

United Nations Development Program (UNDP)

**MICRO CREDIT AND WOMEN'S
EMPOWERMENT:
A CASE STUDY OF SML**
(SHARE Microfinance Ltd.,)

DRAFT

Anuradha Rajivan
December 2001

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List of Abbreviations

ABM	Assistant Branch Manager
AM	Area Manager
AP	Andhra Pradesh
BC	Backward caste
BM	Branch Manager
DRDA	District Rural Development Agency
DWCRA	Development of Women and Children in Rural Areas
FCO	Field Credit Officer
FWWB	Friends of Women's World Banking
IFPRI	International Food Policy Research Institute
IRDP	Integrated Rural Development Program
MACS	Mutually Aided Cooperative Society
m-Credit	Micro Credit
M-CRIL	Micro Credit Ratings and Guarantees India Limited
MD	Managing Director
m-Fin	Micro Finance
MLA	Member of the Legislative Assembly
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non Bank Finance Company
NIRD	National Institute of Rural Development
PMRY	Prime Ministers' Rozgar Yojana
RMK	Rashtriya Mahila Kosh
SC	Scheduled caste
SGSY	Swarnajayanti Gram Swarozgar Yojana
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SHARE	Society for Helping Awakening Rural poor through Education
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
SIM	SHARE India MACS
SML	SHARE Microfin Limited

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I. Genesis and Background

It is widely accepted among development practitioners that micro credit, and more broadly, micro finance or m-Fin^[1] as it is often called in the literature, contributes not only to poverty reduction, but also to empowering the have-nots. Many side benefits are seen by protagonists of m-Fin as flowing almost automatically: like changes in gender equations in favor of women, health and nutrition benefits, education benefits, an increase in self reliance, even better management of forests, etc.

M-Fin aims at providing access to *financial instruments for persons hitherto excluded from the conventional, formal financial system*. Those excluded tend to be the worst off sections from any society – the poor and particularly women in poverty, predominantly in the informal sector, living mostly in rural areas, but also in urban slums, migrant habitations, resettlement neighborhoods for the displaced, etc. Thus, it attempts to cover critical gaps in the formal financial systems in order to address a specific aspect of the problem of poverty – access to financial instruments - in a manner sensitive to the needs of the worst off and consistent with gender equity.

Experience around the world has shown that m-Fin, and more specifically, m-Credit, cannot do everything. It does not aim to, and neither can it automatically and fully address all dimensions of the complex and cumulative deprivations faced by people which trap them in poverty - lack of access to basic services and infrastructure, inadequate skills, low productivity, poor access to information, limited market penetration, lack of access to power, seasonality, vulnerability to crisis, lack of access to health care, gender related disabilities, etc. It is only one of many instruments which can do little by itself. However, when m-Fin is combined with community level institutions built through social mobilization, it has been found to be a useful tool to address income poverty. Further, when m-Fin, combined with social mobilization, forms part of a broader national anti-poverty policy, it is possible to liberate far more of its potential to derive steadily increasing benefits for the relatively deprived sections of the population. Thus, m-Fin can indeed be a potent tool when combined with complementary strategies to leverage substantial additional benefits.

The present concern is with women's empowerment. To what extent can m-Fin be seen as a tool not only for income poverty alleviation, but also for women's empowerment? Even if the primary concern of a m-Fin agency is something else, in particular, poverty alleviation, does women's empowerment occur? If it does, to what extent? Are there limitations on what can be achieved 'incidentally'?

A number of micro level m-Credit operations are currently in operation in different parts of India. A common feature has been the promotion of self help groups (SHGs) starting with pooled savings for internal rotation, or other types of smaller affinity groups, composed predominantly of women, through a process of social mobilization, for eventually receiving and repaying loans. NGOs, government agencies and banks have been promoting SHGs, with differing primary objectives resulting in three broad types of approaches. One, NGOs or government agencies, with different primary objectives like promoting literacy and education, or maternal, child health and nutrition, reducing female infanticide or child labor, encouraging watershed development, taking up women's empowerment, etc., have used *m-Credit as an entry point* or as a *complementary activity*, recognizing that it is harder to mobilize people and sustain interest around other issues in poverty situations. Two, there are also NGOs and government agencies primarily concerned with *poverty alleviation*, who use m-Finance as their main tool. SHARE in AP comes under this category. The nation-wide centrally sponsored SGSY scheme is another example. Banks also tend to focus on what they know best, i.e., promoting groups as recipients and repayers of m-Credit. Three, there are approaches where the relative strengths of the government, NGOs and banks are sought to be combined under an umbrella organization promoting multi-purpose SHGs where m-Fin is one of the inputs, along with systematic training and capacity building in virtually any subject of concern and interest to the members^[2].

The integration of the group approach with m-Credit is now taken as a given for the success and sustainability of credit operations among the poor. It is accepted that credit for the poor, by itself, without social mobilization and the associated capacity building, has had limited success, with poor repayments, leakages, and even negative effects. India's long experience with the most well known, country-wide m-Credit scheme, the IRDP, is a case in point, the shortcomings of which are well understood now.

The UNDP recognizes that economic well being in a region may not necessarily result in improved women's status or well-being. For example, Haryana has had a relatively rapid rate of growth in incomes per capita, but its sex ratio is extremely adverse to females with only 865 women per 1000 men in its population, and 20% of its rural households are headed by women as a result of widowhood, desertion or male migration (UNDP, New Delhi, 1997). The causes of women's poverty

result, both, from belonging to poor households as well as to women's subordinate position in the family, local community, and the larger society.

Micro-credit through SHGs has become a fashionable thing to be doing. Tens of thousands of women's groups are being established by a multiplicity of agencies as a solution to nearly all problems, ranging from poverty to environmental degradation. Apart from NGOs, now even banks, the private sector and national and state level governments^[3] are making large financial allocations to support SHGs, with a variety of objectives, approaches and varying degrees of success. There is inadequate information on the nature and extent of empowering outcomes that may be taking place under various m-Fin experiences in different parts of India. Specific information gaps include the perspectives of the intended beneficiaries themselves. The UNDP has, therefore, taken up the task to study selected institutions engaged in m-Fin from the perspective of women's empowerment to distill lessons for more informed policies. This paper presents results of a study on SHARE Microfin Limited (SML), a 'for profit' m-Fin organization currently operating in Andhra Pradesh, with plans to expand to other states also.

II. Objective

The broad objective of this paper is to explore the extent to which women's empowerment takes place through the process of formation of women's groups among poor households developed as vehicles to absorb m-Fin. Are incomes generated in women's hands through m-Credit? Are there benefits beyond incomes? To what extent? Do these benefits flow from credit access per se, or rather, from the integration of m-Credit with the process of social mobilization resulting in women's groups? To what extent is the nature of social mobilization itself, and the kind of capacity building that takes place in the process, important in determining the type and extent of women's empowerment? To examine these issues the paper studies the institution of Share Microfin Limited, its clients and non-clients, focusing on:

- o the perspective and approach of SML;
- o the design and management of SML's micro-credit program; and
- o the changes in the lives and situations of women members of groups promoted by SML as perceived by the poor.

The intention is to bring out the perspectives of the poor themselves. It is hoped that micro realities will be able to enrich and feed into macro policies for poverty alleviation and women's empowerment.

III. Methodology and Coverage

The methodology adopted relies heavily on intensive field investigations and direct observations, rather than a structured sample survey. The attempt is to identify and extract qualitative changes taking place and bring out the perspectives of the poor^[4]. To the extent possible, voices of the poor women and men are directly reported. Key stakeholders are covered during the discussions. Work covers the following:

- o Study of secondary sources on SML;
- o Broad interactions with SML personnel (35 persons), detailed consultations and focus group discussions with SML personnel (8 from head office and 40 in the field);
- o Direct observations of SML's operations at Area (2) and Branch (4) offices;
- o Focus group discussions and interviews with members (86 mature members, i.e., those with at least 1 year membership and credit access from 33 groups);
- o Visits to homes and micro enterprises of borrower-members (13 cases);
- o Interviews with others: husbands and others in the village communities (27 cases);
- o Discussions with non-members and new members (i.e., women not accessing micro-credit, 32 cases).
- o Participation in a branch workshop where 210 member-participants were invited from 68 centres covering 401 groups of a branch (Perecherla) to interact with members, observe interactions between members themselves, and between members and SML personnel.

The numbers in each of the above cases were determined by an attempt to capture as much variability as possible, within the limitations of resources available (funds, personnel and time). Field work proceeded almost round the clock over 8 days.

Consultations and focus group discussions with SML personnel were held, both, at their head office in Hyderabad and in the districts covered [5]. Discussions and interviews with other interlocutors were held in the villages. Some interviews were conducted at the Branch Offices of SML where the members had come for credit disbursements to collect their sanctioned loans.

Two out of thirteen SML districts were taken up for field work. Ranga Reddy was a relatively dry and less developed district and Guntur a relatively fertile and more developed district. The coverage of SML Area Offices, branches and villages for field work was as follows:

Table 1

Field Work Coverage

<u>District</u>	<u>Type</u>	<u>Area</u>	<u>Branches</u>	<u>Villages</u>
1. Ranga Reddy	Relatively dry, less developed	Tandur	Tandur Gumastanagar	Yenkepalli Udumeshwaram Gumastanagar
2. Guntur	Relatively fertile, more developed	Mangalagiri	Mangalagiri Perecherla	NTR Nagar Nandivelugu Perecherla

An attempt was made to minimize a feeling of any hierarchical relationship between the researcher and the researched. The study area for branch and village visits was finalized in consultation with SML. SML personnel also helped in translation and identification of locally relevant issues, within the UNDP TORs. Perceptions of the field workers were actively encouraged. Their comments and those from members and other family members contributed to detailing and refining the questions. In the villages it was ensured that the time and place for the investigations was as consistent as possible with the normal life of the investigated, so as to minimize disruption and a feeling of hierarchy. For example, going during the normal group meeting time, meeting people in the late evenings after they have returned from work, allowing those who have to leave halfway to do so, sitting at the same level as women, using a process of dialogue and allowing the flow of conversation to determine sequencing of questions, rather than throwing questions in a predetermined order, withholding some questions where appropriate to avoid embarrassment or backlash against women, etc.

Basic data on the study area covered is captured in table 2.

Table 2

Basic Data on the Study Area Under SML, November 2001

ITEM	RANGA REDDY DISTRICT		GUNTUR DISTRICT	
Area	Tandur		Mangalagiri	
Total No. of Branches	3		4	
No. of Branches Covered	2		2	
Name of Branch Covered	Tandur	Gumastanagar	Mangalagiri	Perecherla
No. of Villages	31	17	48	26
No. of Centers	59	59	84	68
No. of Groups	469	408	614	402
No. of Members (net)@	1,762	1,815	2,279	1,869
No. of Borrowers	1,710	1,744	2,030	1,516
No. of Loans	7,175	6,787	7,087	4,417
Amount Disbursed (Rs. million)	28.47	27.30	31.39	19.27

Amount Repaid (Rs. million)	22.87	21.20	22.85	13.20
Amount Outstanding	5.59	6.10	8.54	6.07
Repayment Rate (of amount due)	100%	100%	100%	100%
No. of Staff	10	10	10	11
Operational Self-sufficiency	124%	139%	146%	99%
Financial Self-sufficiency	123%	138%	135%	88%

@ Allowing for dropouts and replaced new entrants. Sources: SML, Hyderabad, and field work.

IV. Perspective and Approach of SML

4.1 Historical Perspective and Growth of SML. The SHARE group founder's [6] initial experiences in the early 1990s of managing vocational training programs for the rural poor without finance linkages convinced him that upgrading skills among the poor in the absence of access to finance has very limited impact. Around that time he also heard about Grameen Bank's rural micro credit operations, which triggered off his interest in the subject. He set off learning about various m-Fin methodologies in operation in India and overseas. Wanting to test the Grameen model in Andhra Pradesh, SHARE, as a registered Society started in 1992 with a small action research project [7] with 2 branches, one each in Kurnool and Guntur districts. This provided an opportunity to design and plan lending methodologies, information systems, procedures and staffing. Like the Bangladesh model, very small affinity groups of 5 were facilitated through a process of social mobilization, with only women as members. A number of groups in a village started meeting jointly at a common Center on a regular basis. Starting with group savings, micro credit without collateral was initiated. Thus, ground work for future evolution was laid. By 1995-96 there were around 300 groups covering about 1,500 members. In the mid 1990s SHARE Society borrowed funds from NABARD and SIDBI, two national banks, as well as FWWB, enabling an increased outreach. It was during 1997 to 1999 that SHARE's first major expansion took place, taking the number of branches to 17, the number of groups to 3,582 with a membership of 17,910 women. Repayment was always 100% due to the type of social mobilization, training of members, close supervision and strategy for loan disbursements [8].

In order to access larger funds, especially from the formal banking sector, facilitate growth in m-Fin operations, and to promote commercial viability, the operations of the SHARE Society have been almost entirely taken over by a new organization, SHARE Microfin Limited (SML). This is a 'for profit' m-Fin organization, registered with the Registrar of Companies as a public limited company in April 1999 with the objective of providing financial and support services to poor women, enabling them to use their skills for income generation activities for poverty reduction. SML is also registered with the RBI as a Non Bank Finance Company (NBFC) which will enable it to mobilize savings (deposits) from its members directly once it completes three years after establishment, demonstrates Rs.50 million as paid up capital, and is credit rated.

