs.);
- Average loan size during the year (Rs.)

What must be noticed here is that the variables documented and tracked are those which constitute the operational requirements of the intervention of micro credit. The *process* of empowerment that the intervention unleashes is not documented by the MFI/NGO. It is only later when outside agencies are entrusted with the task of assessment and evaluation that indicators of empowerment are looked into. The performance indicators that NGOs use in order to indicate that SHGs are performing well are more in the nature of meeting targets and proving financial sustainability. While the importance of these indicators cannot be understated, it has to be noted that the purpose of the entire intervention is lost sight of. The changes in the lives of the clients on account of the generation of livelihoods in the form of enhanced economic and social status, alterations

within households of structures of decision-making, etc. can be captured if change is monitored through qualitative variables as are used in impact evaluation studies. Empowerment is a process and not a goal or target to be reached. Hence impact evaluation studies are not well equipped to document change. They can capture perceptions of respondents at one point in time. The NGOs/MFIs themselves can build in variables that allow for the processes of empowerment and change to be recorded. Changes in the standard of living, in household structures and roles, in mobility, in confidence and sense of self-worth can be part of the documentation carried out. Both the perceptions of field staff and of the clients themselves should be tracked. Box 2 (overleaf) is an illustration of suggested parameters and indicators, which can be incorporated into the data formats of MFIs/NGOs along with existing variables and indicators.

### **Clients/ SHGs-Clusters-Federations**

Clients within the institutional mapping consist of the poor who are reached by micro-finance interventions. They are reached through SHGs. Certain intermediaries are involved in not just the formation and nurturing of SHGs, but also in organizing them to form clusters and federations. The DHAN Foundation in Tamil Nadu and the FWWB in Gujarat are such institutions<sup>16</sup>. The data on this account is largely available with the institutions and is both qualitative and quantitative in nature<sup>17</sup>.

*Empowerment is a process and not a goal or target to be reached. Hence impact evaluation studies are not well equipped to document change*

<sup>16</sup> For information on FWWB's initiative see, FWWB, 1998

<sup>17</sup> Such data are largely available with the institutions themselves, which document and also conduct studies to assess the extent of their intervention. The data relates to the nature of the intervention, the number of groups linked, their performances vis-a-vis financial, credit activities, etc

Box 2: Data Formats of NGO/MFIs

Variable	Common Current Indicators	Suggested Parameters	Suggested Indicators
Status of Individual: Poverty	<p>Economic Poverty</p> <ul style="list-style-type: none"> <li>• Income, land</li> <li>• Livestock, assets</li> <li>• Livelihoods</li> </ul>	<p>Socio-cultural Poverty</p> <ul style="list-style-type: none"> <li>• Discrimination with respect to gender, caste, creed, religion, physical / mental disability.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Gender</i>: Adverse sex ratio in village; malnutrition in girl children; domestic violence in households.</li> <li>• <i>Caste</i>: incidence of violence; discriminatory practices like barring temple entry, separate glasses for drinking, denial of employment, education, etc (record prevalence and frequency)</li> <li>• <i>Religion</i>: Violence, loss of life/limb/property; denial of employment, education, etc.</li> <li>• <i>Disability</i>: Denial of employment, education, loss of self-esteem due to ridicule, etc.</li> </ul>
Organisational working of SHG	<ul style="list-style-type: none"> <li>• Number of members</li> <li>• Meetings held</li> <li>• Quorum fulfilled</li> <li>• Laws, bye-laws, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Conflict resolution</li> <li>• Added weightage to diverse groups that accord leadership to disempowered members.</li> <li>• Norms of democracy adhered to in group</li> <li>• Record political process of group dynamics</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Conflict Resolution</i>: Number of disagreements, number of disagreements that have been resolved, cordiality between facilitator and group, etc.</li> <li>• <i>Weightage</i>: Number of leaders from backward castes that are SHG leaders in mixed groups, number of disabled persons accorded leadership, etc.</li> <li>• <i>Democracy norms</i>: Method of selection of core members of SHG committees, number of chances given to each person to hold core position, etc.</li> <li>• Frequency of leadership turnover, background of leaders selected, etc.</li> </ul>

Variable	Common Current Indicators	Suggested Parameters	Suggested Indicators
Operational/Functional working of SHG	<ul style="list-style-type: none"> <li>• Availing of funds</li> <li>• Linkages with banks</li> <li>• Mobilisation of savings</li> <li>• Repayment rates, structures</li> <li>• Products available</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity costs of mobilised savings</li> <li>• Link of available products with social security needs</li> <li>• Link of repayment with level of marketisation and monetisation of region</li> <li>• Connect bank linkage with regional development of area.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Opportunity costs:</i> Other uses of savings, denial of needs due to diversion of money towards savings in SHGs.</li> <li>• <i>Link:</i> Awareness of old age security needs, capability of existing instruments to address such needs.</li> <li>• <i>Marketisation:</i> Especially in barter economies- irrelevance of fixing repayment schedules, irrelevance of money savings and disbursement versus grain savings and disbursement.</li> <li>• <i>Banks:</i> Prevalence of banks in area, relevance of bank in area, use-value to local residents of banks in area, etc.</li> </ul>
Performance of SHG	<ul style="list-style-type: none"> <li>• Financial sustainability</li> <li>• Record keeping</li> <li>• Financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Ability of group to address local development issues</li> <li>• Ability of group to connect issues of economic poverty with those of socio-cultural poverty</li> <li>• Ability of group to generate feeling of mutual solidarity.</li> </ul>	<ul style="list-style-type: none"> <li>• Other local development issues addressed by group;</li> <li>• Number of issues taken up for action;</li> <li>• Action undertaken and results;</li> <li>• Change of group's perception regarding their social and economic situation in the community and at the household.</li> <li>• In case of outside conflict/threat has group held together or have there been differences of opinion and subsequent splits.</li> </ul>

Variable	Common Current Indicators	Suggested Parameters	Suggested Indicators
Performance of individual woman	<ul style="list-style-type: none"> <li>• Ability to save</li> <li>• Ability to use loan</li> <li>• Ability to repay</li> <li>• Frequency of additional loans</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in physical mobility</li> <li>• Decrease in restrictions on body space</li> <li>• Increase in respect within and outside household</li> <li>• Movement in household and family dynamics towards democracy</li> <li>• Capacity to take decisions</li> <li>• Ability to act out decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Physical mobility</i>: Ability to access geographical locations hitherto unaccessed.</li> <li>• <i>Body Space</i>: Dispensing with veil; greater control over reproductive decisions due to increase in economic gain due to micro credit, etc</li> <li>• <i>Respect</i>: Increase in importance accorded by household members, community, neighbour, members of kin, etc.</li> <li>• Reduction in son preference, decrease in neglect of women and girl children in matters of health and education; change in sexual division of labour within household, etc.</li> </ul>
			<ul style="list-style-type: none"> <li>• <i>Decisions</i>: number of decisions taken within and outside household, importance of those decisions in terms of monetary effects and over time, etc.</li> <li>• <i>Act</i>: Number of decisions implemented through to the end, Agency taken in spite of household resistance, etc.</li> </ul>

## Individuals

Data on individuals as participants in the institutional mapping is usually collected through impact evaluation studies<sup>18</sup>. However, case studies of MFIs, of facilitating NGOs, and of the intervention of micro-finance *per se*, also include case studies of individual clients, which have benefited from the use of micro credit. In the process, the socio-economic profiles of the individuals are documented and their experiences about availing of, using and repaying loans are documented. It must be noted here that the documentation is largely of ‘success’ stories, and cases that have failed to benefit from the intervention of micro-finance are rarely recorded.

## 2.2 Judgemental Data

Data related to the vertical approach also takes the form of being judgmental in nature. *In fact these are the most significant types of data that exist in the intervention of micro-finance.* Data which ‘judges’ is necessary to the intervention because, on the one hand there is no *one* model that can be deemed as ‘ideal’, and on the other hand, there is a need for some kind of consistency in the effort because the core needs of the poor are similar. Consequently, there are efforts to gather data that will throw light on the need for standardization, for regulation, for monitoring, etc. The most important of these kinds of data, is the rating that is undertaken on the basis of the financial performance of the MFI.

## Rating

Over the past two and a half years, Micro-Credit Ratings India Limited (M-CRIL) a limited company established to facilitate the flow of commercial funds to the micro-finance sector has undertaken credit ratings of about 70 MFIs in South Asia. M-CRIL has compiled the information from its rating studies into a database and used it to analyze the performance of the micro-finance sector in the region. This analysis of data from the 51 MFIs rated until end – November is contained in the M-CRIL Report 2000. Over the period September 1998 to November 2000, M-CRIL had completed 53 rating assignments, covering India, Nepal, and Bangladesh. MFIs are disaggregated by the methodology they adopt to function and by their age. They are classified by virtue of their methodology into

- Self-Help Group;
- Individual Banking model;
- Grameen model

According to their age they are classified into

- New institutions, which are less than three years old;
- Maturing Institutions, which are between 3-7 years old and;
- Mature Institutions that have undertaken micro-finance programs for more than 7 years.

*Data which ‘judges’ is necessary to the intervention because, on the one hand there is no one model that can be deemed as ‘ideal’, and on the other hand, there is a need for some kind of consistency in the effort because the core needs of the poor are similar*

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<sup>18</sup> There is substantial information on SHGs *per se*, which relates to the nature of the intervention, the numbers of groups linked, their performances vis-a-vis financial, credit activities, etc. See Tyagi, 1999; Kumaran, 2001; Lakshmikantan, 2000

*M-CRIL's ratings are intended as a direct service to lenders by providing them with an informed opinion of the credit worthiness of the MFIs*

The MFIs in the database have also been classified by the size of their outstanding portfolios at the time of the rating field visit. The sample by portfolio size shows that there are a few large MFIs and many small ones. As per the regional distribution of MFIs in India the south predominates but the west is also significantly important. M-CRIL awards grades to reflect the creditworthiness of the MFI. The data shows that relatively few MFIs are creditworthy enough to borrow money in excess of Rs. 2.3 million. Based on indicators of 'best practices', data includes client outreach, productivity, efficiency, portfolio management of the MFI and financial performance. The top ten averages indicate that best practices are being followed in the concerned region.