Around the same time, in October 1999, SHARE India MACS (SIM) was established as a Mutually Aided Cooperative Society, a little after SML itself was registered. SIM mobilizes the savings of all SML members as permissible under the MACS Act. The savings are centralized under SIM. Savings amounts are left to the discretion of the groups. Most groups save a fixed amount weekly with SIM, in the range of Rs.10 to Rs.20. Individual members are permitted to deposit higher amounts if they so wish, if additional money is available in specific seasons (e.g., after harvest or after sale of an animal, etc.). Depending upon member needs, individuals can withdraw amounts needed for consumption and emergency requirements. The accounting for SIM is independent from that of SML, though field operations overlap, both taking place during the weekly Center meetings.

Sneha, a small operation under the SHARE group, was established as a MACS for operations in Ranga Reddy district under a special historical circumstance in August 1998 since the then District Collector, a woman, took interest and approached SHARE. It operates 5 branches in a portion of the district. All procedures for social mobilization, member targeting, thrift, credit disbursements, etc., are similar to the SML approach. The one difference is that the agency mobilizing savings also disburses credit. From the members' perspective, however, there is no difference.

Thus, the SHARE group consists of the original SHARE Society, Sneha, SIM and SML. SHARE group's major social mobilization and m-Credit operations are through SML. SML has purchased the loan portfolio of SHARE Society branch by branch in phases over one and a half years and currently owns most of it (over 90%). SHARE Society's balance portfolio is limited to two branches in Guntur district which were not transferred to SML as the funding agency (RMK) did not lend to a 'for profit' NBFC and because some of the funds received were on long term soft terms (at 2% interest from the Grameen Trust) which it would be prudent to continue.

The future plan is to phase out lending operations of the Society once the remaining loans are repaid, with the areas/clients to be serviced by SML. SHARE Society would then restrict itself to capacity building work based on grant funding. From 1999 growth in the SHARE group's m-Fin operations has been predominantly through SML. This is planned to be continued. SML itself is in the process of promoting new companies (both, for profit and non-profit) for expansion and diversification within and outside Andhra Pradesh (e.g., Orissa, Madhya Pradesh).

Thus, steadily, SHARE, through SML, has moved in the direction of specializing in accessing resources in bulk from formal financial institutions and deploying them for its m-Fin operations for poverty alleviation. SML is planned as the m-Fin growth trajectory for the future. This study, therefore, focuses on SML alone.

The growth in overall coverage and size of SML's m-Fin operations is summarized in table 3.

Table 3

Growth in m-Credit Operations of SML
(Starting under SHARE Society and growing into SML)

ITEM	1993-94@	1998-99@	1999-00^	2000-01#	2001-02, by Nov. 01#
Districts	2	5	6	11	13
Branches	2	17	20	29	53
Villages	18	592	851	1,013	1,497
Staff	15	200	273	267	556
Centers	17	931	1,553	1,992	3,217
Groups	41	3,582	7,477	11,732	18,888
Members	205	17,910	37,235	58,690	94,374
Active Clients	117	14,155	30,629	48,868	73,675
Credit disbursed (cumulative in Rs. million)	0.28	130.20	316.24	544.19	893.52
Repayment of due credit (%)	100	100	100	100	100
Operational self-sufficiency (%)	11	87	90	110	104
Financial self-sufficiency (%)	10	71	74	86	96
Cost/money lent	1.41	0.13	0.09	0.09	0.07

@ Data relate to SHARE Society; ^ SHARE operations start getting taken over by SML, data are combined for SHARE and SML operations; # SML data. Source: SML.

Quite clearly, there has been rapid growth combined with steadily increasing efficiency of operations.

4.2 Vision, Mission and Objectives of SML. These are spelt out by SML as follows:

VISION

- o To improve the quality of life of the poor by providing access to financial and support services; and

- MISSION
 - o *To be a viable community owned institution developing sustainable communities.*
 - o *To mobilize resources in order to provide financial and support services to the poor, particularly women, for viable, productive, income generation enterprises enabling them to reduce their poverty.*
- OBJECTIVES
 - o *To provide credit facilities to the rural poor, particularly women, enabling them to improve their standard of living and reduce their poverty in turn;*
 - o *To promote savings and sharing of resources among the rural poor;*
 - o *To train rural poor in simple skills, enable them to utilize the available resources and contribute to employment and income generation in rural areas.*

Being a ‘for profit’ organization using borrowed funds, SML management and all its personnel down the line show a strong cost and time consciousness^[9], which gives confidence to its financiers.

4.3 SML’s Perspective on the Role and Functions of m-Credit. SML management views m-Credit as the single most critical input for poverty reduction. Their perspective is as follows: the poor have been excluded by the formal financial system; they have no physical or financial collateral; government sponsored programs are largely subsidy based, attracting people for one-time benefits; the poor are driven to local money lenders where credit is exorbitantly priced, ensuring that the borrower never comes out of poverty; the poor are unable to utilize what skills they have for lack of capital. The main bottleneck to poverty alleviation is seen as ongoing access to finance. Hence regular access to m-Credit on reasonable terms with simple procedures, quick disbursements with full and frequent (weekly) repayments, is seen as the critical input for poverty reduction.

As per SML’s understanding access to m-Credit enables households to use their skills in income generating activities, helps them generate surpluses, slowly expand into multiple activities (e.g., buffaloes with a petty shop and fruit trade) with additional loans and own resources, thus countering seasonal and activity based risks. There is a near perfect match between the immediate needs perceived by poor households and the services provided by SML, resulting in full co-operation from the women members and their husbands.

Credit delivery through very small, affinity based women’s groups of 5 members each, with up to 8 groups getting together at one Center (thus, a maximum of 40 women), meeting weekly for savings, repayments and loans processing is the model used. As delivery through women (as against men) is found to be a successful model elsewhere, women being seen as more responsible, better in accepting discipline and more ‘trainable’, better in repayments, and with a higher percentage of income generated going to the family, women are the vehicle through which, both, poverty alleviation and sustainability of credit operations is sought to be achieved.

4.4 SML’s Perspective on Women’s Empowerment. Women’s empowerment is seen as a side outcome of poverty reduction at the household level, when the credit inputs to the household are routed exclusively through women. Discussions revealed an understanding within SML that ‘empty tummies cannot be interested in empowerment’. The understanding is that while regular credit access with resulting income generation can contribute to empowerment even without any specific training on empowerment perspectives and gender issues for the staff and borrowers, the reverse, i.e., mere training on these issues without income generation will be of little use. In fact, training of any kind by itself, without finance to back it up, is perceived to have little impact. Thus, SML does not have women’s empowerment as its primary objective. SML believes that providing continuous credit access to poor women will help them take their families out of poverty, which, in turn, will also bring them recognition and a voice at home and outside.

Since cost consciousness with operational and financial self-sufficiency are underlying operating principles (essential with the use of borrowed funds), expenditure on matters not directly related to improved repayments, is not encouraged. As in the case of members, there is no specific training on gender issues for the staff (e.g., the practical needs and strategic interests of women, expanding social and political spaces, gender-based work allocation within households, labor-leisure, mobility, the retention of female children in schools, sex-selective abortions, women’s control over their bodies, recognition of unpaid work, orientation of husbands, etc.). Gender is not treated as a distinct issue where women’s needs may not always coincide with the needs of the household. No special linkages are sought to be established with organizations working on women’s empowerment.

Nevertheless, significant changes are indeed observed in the lives of individual women as SML works exclusively with women clients, and there is specific capacity building for credit utilization, self-confidence building, small enterprise

management skills. In addition, a beginning of change is seen in their collectives as groups as also impacts on the larger socio-economic environment. The latent potential for further strengthening and mainstreaming women's empowerment is definitely there, far more than what is currently actualized. This is discussed in sections VI to VIII below.

4.5 Competence and Skills of SML Staff. The recruitment, training, field exposure, supervision and incentive systems are such as to promote a high level of focused, need based skills, a sophisticated understanding of SML's objectives and operational principles, hard work, high motivational levels and discipline. Staff skills are geared to keeping up a high quality of the loan portfolio and to be able to access funds from commercial sources for on-lending to the poor.

At the head office, the MD is supported in the day-to-day operations by 8 departments:

- Administration
- Training
- M&E
- Field Operations
- Planning
- Finance
- Human Resources
- EDP

Each Department is headed by a Manager with Assistants. Under the overall supervision of the Manager, Field-Operations, the Divisional Manager co-ordinates the work of the Area Managers (AMs) in the field. Each AM is in-charge of 4-5 Branches headed by a Branch Manager (BM), depending on business. A new branch is opened in an Area only if the number of members grows beyond the capacity of an existing branch. Each Branch is a profit center. Under the BM function an Assistant Branch Manager (ABM) and Field Credit Officers (FCOs), including trainee FCOs.

The educational qualifications of staff at the head office are geared to the efficient management of financial operations: graduates/postgraduates in commerce, management graduates, finance professionals, chartered accountants. In the field the FCOs are recruited with 12 years of schooling or more (college graduates in any discipline with a preference for a commerce/ finance/accounting background). Here attitudes and trainability are considered more important than formal qualifications. New recruits are taken young – between 18 to 24 years of age - starting as an FCO trainee. Trainees are confirmed in their posts only after they undergo formal training, direct on the job exposure and pass a test. This ensures that they pick up the needed skills for SML's operations.

Though all clients are women, the proportion of female staff is low at the Branch/Area offices. Of the 510 staff in the field, only 5.3% are women. The sex composition at the head office is more in favor of women with 27% of the 48 persons females. In the field only now a beginning has been made to try female staff, especially for office work. The reason given is that field work involves traveling in villages, using a two-wheeler, working to suit the timings of the clients (early mornings and late evenings). There is a perception that women may be unable to handle these work schedules and may have to be accompanied by a male staff member, especially in the evenings, adding to avoidable costs.

4.6 Work Atmosphere. The work atmosphere is congenial, combined with strict discipline. The immediate supervisor closely monitors the work of staff under him. Suggestions from lower levels are encouraged, appreciated and discussed. Often, feedback from the women members and the FCOs is incorporated in policies. For example, when the 25 week loans were found to be burdensome as the weekly repayment installment was high, a decision was taken to phase them out and replace them by 50 week loans.

There is good interaction between subordinate and supervisory staff, right up to the MD. This helps foster team spirit at all levels. Personnel policies like two-wheeler loans, TV at branch offices, mess facilities, promotion opportunities, etc., help to keep staff morale high and view SML as a serious, long term career choice. In addition, the work itself is seen as satisfying. All this has contributed to negligible turnover of staff. Many have worked for as long as 4-8 years. Some have come to SML from the private sector.

4.7 Training and Capacity Building of Staff. There is an explicit recognition in SML regarding the need to build the capacity of its staff. The aim of all staff training and exposure is to make them effective service providers. All staff are expected to share a common set of attitudes, values and work culture. Existing staff members help to pass on these to the new recruits. All are expected to learn the skills needed for their posts. Moreover, as SML is poised for expansion, they

expect to be recruiting around 400 additional staff. Hence regular training and workshops for personnel are treated as an important and continuous process. There is a separate Training Department headed by a Manager with experience in the m-Fin sector. This department co-ordinates training programs for staff as well as client-members.

New recruits start with a 2 days orientation on group formation, targeting and motivation. They learn to conduct weekly Center meetings and solve local problems. They are taught basic accounting skills and procedures of SML. Any changes in methods/procedures are updated for all staff. Discipline issues for young recruits are taken seriously. All staff are trained to handle responsibility. Building of managerial skills is also supported. As noted above, all new recruits must pass a test before they are regularized.

This apart, there are workshops and in-service training programs for existing staff also. Course material development for FCOs, BMs, AMs and Internal Auditors is taken up. Staff are exposed to concepts in m-Fin and the current developments in the sector. Managerial skill development and responsibility taking is emphasized. Accounting, computer applications, planning, budgeting, are taught. Workshops help in sharpening strategic thinking and decision making as well as transferring experience to new recruits. Every opportunity to improve staff capacity at minimum cost is seized ^[10].

However, as in the case of gender, there is no separate training in participatory approaches either for the staff or the members. The skills built are sharply focused on SMLs operations of lending and repayments.

4.8 Nature of Support to Group Members. Group members receive support in the form of capacity building, ongoing m-Credit access and a facility to deposit their m-Savings.

Capacity building of the clients is done with the objective of converting non-credit worthy women into credit worthy members of small groups. Training is provided for Group members, Group Leaders and Center Leaders. While no separate training manuals are available, Group and Center Leaders are taught leadership skills which helps them manage their respective Groups/Centers. Weekly meetings are used as the most important forum for regular capacity building of clients on an ongoing basis.

However, groups do not conduct meetings on their own (unlike in the case of many SHGs). Rather, a staff from SML conducts a common Center meeting for all Groups in that Center.

In addition, at least once a year, a workshop is held at branch level which brings together a few members from each Center and provides a forum for experience sharing, confidence building, planning and managing their businesses, problem solving. Workshops are also used as a forum for cultural activities, public speaking opportunities for the women for confidence building, and an opportunity to provide some awareness regarding health, education, etc. Sometimes officials like the District Collector are invited for interactions. Women have used such opportunities for articulating the needs of their villages to the district administration and getting grievances addressed.

Currently 7 types of loan products are on SML's books. Table 4 summarizes information on the different loans products including their relative share in total credit under SML.