M-CRIL's ratings are intended as a direct service to lenders by providing them with an informed opinion of the credit worthiness of the MFIs. All ratings undertaken use a rating instrument that has been especially developed for the assessment of MFIs. The instrument consists of a series of indicators that measures organizational and governance aspects, managerial and resource strengths, and financial performance. The indicators and standards for scoring on each indicator have been arrived at after an intensive process involving field-testing of the instrument, discussions with the experts and MFI leaders, literature survey and consultative meetings with the MFI support institutions that have made pioneering efforts in the area. Each indicator has a weight attached to it and is measured on a 0-10 scale. The weights are used to compute

the rating score for each indicator to arrive at a percentage score that determines the overall risk profile of the rated MFI. In addition, the rating instrument also evaluates the performance of the MFIs against minimum conditions. These conditions have been developed after an extensive analysis of M-CRIL's MFI data base and constitute some of the most crucial performance indicators. Meeting these conditions is essential for the MFI to achieve a given rating grade. An important component of the methodology is to construct appropriate financial statements for the micro-finance operations of the MFI. This involves making detailed calculations of the various financial account heads.

### **Standardization**

The *Handbook of Micro-Finance (Vol. II) "Design and Implementation of Micro-finance Programs-Best Practices Recommendations"*, (Arunachalam, 2001) identifies the components of financial and non-financial standards for both institutions and the program *per se*. These are relevant to MFIs and facilitating organizations that are devoted to capacity building. According to the guidelines, the parameters both non-financial and financial should be so selected that they can be verified. These are parameters against which standards will be set. Parameters are verified by studying the indicators that show whether standards are achieved or not. It is important to identify those documents and records that have to be maintained by the participants so that the standards can be checked. Finally, the strategy and process to enforce the standards have to be developed.

The *non-financial standards* include governance, management practices, human resource management, track record of borrowing, relationship with community, local agencies, etc, outreach and impact, program design and external program. The *financial standards* include the track record in terms of repayment, financial performance, financial control system and accounting and reporting. Each of these factors listed above is linked to appropriate parameters, which have to be traced in order to set the best practices standards.

The *MicroBanking Bulletin* is one of the principal outputs of the MicroBanking Standards Project, which is funded by the Consultative Group to Assist the Poorest (CGAP). The purpose of this project is to

- Collect financial and portfolio data provided voluntarily by leading MFIs;
- Organize the data by peer groups;
- Report this information;
- Help through this database MFI managers and board members understand their performance in comparison with other MFIs;
- Establish industry performance standards;
- Enhance the transparency of financial reporting;
- Improve the performance of MFIs.

The Project seeks to provide customized financial performance reports; the *MicroBanking Bulletin*; and network services.

## Resultant “Best Practices”

The available data points to areas in which improvements can take place. “Best Practices” have been outlined with respect to each of the above facets of the participants of micro-finance<sup>19</sup>. In the context of SHGs and their functioning, BASIX has formulated a method of awarding scores while assessing SHGs. The interviewer has the choice of awarding the score within a range depending on the answer given. SHGs are hence rated as very good, good, satisfactory, and not good. At the ARAVALLI-FWWB Workshop on Microcredit, certain parameters were outlined and deliberated upon which set standards for SHGs. These were:

- Vision, mission and goal;
- Size of SHG;
- Group composition;
- Meetings;
- Attendance at meetings;
- Participation of members in decision making;
- Participation of members in responsibility sharing;
- Rules and regulation;
- Savings;
- Sanctioning of loans;
- Loan repayments;
- Rotation of common fund;
- Idle capital;

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<sup>19</sup> For other examples of listed ‘Best Practices’, see, Pradhan, 1998; Swayam Shikshan Prayog, 1998; Myrada, 1999; AIAMED 2000; Government of India, 2000; Government of India, 2001; ICECD, n.d

*The demand factors need to be observed from the perspective of all the participants since each of them has requirements that have to be correspondingly matched with the supply*

- Resource mobilization;
- Book-keeping and documentation;
- Audit training programs;
- Planning, implementation, monitoring and evaluating programs;
- Social action and community action program and education, literacy and numeric knowledge<sup>20</sup>.

Generally, Best Practices are in the areas of SHG formation, nurturing, organization, financial management of the participants, especially the MFIs and SHGs, training of members vis-à-vis financial management, etc. *There do not seem to be any outlined “Best Practices” to capture gender dimensions within micro credit interventions.* Perhaps this is so because by and large the SHGs comprise of all women groups and it is assumed that issues related to them will automatically surface in the enumeration of other parameters. In reality however, this assumption subsumes gender-related problems. Even if the groups are all-women, the lives of women are not limited to their identities as members of SHGs. Household dynamics spillover and affect functioning within and of groups. Further, as a class, women suffer from discrimination in the community. The lapse on the part of Best Practices is, however understandable. Since available data does not squarely address gender biases, data formats are not equipped to capture variables that can track change in gender biases. Consequently Best Practices which draw their roots from available data also do not include gender dimensions.

## 2.3 Data Requirements

As per the vertical approach, data that is generated points to the supply-side factors involved in the intervention of micro-finance. There is however a need also to document the factors that determine demand within micro-finance. *Only when the supply and demand factors are studied together, an evaluation can be made of whether the intervention has been successful.* In as much as there is a mismatch between demand and supply, the primary goals of the intervention *per se* in terms of poverty reduction and empowerment of women will be at stake. In such a case, there will be a need for modifications, improvements and changes in the methods of micro-finance. The demand factors need to be observed from the perspective of *all* the participants since each of them has requirements that have to be correspondingly matched with the supply. The data on supply reflects information about products, services, capacity building, asset building, and training. The demand factors will similarly reflect the needs of participants in the context of these parameters.

The second and equally important data requirement of the vertical approach is to have data formats that are gender-sensitive. As has been suggested in Box 2, there are parameters and indicators which, if used, will succeed in recording gender biases and also track changes both positive and negative in them. Since the second purpose outlined by the Summit is to empower women, it is necessary for data collection efforts to build-in variables that address change

<sup>20</sup> ARAVALI-FWWB Workshop on Microcredit, Rajasthan, 18-19, April 2000



in women's lives from disempowerment to empowerment. It is not enough to leave the task of tracking change to impact evaluation studies since their assessments are made *after* a lapse of time during which gender related change has not been documented.

Similarly, the vertical approach needs to include qualitative and more detailed indicators of poverty. Micro credit has been primarily aimed at economic poverty. However, social poverty and gender discrimination are intimately connected with economic poverty, which is why development initiatives that address only economic poverty do not

succeed in pulling the poor out of the poverty trap. This is not to underestimate the capacity of livelihoods, income and assets in improving the quality of lives. If one goes back to the fourth purpose mentioned in the Summit of having a measureable impact in the lives of clients, such an impact is seen by existing data in the narrow sense of increase in livelihoods and incomes, which in turn are responsible for increases in self esteem. It is however, important to ascertain whether an initiative that is narrow in scope as is micro credit, also has an effect in shifting positively, social poverty and gender discrimination indicators.

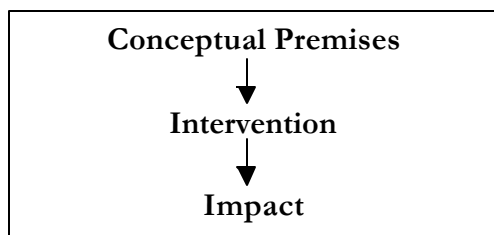
*Development initiatives that only address economic poverty do not succeed in pulling the poor out of the poverty trap*



*The 'horizontal approach' views the linkages between the conceptualization of micro-finance, the intervention and the impact of that intervention*

## The Horizontal Approach : Conceptual Mapping

The second approach to data issues within micro-finance is through what has been called the 'horizontal approach'. This approach focuses upon the linkages between the conceptualization of micro-finance, the intervention and the impact of that intervention and is called the 'conceptual mapping'. The linkages are studied so as to determine whether the impact has justified the intervention and has ratified the conceptual premises on which the intervention is based.



The conceptual premises are given by the four core themes of the Micro credit Summit:

- Reaching the poorest;
- Reaching and empowering women;
- Building financially self-sufficient institutions; and
- Ensuring a positive and measurable impact upon the lives of clients and their families.

The 'intervention' has been highlighted by the institutional mapping and the corresponding data that has been generated in that context. The impact of

the intervention cannot be understood unless one focuses upon many Impact Evaluation Studies that have been conducted by various organizations. *The IES constitute the judgemental data relevant to the horizontal approach.* The recommendations also dovetail towards contributing to resultant best practices about the functioning of NGOs and MFIs.

For any IES, the first question to be answered is the purpose of the study. Most often the study is conducted by an NGO/funding organization, or academic/research institution. The reasons for undertaking an IES can vary from the need for policy formulation/modification within the organization, to wanting to assess the changes in the lives of the clients, to influencing policy makers, practitioners and researchers on the basis of the findings, or a combination of these. Again IES may be conducted by the staff of the concerned organization, or by an external consultancy firm/consultant.

Particularly important are the methods used in IES<sup>21</sup>. It is seen that almost all the studies definitely have a combination of methods and do not rely on one method only. This combination is mostly one of purposive sampling, where the respondents are administered structured questionnaires; selective sampling of beneficiaries whose case studies are

<sup>21</sup>See Annexure Three for details about several Impact Evaluation Studies

documented, and focus group discussions where issues are brought out into the open. These methods are in stark contrast to the Participatory Rural Appraisal (PRA) methods that recruit local persons to appraise. While the value of PRAs cannot be denied, it is not always possible for institutions that require IES to find suitable local persons to conduct PRAs. This is especially true if the study is being conducted by an ‘outside’ agency which does not have an intimate rapport with the village(s) under scrutiny. Whatever be the method, it is important for researchers to be focussed about hypotheses and variables that are being sought as reflections of ‘impact’. *The difference between variable, parameter, and indicator should not be blurred over.*

### 3.1 Recommended Approach to Assess Impact of Intervention on Poverty and Empowerment

- ***The IES must seek information as to whether the level of poverty of the household/client has been affected.*** In order to have a clear picture of this variable of ‘reduction in poverty’, first the study must evaluate the level of poverty of the said respondent *before* any loan was taken. This must co-relate with the poverty measure that was used by the MFI/facilitating NGO when it first identified the respondent for a micro-finance intervention<sup>22</sup>. A different set of poverty indicators can be used only if the IES seeks to challenge the relevance of the initial poverty indicators used by the MFI

to target its beneficiaries. Most IES ask questions about income levels, assets owned by the household, occupation(s), etc. However, in existing IES the structuring of the differences between the variable, the parameter and the indicator are not sharp. It is important to differentiate between the variable, which is ‘a possible reduction in the level of poverty’, and the parameter which is the level of poverty after micro credit. The indicators have to be selected with care after scrutinizing the poverty measure used to identify the beneficiary. These indicators can be related to economic factors such as income and assets, but they could also relate to food, nutrition, health housing and education. Here, the purpose of the loan is significant. Most studies presume that the loans are for income generation purposes. In fact, the demarcation between ‘productive purpose’ of loans and ‘consumption purpose’ (assumed to be non-productive), presume that the impact has to be only economic in nature, further implying that poverty is related to income. However, it has been argued that a loan for consumption, especially for food, is actually a loan towards working capital since it is used to maintain and enhance the production factor labor. While the rich invest in land, the poor can only invest in their labor (Zeller and Sharma 2000)<sup>23</sup>. It also belies women’s contribution towards the production of human resources, which entails providing for the ‘consumption’ of her family. This

*The indicators can be related to economic factors such as income and assets, but they could also relate to food, nutrition, health housing and education*

<sup>22</sup>The poverty indicators offered by the Microcredit Summit could be explored

<sup>23</sup>Stern and Stern’s study evaluated the loan forms of respondents to identify the purposes for which loans were taken

*The gender dimension is very prominent when the intervention of micro-finance is discussed. This is because the initiative is directed, in most cases, towards poor women*

is in fact, a productive activity and the loan that contributes towards this end is also automatically used for a productive purpose, where the consumption could be of food, health, education, etc.