Table 4

Loan Products and their Cumulative Relative Share

LOAN TYPE	PERIOD	INTEREST RATE	REPAYMENT SYSTEM*	NATURE OF SECURITY	NO. OF LOANS & %	Rs. Million DISBURSED & %
1.General Loan	50 weeks	15%	50 equal weekly installments	Nil (Group's social collateral)	164,392 79.74%	784.24 87.83%
2.Seasonal Loan	50 weeks	15%	50 equal weekly installments	Nil (Group's social collateral)	28,692 13.92%	75.31 8.43%
3.Supplementary	25	10%	25 equal	Nil	11,376	24.47

Loans	weeks		weekly installments	(Group's social collateral)	5.52%	2.74%
4.Housing Loans	200 weeks	15%	200 equal weekly installments	Nil (Group's social collateral)	1,019 0.49%	7.71 0.86%
5.Special Loans	15 weeks	5%	15 equal weekly installments	Nil (Group's social collateral)	542 0.26%	1.08 0.12%
6.Sanitary Loans	50 weeks	15%	50 equal weekly installments	Nil (Group's social collateral)	75 0.04%	0.01 0.002%
7.Small Enterprise Loans	50 weeks	15%	50 equal weekly installments	Fully secured	56 0.03%	0.06 0.007%
TOTAL					206,152 100%	Rs. 892.88 m 100%

* In all cases repayment commences from the week following disbursement. Source: SML

Thus, the general loan is the predominant loan type, accounting for nearly 80% of all loans and 88% of credit disbursed. Special, sanitary and small enterprise loans are presently negligible, though more of the last category is being contemplated (section 5.8 contains more details).

It is during the weekly Center meetings that loan applications are processed, repayments and savings from individual members collected. Actual credit disbursement takes place at the Branch Office so staff do not have to carry large sums of cash. A member has to go to the Branch Office only once a year – to collect her disbursement. The procedures are simple, easily understood by members. There is no physical or financial collateral required. The group's social collateral is treated as adequate guarantee (all group members sign on the form before disbursement), together with a signature of the 'guardian' (e.g., husband, father, brother, son, mother or another family member considered suitable) of the woman obtained at the time of disbursement. In case no male relative is available, a female relative is readily accepted. When enquired about this practice, the reason given was that when women are away for extended periods (e.g., during delivery or illness) it is the husband or another family member who is expected to continue with the repayments. SML wants to avoid situations where the husbands deny knowledge or responsibility for the loans in the woman's absence.

During branch visits direct observations of disbursement procedures and interactions with borrower-members accompanied by their 'guardians' were revealing. Two women, Fatima and Hymavathi, had come to the Gumastanagar branch to collect their loans. They explained that the loans had already been processed during previous weekly meetings where all group member signatures had been obtained. They found the procedures simple. Neither faced any difficulty in coming to the branch to collect their loans. Fatima had brought her mother along to countersign, while Hymavathi had come with her husband. They said that until April (2001) disbursements took place at Center meetings in their villages itself, but now the procedure was different. Some of their remarks are quoted below:

'Now we have to come to the Branch, but we don't mind. It is only one visit'; and,

'Even though travel is involved, we get ready cash at once. That makes us happy!'

Similar experiences were narrated in other branches also, confirming the ease and simplicity of credit procedures as perceived by the clients.

The level of savings is left to the discretion of the Group members. Each member has her own pass book under SML for her loan account and a savings account under SIM.

Facilitation to Groups to take up other issues like alcoholism, participation in Grama Sabhas, standing for local body elections, etc., is outside the scope of SML's operations. Similarly, the facilitation of linkages between groups and other

organizations like district/mandal administration, the DRDAs, Gram Panchayats, Village Development Officers, Village Administrative Officers, etc., is not part of SML's activities. While SML does not discourage group members accessing benefits from other agencies (e.g., in the villages visited SML members were also found to be members of local DWCRA groups), it does not play any role there. In respect of forging linkages between Group members and formal sector banks, SML perceives that banks do not provide any credit to the poor, hence it is stepping in to fill the gap. Thus, it views itself as a substitute for regular banks.

V. Design and Management of the m-Credit Program

5.1 Process of Group Formation, Management and Decision Making. SML's entry into a new village, the setting up a new Branch or Center starts very systematically with an assessment of potential for m-Credit. All activities are sharply focused on the efficient delivery and repayment of loans. After a village survey to assess the population, land holding, percentage of poor, existing credit facilities, types of income generation activities, transport facilities, etc., combined with discussions with village elders, a report on potential is sent to the head office. The head office scrutinizes the report and makes a decision, after tying up funds. A senior person from the head office is then sent to the area with support staff for a more detailed survey. The survey reports are scrutinized by the concerned Area/Branch Manager. If at least 40-50 poor families are identified (demonstrating business potential), a new Center starts. The correct assessment of potential is considered very important as business has to be adequate to cover costs for each branch to function as a profit center.

Once a village is identified for a new Center (up to 8 groups of 5 members^[11] each), the process of focused social mobilization starts with a public orientation meeting by SML staff to inform and sensitize the village. Benefits, rules, procedures and criteria for Group membership are explained. A few days time is given for the people to think it over. Women are encouraged to form themselves into groups of 5. Then the FCO visits each of the houses of the planned group members for a verification to ensure that membership criteria are properly followed.

Once preliminary groups are formed, they are exposed to a Compulsory Group Training for 7 days which covers subjects like savings, credit norms and procedures, zero tolerance for non-repayments and joint liability in case of delinquency. Thereafter a group undergoes a re-interview by the BM (to ensure that all members fall within the eligibility criteria, including the means test) and a final Group Recognition Test to finalize its membership under SML. Unique numbers are allotted to Groups and its individual members that pass this test which aid in monitoring. Regular weekly meetings and savings (under SIM) are initiated for all new Groups at their respective Centers before credit disbursement takes place.

Internal Group/Center management is limited to identification of members, assembling for weekly meetings and taking joint responsibility for each other's loans in case of difficulties faced by an individual member. All meetings are *externally* conducted by SML staff. As the women come together exclusively for m-Credit access from SML and savings are also externally managed under SIM, there is little emphasis on capacity building of women to manage their own records, keeping minutes of their meetings, collective decision making, etc. All loans are individual, covered by the Group's social collateral. Savings accounts are also individual. The group comes together mainly to reduce SML's transactions costs and provide social collateral for the loans. Hence there is little scope for independent, collective decision making on the part of the members.

5.2 Membership Conditions. The first condition is that of being a woman. As this is a tried and tested approach for good repayments, SML does not consider it necessary to experiment with men's or mixed groups. Both women and men agree with this condition. Moreover, there are additional benefits perceived of this condition like women's empowerment and a greater proportion of the benefits of increased incomes going to family members.

During village level interactions some husbands were asked what they thought of men's or mixed groups and lending to men. It is interesting that not a single male advocated this. Their responses were interesting:

'It just can't happen. Men will not sit together...';

'Women work hard and repay. Men spend a lot of money on hotels, friends...';

'Men may come together until the money is received ... then you can watch them dodge the repayments!';

'I'm telling you all this. Now it is up to you. If you still want to give men money, go ahead... Don't say I did not warn you!'

SML have internalized these ideas right from the start (under SHARE Society itself).

Another key eligibility condition includes a means test through a questionnaire and physical verification of income and assets to ensure that the household is really poor^[12]. An independent survey (IFPRI and NIRD, 2000) showed that, on an average, SHARE clients were worse off on most indicators of economic status as compared with non-clients and around 85% of clients came from the bottom 20% households, showing a substantial and genuine poverty focus^[13].

This apart, within group homogeneity is promoted through encouraging neighbors and women of similar ages to join. However, two members from the same family are not accepted to avoid concentration of power and simultaneous multiple loans to the same family, which might adversely affect repayments.

Caste or religion are not taken as relevant criteria. In fact, each member and staff takes an oath at the start of weekly meetings regarding non-discrimination based on these criteria. In practice, mixed as well as single denomination groups were found – based on the habitation pattern and proximity of residence in the village. Mixed groups included mixed castes (BCs and SCs) as well as mixed religions (Hindus from different castes and Muslims).

Most of the criteria were found to be correctly applied in practice also. Now and then age gap between members was found to be high (e.g., very young women combined with women who seemed to be over 55 years old) but this was not seen to distract from smooth group functioning.

Theoretically women headed households were expected to be encouraged and most groups visited indeed had widows and abandoned women as members. Among the 86 long duration members who were contacted 9% were found to be widows or abandoned women. But there was one Center (in Nandivelugu village) which had excluded all such cases for fear that they may not be able to adhere to the financial discipline of weekly repayments.

5.3 Profile of Leadership and Leadership Rotation. Each Group selects its own leaders. SML encourages this, rather than imposing a leader. Members were found to be wise in their choice of Group and Center Leaders. Generally the most educated woman or one with high self-confidence, articulate and trustworthy, was chosen by the members. Of the members, the Leaders tended to be relatively better off also. However, there was no domination in credit access. The procedures of SML required that the Leader take her loan the last. This was also well understood by the members. Leaders were responsible for weekly repayments and savings contributions. Leaders were proud of their position and took their responsibility seriously.

Rotation of leadership was supposed to take place annually or at least once in two years. This promotes transparency, accountability and develops a second line of leadership. However, in the groups visited this was not normally followed. Members reported that they had faith in the existing leaders. By and large, SML tended to go along and did not insist upon wider responsibility sharing among members so long as the existing leader was ensuring discipline and repayments. While no case of leadership change through SML's intervention was observed, staff did say that if the same member continued as a Leader for too long, say 4 years, they did stress upon the need for change in leadership.

5.4 Sustainability. The primary focus of SML is on the sustainability of its main business – credit operations. This is efficiently carried out with the overall repayment rate consistently at 100% and a steadily increasing overall operational self-sufficiency which stands at an impressive 104% as on November 2001 (table 2), indicating more than full cost coverage. Operational self sufficiency in the 4 branches covered ranged between 99% and 146% with 100% repayment in each branch (table 1). The focus on financial discipline across the board shows that SML is likely to continue to be profitable, operationally self sufficient and its m-Credit operations can be expected to continue in the future without depleting the size and value of the funds. In fact, SML also takes into account inflation and the implied interest subsidy (as against actual cost of funds to SML) to monitor its financial self-sufficiency which stands at 96%^[14]. These ratios help the institution in remaining sustainable and accessing commercial funds from India and international sources for its operations.

Sustainability of the empowering outcomes or processes is not the main focus of SML's operations. However, reliable and ongoing credit access to the members has resulted in some near permanent lifestyle and attitudinal changes among women

and men that are discussed in sections VI to VIII.

5.5 Norms for Management of Savings. Savings based on encouraging individual thrift are collected weekly and centralized under SIM, a mutually aided co-operative. At present SML itself cannot accept deposits since it is yet to complete 3 years of operation, demonstrate a paid up share capital of Rs.50 million and get itself credit rated. Once these legal requirements are complied with, SML plans to handle savings as well.

There is no compulsion regarding the size of the savings. Most groups save Rs.10 to Rs.20 per week. The minimum amount is common for all members. Those who wish to save more individually, are permitted. Discussions with members revealed that members are also saving outside SIM (hiding money at home, banks, etc.), indicating that members, by and large, tend to save the minimum amount possible to access the loans. However, there were also a few examples of members who saved more with SIM than the norm of their Group. On an average, savings per member with SIM stood at a little over Rs.1513. Women were allowed to withdraw amounts required for needs other than income generation also from their savings.

The disadvantages of centralized savings rather than group managed savings (from the women's perspective) are: the lack of perceived ownership of a common fund for the Group, no internal rotation of funds with accompanying development of skills in collective decision making and funds management, complete reliance on SIM for accessing funds for consumption and emergencies, interest rates restricted to what SIM can pay (6% to 7%) as against the far higher rates available through internal rotation (24% to 36%, as observed in the case of classic SHGs). However, there are advantages also (both, from SML's and women's perspective): at any time the exact availability of funds is known and pooling can allow better financial intermediation and investments.

By November 2001 the cumulative total savings amount with SIM stood at Rs.142.80 million for 94,374 members. From this, cumulative disbursements were Rs.138.82 million. Thus withdrawals for consumption, emergency or other purposes were less than savings indicating a rotation ratio below 1 (0.97).

5.6 Savings-Credit Linkages. Except for the precondition of weekly savings, there is no operational linkage between the size of savings and credit. SIM and SML are independently managed, though field operations overlap with common staff. SML provides its standardized loan products (see table 4) regardless of the extent of savings a woman may have in her account. Credit disbursements start after 4 weeks of regular savings and meetings. Members with very low savings also get equal access to the loans. There is no linkage between the extent of savings and credit amounts.

While it may appear that SIM is collecting resources from the poor, SML it is actually lending far more than SIM is collecting. As table 5 shows, overall, credit to savings ratio has not only been well above unity, it has even increased from an already high 5.4 to 6.3 between August 2000^[15] and November 2001, showing that SML credit has grown faster than SIM savings.

Table 5

A Comparison of Member Savings and Credit Accessed

Rs. million

	August 2000 ^	November 2001 #
Cumulative credit disbursed by SML	216.00	893.52
Cumulative member savings with SIM	40.00	142.80
Credit/Savings ratio	5.4	6.3

^ Figures noted during M-CRIL rating, 2000; # Latest data from SML.