Poverty is also contextually relevant to the place that is being scrutinized. The larger socio-cultural environment within which the beneficiary is placed is important if the question of poverty is to be understood in its local dimensions. While there may be a general measure for rural poverty that is relevant across the country, there are also regional specificities that have to be built-in while selecting indicators to study poverty. States within the country differ economically, socially, culturally, politically and geographically. It is important for IES that span their study across different states to keep the contextual reality in mind and thereby alter the indicators even if the parameter and variable they are examining are the same. For example, the indicators of poverty in Kerala and those in Bihar will be different even though what are being ultimately tapped for data are levels of poverty.

- ***The IES should specifically address the issue of empowerment of women.*** The gender dimension is very prominent when the intervention of micro-finance is discussed. This is because the initiative is directed, in most cases, towards poor women. Even in cases where the initiative is gender-neutral more than half the beneficiaries are women. One of the core themes has been the empowerment of women. Consequently, IES

do attempt to gauge whether there has been any change in the lives of women that will indicate empowerment of any kind. Questions are asked about whether women can perceive changes in their status regarding their families and the community at large. Here again one finds that there is a blurring of parameter and indicator. The variable to be traced is the 'empowerment of women'. The parameter is the change in status vis-a vis the family, community, etc. The indicators have to be further specified in the context of the lives that the women in the concerned area are living. Again, the cultural contexts being different in each case the indicators cannot be uniform across the country. These indicators could be

- Participation in decision making in the family, in public life, in community programs, etc.
- Mobility of women,
- Participation in economic activities outside the house,
- The capacity to educate girl children,
- The capacity to decide about family planning,
- The capacity to determine the age of marriage of the daughter,

These are some of the indicators that can be used to measure an increase in the status of women, thereby indicating an empowerment process.

The understanding of empowerment in existing IES is vague and general. The gender dimensions that *cause* intra-household disparities among members in access and

control of resources and distribution of work, are not accounted for in the studies. Credit is seen as a tool of empowerment, but exactly how this ‘empowerment’ is supposed to take place is not clear. Consequently, when IES search their beneficiaries’ lives for empowerment, it is seen as reflected in the capacity to take, repay and use a loan. Unless the method of IES delves into the household and the dynamics amongst male and female members, the reality of empowerment will not be understood. There is already evidence that indicates that micro credit can cater to the practical gender needs of women and not to their strategic needs<sup>24</sup>. While structured schedules can be used to capture socio-economic profiles, it is the detailed case studies that can go beyond documenting an account of the beneficiaries’ lives. Just as for poverty, the issue of empowerment contains a ‘before’ and ‘after’ perception that actually implies a documentation of a *process*. Participatory methods are more suitable for such documentation. The participant could be a local villager or else a researcher who spends a considerable amount of time in the concerned area observing respondents. Further, the perceptions of women are in themselves documentation of processes of empowerment. Changes in perceptions also serve as indicators for changes in status at various levels-economic, social and cultural.

The value of self-perception lies in the fact that ultimately empowerment takes place when there is a widening of metaphysical mental space due to the

widening of economic, socio-cultural, political and physical spaces. Due to micro credit and the successful use of loans and repeat loans, there could be an increase in income of the household. But this could not necessarily spell empowerment for the woman. Decision making about how that income is to be utilized, may still not rest with her. However, if the loan can generate a feeling of confidence that is enough to motivate her to voice protest only then can the credit be said to be instrumental in empowerment. There is no linear relationship between micro credit and women’s empowerment. Similarly the membership of the SHG generates processes that are political in nature. The nature of group dynamics can unleash forces that are empowering to some and demoralizing and disempowering for others. In as much as membership in the SHG instills a feeling of solidarity and strength, the woman will feel a sense of empowerment. Again the community’s opinion of her is of tremendous consequence to a rural poor woman. When the process of availing of and repaying a loan generates a positive community response, socio-cultural spaces widen and cause an expansion of metaphysical space in the woman’s mind. Lastly, mobility is a function of socio-cultural norms and is contextually different in parts of the country. In the relevant context, physical mobility and the use of body space can be used as an indicator to capture the parameter of physical space<sup>25</sup>.

*Unless the method of IES delves into the household and the dynamics amongst male and female members, the reality of empowerment will not be understood*

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<sup>24</sup> See Goetz and Gupta, 1996; Fernando, 1997

<sup>25</sup> For a conceptual framework capturing empowerment through the category of spaces, see, Deshmukh-Ranadive, 2001. “Placing the Household in Perspective. A Framework for Research and Policy”, Asian Journal of Women’s Studies, Vol. 7, No. 1

### 3.2 Recommended Approach to Assess Methods of NGOs

- *It is imperative for the IES to ascertain whether the concerned mediating NGO has managed to really reach the 'poorest'.*

Existing literature on micro-finance interventions highlight the fact that while it is the poorest that have to be reached, often it is not easy. The transaction costs of reaching the poorest are very high. Further, the poorest do not have the capacity to absorb credit, especially credit meant to generate income through the starting of small enterprises. *Again here it is very important for IES to pay attention to the poverty measurement indicators used by the participating NGOs in identifying the poorest.* There should be a consistency in the measurement used even while it encompasses the local context of poverty. If attention is paid to this factor then the IES can ascertain the extent of the impact of the program and the efforts of the NGO. The effect on the poorest will be different from that on the poor and on the not-so-poor. Hence the IES should first determine which segment of the population has benefited from the initiative. This finding will be of particular relevance to policy makers.

- *IES should try and match the inputs of 'best practices' with the actual functioning of the NGO in determining the impact upon the clients.*

IES enter the field with a presumption that the concerned MFI/NGO has performed to the best of its ability. While this may be true in spirit, the actual performance of the organization has to be

matched by the best practices outlined in various contexts. The value of such an exercise lies in the fact that best practices deal with the supply side of the intervention and IES trace the demand requirements of clients in the same directions - loans, repayments, interest rates, training, capacity building, group formation, conflict resolution etc. In as much as the study can fathom whether best practices are being adhered to, the IES can locate matches and mismatches of demand with supply. Many IES have used different research methods to examine not only clients but also the corresponding NGO. However the questions that are raised do not locate themselves in any way that will assist in the study throwing light on whether the NGO actually delivers what is wanted by the client, and in what way are the best practices proving to be really the best ones to be practiced.

- *IES should be willing to experiment with new conceptual tools that could assist them to capture poverty, sustainability and empowerment in more relevant ways.*

There are conceptual tools available that can lend new dimensions to the search for the impact of micro-finance programs on client's lives. For example, it is important to build in the concept of the life cycle of the household and of the client while considering the purpose for which the loan is taken. A 'young' client/ household will have different requirements as against a mature one. Again, the concept of the 'credit limit' is useful in studying the constraints that the borrower has to face while availing a loan. Somewhere, underlying all IES,

*The transaction costs of reaching the poorest are very high. Further, the poorest do not have the capacity to absorb credit, especially credit meant to generate income through the starting of small enterprises*

is the presumption that the funds for lending and the funds available to the borrower are perennial. But in reality it is not so. There are limits to both. From the borrower's point of view, the credit limit is the maximum that the lender is willing to lend regardless of the interest rate that the borrower is willing to pay. Studies rarely incorporate lending and borrowing constraints into their frameworks<sup>26</sup>. The concept of social capital is also well worth investigating for use in IES. Since the initiative of micro-finance deals primarily with the building and fostering of relationships and trust between the participants, the concept of social capital could be operationalized and used in the field to be able to ascertain the extent of success of the implementation of the concerned program<sup>27</sup>.

### 3.3 Recommended Sample of Questions to be Included in an IES

- *Questions relating to client (Woman)*
  - *Identifying Characteristics*: Name; address;
  - *Socio-Cultural Profile*: Marital status; caste; religion, type of family
  - *Economic Profile*: Income, assets (tangible and non-tangible), skills for income generation
  - *Membership of SHG*: When, how, status within SHG; relationship with other members; relationship with leader; experience within SHG; skills developed at book-keeping, savings, thrift, dealing with banks, etc, experience of attending meetings.
- *Membership within community*: Status within caste group, neighborhood; involvement in community development initiatives outside of micro credit.
- *Membership within kin and family*: Status as entitled by social norms, position in family hierarchy,
- *Membership within household*: Relationship with husband, with children, say in decision making about important issues related to household.
- *Micro credit*: Savings, loans, repayment, use of loan, how it was used, who decided, how it is repaid, who takes the responsibility of repayment.
- *Perceived experience of client after micro credit*: (Since it is not possible to document a 'before-ongoing-after' situation unless one has a participatory observer over an extended period of time, only self-perceptions can be documented)
- *Changes in relationships within SHG, community, neighborhood, kin, family, household*. These changes can be in terms of increased mobility, increased vocal expression, increased feeling of confidence, self-esteem. Questions could relate to significant decisions that were taken by the client, which would not have been possible earlier.
- *Question relating to mobility of client due to participation in group activities*. The perception of the woman client is to be compared to the

*The concept of social capital is also well worth investigating for use in IES*

<sup>26</sup> For an exposition on the credit limit, see, Diagne.2000, Diagne et al 2000

<sup>27</sup> For input on the concept of social capital, see, Srinivasan 2000, and Serra 2001

pre-constructed concept of empowerment that the study adopted. In this comparison the local relevance and contextual realities will emerge.

- **Questions relating to SHG**

- *The genesis of the SHG:* The processes through which it was formed, factors of motivation, factors that sustain the group.
- *Intra-group relationships:* The interaction among members, the democratic/non-democratic nature of the group, how leaders are chosen, the political nature of the processes within the group
- *Inter-group relationships:* The relationship of the group with other SHGs, is there a learning process generated among groups, is the relationship competitive, do groups which are diverse, say caste-wise interact and learn from each other.
- *Relationship of group with NGO:* Is the relationship one as of parent-child, is there a weaning-off process, is there a special relationship with the field worker in particular, what is the nature of that relationship, are there more expectations from the NGO, does the group think they will be met.
- *Functioning of group:* Does the group function adequately, is more training required, make a comparison with best practices, check relevance of best practices for the particular context.
- *Relationship of group with banks/bankers:* Are the bankers seen as

culturally/class-wise alien to the group, is there sensitivity to poverty and gender issues among the bankers, what are the expectations of the group from the bankers, are these met, does the bank reach them literally and metaphorically.

- *Relationship of group with community:* How is the group perceived of within the community, what does the village/community expect from the group, does the group think it can/will fulfill these.
- *Relationship of group with other political processes:* Is there any interaction between panchayati raj bodies and the group, what is the nature of that interaction, is there any interaction of the group with political parties, what is the nature of that interaction.

### 3.4 Recommended Methods to be Used in IES

There is no singular method that can be identified as the perfect method. The researcher should check if the method is adequate to capture the dimensions of the intervention. Where the impact of the NGO has to be traced, it is necessary for the NGOs performance to be presented. This performance should be

- Self-generated data by the NGO;
- The client's perception;
- A comparison with the relevant recommended best practices. This data will highlight the supply side of the intervention.

The demand side should contain questions directed to the client but which are

*There is no singular method that can be identified as the perfect method. The researcher should check if the method is adequate to capture the dimensions of the intervention*



parallel to those that emerge in the supply side of the NGOs performance. For example

- Those related to terms and conditions of credit availability,
- Interest rates, training,
- Capacity building,
- Formation and working of groups, etc.

Structured questionnaires are the most convenient method of gathering data that reflects profiles. However in order to gather information about perceptions, in-depth interviews, PRA, participatory observatory methods are more appropriate. Care should be taken in

case studies to ask questions that will provide information about *previously* selected indicators for poverty and empowerment. Otherwise the case studies are reduced to being detailed, descriptive, verbal photographs.

### **Box 3: Impact Evaluation Studies: Suggested Precautions**

- The indicators of poverty and empowerment that IES use should match those that the MFI/NGO used to locate disempowered poor individuals for group formation.
- Poverty should be addressed by IES in its economic and socio-cultural dimensions.
- Empowerment of women has to be conceptualised as a process and not as a goal. IES indicators should build in a time dimension that captures change.
- Empowerment of women is largely related to an expansion of mental spaces that allows them to effect change in their lives. Mental spaces can expand when physical, economic, socio-cultural and political spaces expand. IES need to have a holistic understanding of the process of empowerment.



## Summary and Conclusion

### 4.1 Suggestions for Further Data Collection Efforts

There is a need for consolidating the efforts of data-gathering into forming a database that can be used by researchers, practitioners and policy makers. A web site that is open to the contributions of diverse data collection exercises could be launched.

MFI and NGOs could build within their systems of documentation, qualitative parameters that allow for data on empowerment processes to be collected. These indicators have to be region and culture specific. If such documentation is carried out they can form a basis of comparison with the data generated by impact evaluation studies of the same intervention. Besides valuable information is lost when a process is not documented through time. Perceptions of clients and field staff should be recorded to track changes in the lives of the poor that are caused by micro credit interventions.

Success stories are usually documented within case studies and case histories. There is a need to document failures as well. These will serve as lessons on the complexities that make for the collapse of seemingly well meaning efforts. The literature also points to the fact that micro-finance survives and sustains

more when it is linked to other larger issues of community development. The lesson to be learnt here is that money alone does not cement, since, “the poor may share their poverty but need not necessarily share their trust”<sup>28</sup>. If such is true then it is imperative that failures be documented.

A census of SHGs will prove useful. There are innumerable SHGs that are formed and functioning in the country. A census will automatically collate data related to the age and origins of the SHG. This data would also automatically trace the NGO initiative behind the SHG.

Time allocation studies of women clients could be conducted to ascertain the changes in work patterns within and outside the household in relation to loans taken, utilized, requirements of repayment and participation in SHG activities. The gender dimension of sexual division of labor and the hypothesis found in literature that alludes to increase in the work burden of women after micro credit, could be tested by such studies. The dynamics within families and household are important determinants of whether the ethos of micro-finance actually empowers women, or whether it only contributes towards

*There is a need to document failures as well. These will serve as lessons on the complexities that make for the collapse of seemingly well meaning efforts*

<sup>28</sup>Mr. Sukhwinder Arora, DFID, New Delhi, personal communication

increased expectations from her and added work burdens.

It is important for some data collection initiative to try and estimate the opportunity costs of directing vast amounts of money into micro-finance. The other development initiatives that are losing out to the attention given to micro-finance are no less important. There is however no factual evidence of the opportunity costs involved. With micro-finance one is dealing with money all the way. Money is supposed to serve as the means towards the end of development. Currently, since micro-finance is seen as the panacea for alleviating poverty, large amounts of money are being channeled from national and international sources. It is hence important to estimate the opportunity costs of these funds in the interests of development policy<sup>29</sup>.

Data should also be generated that looks into the macro environment within which micro-finance programs are being implemented. The role of the state, the nature of financial markets, the adequacy of infrastructure, both economic and social, etc., together determine whether the macro environment is enabling to the programs or not. Best practices are also relevant in contributing towards an enabling and appropriate environment. Efforts should be made to generate data that can be used to list best practices in this context.

Impact evaluation studies and existing literature indicate conflicting findings

that are in the nature of debates. For example, while it is found that micro-finance initiatives reach the poor and not the poorest, some studies/ organizations claim that it is possible to reach the poorest. Or, some studies find that the formation of a critical mass of women in SHGs is empowering at large, other studies caution that this critical mass is in danger of being co-opted by vested interests. Again even whilst micro credit is heralded as a tool of breaking through the vicious circle of poverty, there are discussions around the fear that the debt syndrome is being perpetuated and encouraged among the poor. IES should keep these debates in mind and should now move beyond the kind of documentation that they have been doing so far. These debates have been generated by studies and existing literature in the area. In the design of IES, care should be taken to address these debates by using them as hypotheses that can be tested in the field.

Sustainability in itself has many dimensions. Data generation efforts should bear these in mind. As has been pointed out by Mahajan and Nagasri sustainability can be understood as

- Demand sustainability,
- Sustainability of mission,
- Legal and regulatory sustainability,
- Sustainability of ownership, governance and organizational practices
- Financial sustainability

*Data should also be generated that looks into the macro environment within which micro-finance programs are being implemented*

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<sup>29</sup> In fact, accurate impact assessment helps to attach weights to the micro-finance program vis-à-vis other poverty alleviation programs. See, Sharma 2000

*It is imperative for data collection efforts to be focussed and sharp about variables, parameters and indicators that are used as tools to capture reality*

Efforts should be made to document contradictions in the microfinance initiatives of MFIs/NGOs and those initiated by government schemes<sup>30</sup>. This further directions of action by the government, since within the microfinance initiative, the role of the government is not one of a passive spectator. Programs, which mutually cancel each other out, even if it is at various stages of implementation, will be self-defeating.

## 4.2 Conclusion

The paper has addressed issues related to data in the context of micro-finance interventions in rural areas. The vertical approach has shown how the data that has been collected, throws light on the different dimensions of the program and the participants. Basically, the supply side of the intervention is captured through the vertical approach of look-

ing at data issues. The demand side is addressed in impact evaluation studies wherein the lives of clients are scrutinized. Impact evaluation studies also relate the conceptual ethos of micro-finance with the intervention and its impact. Hence, the horizontal approach towards data issues draws out relationships between demand and supply, between intent and effect, and between seemingly paradoxical findings about the same issue. Together, the two approaches have highlighted the need to integrate supply with demand issues so that the impact of programs can be ascertained more completely. The approaches have also assisted in juxtaposing data availability with the requirements of the micro-finance sector. Data relating to micro-finance cannot be viewed through either one of the above approaches. Conceptual issues, the programs, their implementation, their impact, supply related factors, demand related factors, gender dimensions, and the macro environment all act upon one another in a complex weave which manifests itself in the field. It is hence imperative for data collection efforts to be focussed and sharp about variables, parameters and indicators that are used as tools to capture reality.

The paper cannot conclude without the observation that the entire exercise has been based on the presumption that the mandate of micro finance is based on the philosophy outlined by the Summit's core themes. If however, this agenda were questioned, then the requirements

### Box 4: Summary of Suggestions

- There is need for a web site on micro-finance that consolidates available data and provides direction to future efforts at data collection.
- The impact of micro-finance over time should be documented. MFIs/NGO should track change. It will help towards conducting more meaningful impact assessments.
- Failures should be documented.
- A census of SHGs will be useful.
- Data should be collected via time allocation studies about changing work patterns of women clients.
- An estimate of opportunity costs of money saved, invested and of time should be made.
- The macro environment should receive attention in data collection since it is the backdrop against which the intervention is carried out.
- The horizontal linkages between the principles on which micro-finance rests and the subsequent impact, should be made. Otherwise conflicting data across regions cannot be reconciled.
- The varied nuances of sustainability should be documented.
- The compatibility of government schemes with micro-finance initiatives should be studied.

<sup>30</sup>It has been found that there are contradictions between SGSY and the SHG linkage program, (Mahajan . and Nagasari , n.d.)

for data collection efforts would be different. In such a case, it would be necessary to base studies on hypotheses that question the agenda on which the initiative is based. Also it is necessary that the intervention of micro-finance in no way belies the other efforts to correct distributional inequalities that are the structural causes of poverty. Hence, if

for example, loans for food are justified as critical, it does not undermine the importance of investigating into the broader reasons for the lack of food in the client's life. Data collection efforts would be more fruitful if they keep as the backdrop, the larger picture of poverty against which the initiative of micro-finance is enacted.