5.7 Exit Options, Member Replacement. A member is free to leave a group if she so wishes. A group may also remove a member under certain circumstances. The most common reasons for the exit of a member were reported to be: migration (of several months at a time or permanent) which makes it difficult to attend meetings regularly, local disputes, political differences and non-cooperation at home. In one case a member got a regular job on humanitarian grounds after the death of her husband. The group decided that she was no longer poor and removed her. However, she still keeps in touch with members as it was an amicable exit. Unlike in the Grameen model, where it was expected that women would never leave, SML has a clear exit strategy. There is no compulsion or a locked-in feeling among members. The savings amount is paid

back with whatever interest is due and loan repayments separately collected. Vacancies in a group are filled up by the remaining members identifying suitable women to replace dropouts.

5.8 Lending Norms, Collateral and Interest Rates. Lending starts after regularity of Group meetings and savings has been established for 4 weeks. SML loans are meant for setting up new income generation activities or expanding existing ones. The collateral is social – accepting of mutual responsibility by members of the Group, combined with a signature of the husband or some other family member to ensure repayments. Repayment starts from the week immediately following disbursement. Loans are repayable in equal weekly installments. In most cases the interest rate is 15%. Supplementary and special loans carry lower interest at 10% and 5%, respectively (table 4). The interest rates are reasonable. They cover SML's operating costs and maintain the value of borrowed funds, while at the same time being substantially lower than what the women would have had to pay in the informal credit markets (over 100%). There is no capital subsidy at all (in contrast with Government sponsored programs): the entire loan amount with interest is repayable.

Loan sizes are small, averaging Rs.4528. This is a great improvement over the zero base for the members and also ensures that better off borrowers are not attracted. Unlike under NABARD's SHG bank linkage program or the SGSY, there is no requirement of waiting to build up an internal credit history of 6 months or more of internal savings and rotation. This is possible because of the controlled, top-down, closely supervised and disciplined credit management approach followed. Over time, however, these loan sizes could hamper the further growth of rural enterprises. Members may also try to 'graduate' to other sources in search of bigger loans. Already demands for larger loans are evident. This was observed in all the villages visited. Almost all borrowers by their third loan cycle want larger funding. Some borrowers were very emphatic about this, highlighting that even after they had proved that were credit worthy, larger loans were not available.

To begin with 2 members from a group are provided first cycle loans of Rs. 5000 as general loans at 15% interest. Once weekly repayment is established, after another 4 weeks, the next two members get their loans. Finally, the Group Leader receives her loan after another 4 weeks. This completes the first cycle. Loan per borrower is increased in the second cycle after the first loans are repaid. The loan period is one year with repayments spread over 50 weeks of equal installments. The general loan is the main product for financing income generating activities, though other loan types are also contemplated. As seen in table 4, an overwhelming majority of loans come under this category (nearly 80% of the number of loans and 87.8% of all disbursement).

If a member needs some additional money before her first loan cycle is complete, for working capital or small supplementary investments, she may access a small supplementary loan of Rs.2000 for 6 months (repayable in 25 weeks) at 10% interest (effectively 20% per annum). Seasonal loans are available, again for 50 weeks at 15%, for agriculture based activities from the second year. Housing and sanitation loans are intended to improve the dwelling conditions of members. They are available to women in the third year of membership. Housing loans range between Rs.7,000 and Rs.15,000, repayable in 4 years (200 equal weekly installments) at 15% reducing balance terms. While these loans sizes are not adequate to construct a full new dwelling unit, members have used them for shelter upgradation, and have also used them in combination with funds from other sources. Sanitation loans are of Rs.4,000 repayable in 1 year (50 equal weekly installments). Due to lack of funds, loans for housing and sanitation are being phased out.

Responding to repeated demands for larger loan sizes, a new loan product being tried is the small enterprise loan repayable in a year (50 equal weekly installments) for borrowers with a long credit history with SML who wish to make a level jump in their enterprise. Small enterprise loans, larger in size, are meant for women who have already reached a certain level of prosperity through earlier loan cycles, they will be fully secured loans with collateral. Currently only 56 cases of small enterprise loan have been tried for which a total sum of Rs. 567,050 has been disbursed, making the average loan size a little over Rs. 10,000. If this loan product is successful, and SML is able to mobilize adequate resources for it, it will help address the growing demand for higher loan sizes after two or more loan cycles. Even though this loan size appears small as compared with the demands made by mature borrowers which were observed to range between Rs 10,000 at the least to Rs. 40,000, it is certainly a step in the right direction.

As against what is available under government sponsored programs, repeat loans are the norm. This is very positive and addresses the felt need of the members for *continued credit access*, rather than a larger, *one-time sum*. For second and subsequent loans it is necessary that previous loans be fully repaid (except for the small supplementary loans or special loans which may run concurrently with a previous general loan). The only restriction is availability of resources with SML. In all, as on November 30, 2001, of the 94,374 members there are 73,675 borrowers with live loan accounts. The total number of loans is 206,152. Thus, on an average, a member has received 2.8 loans. In each of the villages visited there were repeat borrowers who had received a second or third dose of credit, some of which included smaller supplementary loans

even during the currency of the first loan for working capital and other small business needs. In fact, at a time a borrower can have up to 3 loans running concurrently:

- A 50 week loan at 15% interest (general loan)
- A 25 week loan at 10% interest (supplementary loan)
- A 15 week loan at 5% interest (special loan)

Right from the start the repayment percentage has remained at 100%. There is no flexibility regarding this. SML's lending methodology (absence of subsidies and loan holiday periods, excluding the non-poor, identifying genuine borrowers, strong social collateral and sequential lending within a group, encouraging within village variety in economic activities rather than promoting a few key activities to minimize competing against one another for small the local markets, leaving the choice of economic activity to the borrower), and close supervision have ensured this. There are several instances of women standing in for each other. It is interesting that the in the same villages the repayments for DWCRA groups are said to be lower than for SML loans even though there is some overlap with SML members also being members of DWCRA groups. In a few cases (e.g., in Mangalagiri) women reported that DWCRA group repayments had also improved as they were members of both, DWCRA and SML. Questions of penalties for defaults, late repayment, rescheduling, etc., have not arisen.

5.9 Purpose of Loans. The main purpose of loans is to finance productive enterprises for income generation at the household level. The most frequently accessed loans are the general loans. Most members use the first loan for an activity they are already familiar with – buffalo is the most popular in Ranga Reddy and Guntur districts. Sale of milk was reported to be no problem. Other popular income generation activities are petty shops, tea/tiffin stall, vegetables trade, grinding mill etc. SML does not provide loans for consumption or household emergencies. However, women can use their savings from SIM for this purpose. In practice, women reported that they did not in fact withdraw frequently from their savings, though the option was available. As already seen (section 5.5) the disbursements to savings ratio out of member contributions was less than unity, at 0.97. To the extent possible women tried to use current incomes from their micro enterprises to take care of requirements other than income generation.

5.10 Nature of Productive Enterprises and Their Sustainability. An overwhelming majority of the enterprises are individual or run jointly by husband and wife. That is, common group activities are not the norm. Across most programs of this nature, across the world, if the choice is left to the borrowers, there is indeed a strong preference for individual economic activity. Respecting this preference, SML does not try to promote group activities. During field visits no group activity was seen. This contrasts with the SGSY approach which encourages group members to take up a common activity and prefers to form groups of persons already engaged in similar activities. In practice it is seen that with modernization, even in villages, people prefer to have the options to diversify and be open to new market opportunities rather than be locked in to a single, traditional economic activity, unless markets are assured in the long run.

It is common for households to take up more than one income generating activity. For example, a buffalo is combined with flower selling; a kirana shop is combined with tailoring; barber shop with chillies grinding, etc. The women report that this helps them cope with seasonality, spread business risks and enables them to repay their weekly installments. Taking up multiple activities is encouraged by SML.

A vast majority of the activities are micro enterprises yielding net incomes ranging between Rs.30 to Rs.150 per day (as reported by the women). This is higher than the typical wage earnings through coolie work of Rs.20 per day. Women and their families seem to prefer to take up businesses where they are already comfortable with the work. In most cases the first loan application is for a familiar activity, e.g., milch animal. After that there are cases where women have moved into new areas like video games, cycle taxis, blasting material purchase, renting tables and chairs (tent business), etc. There is a large variety of activities which can be broadly categorized as (a)home based, e.g., grinding mill, weaving, milch animals, tea shop, firewood trade, (b)mobile, e.g., flowers selling, cut piece business, saris trade, vegetable and fruit selling, painting, and (c)shop/establishment based, e.g., kirana shop, barber shop, bunk stalls. These categories are not mutually exclusive. For example, a tea shop is sometimes home based, sometimes shop/establishment based as well as mobile. Women make choices as per their personal and family convenience.

A variety of combinations of business participation of husbands and wives is observed. While women are the primary borrowers, they also support the ongoing enterprises of their husbands with finance and labor. This was most commonly seen in the case of barber shops. In Yenkepalli village a member had helped her husband convert his leased barber shop to ownership. There were cases where women borrowed to finance the joint household enterprise like tent rental, electric shop, guava garden based on leased land, stitching rexine seat covers for two-wheelers and cars, where they do not make a

distinction between their own business and that of the husband – it is treated as a joint enterprise. However, equally, there were examples where women went ahead with their own enterprises while the husband continues his work separately. In one case in a Muslim household (Gumastanagar) the husband was not enthusiastic about his wife's work and did not agree to countersign on her loan. She went ahead anyway, asking her son to sign (this was accepted by SML though the son is not her 'guardian') and she now runs a thriving fancy shop business which has expanded to provide tailoring, bicycle rental and video games for children during holidays. A few cases were also seen where the husband eventually gave up his regular work to join the wife full time. For example, a watchman resigned his job which was out of station, came back to the village specifically to join his wife's thriving kirana shop; a cook in a private company canteen joined his wife's restaurant business and now helps her full time as a cook.

Since the necessity of repayment has been very well internalized, women deploy borrowed funds very carefully. They are risk averse, cautious and prefer to work for known local markets, expanding in phases. The enterprises have helped them to make a transition from labor-worker status to owner-manager. While this has helped them increase incomes and give them better control over time, they were well aware that now they have to also face business risks. However, all the women interviewed confirmed that they preferred the current situation to their earlier one.

Because of the cautiousness with which women deploy funds and make business choices, the income increases are small (low risk, low return), especially in the beginning, but, by and large, sustainable. Members have been expanding and diversifying slowly, but steadily. The small loan sizes (averaging Rs.4,528) also impose a restriction on the size of enterprise, most acutely felt by members already completed two or three successive loan cycles and are at the threshold for a level jump in their enterprise. As SML is well aware of this growing need, they are trying out a fully secured small enterprise loan. On their own, one household was found to have accessed higher level of funds under the PMRY scheme (Rs.25,000) which helped them purchase an additional grinding machine and tie up electrification. Direct tie-ups with commercial banks were not seen.

SML does not get into the issue of tying up backward and forward linkages or market tie-ups. It views its role purely as a specialist in providing finance to the poor, and accessing funds from the formal sector on its own financial strength. The members are expected to manage their own markets and other linkages. However, the annual branch level workshops organized by SML do provide a forum for information exchange across centers and interactions with specialists invited to participate. In the workshop (Perecherla) that was observed during the course of this study, where over 200 members participated, women raised very specific questions relating to their businesses and sought suggestions from members of other Groups and Centers.

5.11 Mechanisms for Record-keeping and Accounting. Record keeping and accounting is not done by the members. Other than an attendance book where members present sign their names, no records are maintained at the Center level. All figures (number of villages, Centers, Groups, members, borrowers, number of loans, disbursement, repayment, outstanding, drop outs, replacements, etc.) are available at the Branch offices, which are updated every week, no doubt very promptly, by the field staff and sent to the Head Office. Staff are well versed in updating records. In all the branches visited up-to-date records and accounts were found. The Branch Managers supervise and ensure timely action.

There is no capacity building among members on book-keeping or maintenance of records. However, the members have all been taught to sign their names. This undoubtedly has given them self confidence. But it could also give them a way of signing off on documents without fully understanding what they are accepting. A beginning to at least keep minutes of the weekly meetings could easily be made to help members eventually maintain their own records and accounts. Even in groups where all members are illiterate, they could seek the help of a daughter or son to help them with the writing as is observed among the more successful SHGs.

5.12 Women's Experiences in Accessing Loans. Overall, the women have been enthusiastic about participation in SML. They report the enormous value of regular credit access (as against none or one time) to themselves and their families. They find the procedures simple. There is no need to make repeated trips and fill out complicated forms. Women interviewed in the branches who had come to collect their disbursements with their companions/guardians (husband, mother, son) confirmed that it was the only trip they had made. The SML field staff had already helped them in filling out the single form required and obtained the signatures of the other group members at a previous weekly group meeting. At the time of disbursement the borrower and an additional family member (preferably 'guardian') had to sign and collect the money. As SML is a bank substitute, problems in dealing with banks did not arise for the women. SML completely bypasses the official government machinery. There were no complaints or remarks about bureaucratic delays, leakages, etc.

Some women reported initial hesitation in joining because they were not sure about their ability to repay weekly. Others reported that they did not really believe the SML staff when they were told that loans were being given without collateral at reasonable interest rates. Husbands interviewed also confirmed the initial skepticism. But once the first few loans were actually disbursed in the village, the information spread and membership increased. While weekly repayments were initially considered difficult, now the near-universal opinion was that that this strategy reduced their interest burden and actually eased repayments as compared with situations where they had to start repaying after a longer gap of 3 months to a year with an initial loan holiday period. There was not a single case of negative feedback.

VI. Changes in the Lives of Individual Women Members

6.1 Poverty Reduction. Income increases through m-Credit have already been noted above in section 5.10. These have helped a majority of mature client households (where the woman has been a group member for at least 3 years) to experience poverty reductions. A recent study by Cashpor^[16] (Gibbons, 2001) found 76.8% of SML's mature clients improve their poverty status, with as many as 38% moving into the 'non-poor' category from 'very poor' or 'moderately poor'. This is an impressive poverty reduction. Of those with whom interactions were held for this study, 100% of the mature members confirmed significant income increases and better living standards through m-Credit access. Among new and non members, by contrast, only 22% reported increased incomes. Moreover, these income increases among mature members were stable enough to help poor households face a crisis, mainly *because of multiple income sources and variety of activities* through multiple small loans. New members were attracted to join specifically because of expectations about future higher incomes that they had already seen among the older members. Again, as per the same Cashpor study, 82% of the mature clients with 3 or more sources of income had experienced significant poverty reduction, as against only 47% with a single source of income (Gibbons, 2001). SML has been encouraging members to diversify, both, within a household as well as in a village. This approach is in contrast with the national SGSY approach which attempts specialization at a very early stage among poor households by insisting upon identifying a *few* 'key activities' at the block level to be promoted in a big way, contrary to what the poor themselves find more practical.

6.2 Self Confidence, Ambition. The first change that grabs the attention of an observer is an enormous increase in self-confidence among participating women. This is in sharp contrast with non-member women and women who have newly joined as members. Members who are in their third or later cycle of loans are very articulate, not at all hesitant while talking to strangers, can confidently face audiences, take questions from others, like to be well groomed, etc. There is also a discernible increase in ambition on their own behalf and on behalf of their children.

For example, during focus group discussions with SML staff at the Branch Office in Tandur (Ranga Reddy district) young FCOs said that initially the members used to talk 'crudely or roughly'. After a couple of years their style and behavior was much more 'cultured' and they learnt 'how to talk with higher officials and seniors'. In Muslim areas women hardly came out of their homes, but now '... they attend Center meetings regularly with others, go out for marketing... In one case a Muslim woman is even going to Hyderabad and Bombay for her cloth business.' They explained how women now comfortably '... sit on chairs, demand higher loans from us... the earlier hesitation is gone'. One of the senior members, Ms Razia of Indira Nagar Colony was now on the board of SML.

In both districts of Ranga Reddy and Guntur, focus group discussions, interviews with women members and the observing the quality of discussions by members in the Perecharala workshop, demonstrated their increased self-confidence. This was in contrast with the greater discomfort and hesitation observed not only among the new members and non members, but also among some husbands themselves. In fact, in Yenkepalli village group members had to encourage a hesitating man to give replies to the enquiries this researcher was making. Finally he grinned and expressed approval for all the changes that were taking place. Men in other villages also said they had noticed changes in the women. The husband of a member commented about his wife's personality (she is a 4 year old member): 'She signs her name. She has learnt how to talk to senior officials. She wishes people. She has become disciplined and brings money into the family. What is bad about it?'

Women have become ambitious for themselves and their children. They want to expand their businesses and diversify. Once they have started earning more, they want to keep it up. Those who have taken two loans want a third. Others who had already taken and repaid three loans wanted larger loans. Larger loan sizes was a repeated demand since they wanted to expand and diversify. Women had also started wanting a better life for their children. They discouraged their sons from dropping out of school and even sent them to university or for technical/vocational education. Many also wanted to let daughters study: 'Earlier we never thought about such things. My older daughter was married at 16. Now I want my

younger daughter to study as much as she wants to.’ They were listening to talks on TV which inspired many to value education for the future benefit of their children.

6.3 Control Over Income, Assets and Expenditure. As seen above, though the loans are all in the name of the woman, there are various combinations of participation in business ownership: wife supplying resources and labor for husband’s business; joint ownership and running of a family business by husband and wife; wife running her own business with active support of husband; husband joining the wife after giving up his previous work; wife running her business with passive support or mere acknowledgement by husband; and a widow or abandoned woman running her business by herself. Concomitantly, the extent of control over business assets and income arising thereof is inherently variable, with the later combinations allowing greater control. Broadly, the conclusions are as below.

Women with a relatively longer duration membership (two years or more) said they were free to buy personal things without consulting husband. For example, one woman reported, ‘If I want to buy a sari, I just do it. I don’t ask. I tell him later.’ Other members confirmed that this was so in their cases also. New members and non-members who did not yet have their own income stream necessarily relied on the husband for any purchases and needed his explicit consent. Control over group savings was with the women members. In any case the amounts were small (in most cases it was Rs.10 per week).

Decisions regarding expenses on food and cooking were generally with the women, even before membership. But earning by women has helped to augment family incomes substantially and changed the diet patterns and eating arrangements within the household. Senior members explained how they ‘gathered punlukura (gonkura) leaves, cooked them and ate them with rice or rotis’ earlier, but now ‘we go to Tandur market and actually buy vegetables’; ‘we also eat meat items once a week now’; ‘one of the members sells us vegetables and even guavas’; and ‘earlier children ate first, then husband, and I ate last what was leftover, but now we all eat together – after all I am also earning! But sometimes if children are hungry, they still eat first!’ As the entire family was eating better, girl children were also getting to eat more than before.

Women have started to have a say in household expenditure in respect of incomes contributed by them. This was seen in all the villages visited. For example, ‘How can I be questioned when I am giving the money?’ asked a member in Udumeshwaram. She had spent on a TV for the house. Another woman had repaired her house and purchased a fan. On spending incomes for personal needs the women said, ‘What do you think we spend on? It is mostly for the family or for the business! But we can easily buy small things for ourselves like bangles.’ About husbands they said, ‘They spend on hotels, cigarettes, drinks. When they meet friends, they spend. It is not like women.’ The men also agreed with this assessment.

However, on major capital items, universally, members said they would consult their husbands and take a joint decision. ‘I bought a fridge for my kirana shop. My husband helped me select the model.’ If, for example, they had to dispose of a major asset or incur a capital expenditure on equipment or undertake house improvement, it was a joint decision. One woman who was surprised by the question asked back, ‘How is it possible for us to buy an asset without the husband’s consent? After all, he would also have to ask me if he wanted to buy or sell something big! In any case you don’t give us the loan without his signature!’

Gender issues and women’s empowerment are not seen as an area where men are pitted against women. Rather, the women interpret it as one of expanding spaces and choices for themselves and getting recognition and respect within and outside the household. The men seem happy with this as the women are bringing in money which benefits the household. As one husband described it, ‘Women are changing. They are purchasing buffaloes, leasing land. It is very nice money. Women are talking better. It is all good!’ He had come to the Centre meeting to repay his wife’s loan instalment as she had gone to her mother’s place to recover from an illness.

6.4 Support From Husbands and Spread Effects. In the very early stages there was some reluctance on the part of men and doubts about whether SML was genuine. However, that is hardly visible today. Not only is there support, in case after case husbands came forward to say how they encouraged their wives’ membership. Some of the remarks made by husbands of members are: ‘At first I had this doubt – you don’t know us. How are you going to give loans without surety. Now we believe, after money started flowing’ Another said, ‘I’m the one who encouraged my wife to join.’

In only two cases men were found unwilling to support. In one case the woman (from a Muslim household) had gone ahead and become a member any way, using her young son to co-sign; in the other case the man said he was not keen that his wife join. But he still wanted to find out what were the benefits available so he had come for the discussion. Perhaps after a period of observation, his wife might become a member.

Spread effects are clearly visible. Growth in m-Credit operations of SML (table 3) shows this. In all villages visited the number of member-borrowers has grown. People from non-SML villages come to observe SML Centre operations to start similar activities there. Often men were found to take the lead. There were remarks from the men like, 'Perkampalli village people came and saw our village to start groups there; Here also earlier there were only 2 groups, now there are many more. Other women want to be part of groups...'; 'Initially the weekly payments was worrying. But now the women find it convenient. Many more want to join'. To a specific question about what was negative about the groups, the reply was, 'What is there to dislike? How can I invent when it is all good?'

6.5 Work, Labor, Leisure Choices. The first change is the reduction of wage labor in favor of becoming owner-managers. Members felt it was better to work for oneself rather than for someone else, even if it meant taking business risks. A member in Udumeshwaram village who had already taken two loans (Rs.5000 for a sewing machine and Rs.9000 for a flour mill, supplemented by a PMRY loan) which had been fully repaid, wanted a third loan for a hair dresser's shop for her husband. He was a wage worker in someone else's barber shop. 'If we own a shop, I can also go there and do hairdressing for girls!' she explained. As one member put it, 'Coolie work is coming down. We used to work from eight in the morning to six in the evening for Rs.20 only! And we had to carry our food tied in a cloth! Now we can choose how to spend our time and earn more money.' The most commonly reported net incomes ranged between Rs.30 to Rs.150 per day, an improvement over the pre-loan situation. However, some women thought they worked more than before as 'even at night we think about our business.' A mobile sari trader from NTR Nagar felt that she was unable to stop working, because, 'With more work I can earn more; the more I travel, the more I can sell.' But these choices of how many hours of work to put in for their businesses as against other activities were their own. Moreover, hard physical labor (e.g., agricultural coolies) seems to have come down, allowing women to get more rest.

Women have started enjoying some leisure activities. 'I bought a tape recorder to listen to music' explained a member from Yenkepalli. Others said they watched TV, now that they had electricity.

6.6 Non-market Work and its Sharing Within the Household. In activities like household work, childcare, maintenance, etc., by and large no reduction of load for women was seen. Women are continuing as before. Most women replied that they were used to the work, they had not thought about sharing or that the husband did not know how to cook. By and large, the idea of expecting systematic work sharing (not just one-off help on an exceptional day) in this sphere had not occurred to them.

However, there were some exceptions. In Gumastanagar a visit to a member's house-cum-grinding-mill showed that the husband had gone for some household shopping while the member was at the mill waiting for customers. She showed this researcher around her house where there was a fan, some furniture and the kitchen had an LPG stove. This had improved the comfort levels. The use of cooking gas had reduced the time and drudgery of firewood cooking and cleaning. In another case of NTR Nagar in a Muslim weaver's family the husband came forward to explain: 'I make dosas and idlis for the hotel when my wife is at Center meetings'. It was the fourth year of his wife's membership and she had already taken 3 loans (buffalo, coconut trade and petty shop which had grown to a hotel). He had given up his construction labor work and joined his wife's business now. In another case the member explained that now in her third loan cycle she had regularly started waking up her husband at 3:00 AM to go get milk for her small restaurant. In Yenkepalli members explained that some husbands helped in cleaning and feeding buffaloes, filling their water tubs, which was helpful. But they also said, 'The men are no help in cooking. They don't know how.... So we just plan before hand and complete it ourselves.' To an extent husbands are helping in child care - getting the children ready or dropping them to school. But husbands are supporting their wives more in their businesses as compared with domestic work.

6.7 Access to Public Resources. Literacy percentage in AP is a little over 45%. Women have had poor access to schooling and higher education, especially among the rural poor. However, a change is discernible among older members in respect of their attitude towards the education of their daughters. While most members knew about the importance of education for their sons, they are more likely to retain their children, including daughters, in full time education for a longer period now. In case after case members replied that they would not withdraw their daughters from school, even though earlier they had got their (first or second) daughter married as young as 13-16 years. Most said they would let the girls study further - as long as they wanted to. 'Earlier, we did not consider such things ...,' said one member from Tandur. In Nandivelugu a member explained, 'Two of my daughters were married after the V standard itself....They were just 13 years old! Now, after joining I'm thinking different...' In her case it was too late. But her neighbor (also a member) was able to help her second daughter: 'My first daughter was married early. Now, after joining the group I am educating my second daughter, though I never studied...' Similar comments were noted from the other villages also. They had learnt about the importance of educating girls from TV, weekly meetings and interactions with SML staff and workshops.

Women themselves have little or no systematic access to technology or training. Skill training for members and facilitating access to technology is not part of SML's agenda. However, there is a great interest in these. Women are very interested in upgrading themselves to improve their businesses and make level jumps in their enterprises. Some have accessed government training programs of the Rural Development department on their own. But this is a gap which could be redressed.

Improved housing is a need that is fulfilled to a small extent by accessing SML's housing loans. But most households have used personal resources (increased incomes from their businesses) to upgrade or build houses or house-cum-shop as new housing loans are difficult. In one colony members were living in government constructed pucca houses.

In case of serious ill health and for sterilization operations members and their families did access government hospitals and health centers. There was a preference for home remedies for minor ailments. This was common among new members and non members also. While the quality and timeliness of health services was reported to be variable, expectations from 'free' services were also not high. No major complaints were reported.

Most women and men, regardless of group membership, were aware of their voting rights and wanted to be in electoral rolls. Everyone voted with the possible exception of some migrants.

6.8 Women's Physical Mobility. Culturally and socially this did not seem to be as major an issue in Andhra Pradesh as compared with what is observed in parts of northern India. To an extent women from Muslim households had less mobility. Limitation on mobility was due to factors like the burden of domestic responsibilities, no reason to go anywhere, lack of time, limited availability of transport including lack of skills in cycling/riding two-wheelers. Now borrower-members, including those from Muslim households, traveled much more freely in connection with their businesses, both inside and outside their villages. There were no objections from family members regarding attending weekly meetings in the village, workshops at Branch level, etc. If marketing or procurement involved travel outside the village/district, and in a few cases, even outside the state, women were doing so (e.g., to Hyderabad, Amaravati, Bombay). They were also staying out late. All this was considered legitimate. Husbands, brothers and other male relatives were also helping out. One member from Mangalagiri village remarked, 'Now women can move freely up to 8:00 PM or even 9:00 PM because it is for business. Money is coming in! Who will object?' Such opportunities were far less for non-borrowers. However, traveling for pleasure was not reported as is observed in Tamil Nadu where members have jointly pooled some money and gone on holidays by themselves as groups for tourism or pilgrimage.