## Additional Information on Meetings and Summits

Officially, the intervention of micro finance has been heralded world-wide as the cure for alleviating poverty. There have been a series of meetings and summits that have been held to design an agenda that can be followed by all countries across the globe. The meetings worked towards contributing inputs for the World Micro Credit Summit Campaign held in February 1997. Below are the recommendations of the various meetings and summits.

### **Voice of the Silent Majority**

The South Indian Consultation was held in Hyderabad, India, on 23-24 August 1996. A meeting of 20 practitioner NGOs, development financial institutions and development professionals arrived at a common position and action plan. The recommendations were as follows:

- The Microcredit Summit document should be a political statement that recognizes the structural causes of poverty.
- The approach should be one of empowerment rather than of self-employment.
- Initiatives should be gender sensitive.
- There should be sufficient flexibility in building institutions of and for the poor since the poor demand context specific financial services. Target orientation should be discouraged.
- Resources should not be thinly spread. They should be directed where there is a greater proportion of absolute poor. There has to be a differentiation in the nature of absolute poverty that exists in developing and developed countries.
- The focus should be on building collectives of the poor
- It should be recognized that the assets of the poor include their capacity to collectively bargain.
- The emphasis should be on the building ownership of management and control of structures and systems by the poor.
- The diversity and distinct identity of the NGOs should be recognized.
- An emphasis on replicability of pre-determined structures can lead to uniformity and rigidity. Hence, the focus should be on devolving decision-making to the lowest level.
- Instead of expansion of a few organizations there should be a development of networks of small NGOs. This will bring about a greater reach and impact.

- It should be realized that when positive factors are reported, it is often the result of the sustained efforts of NGOs at the grass roots level.
- Demand-determined delivery structures should be developed.
- Development costs (of enlisting, motivating the poor, building institutions, infrastructure, market linkages, etc.) should be considered as a continuous stream of costs, not as a one time cost at the start.
- Training costs should cover the cost of educating the borrower and training in leadership.
- The criteria for organizations to take up micro credit programs could be proactive and be based on the idea of partnership.
- Even though saving is an important element, it should not be a necessary pre-condition to access external funds. The criteria should be the ability of the collective to manage funds.
- Alternative approaches should be developed for monitoring and evaluation of the effectiveness of financial services. These should not only emphasize on the conventional financial ratios. (e.g. impact on livelihoods, enabling conditions to promote secure livelihoods, reasons for default, how institutional processes addresses these vulnerability) but should also focus on the household level. (e.g. decision making, leadership, solidarity, awareness, improvements in quality of life).

## The Dhaka Declaration

This declaration articulates the collective consensus among 21 networks and agencies delivering financial services to over 4.5 million poor people across Bangladesh, India, Nepal and Pakistan. It was held on September 5, 1996. This is also called the South Asian Coalition for the Microcredit Summit. The main points highlighted in the Declaration were as follows:

- There are limitations of micro credit in addressing the diverse needs of the poorest. Some manifestations of poverty may be addressed, but these may not significantly alter the more entrenched structural causes at both the micro and macro levels that result in the transfer of resources from the rich to the poor.
- Poverty should be understood in the context of resource constraints. The concept of 'resource' should be broadened to include inputs such as food, land and labour.
- There is a need to safeguard the poorest from the adverse effects of globalization and the unhindered operation of free markets.
- There is a need to create a flexible macro policy environment.
- A wide portfolio of financial services should be deployed to meet the diverse financial needs of the poorest.
- Emphasis should be placed upon developing 'Financial services for sustainable livelihoods' rather than 'Credit for self-employment'.

- Financial services should be an entitlement on which the poor can have a claim.
- The Summit's efforts should not negate or diminish the role of the state in poverty reduction, nor should it reduce people's right to claim and secure financial services from the state.
- Due recognition should be given to the poverty reduction efforts and commitments of SAARC (South Asian Association for Regional Cooperation).
- The extent of poverty in South Asia should be emphasized because the region contains the greatest concentration of poor people.
- There should be a focus on tackling absolute poverty rather than relative poverty. There should be an emphasis upon countries where absolute poverty is the highest.
- In order to be successful, micro-finance programs for the poorest should be flexible enough to include both groups and individuals.
- The interest rates charged should be enough to cover operational and other related costs, provided that these are flexible and do not exclude the poorest from gaining access to financial services.
- The commitment to, and training for, democratic participation in decision making should be extended to include both clients and agencies.
- Financial service schemes should be designed to treat women as partners and not just as conduits for service provision.
- Instead of stressing systems that support sustained delivery of credit, efforts should be laid on supporting the sustained livelihood needs of the poorest, enabling them to make choices and thus gain access to an increased range of livelihood opportunities.
- There is a need to develop effective risk management systems and insurance schemes to protect borrowers in developing countries as far as possible.
- There is a need for legislation on codes of conduct for agencies delivering financial services to ensure accountability and client protection.
- An explicit distinction should be made between compulsory and voluntary savings. There is an acknowledgement of the trade-off between lenders' and borrowers' need for savings. There is a need to foster diverse approaches in developing financial services for the poorest based on local specificities and social relevance.

### **The Delhi Declaration**

Prior to the Washington Summit, a group of NGOs and development finance institutions met in New Delhi on 23 January, 1997. The objective was to review the progress made so far on the micro credit front and to discuss the modifications to be carried out in the draft documents released by the Summit Secretariat in November 1996 at a meeting at Surajkund near Delhi. The group identified the following issues:



- In developing countries, an enabling macroeconomic environment is a prerequisite for the success of microcredit programmes.
- There is a need to develop and facilitate demand-based peoples institutions, without merely focusing on outreach.
- Credit reception mechanisms must include social preparation of potential clients. It is important to create a demand for the absorption of credit.
- There should be adequate safeguards for protecting the savings and risk coverage for credit.
- There should not be a net transfer of resources from the South to the North. Socially responsible private capital should be encouraged to participate.
- Programs should be gender sensitive. If women are seen as soft targets, there will be an excess burden on them.
- The other members of the family should share equal responsibility for the repayment of the loan.
- Evaluative criteria for performance should include, besides financial performance, also the borrower's perspective and the impact on the life of the borrower.
- Funds should be created to meet emergency needs (natural and man-made). Since funds are scarce, micro credit should be made available where the need is acute.

## Papers Prepared for the Microcredit Summit Campaign

The following papers were prepared for the Microcredit Summit Campaign by leaders in the field of micro credit and are available at

<http://www.microcreditsummit.org/papers/papers.html>.

- Building Better Lives: Sustainable Linkage of Microfinance and Education in Health, Family Planning and HIV/AIDS Prevention for the Poorest Entrepreneurs *Christopher Dunford*;
- Creating Autonomous National and Sub-Regional Microcredit Funds *Salehuddin Ahmed*;
- The Microcredit Summit's Challenge: Working Towards Institutional Financial Self-Sufficiency while Maintaining a Commitment to Serving the Poorest Families *David S. Gibbons and Jennifer W. Meehan*;
- Measuring Transformation: Assessing and Improving the Impact of Microcredit *Susy Cheston and Larry Reed*;
- Measuring Transformation: Assessing and Improving the Impact of Microcredit Part II: Implementing Impact Assessments and Monitoring Systems: A Practitioner Perspective From Zambia *Susy Cheston, Larry Reed, Susy Salib, Roger Voorhies and James Copestake*;
- Measuring transformation: Assessing Transformation and Improving the Impact of Microcredit Part III, Impact Evaluation Mechanism or the Association for Social Advancement (ASA) in Bangladesh *Md. Mustafa Kamal*;

- Overcoming the Obstacles of Identifying the Poorest Families: Using Participatory Wealth Ranking (PWR), the CASPHOR House Index (CHI), and Other Measurements to Identify and Encourage the Participation of the Poorest Families, Especially the Women of those Families. *Anton Simanowitz, Ben Nkema and Sukor Kasim;*
- How Donor Funds Could Better Reach and Support Grassroots Microcredit Institutions Working Towards the Microcredit Summit's Goal and Core Themes, *Muhammad Yunus.*

## ANNEXURE II

### Additional Information about Participants within the Institutional Mapping

Currently the rural micro-finance sector is dualistic in nature. The formal structure has a legal and regulated component, which provides bulk credit and other services to the non-formal sector. The non-formal structure comprising of NGOs, SHGs and Federations of groups are intermediaries, which have demonstrated considerable organizational flexibility and dynamism in responding to the demands at the grass roots. Below is additional information about participants within the institutional mapping.

#### Regulatory Bodies

##### The Reserve Bank of India

According to the circular (RPCD. NO.PL.BC 62/04.09.01/99-2000) dated February 18, 2000, the RBI has stipulated guidelines for all scheduled commercial banks for mainstreaming micro credit and enhancing the outreach of micro credit providers. These guidelines are as follows:

- The interest rates given, applicable to loans given by banks to micro credit organizations, or by the micro credit organizations to the SHG/member beneficiaries, have been left to their discretion. There is however an interest rate ceiling applicable to direct small loans given by banks to individual borrowers.
- The banks are free to formulate their own models or choose any intermediary for extending micro credit. They may choose suitable branches/pockets/areas where micro credit programs can be implemented. They have been advised to start with small areas and to concentrate on the poor.
- There is no prescribed criterion for the selection of micro credit organizations. Banks are however advised to deal with those organizations that have proper credentials, track record, systems of maintaining accounts and records with proper audits in place and manpower for close supervision and follow-up.
- Banks are given the freedom to prescribe their own lending norms keeping in view ground realities. They can devise appropriate loan and savings products and related terms and conditions. Maximum flexibility is provided so as to accommodate the local conditions and requirements. Such credit will cover loans for consumption, production, for farm and non-farm activities, as also for housing and shelter improvements.
- Micro credit should be included in the branch credit plan, block credit plan, district credit plan, and state credit plan of each bank. Although no target is prescribed, micro credit is supposed to be accorded the utmost priority.

Micro credit should form an integral part of the bank's credit plan and should be reviewed at the highest level on a quarterly basis.