Visiting their natal households was common among all women, not just members. For example, it was common for them to stay up to even six months with their mothers for their deliveries during childbirth. Similarly, visits during festivals or religious occasions were common. Even during illnesses, women routinely sought rest and support from their natal households. In fact, among some members home visits were reduced due to business preoccupations, including in cases where the parents lived in the same village. 'Now-a-days where is the time for me? But my son goes regularly to visit his grandparents after school. They live in the next street...'

6.9 Breaking Social Barriers. More than half of the groups were mixed caste/religious groups resulting in far greater interaction across community lines, leading to a beginning of breakdown of social barriers within groups. At the beginning of each Center meeting the members and SML staff took an oath which included a line on non-discrimination on the basis of a person's denomination. Mixed caste/religious groups automatically meant increased inter-community interaction. The members were proud of this. In Yenkepalli the women listed out the various communities – 'Gollas, Mudras, Mala, Madiga...., we are all together. There is no problem at all. It is not relevant. We are all poor.' A Center leader from NTR Nagar said, 'We have Juhias, Muslims, Christians, Yadavs, all! It is not important.' A member from Gumastanagar village remarked, 'Whatever be our caste, we all have to die in the end! And meanwhile we all have to make good money to live! How does thinking about things like caste help? You tell me!' Such reactions were frequent to enquiries on caste and religion. SCs and BCs in the same group were common. Of the 6 villages visited, only one group had a single community composition (Christian, in Nandivelugu village). Members also interacted outside Center meetings, independent of SML staff. For example, in Udumeshwaram village a member explained how, at the time her mother died, all others from the Center had come 'to console and help me when my mind was upset'.

Marriages between children of members were reported by SML staff, often without dowry, rather, on the basis of expenditure sharing. This was a very significant development. During field interactions in Guntur district a specific case from Venigandla village (not visited) was reported by the members and SML staff where the Center leader's daughter had

married a Group leader's son. It is significant that the families agreed even though there was an old enmity between them arising out of a murder case where they were on opposite sides. The women met each other regularly in Center meetings which led to their children falling in love. The marriage took place without dowry. The dispute is also behind them now. However, so far, marriages continued to be on caste/religious lines, including in the case last mentioned.

6.10 Control Over Their Own Bodies. Access to regular credit and the consequential incomes had enabled women to negotiate better within a marital relationship. Their voices were heard. They were consulted more.

Questions on alcohol consumption and domestic violence initially resulted in complete denials. Then slowly members made remarks like, '... because of our self-respect now this does not happen'; 'there is group support, so husbands are more careful'; 'men have expectations about future loans, so there is no need for us to face beatings'. In Mangalagiri the members proudly described a specific case of a woman as follows: 'I know one member's husband, a drunkard. He took her money. It was she who beat him up and took it back!' A similar feedback was obtained in NTR Nagar where a member described a hypothetical situation: 'If he takes my money, I'll be the one to beat him and grab it back! After all it is really my hard earned money!' Another member added, 'Now we can at least talk back freely. We threaten: we can survive well without you!' Thus, it appears that while domestic violence does exist, women's financial independence and togetherness has helped in coping with it better. The remarks also indicate that, perhaps, the frequency and intensity of violent episodes may have also gone down as men acknowledge and appreciate the economic value of their wives.

There could also be changes in the way parents-in-law treat their daughters-in-law. SML staff narrated the case of a young widow in Guntur district who was ill-treated by her marital family, causing her mental violence and distress. They harassed her saying she was 'inauspicious'. After she joined a group, she first took a small loan for just Rs.1,000 to start petty trading in canteen items. Her second loan was for a buffalo. After her third loan she expanded and diversified to start a small restaurant. Once she was financially secure, her parents-in-law have started helping her in the business.

On choices regarding the number of children, the majority seem to prefer a small family size (1 to 2 children), regardless of whether women were long duration members or new/non members. While none wanted to be childless, as many as 84.8% of the women enquired said that the desired number of children were 1 or 2. Table 6 summarizes the responses.

Table 6

Desired Number of Children

Desired no. of children	3+	3	2	1	0	Total
No. of respondents	5	13	82	18	0	118
%	4.2	11.0	69.5	15.3	0.0	100.0

The reasons given were revealing: 'Indira Gandhi said so'; 'We can't afford many children – who will spend on bringing them up?'; 'Its not good for women's health'; 'If we have too many children we would have to make them coolies'; 'Where is the time to take care of so many if we have to do our business?'; 'We saw the messages on TV'; 'TV showed that there is nothing wrong with having girls'. It appears that a combination of economic, social and health reasons have contributed to a preference for smaller family sizes, it being an overall trend effect.

Individual enquiries regarding the actual family size (as against preferred), revealed the gap between actual and preferred number of children. Breakup of the actual number of children is summarized in table 7.

Table 7

Actual Number of Children

Actual no. of children	3+	3	2	1	0	Total
No. of respondents	34	26	32	16	10	118
%	28.8	22.0	27.1	13.6	8.5	100.0

Detailed interactions revealed that younger women (around 35 or less), regardless of the duration of membership in groups,

were better able to actualize their preferences to have less children as compared with older women. Older women already displayed larger completed family sizes (for example, 3 to 6 children were reported by women who were around 55 years of age or more). It is age (showing a trend effect) rather than duration of membership that seems to contribute to control over fertility. It is interesting that even among older women, many replied that they like the trend towards less children and felt that 2 were enough. One elderly member in Tandur remarked, 'Even with gonkura leaves we would bear 10 children... Now, after Indira Gandhi, young women can't and won't. It is better this way!'

The common reasons given for the gap between the preferred number of children and the actual number were: 'We were waiting for a male child'; 'Father-in-law and mother-in-law insisted on a son'. But some young women said that membership in groups had helped them decide on their own without succumbing to pressures from elders.

On contraception, terminal methods by the women were nearly universal, as against temporary methods. While younger women tended to undergo sterilization operations after 2 children, there were about half who had done so after 3 or 4 children, either after the birth of a son or after giving up hoping for a son. All the women with whom the subject was explored confirmed that (a) they discussed the matter with their husbands before the operations, and (b) it was the woman's idea or a joint decision between husband and wife. No case of vasectomy was reported. Some husbands with whom this subject was raised pointed to their wives, indicating it was she who had been operated upon.

On the preferred sex of children, a desire for a male child continues. However, a few women, particularly longer time members, have also started to question this social preference. When the issue of reasons for preferring a male were explored, the replies were: 'girls are an expense because of dowry'; 'they go away after marriage, no use to parents'; 'family name continues with the sons'; 'old age security'. During discussions in NTR Nagar, a new member was complaining that she had 2 daughters when another member of 4 years emphatically said, 'I have 3 children, all sons!' which the SML staff thought was lucky for her – all earners. But she continued, rather strongly, 'Now I want a daughter!'

While the son preference is common, at the same time, during the course of discussions, longer duration members were also able to counter many of the reasons for this: 'girls continue to look after parents even after marriage. Don't we, now that we have money?'; 'girls provide good security for their parents, better than sons, when they have their own business'. The discussions led many of the members to see that they themselves were already helping their parents in many ways, more so after they had economic independence. This increased their resolve to educate their daughters. However, concerns about dowry still continue.

VII. Changes in the Position and Status Women's Groups in the Community

7.1 Participation in Political Spaces/Processes. Political participation as voters was nearly universal. All women were interested in casting their vote during election time. But this was on an individual basis, rather than as groups.

Whom to vote for was commonly discussed at home. While most women make up their own minds, they are influenced by discussions in the community, the opinions of their husbands and money paid by candidates. Only in Nandivelugu village group members replied almost unanimously that they took money from both parties (Rs.100 each) and voted as per the directions of their husbands. There was only one exception who said: 'My husband and I discussed. Then, then, to be fair, I voted for one and he voted for the other' (as they had taken money from both sides).

Women had also started participation as candidates, especially in the local body elections. This had been spurred by the one-third reservation of seats for women. Discussions with SML staff (FCOs) at the Tandur Branch Office revealed that there were many examples of group members standing as candidates and two specific cases where members had been elected as *sarpanches* in their villages (Gottika and Devanur). In Tandur municipality itself a member had initially put up her candidature for the recent September 2001 elections, but she later withdrew as her community selected another candidate. 'We hope to see an MLA one day from our groups!' said one staff member. In Yenkepalli Branch also examples were narrated of members who stood from reserved women's seats, but lost by very narrow margins of one or two votes. In Mangalagiri Area the Vice President in one of the Gram Panchayats (Pathuru) was a member. An example was reported of a member who had stood and won from a general seat also (R.R Nagar), which was a significant development. But in the village of Nandivelugu there was not much political interest. Women's replies to questions of standing for elections were: 'We have not yet thought of this'; 'Standing needs investment, but there is no guarantee for winning!'

On quality of candidature, it was commonly felt in, both, Ranga Reddy and Guntur districts, that while it was women's

reservations that had helped them come forward in greater numbers as candidates, it was the self-confidence building due to group membership that had contributed to member-women being seen as 'genuine' candidates as against the 'dummy-women' candidates controlled by interest groups. The difference between what were locally called '*naam maathram*' candidates and 'real' candidates was repeatedly emphasized. Also, where members stood, there were genuine contests. It was reported that earlier, in many villages, there was no real election at all as everything was 'fixed' and a unanimous result declared. The increase in genuine contests was seen as a significant change taking place due to group membership.

Attendance in Gram Sabhas was the exception. Most members said they did not know when a meeting was convened. They felt it was not announced or properly publicized. Some felt that this might be deliberate. There was a general feeling that attending might not be of much use if they were not going to be consulted. While groups had not started interacting with local elected bodies, they probably did have the potential to start making the gram panchayat accountable to them as is observed in Tamil Nadu where, very often, it is the women's groups which are the major participants.

Overall, the conclusion is that political participation continues to be on an individual basis or through support of systems (family, community groups, payments, etc.) outside the group. This may be because the group facilitators have not entered the area of democratic empowerment.

7.2 Use of Collective Strength. Given the increase in confidence levels and an increase in the willingness and ability to take charge of their own lives, women's groups did have the ability to start negotiating for their own interests by participating in discussions with local bodies, presenting their needs to the mandal or district administration, networking with other groups outside their Centers, networking with other women's organizations, etc. But promoting this systematically was outside the scope of SML's sharply focused m-Credit management agenda. Nevertheless, there are scattered examples of groups using their collective strength to redress a grievance or advance the interests of their villages. Some examples are given below.

In Ranga Reddy district some of the groups reported that they approached government officials including the local Collector and asked for water supply and road improvement. 'Because of the group we have learned how to talk. None of us is scared anymore!' Due to their disciplined behavior and genuine needs the Collector gave them a patient hearing, accepted their demands as legitimate, and ordered the concerned officials to take up the work. One husband said, 'Only the women come forward now. Earlier, none of us would approach higher officials!'

Ration shops were closely watched by the members. In Ranga Reddy district a group said, 'We are all together watching. It is a temporary dealer who has got the ration shop allotment. If he tries to sell rice, kerosene or sugar elsewhere, we'll catch him!'

In Guntur district a member had a problem with the local ration shop staff. The man did not serve her properly and threw her ration card on the ground. Instead of picking it up she marched straight to her village and gathered the group members. Together they went to the Mandal Revenue Officer and made a complaint and got the grievance redressed.

In a case of police harassment, again in Guntur, where a member was wrongfully picked up by the police, the group intervened collectively and got her released.

The local district Collector was invited to a Branch workshop in Guntur district. It was an old branch (7 years in operation). Initially the members were hesitant, but soon opened up. They demanded many common facilities for their villages. There was a lively interaction with the Collector and other officials. The Collector gave them recognition and many of their needs were ordered to be addressed on the spot.

7.3 Increased Visibility and Recognition for Women's Groups. Formally, government agencies, parastatals, etc. had not recognized women's groups promoted by SML as representing women's interests or village interests. SML itself has not facilitated much direct interaction with official agencies, though it does not bar such initiatives by the women themselves. There are parallel 'official' women's groups promoted under DWCRA where membership often overlaps with SML membership. Due to this, and due to the fact that women's groups have got a good reputation locally regardless of who promotes them, with top level support from the state government which recognizes women's groups as a key tool for poverty alleviation, there is increased visibility and recognition. The women and men are aware of this and use it for collective village needs.

VIII. Changes in the Wider Socio-economic Environment

8.1 Changes in the Economic Environment. Two significant changes are observed. One, a sharp reduction in dependence on money lenders, and, two, a diversification of the rural economy.