- A simple system requiring minimum procedures and documentation is seen as a pre-condition for augmenting the flow of micro credit. Branch managers are to be delegated adequate sanctioning powers so as to remove operational irritants. The loan applications, forms, procedures, and documents are to be kept simple. A statement is to be furnished to the Rural Planning and Credit Department, RBI on a half-yearly basis indicating the amount of micro credit disbursed by the bank. There is also a prescribed 'Micro Credit Progress Report' that the banks are supposed to submit to the RBI.

### **National Bank for Agriculture and Rural Development (NABARD)**

According to NABARD, three broad models of SHG-bank linkage have been identified:

#### ***Model I: Bank-SHG-Members***

In this model, the bank acts as a Self-Help Group Promoting Institution (SHPI). The bank takes the initiative in forming the groups, nurturing them, opening their savings accounts and then providing them with credit. This model formed 14 per cent of the cumulative number of SHGs linked upto March 31, 2001.

#### ***Model II: Bank-Facilitating Agency-SHG-Members***

In this model, groups are formed by facilitating agencies like NGOs, government agencies, or other community

based organizations. The groups are nurtured and trained by these agencies. The bank opens savings accounts and then provides credit directly to the SHGs after observing their capacities. The share of SHGs financed under this model during 1999-2000 was 70 per cent. This large figure is attributed to the fact that while more NGOs are getting involved as facilitators, state governments are also operating through their respective development agencies in the same context.

#### ***Model III: Bank- MFI-SHG-Members***

Banks in some areas are not in a position to finance SHGs themselves. In such cases, NGOs act as both facilitators and as Micro-finance Institutions (MFIs). They form, nurture and train the groups. They also avail of bulk loans from the banks for on-lending to the SHGs. Under this model the MFIs are also found to form Federations of the SHGs. This model formed 16 per cent of the cumulative number of SHGs credit linked in 1999-2000.

### **Apex Bodies**

#### **Small Industries Development Bank of India (SIDBI)**

SIDBI had launched the Rs.1000 million SIDBI Foundation for Micro Credit (SFMC) in November 1998. It is a fully functional separate department of SIDBI since January 1999. The Foundation is supposed to assist NGOs and voluntary organizations on soft terms, which would in turn extend micro credit to poor people. The purpose of the SFMC 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. Its strategic intent is to expand outreach in such a way so as to bring into its ambit a wide range of MFIs that are striving towards financial sustainability. SFMC also seeks to nurture and equip them to deliver quality micro-finance services to the poor. Capacities are to be built, of MFIs, micro-finance providers, consultants, trainers, etc, as also the end-users, like SHGs, clusters etc. The intervention of SFMC takes the following forms - loan support to MFIs, capacity building support to the entire sector, policy advocacy and action research. Within action research, innovative ideas are encouraged and feasible ones are commercialized with respect to savings, leasing, investment products etc. Studies on, and experiments with, new methodologies and practices, are promoted.

### **Rashtriya Mahila Kosh**

RMK disburses credit through non-governmental organizations, women development organizations, co-operative societies, Indira Mahila Block Samitis registered under Indira Mahila Yojana, suitable state government agencies, and refinance to mahila/urban co-operative banks. The loans are given for income generation purposes unless specifically sanctioned for other purposes. The maximum amount of the loan is Rs.7500/- per borrower.

## **MFIs/NGOs**

### **SHARE**

SHARE is a MFI that is registered as society in the year 1989. The organization operates 12 branches in 5 districts in the state of Andhra Pradesh. SHARE provides financial and support services to very poor rural women whose per capita income is less than Rs. 250 per month and asset-holding is less than Rs. 20,000. As on September 19, 2000, SHARE was working in 502 villages and had 13,140 members. A sum of Rs. 86,352,400 was disbursed among these members with a perfect repayment rate of 100%. Loans were provided without any collateral. SHARE is financially supported by NABARD, SIDBI, HUDCO, the World Bank, Grameen trust, the Friends of Women's World Banking, Tata Trust's Dr. Reddy's Foundation, Ford Foundation and IDS.

### **Working Women's Forum/ICNW**

The Working Women's Forum (WWF), is a nationally and internationally renowned union of women workers in the informal sector which is a mass movement of over 350,000 poor women. In 1978, the WWF was established at Madras (Chennai). The early initiators of WWF considered credit assistance from formal banking institutions as a strategy to escape moneylenders and middlemen. However, women had to put up with conceptual and functional inadequacies of the operations within these mainstream banks.

In 1981, 2,500 women leaders with a share of Rs.20 each and seed capital of Rs.50,000 initiated and established their own Working Women's Co-operative Society<sup>1</sup>. Since then a series of co-operatives have been promoted by the WWF in the states of Andhra Pradesh, Tamilnadu and Karnataka under the respective State Co-operative Acts. Since WWF's inception in 1978 in Madras (Chennai) city, its credit activities have grown both intensively and extensively in such a way that from about 800 members it now has over 350,000 members. Nearly 140 million rupees have been loaned to women, 85% of whom belong to the indigenous communities, involved in 167 different enterprises in 14 cultural contexts. (Working Women's Forum, 1995). Over time, the series of 14 State Co-operatives promoted by the WWF in all the 3 southern states were merged into a new institutional framework governed by central laws and called as "The Indian Co-operative Network For Women", with the freedom for country-wide operations. The ICNW is the first of its kind in India to affiliate credit networks in other states in India, especially in Orissa and Uttar Pradesh where WWF has partnerships with NGOs working for tribal and disadvantaged groups of women. The ICNW is now also a member of the International Raiffeisen Union, Germany, which gives it an international status.

### **MYRADA**

Since 1987, the Mysore Rehabilitation and Development Agency (MYRADA), Karnataka has consistently fostered the

SHG concept and strategy as the Indian model of banking with the poor. With the help of NABARD, MYRADA trained over 3,000 bankers to assess and encourage SHGs. One of the key indicators that the banks apply while assessing SHGs is the adequacy and quality of the finance and management systems adopted by the SHG. This is necessary since a majority of MYRADA's SHGs are managing funds in excess of Rs.0.2 million. MYRADA recommends an annual audit of all SHGs by chartered accountants. Initially this cost of the audit was shared between MYRADA and the SHG. In 1998-99, however, most of the 4000 SHGs of MYRADA met the entire cost. (Myrada, 1999)

### **Government Schemes and Projects**

#### **Swarnajayanti Gram Swarozgar Yojana (SGSY)**

SGSY is a single cell self-employment program for the rural poor officially launched on April 1, 1999 by the Government of India. The scheme offers credit-cum-subsidy to the beneficiaries and banks involved in this process. The scheme seeks to promote multiple credit rather than a one-time credit input. Beneficiaries are encouraged to increase their credit intake over time. The scheme also provides for skill development through training courses in technology, marketing, information, etc. Funds under the scheme are shared by the Central and state governments in the ratio 75:25. The scheme is implemented by the District Rural Development Agencies through the Panchayat Samitis<sup>2</sup>.

<sup>1</sup> For information on another kind of thrift cooperative, see Cooperative Development Foundation 1999

<sup>2</sup> See, Ghosh (2000) for an assessment of the implementation of SGSY

### **Indira Mahila Yojana (IMY)**

The IMY is a program launched by the Government of India in August 1995 as a central project for the 'holistic empowerment of women'. The basic thrust of IMY is the formation of SHGs of women in villages at the anganwadi levels and to encourage thrift and savings activities as an entry point. A SHG is defined as a group of 10-20 women which comes together voluntarily around a common objective. All these groups including the ones formed under other government programs, or by NGOs are to be federated at the anganwadi or village levels as Indira Mahila Kendra. It is expected that there will be 100-250 women in each IMK which, it is recommended, be registered as a society. Further, the representatives of the IMKs from a given block are to constitute the Indira Mahila Block /society which is also to be a registered body.

### **Mahila Samridhi Yojana (MSY)**

The MSY was implemented by the Department of Women and Child Development, Government of India, and has been in operation since 1993. This scheme is aimed at women's empowerment through the building of confidence by encouraging thrift and savings. At the field level, the grassroots functionaries are most often the anganwadi workers. These functionaries motivate the women and liaise to bring them in contact with post offices in order to open accounts and make savings deposits. Data relating to the number and amounts of the accounts opened, amounts withdrawn and the number of accounts closed are compiled by the

Department of Posts, disaggregated district-wise and state-wise and furnished to the Department of Women and Child Development, Government of India.

### **The Swa-Shakti Project**

Swa-Shakti (Rural Women's Empowerment Project) is a World Bank and International Fund for Agriculture Development (IFAD) assisted initiative. It was sanctioned in 1998 as a centrally sponsored project for a period of five years in the states of Uttar Pradesh, Madhya Pradesh, Bihar, Haryana, Karnataka and Gujarat. The Government of India implements the Swa-Shakti project through the state Women's Development Corporations, who in turn contract NGOs to form and service SHGs. The aim of the project is to establish self-reliant SHGs, so as to improve the quality of their lives through greater access and control over resources. A Project Support Unit at the central level provides technical and managerial support. The project also has a Lead Training Agency and a Lead Monitoring and Evaluation Agency at the central level and the State Training Agencies and State Monitoring and Evaluation Agencies at the state levels. A Computerised Project Management Information System that includes both project and process information and a Computerised Financial Management System, provide the necessary information and back-up for the effective implementation of the project. Within the above mentioned states, as of November 30, 2000, the Swa-Shakti project had totally covered 35 districts, 203 blocks, contracted 8096 groups, 88 NGOs and formed 5673 SHGs. Concurrent monitoring and evaluation of the projects are

carried out on a periodic basis, which focuses on the quality of project implementation at all the levels.

### **Maharashtra Rural Credit Program**

Besides centrally sponsored schemes and projects, different states have taken initiatives in the context of providing micro credit to poor women. For example, in the state of Maharashtra, the Mahila Arthik Vikas Mahamandal Ltd. (MAVIM) was established in 1975 by the government of Maharashtra, with the intention of assisting the economic upliftment and rehabilitation of needy women. MAVIM has been entrusted with the responsibility of fostering women's access to credit. In this context, MAVIM focuses on, forming SHGs, developing entrepreneurship, gender sensitization, functional literacy and spreading social awareness. Currently MAVIM is working in 951 villages in Maharashtra, and has succeeded in forming 4850 SHGs covering 68,000 poor women. Additionally, the Maharashtra Rural Credit Programme (MRCP), assisted by the International Fund for Agricultural Development (IFAD) is being implemented in 12 districts in Maharashtra. MAVIM is also appointed as a nodal agency for the Rashtriya Mahila Kosh, whereby it allocates funds to SHGs that have proved their sustainability.

### **Federations**

An Example -

#### **Kalanjiam Federations of DHAN Foundation, Madurai**

The efforts of DHAN Foundation are directed towards building two streams

of institutions- financial institutions that are involved in savings and credit related activities, and activity oriented institutions that focus on business and economic activities. As part of promoting localized institutions, DHAN focuses on promoting the following three types of institutions:

- A hamlet level financial institution called **Kalanjiam**: These are self managed women's groups which had primarily come into existence to generate financial resources through own savings and revolve the same to meet the credit needs of the members. The primary institution normally consists of 15-20 poor women of a small hamlet with a population of 60-100 families. Each **Kalanjiam** has a unique system of organizing and managing its own finances. Normally by the end of the first year the **Kalanjiam**s are capable of managing their own financial resources and are ready to be linked to other financial institutions for absorbing additional resources.
- Cluster **Nidhi**: A cluster **Nidhi** is the financial wing of the Cluster Association formed by 10-15 **Kalanjiam**s of a particular geographical area. Each **Kalanjiam** becomes a member and contributes towards the corpus of the **Nidhi**, which in turn provides funds to the needy groups whenever the available funds are inadequate. The **Nidhi** concentrates on non-conventional lending to groups - the kind that cannot be met through formal financial institutions.
- **Federation**: A Federation is an apex organization at the block level formed



by the primary groups within it. Each Federation consists of at least 100-150 primary groups and is registered under the Societies Act. Each *Kalanjiam* becomes an institutional member of the Society. Federations are formed to give stability and continuity to the program.

## Rating

Following are the terms that are used as indicators in the assessment of M-CRIL while rating MFIs.

- **Financial spread:** Portfolio yield minus financial costs (interest paid on borrowings, interest paid on deposits, and loan loss provision expenses)
- **Loan loss provisioning ratio:** Total loan loss provisioning expense for the year divided by the average portfolio.
- **Operating cost ratio:** Ratio of staff, travel, administration costs and depreciation charges of the MFI (non-financial costs) to the average loan portfolio for the year.
- **Operational self-sufficiency:** Ratio of total income to total costs for the year.
- **Portfolio at risk (greater than or equal to 60 days):** Ratio of the principal balance outstanding on all loans with overdues greater than or equal to 60 days to the total loans outstanding on a given date.
- **Repayment rate (cumulative):** Ratio of cumulative recovered (net of prepayments) to the cumulative principal due till the date of measurement.
- **Subsidy Dependence Index:** This index broadly measures the net subsi-

dies received as a proportion of the income of the organization. A higher ratio suggests that there is a higher level of dependence on subsidies. Subsidies can be in the form of grants and savings deposits/borrowings at a rate lower than the market rate.

- **Yield on portfolio:** Interest and fee income from loans to clients divided by the average loan portfolio for the year.

The M-CRIL rating symbols are as follows:

*Alpha triple plus*, implying the most highly recommended with the highest safety and excellent systems;

*Alpha double plus*, implying, highest safety, very good systems and most highly recommended;

*Alpha single plus*, meaning very high safety, good systems and highly recommended;

*Alpha*, implying highly recommended with high safety and good systems;

*Alpha minus*, implying reasonable safety, good systems and recommended;

*Beta plus*, reasonable safety, reasonable systems, is recommended but needs monitoring;

*Beta*, implying moderate safety and moderate systems, is acceptable, but needs improvements to handle large volumes;

*Beta minus*, implying significant risk, poor to moderate systems and is acceptable only after improvement.

*Gamma plus*, meaning substantial risk, poor systems and needs considerable improvement;

*Gamma*, highest risk, poor system and is not worth considering.

*(The M-CRIL Report, 2000)*

### Micro Banking Standards Project

In the preparation of the database, the following indicators and ratios are used:

- ***Out-reach and institutional indicators*** such as age of institution (years); number of offices; number of staff; number of active borrowers; percent of women borrowers.
- ***Macroeconomic Indicators*** such as GNP per capita (current prices); GDP growth rate (%); Inflation rate (%); Deposit rate (%); Financial deepening (%).
- ***Profitability indicators*** such as Adjusted return on assets (AROA) (%); Adjusted return on equity (AROE) (%); Operational self-sufficiency (OSS) (%); Financial self-sufficiency (FSS) (%) Profit Margin (%).
- ***Income and Expense ratios*** like Operating Income; Operating Expense; Net Interest Margin; Portfolio Yield

(%); Real Interest Yield (%); Total Interest Expense; Adjustment Expense; Loan Loss Provision Expense; Salary Expense; Other Administrative Expense; Total Administrative Expense.

- ***Efficiency ratios*** such as Total Administrative Expense/Loan Portfolio; Salary Expense/Loan Portfolio; Other Administrative Expense/Loan Portfolio.
- ***Productivity indicators*** like Average Salary (multiple of GNP per capita); Cost per borrower (Rs.); Staff productivity (number); Loan officer productivity (number); Staff Allocation Ratio (%); Staff Turnover (%).
- ***Portfolio indicators*** are Portfolio at risk >90 days (%); Total Gross Portfolio (Rs.); Average Loan Balance (Rs.); Depth (%).
- ***Capital and Liability Structure*** reflected by Commercial Funding Liabilities Ratio; Capital/Asset Ratio.

*(The Micro Banking Bulletin, Focus on Productivity, Issue No 6, April 2001)*

### Examples of Impact Evaluation Studies

The impact of the intervention of micro finance cannot be understood unless one focuses upon many impact evaluation studies that have been conducted by various organizations. The horizontal approach stresses the importance of impact evaluation studies (IES) in ascertaining the success of the intervention of micro finance. Below are examples of some impact evaluation studies.

#### **Evaluation Study of Self-Help Groups In Tamil Nadu, (Puhazhendhi, 2000)**

This study reviews the progress of the SHG-Bank linkage program in Tamil Nadu and assesses the socio-economic impact of the program on the group members. The study was conducted by NABARD in Tamil Nadu and covered 70 SHGs promoted by four major NGOs. The reference period of the study was 1996-97. A multi-stage sampling technique was adopted for selecting the SHGs and NGOs. A critical review of the role played by different NGOs was made for the reference period. Four NGOs, which emerged as the major promoters of SHGs, were selected. These organizations also spanned the geographical dimensions of the program. Four districts were selected for the study. A sample of 70 SHGs proportionately distributed among the NGOs was further selected.

Primary data was collected from the selected SHGs which addressed extent of saving; level of income generation; pattern of lending; repayment performance; socio-economic criteria. This data was obtained using structured questionnaires. In addition, detailed discussions were conducted with banks and selected NGOs, relating to operational issues of project implementation.

Keeping in mind the characteristics of the selected groups and their performance, the sample groups were post-stratified into different categories based upon gender and performance. The performance of the groups was assessed based on a scoring technique. The standardized optimum level of individual factors was valued at score one and appropriate values were assigned based on different criteria influencing these factors. These factors were determined by homogeneity; regularity in meeting; regular attendance by members; increased rate of annual saving; share of production loan to total loan; adequate training; involvement of NGO; effective leadership. Groups with a mean score of more than 0.67 were classified as good performers, whereas the groups with a mean average score in the range of 0.34 - 0.66 were considered to be average performers. Groups with a mean score of less than 0.33 were considered as poor performers.

The study also attempted to estimate the cost of lending for banks through the SHG-Bank linkage program vis-à-vis other general priority sector lending and IRDP. For this, time-allocation schedules were prepared for different types of lending from a selected commercial bank in the study area. The delivery process of the bank branch was disaggregated into specific functions and the time spent by different levels of bank officials was assessed and converted into value terms.

**Microfinance for Rural People, An Impact Evaluation (*Puhazhendhi and Satyasai, 2000*)**

This study was conducted by NABARD to assess the living conditions of SHG members after they were linked to banks. The study covered 560 member households of 223 SHGs from 11 states. These states spanned the central, southern, northern, western and eastern regions of the country. Multistage stratified random sampling was undertaken, where the different stages were for states, districts, SHGs and members. SHGs that had completed at least one year of linkage with the bank were selected. Primary data were collected with the help of a structured questionnaire. The pre-SHG and post-SHG situations were compared. To assess the impact, data were collected on various economic and social aspects such as income, savings, investment, asset structure, employment, borrowing, consumption pattern, access to public utilities, social empowerment and behavioral changes. Impact is measured as the difference in the magnitude of a given parameter between the post and pre SHG situations.

The impact of income, savings and borrowings were decomposed into two effects - one emanating from the spread of income generating/savings/borrowings activities to a larger cross-section of member households and the other, originating due to an increase in the level of income/savings/borrowing per member of the household. A composite index of Standard of Living was computed for each household combining social and economic parameters. The findings showed that the social impact of the post-SHG period was such that there was an increase in self-worth, in communication, an increased awareness of social evils (this was tested by asking questions about the abuse of women in films) and a small decrease in family violence.

**Study of Clients Using Micro Credit in Two South Indian States (*Das, 2001*)**

The Friends of Women's World Banking (FWWB), provides loan support to various NGOs who then forward micro-finance services to clients. The study focuses upon the NGOs - the Activists for Social Alternatives and People's Solidarity Association (PSA) from Tamil Nadu, and SPANDANA from Andhra Pradesh were selected. Within these organizations, interviews of select clients were conducted. Twenty in-depth case studies were conducted with the help of an interview guide. Further, a structured schedule was administered to 125 households, each of whom had at least one micro-finance client in the family. The sample was drawn so as to represent various occupational groups. All the respondents were from the rural areas.

In addition, the field areas of Self-Help Promotion for Health and Rural Development (SHEPHERD), was also visited for conducting Focus Group Discussions (FGDs) among its micro-finance clients. A prolonged interview was also conducted with officials at the Bharati Integrated Rural Development Society (BIRDS) in Andhra Pradesh in order to understand the modalities of their micro-finance program as well as the socio-economic context within which they provided these services. Four more FGDs were conducted among clients of PSA, ASA, and SPANDANA. These clients were specifically neither those covered under the structured schedules nor those whose case studies were made. Respondents for case studies were selected in consultation with the field staff of select NGOs. They were picked from different income groups as well as on the basis of the number and amounts of loans raised by them. Most were interviewed at a stretch, few in a number of sittings. On an average, each interview took over six hours of actual time. Wherever possible, applicable and necessary, discussions were held with the field staff and the heads of the NGOs.