The immediate advantage of alternate credit access on a regular and reliable basis for consumption, emergency and business needs has directly contributed to members retiring their previous high cost debts. This, even by itself, has enabled household to improve their economic situation in a year's time. By the second loan cycle reliance on money lenders becomes negligible and almost completely stops in the third loan cycle. Freedom from money lenders has also given them back self-respect. In case after case this researcher was told how even for Rs.1000 they had to make several visits to the *patel* and plead with him before he released the money. Not only were interest rates exorbitant (ranging between 60% to 120% per annum), the women said, '... our husbands were also at the beck and call of the *patel*. They made our men sweep their houses, yard, do other jobs, work on field for low wages ...'; 'sometimes we borrowed Rs.900 in the morning and repaid Rs.1,000 by evening the same day! On top of that we had to provide collateral also!' The interest rates were so high that even if most of the principle was written off the moneylenders would still make profits on interest collections alone.

SML field staff explained how there was some resistance initially from moneylenders who tried to discourage the women from joining. Moneylenders were reported to say things like, '... how long can SML provide loans? They'll give you once and go away, but we are here permanently'. Money lenders also approached SML staff and advised them to go away from their villages saying that the women would not repay. SML staff rose to these challenges and convinced members that they were also in the business on a long-term basis. This message has gone down well among the members.

No reduction in interest rates charged by moneylenders was observed as an effect of competition from SML's credit operations. Local enquiries revealed that moneylenders were now lending to the non-member, non-BPL households which was adequate business. Members said that they no longer had interactions with the *patels*. There was no increase observed in bank lending to women. SML was a bank substitute.

Coming to the second change, a substantial diversification of the rural economy was observed. There is a clear emergence of a service and business sector. Small loans and weekly repayments support income generation activities which yield daily/weekly returns, like trade and other services. These are also the activities requiring relatively small capital investments. Hence they are eminently suitable in the early stages for poor households. Women have taken to these in a big way. Apart from the traditional buffaloes, goats and agriculture based activities, a number of new activities have sprung up. The more successful ones are: petty shops, bicycle rentals, stone polishing (for floors), ready made clothes trade, cut piece shop, fruit and vegetable sales, trade in flowers, mutton shop, beedi making, small hotels and tea shops, and so on. Even traditional activities are being given a modern twist. For example, tailoring is combined with school uniforms, embroidery and bead work, barber's wife thinking of women's hair dressing, weaving saris being combined with dupattas and suit lengths, etc. There is a conscious effort to diversify even at the household level as a precaution against risk and seasonality. Women within a group select their activities in such a way as to avoid competing against each other or over-saturate the small local markets. All this has contributed to widening and deepening of the local economy.

8.2 Changes in Village Poverty Profiles. As women are taking to increased paid work, there is an increase in incomes and assets in women's hands. We have already seen above the improved access and control over incomes and assets among women. More particularly, women headed households (widows, abandoned women) have tended to benefit, reducing destitution and beggary. Except in one Center (Nandivelugu) female headed households were in most cases actively encouraged to join the groups. SML head office presented the case of a beggar woman in Kurnool district who was practically on the sidelines of society. She was afraid to talk to strangers, hesitant, scared that people would make fun of her. It took a while to encourage her to join a group. But after 15 days of motivation she did join. The first loan offered to her was for Rs.2,000, but she thought it was too much money. She took only Rs.500. She used it to start selling small fancy things like plastic items, mirrors, etc. from which she earned her first profit of Rs.7 which surprised her. But it sparked off a desire to improve her situation thereafter. Her successive loans were bigger. She graduated from a small basket which was her mobile shop to a push cart. She is no longer in poverty and has even availed a housing loan. Several such individual stories demonstrate changing poverty profiles.

Higher and steadier incomes are also contributing to better food and nutrition. A definitive assessment of the health and nutritional status of poor households would involve anthropometric measurements among growing children (weight-for-age, height-for-age, weight-for-height, etc.) and/or an examination of clinical signs of malnutrition, preferably over a period of time, which was outside the scope of this study. However, feedback from member families is indicative. Diet patterns had definitely changed: there was an increase in food availability, red gram and black gram *daals* were an addition, and there

was a beginning of regular consumption of purchased vegetables like tomatoes, brinjal, ladies fingers, an inclusion of fruits like guavas and bananas in the diet, and weekly consumption of meat. This means that there is a greater availability of vitamins and proteins, apart from carbohydrates. Earlier, gonkura leaves and rice were the staple diet with meats only on festivals or special functions. Women no longer eat last and least. They are also more aware of treating their daughters on an equal footing as sons. These changes can be expected to have reduced hunger and short term malnutrition, especially among women and girls. Better nutritional situation among women and girls is important on three counts: one, for their own well being; two, for the health of the future generation; and three, to reduce loss of work days and therefore incomes. Impact on long term malnutrition takes time and needs to be observed in terms of heights-for-age, completed adult heights, and other data especially on those who are currently in their rapid growth stage (children below 3 years of age and adolescents), which, are, regrettably, beyond the scope of this paper, but would be of interest in a separate study. At present it is taste and general impressions about well being that are driving food patterns. If income increases are combined with systematic nutrition education, forging systematic links between group and ICDS anganwadis, the health and nutrition impacts can be strengthened. Groups could even consider monitoring/running ICDS anganwadis on a trial basis, depending on local interest.

Women are more conscious and confident about monitoring the PDS shops. They are less likely to put up with underweightings, avoidable stock-outs, or other irregularities. However, they have yet to take over the running of a few PDS shops as a social or even economic activity.

8.3 Impact on Child Labor and Education. In certain occupations children are helping their mothers. For example, this is found in home based work like dealing with customers in a petty shop at home, minding a grinding mill, painting/repairing the premises, etc. But women are conscious about the education needs of their children. Children help out after school and during holidays. In fact, in some cases the children even forced their mothers to learn how to write, demonstrating an increased importance of education within households. It was mainly the wife, with support from the husband where needed (or vice versa in some cases) that handled the income generation activities. Hence the easy availability of m-Credit was not observed to increase child labor or withdrawal of children from school to augment family income. Rather, increased incomes are used to help children study further.

However, when a child had already dropped out, he did become an earner. But in all such cases observed the son was found to work independently, generally as a laborer or in other wage employment, not in the mother's business. If it was a daughter who dropped out, she would be married. No cases of a dropout rejoining school were observed because parents now have additional incomes.

There is a definite increase in the willingness to keep daughters in school longer with many mothers saying they would like their daughters to continue education as long as they wish. Older women who had prematurely withdrawn their first born daughters from school and got them married early, had changed their thinking when it came to their later born daughters.

IX. Conclusion

SML's experiences with m-Fin demonstrate that this primarily *credit-for-income-generation* based model of small women's groups, well oriented in receiving and repaying loans, closely supervised with trained staff, does lead to significant, first level improvements in the individual lives of members and their households, in contrast with non-members/new members. The poor themselves perceive these changes as valuable. There are also some beginnings of change in the position and status of women's groups as collectives. In respect of the wider socio-economic environment, changes are observed in respect of moneylender dependence, poverty profiles in villages and a greater willingness to retain children, especially girls, in full time education. The changes are all considered positive by women as well as men. These developments are taking place in the absence of systematic capacity building on gender or women's empowerment issues. The nature of facilitation for social mobilization and capacity building of group members itself influences the range and extent of empowerment, no less than credit. The potential for change seems to be greater than what has been actualized so far.

There are increases in incomes and assets in the hands of poor women, a significant improvement over their pre-membership situation. The benefits from this flow to the household as a whole. Women contributing more money to the household *on a regular basis* is well appreciated by other family members, in particular, husbands. Consequently, other non-income benefits to women like changes in personality, greater self-confidence, greater voice in and outside the house, etc., are not resisted.

The consistent 100% repayment rates have not only enabled women *access repeat loans*, they have enabled women to be able to *rely* on getting repeat loans. Moreover, high repayment rates combined with prudent cost consciousness has made SML's operations sustainable in the long run. It also makes SML an attractive investment destination for commercial financial institutions, enabling a greater flow of resources in future to women in poverty.

But currently loan sizes are small, restricting the further growth of businesses. SML is aware of this and its management is already seized of the matter. They are in the process of experimenting with larger small enterprise loans for members who have a long repayment history with the organization. Technical skill training to improve existing skills and learn new skills is absent and most women restrict their businesses to what they already know and very local markets. There is no support for marketing: skills in salesmanship, design inputs, modern packaging, branding, standardization, quality control, etc. These factors also limit business and income growth. Because of the sharply focused objectives of SML and their concern with costs, currently such support is outside their agenda.

Women have begun to have a greater control over their resources: assets, earnings and savings. A husband cannot sell the asset acquired on the basis of a loan from SML, except with the woman's consent. Women have a greater say in household expenditure, arising directly from their contributions. They are spending on gas stoves, fans, etc., which reduces the drudgery of domestic work and improves quality of life of family members. However, other independent expenditure on themselves, though more than before, tends to be small, restricted to saris, bangles, etc., with most of their money going for the benefit of the household or on improving their micro businesses. For major expenses women consult their husbands. But the reverse is also true. Now husbands are also consulting their wives more than before.

A significant change is the transformation of women from low wage workers to owner-managers. This is widely valued not only because of higher income prospects, but also due to a perceived increase in dignity and control. This change is associated with less time spent in hard labor, as well as, in some cases, more time spent on the new work situation. However, this more time spent is seen as resulting in more returns, and therefore liked by them.

There is an increased co-operation between husband and wife. While husbands have not started helping in any significant way in unpaid domestic work, they have started helping in their wives' business related work, especially where the businesses are thriving. Some have even given up their own occupations to join their wives on a full time basis. While this is seen as beneficial, whether this could eventually lead to a lessening of control by women is not yet clear. However, credit access in women's hands combined with self-confidence are countervailing factors, helping to keep control with women. Moreover, SML itself would like to see women retain control so that repayments are not adversely affected. This congruence of interest between SML and members contributes to first level women's empowerment.

Increased incomes have resulted in very visible increases in self-confidence and self-worth. Women volunteer to give their opinions, are more articulate, can better negotiate within their households, present their demands to government officials without hesitation, ask questions and seek information. Many of them reported picking up new ideas from TV. Women's mobility has increased. They travel more freely. Staying out late in connection with group meetings or business is considered legitimate and acceptable by their families. But women are not yet commonly riding mopeds, bicycles, etc. (as is observed in Maharashtra and parts of Tamil Nadu). Traveling or staying out late for other reasons was not reported (e.g., groups jointly going for tourism, pilgrimage, etc.).

While domestic violence is not eliminated, women report a decrease, combined with their increased ability to cope with it. They relate this to their increased economic worth. Birth control is almost universally practiced, especially among the younger generation. This is more a trend effect, rather than one arising out of group membership. Women are discussing contraception issues with their husbands. While there is a desire for small family size with one or two children, there is still a preference for a male child. Women undergo terminal methods of birth control after the couple has attempted to have a son, often resulting in family sizes larger than desired. Male sterilization is rare, even though simpler and less expensive. However, simultaneously, there is an increase in valuing girls also. Younger daughters are more likely to remain in school for longer periods and married later. Increased value for daughters is related to group membership.

As groups, the local village communities have started to recognize women's collectives. They are well regarded not only as important sources of credit access and incomes, but also as a tool to approach officials and articulate village needs. However, the picture on political/democratic empowerment is mixed. SML, of course, does not concern itself with orienting women on these issues. Voting is near universal, regardless of group membership. While a majority seem to be voting as per their own decisions, there are examples of members going by instructions of husbands. A far larger number of women are standing as candidates for elections to local bodies. While this is primarily a result of women's reservations rather than

group membership, the effect of SML is seen in the quality of candidature. More 'genuine' women candidates are reported to come from out of group members and real contests are reported from constituencies where members have stood. But there is very limited participation in the grama sabhas. Most members reported that they did not even know when the grama sabhas were conducted or what was to be discussed in them. The groups are not yet a democratic force and wooing for votes takes place more on a community basis.

Government agencies and banks do not recognize SML groups for linkages and benefits, perhaps, due to SML itself being independent of government a bank substitute. SML does not facilitate these linkages. The groups see SML as a bank, popularly calling it 'SHARE Bank'. However, in individual cases members are accessing benefits from government schemes. SML is open about this and does not inhibit them from availing these benefits. Some groups have been successful in placing their needs before the relevant authorities and getting them addressed. Such linkages could be more systematically facilitated at group/center level in sectors where there is no competition or conflict of approach, e.g., for improved access to and a say in the operation of health centers, ICDS services, PDS, water supply, sanitation, education for girls, etc., rather than with SGSY or NABARD's SHG-bank-linkage program.

Changes in the wider socio-economic environment are more significant than changes as groups. There is a sharp reduction in the moneylender business among member-households, especially after the second year. The rural economy is getting more diversified as members take to a variety of economic activities. Growth of the service sector is observed. These developments help in combating seasonality factors and business risks, contributing to a widening and deepening of the rural economy. Poverty profiles are changing. More female-headed households derive the economic and social benefits of group membership. More widows and abandoned women enjoy greater security. However, while SML aims to target these categories, there are also cases where member-orientation has not focused on this, resulting in the exclusion of the worst off as they are seen as unable to cope with weekly repayments. Diet patterns have improved with consumption of a variety of purchased vegetables and fruits as against gathered leaves with rice and rotis, and weekly consumption of meat. With an increase in market oriented work for women, a possible temptation to utilize the help of children to earn more can arise, adversely affecting their education. But this is not in fact observed. Members are more aware of the value of education, including for girls. It is husbands, rather than children who are helping out. Children do help, but not during school.