Individual case studies were based on a frame that was developed in a way that the responses would shed light on the understanding of the strategies that individuals and families took to cope with crisis situations over time. The inquiry was contextualised primarily around problems that stemmed from financial pressures. The case studies focussed upon 'milestone points' in the lives of the respondents. These were the past and present economic conditions of the

parental and marital households; economic condition prior to and after the loan; type of change that occurred and was experienced by the client, other members of the household and the household as a collective; to what factors were these changes attributed to; the prevalent methods of risk management; the coping mechanism on the part of the individual and the household in the event of crisis situations, life cycle events and emergencies; the lending and borrowing behavior of clients and their households; the utilization pattern of loans raised from different sources; fungibility, i.e. the different uses that credit is put to in the household; financial management at the household level; the contribution of loans raised by the MFIs towards a rise in the income of the client's household, including their perceptions about the nature and quality of such services; people's perception regarding the potentials of micro-finance in realizing their future plans; any change in self-esteem. With respect to micro enterprises, the milestone points that were recorded were with respect to, input, output, overall perception, change in income and expenditure, and changes in decision making on the purchase of inputs, the marketing of products, etc.

The schedule administered to clients in the rural and urban areas focussed on the following variables - the social background of the clients and their household; the economic status ascertained by the ownership of productive and other assets; the household income and expenditure pattern; the extent of dependency on loans from different sources;

purposes for which loans are generally raised; the client's and households lending and borrowing behavior; reasons for opting to join the micro-finance program; the number of loans raised to increase the household's earnings; anticipated expenses on planned events and; the likely sources for raising the money for such purposes.

The data generated by the schedules was coded, scrutinized for consistency, completeness and relevance in relation to the questions asked. The subsequently tabulated data was also compared with the findings from the case studies. The focus groups consisted of persons who had raised loans and also saved money. The inquiry during these discussions revolved around the following issues - the key economic activities of the men and women; the caste structure and power dynamics of caste politics; the group's information about the NGO, its activities and services offered; the group's perception about the support of the NGO; to what extent do the FWWB loans actually help the group; the frequency of group meetings held and the issues discussed in them; knowledge of the group with respect to financial transactions; the savings habits and methods adopted by the group.; the loans raised, their sources, their purposes, the link to the annual cycle of needs, the terms on which these loans are raised, etc.; the relative weightage given by the group to the loan from FWWB versus loans taken from other sources; information about other groups, social, religious, etc. working in the area and the advantages received from their work; who are those

that can raise loans easily and who are those that are excluded from the program and the reasons for this exclusion; the sense of security after availing of the loan from the NGO; is there a special importance of such loans to households where the male head of the household suddenly for some reasons cannot contribute economically.

Data was also collected at the organizational level. These were related to the following factors - genesis of the organization; current programs; the reasons why, and the ways how, the communities were approached by the organization; the visualization by the organization of the concept of micro credit; the organization's mechanisms of collecting/receiving money from lending agencies like the FWWB, NABARD, etc.

Among the issues that were sought by the data collection method some emerged in what has been labeled as 'General Questions'. These were what is the influence of the market structure on the potential of credit in improving the economic situation of the poor; how do household internal factors and social environment influence the household's capacity to convert potential into real income gains; the time spent on micro credit operations vis-à-vis other programs; the status of women in general and in particular to the household, the labor market, to wages, to work hours, to job availability, levels of literacy, access to health, education, and housing, etc.; the nature of risks, the strategies adopted by clients to protect themselves against risks, ways in which they cope

with losses, etc; a comparison of the conditions in the lives of old clients versus those of new clients.

### **From Margin to Mainstream (Menon and Gupta, 1999)**

This study is an action-research initiative involving NGO partners, SHGs, and bankers in Maharashtra and Karnataka. The perceptions of all the concerned participants were sought. Five districts in Maharashtra and two in Karnataka were included in the study. In looking at how alliances are forged between SHGs and mainstream finance institutions, the study sought to create a knowledge base that was relevant to the ultimate stakeholders, i.e. the SHGs and the bank Branch Managers. A questionnaire was devised to interact with bank branch managers. The study team also interacted with area managers, Regional Managers, Zonal Managers, and Lead Bankers. In-depth discussions were held with the NGOs and SHGs. A study tour with representatives from the RBI, the Lead Bank of the district (Bank of India), local bankers and NGO representatives was taken to SHGs. The research design being action-oriented, the entire study was also an educative process. Dialogues that were initiated between participants, served as information sources to them. The findings of the study did not remain as data to be collated, but it was also information to be acted upon simultaneously. Consequently, implementation mechanisms were re-examined during the process of data collection itself.

### **Impact of the Maharashtra Rural Credit Programme (MRCP) in Phase I Districts, (Tata Institute of Social Sciences, 2000)**

This study was conducted to assess the impact of MRCP on credit delivery institutions like banks, on project borrowers and the social impact of MRCP. The sample was drawn from four districts in the state of Maharashtra. 599 individuals who were direct borrowers from the bank as well as the SHGs were interviewed with the help of an extensive survey using semi-structured interview schedules. Case studies of individual borrowers were also conducted. Informal discussions were conducted with 11 bank officials who were also mailed interview schedules. Case studies were made of villages based upon secondary data, individual interviews and focus group discussions.

### **Participatory Rural Appraisal (Search, 1994)**

Participatory Rural Appraisal (PRA) is a technique that goes beyond the standard answers that emerge in structured questionnaires. PRAs can be divided into four main categories - exploratory, topical, participatory, and monitoring. The type of PRA used, depends on the purpose of the study concerned. Exploratory PRA is generally conducted to develop a set of hypotheses, which can be further tested by empirical surveys. Topical PRA focuses upon an area and seeks to get more detailed information on it. Participatory PRA involves people while appraising development projects and in evolving and planning projects. Monitoring PRA asks local peo-

ple to follow the progress of certain development initiatives, observe the changes in the lives of the target people and then offer their feedback. MYRADA has been conducting PRAs extensively since 1989. It has conducted more than 200 PRA training workshops from 1992-1994. Small and marginal farmers have emerged as resource persons in PRAs. PRAs are conducted with the realization that it is necessary to understand and appreciate traditional values and skills in ways that are relevant to other local people. Outsiders often carry their own baggage called the 'cultural burkha' that prevents them from relating and seeing reality as it actually manifests to the respondent. Methods of assessment used are alien to the concerned target group that is being studied. These methods demand data and not participation from people. In contrast, in PRA, there is a simultaneous learning process generated which accounts for the flexibility of the approach.

### **Rashtriya Mahila Kosh Impact Study (Pandey, unpublished)**

This study is based in the state of Maharashtra and was conducted to examine whether the RMK has been able to achieve its main objectives of reaching credit to poor women, enabling women to achieve economic independence and becoming aware about credit facilities and management. The study, which was exploratory in nature, had a sample of 250 beneficiaries from the NGO Annapurna Mahila Mandal in Mumbai, Pune and Belgaum and 50 from the NGO Rani Laxmibai Mahila Mandal in Chandrapur. These two

NGOs were selected since they were implementing the RMK scheme. The questionnaire for beneficiaries contained the following information:

- *Identification* (name and address of NGO through whom the loan was provided, respondent's name and address, present position regarding loan approval status);
- *Household particulars* (type of house, religion, caste, language spoken at home' type of family, income, assets);
- *Details of other members living in the family*;
- *Background characteristics of the couple* (age, education, literacy, main occupation age at marriage);
- *Information about the borrowed loan* (year, purpose, amount, mediating body, periodicity of installment, procedure, security, repayment, use loan was put to, problems setting up business, income generated from business, rate of interest, who received the sanctioned loan, details of any previous loan taken);
- *Awareness about the RMK scheme* (knowledge about credit facilities, adequacy of loan, appropriateness of interest rate, savings and thrift related problems, membership of SHG and its connection to RMK loan, experiences with the SHG, Experiences with the NGO);
- *Impact of Scheme* (impact on business, income, standard of living of family, say in family matters, creating awareness about employment opportunities, creating networks through SHGs,



improving the status in the community)<sup>3</sup>.

### **Practitioner-led Impact Evaluation Assessment of ASA (*Hishigsuren, 2000*)**

The Activists for Social Alternatives has been in operation from 1986 as a facilitating agency for empowering the poorest of poor women. These women have been identified through the participatory wealth ranking and housing index methods that have been recommended by the Summit Campaign. An impact evaluation exercise was conducted in order to gauge whether ASA's integrated services have brought any changes in the lives of its clients and whether the clients were satisfied with the program. The study chose the AIMS-SEEP tools for impact assessment. The Assessing the Impact of Micro-enterprises Services (AIMS) is the outcome of a USAID multi-year program that seeks to understand better the processes by which micro-enterprise programs strengthen businesses and improve the welfare of the clients and their households. The AIMS set includes the following five tools:

- Impact survey to collect information to test impact hypotheses;
- Client Exit Survey to determine why clients left the program and whether motivating factors were related to the institution or not;
- In-depth individual interviews about

loan use over time;

- In-depth individual interviews about empowerment (non financial impact)

Client satisfaction group or individual discussions about the program and their suggestions for improvement. In the first round of impact assessment ASA adopted the last two tools.

In order to gather information about empowerment, clients were asked a series of questions about themselves, their enterprise, their family/households, and their community at different points in time, past and present. This tool includes a methodological option whereby the respondent draws a self-portrait. After a field test ASA discovered that this method was inappropriate, because the women were uncomfortable with a pen in their hands. In order to find out about client satisfaction, focus group discussions were held of small groups of 6-12 persons. Finally the following combination of research methods was used for the study- review of existing documents and reports; focus group discussions, empowerment tool; analysis of existing administrative data and financial statements; key informant interviews with management and the core program staff; observation. Records were obtained about each member and then were sorted out as per geographical area and number of loans, after which stratified random sampling was used to select respondents<sup>4</sup>.

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<sup>3</sup> As part of the same series of studies, the Centre for Women's Development Studies conducted an evaluation of the RMK by studying the two NGOs of Sparc, Mumbai and Sewa, Bhopal. Three proformas were prepared- one to study the socio-economic profiles of the borrowing women, the second to study their leadership qualities, self-awareness and the third was to study the NGO implementing the program

<sup>4</sup> For details of how the sample was selected see, Hishigsuren, 2000, pp44-46

## ANNEXURE IV

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