The changes that are taking place flow from the *joint facilitation of group strengthening with credit access for women*, rather than from credit access per se. Moreover, the nature of social mobilization and the kind of capacity building that takes place in the process of group formation, seems to be just as important in influencing the type and extent of women's empowerment. SML's focus being *primarily credit based for income generation*, there are limitations to the range and extent of empowerment that can be reasonably expected to take place 'incidentally'. Certain changes are not part of SML's agenda: direct orientation on gender and women's empowerment, orientation of men and building in them skills to cope with changing male-female relationships, deepening democratic participation, enabling women to address their strategic needs, not just the more limited practical needs by identifying restrictions that inhibit and methods to overcome them in order to enable women, along with men, to fully participate and derive benefits from available resources. Hence, it would not be fair to expect them to have taken place. The conclusion here is that a very good triggering off for women's empowerment has taken place with a strong economic foundation, a precondition for further change established (based on a clear economic level-jump combined with increased stability). Now the time is ripe for a more explicit strategy to widen the scope of women's empowerment. Awareness building on gender and empowerment among, both, the facilitators and beneficiaries of m-Fin, can help to counter historical, patriarchic, socio-cultural and political factors, that prevent women and men from growing up to their full potential, supplementing SML's economic inputs.

It is not necessary that this be funded by SML. Alternatives could be considered. For example, SML could consider linking up with other relevant agencies and individual specialists on gender for building the capacity in this area of SHARE group's non-profit wing, like SHARE Society, to work in tandem with SML. There does not have to be a contradiction between a *primarily credit-based* and *primarily other-than-credit based* approach as each has the potential to strengthen the other, forging a symbiotic relationship.

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TERMS OF REFERENCE FOR STUDIES ON SOCIAL MOBILISATION AND MICRO-CREDIT FOR WOMEN'S EMPOWERMENT

Background and Context

According to the Human Development Report 1999, other UN/World Bank reports and the 1998 report of the Mahbub-ul-Haq Human Development Centre, Islamabad, the South Asian region is fast emerging as one of the most deprived regions in the world. It is the poorest region in the world with a GNP per capita of US \$ 452 in 1997. South Asia has the largest number of people in the world living in absolute poverty, containing 43% of the developing world's people in absolute poverty. Sixty per cent of these are women, with limited access to basic needs. The greatest burden of human deprivation and poverty, illiteracy and health related problems fall on its women. [\[17\]](#)

The consequences of women's poverty are easy to see. In a region where health facilities are poor, child-births account for 15 per cent of all deaths among women. Discrimination against females is responsible for one out of six infant deaths. The causes of women's poverty result, both from belonging to poor families as also to women's subordinate role within the family, community and the larger economic and political arena. One of the major causes of poverty are class, caste, ethnic and religious discrimination, unequal distribution of land and lack of control over resources. All of these factors add up to a lack of access to economic resources and a lack of power on the part of the poor which limits their ability to take control of their lives.

Economic growth in a region has no co-relation with women's status or well-being. Haryana, for example, has had a relatively rapid rate of growth in per capita income. Yet, infant mortality rate in the state is 68 per 1,000 live births, four times higher than the rate in Kerala. Haryana has 865 women per 1000 men in its population. Twenty per cent of rural households are headed by women as a result of widowhood, desertion or male migration. [\[18\]](#)

Studies undertaken by UN agencies and others have shown that while women on an average work for longer hours than men, most of this work is classified as housework and unpaid or it is seen as subsistence economic activity which brings little remuneration. Patrilineal kinship systems deny daughters, wives and widows their share of family property. The net result is that women have less independent access than men to capital, property, markets, technology and extension services. It is worth noting that nearly 78 per cent of all economically active women are engaged in agriculture. However, women farmers are handicapped not only by their social subordination but also by their lack of access to productive resources including land, inputs, credit and extension services. Their restricted mobility, responsibility for all household tasks and lack of access to knowledge and information all contribute to constraining their productivity.

According to the First Report of the Committee on Empowerment of Women presented to the Lok Sabha in 1999, the literacy rate of rural women was 30.35 per cent in 1991, the expectation of life at birth for rural women was 58.1 years and approximately 52.49 per cent rural families were living below the poverty line. To compound the traditional sources of disempowerment, there are specific implications of globalization on women.

In the 1970s, building on the work of organisations like SEWA, the problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975. Later women's organisations like the Annapurna Mahila Mandal and Working Women's Forum demonstrated the feasibility of small loans to poor women, primarily to support small entrepreneurial ventures. Access to credit was seen as vital to women's ability to earn an income. This was in turn seen as central to their wider status and autonomy.

Micro-credit through self-help groups is today seen as a panacea for poverty alleviation. Thousands of women's self-help groups have been set up by NGOs and government supported DWCRA programme. National schemes like the Rashtriya Mahila Kosh, the Indira Mahila Yojana and poverty alleviation programmes like Swarnajayanti Swarozgar Yojana (SGSY) see women's self-help groups as vehicles for programme implementation. This is also true of multilateral, bilateral and Bretton Woods institutions like the World Bank. Micro-credit is also seen as a major vehicle for women's empowerment

A review of the literature on women's empowerment suggests that there is still little primary research at the grassroots level to contribute to our understanding on what empowerment means in daily life. There are many definitions of empowerment. Linda Mayoux (1998) has defined empowerment with specific reference to micro-credit as follows.

"Empowerment is a term generally used to describe a process by which powerless people become conscious of their own situation and organise collectively to gain greater access to public services or to the benefits of economic growth." [19]

Srilatha Batliwala in her paper on empowerment of women in South Asia distinguishes between different approaches.

"Those who promote women's empowerment through integrated rural development programmes ascribe women's disempowerment to their lack of education, low economic status, lack of access to resources and low decision-making power. Those who promote women's empowerment through economic interventions see disempowerment as stemming from their low economic status (and consequent dependence) and their lack of decision-making power. Those who promote women's empowerment through awareness building and organizing women see women's disempowerment as stemming from a complex interplay of factors - historical, cultural, social, economic and political." [20]

Given the complexity of the issue, a multi-dimensional framework is required to understand women's empowerment [21]. This would encompass

- Access to and control over private assets and resources
- Access to public resources
- Control over labor and income
- Control over their own bodies (sexuality, reproduction and physical security)
- Control over physical mobility
- Access to and control over political spaces
- Access to and control over intangible resources (information, influence, political clout)
- Position in law and access to legal structures and redress.

It is widely accepted by NGOs in India that promoting women's empowerment is the best way of achieving overall empowerment. A common approach is to organize groups of 15-20 women into "self-help groups" These groups meet to save and to lend to the members, small loans for productive activities. Interest rates and repayment rates are decided by members. There are minor variations in the exact modalities by which micro-credit is disbursed from NGO to NGO, but the overall framework is similar. The results have shown that there is 90 per cent repayment by women - and this in turn has made policy makers and donors realize that banking with women is a financially sustainable operation!

While NGOs, people's organizations and women's groups acknowledge the potential of organizing the poor around micro-credit for it has loosened the strangle-hold of middlemen and provided timely credit to the poor who could not access credit from the formal sector, it must also be recognized that micro-credit is not a panacea for poverty alleviation. It is now increasingly being recognized that micro-credit interventions have concentrated on economic aspects of poverty and not touched on the non-economic dimensions of poverty. Micro-credit has worked where other empowerment strategies have been included as part of social mobilization. These strategies have included assisting women to have increased control over their incomes and resources, helped women to define their own priorities and ensure their participation in decision-making at various levels, at the household, community, region and state.

Recent studies have raised concerns that prioritizing financial self-sustainability may detract from both poverty targeting and poverty alleviation. Linda Mayoux writes: "credit is also debt and although the poor may be willing to pay high interest rates this diverts their scarce resources from production and/or consumption leading to debt burden.... The overriding concern with repayment rates frequently leads to the exclusion of the poorest even in group-lending through both self-exclusion and discrimination...Long-term sustainability requires both attention to developing the skills, earning capacity and empowerment of clients and institutional learning which is costly in the short-term. There are therefore dangers that the concern with short-term cost-efficiency may jeopardize long term organizational and client sustainability...Many of these programs are not prepared to compromise their targeting of the 'poorest of the poor' and emphasize the need to adapt micro-finance to their needs." [22]

Concerns have also been raised about the link between poverty, child labor and education. It is often argued that if poverty is reduced, child labor would be automatically eradicated. More recently, this link has been questioned. An evaluation of

micro-credit programs is needed to shed light on these issues as well. It would, for instance, be important to document whether incomes alone empower women enough to send their children to school.

Objective of These Studies

The basic objective of commissioning these studies is **to understand the role of social mobilization and micro-credit for women's empowerment**. As mentioned earlier, there is an implicit belief that provision of micro-credit automatically means empowerment. This belief has been so internalized that policy makers and NGOs see micro-credit, setting up self-help groups of women around savings and credit as the panacea of all ills. It is hoped that through documentation of NGO and CBO work in the area, more empirical information on best strategies would be available, which could be used by the Ministry of Rural Development to re-design their poverty alleviation programs such as the Swarnajayanti Grama Swarozgar Yojana (SGSY) to include a poor people's perspective. ^[23]

As a first level analysis, the basic assumption that there is a positive economic impact on the women needs to be examined. The degree of this impact and the sustainability of the incremental benefit also need to be analysed. It is also envisaged that these studies would throw light on the role of economic empowerment for overall empowerment of women borrowers and types of social mobilisation strategies required for empowerment to be sustainable under differing conditions.

A second objective of these studies is to see whether greater incomes for the poor means that children are removed from work and put into schools - the poverty argument. Or whether micro-credit and income-generation programmes increase the incidence of child labour as children are then expected to work on home-based piece-rate work to augment family incomes.

Methodology

At the outset it would be critical to study three types of organizations: NGO, people's organizations and women's organizations. NGOs are well-known and do not require a definition. By people's organizations is meant organizations which are owned and managed by the poor themselves as opposed to organizations where the poor are seen as beneficiaries of service delivery. Women's organizations are defined as those which are managed and controlled by women and whose membership is made up exclusively of women. People's organizations and women's organizations could be small neighborhood groups or federated into larger district-level or even state-level groups. They may be registered or unregistered. They could hire professionals to assist them or be completely run by the community.

Most documentation on the subject has not focussed on the 'voices of the poor'. It would therefore be crucial that the studies document the voices of both poor women and men, those organised and those not organised, those accessing micro-credit and those who are shying away from it and so on.

For each of the programs/organisations identified, the study would focus on three separate aspects. These are:

1. The perspective and approach of the implementing agency
2. The design and management of the micro-credit programme
3. The changes in the lives and situations of women members of self-help groups

A broad outline of the framework for enquiry into each of these aspects is given below.

Perspective and approach of the implementing NGO

- History of the organization and background to involvement with micro-credit
- Strategic location of micro-credit program in relation to overall vision, goal and objectives
- Relationship of micro-credit program with other activities (including relative proportion of finances/staff dedicated to micro-credit program)
- Perspective on women's empowerment and women's present situation
 - understanding women practical needs and strategic interests and how these are reflected in women's programs/micro-credit program
 - analysis of gender dimensions of poverty
 - framework for understanding women's empowerment in family/ community/ larger society
 - linkage with other organizations working on women's empowerment

- Perspective on role and functions of micro-credit
 - linkage between micro-credit and poverty alleviation
 - linkage between micro-credit and women's empowerment
 - linkage between micro-credit and macro-economic processes
- Competence/skills of staff
 - levels of training/capacity-building on micro-credit management/gender issues/participatory processes/other issues
 - provisions for ongoing capacity-building

Design and management of the micro-credit programme

- Conditionalities for membership of SHG and the degree to which these exclude certain women
- Development and application of rules/norms for savings and borrowing
- Savings/credit ratio
- Rates of interest in relationship to rates charged by other formal and informal sources of credit
- Nature of collateral required
- Nature and volume of loans and use of loans for productive/non-productive purposes
- Rates of repayment and penalties applied in cases of default/late repayment
- Mechanisms for record-keeping and accounting
- Degree of flexibility in norms
- Nature of support services provided by the implementing NGO
- Women's experiences in accessing credit
 - time taken/help required in filling out forms
 - time taken/help required in dealing with banks
 - problems in getting guarantor/collateral
 - nature of support available for setting up an enterprise/backward and forward linkages/markets
 - levels of increase in income
 - availability of second dose of credit
 - change in dependence on moneylenders and other informal sources of credit

Changes in the lives and situations of women

- Access/control over private resources
 - ownership of and decision-making power over private assets and income accruing from these assets (land/house/livestock/equipment/jewellery)
 - savings
 - family income
 - food
- Women's access to public resources
 - access/availability/division of labor in fuel/fodder/water collection (does it increase child labor?)
 - access to and expenditure on personal health care
 - food security/nutritional level
 - education level and access to opportunities for formal education
 - access to and utilization of childcare services
 - access to technology and training
 - access to housing, bank credit and electoral rolls.
- Women's control over labor and income
 - nature of waged and non-waged work, level of autonomy in deciding these tasks
 - time spent of different activities, time for leisure and use of leisure time
 - choices available for wage labor and degree of freedom in exercising these choices
 - choices available for unwaged labor, household division of labor
 - control over wages
 - proportion of wages used for personal needs/contributed to household

- control over household expenditure
- access to and control of markets and marketing of products of own labor
- participation in wage struggles and struggles for workers' rights
- Women's control over their own bodies
 - decision-making power in marriage
 - decision-making on child-bearing (number/spacing/gender-preference), contraception and abortion
 - decision-making in sexual relations with partner
 - experiences of domestic violence
- Women's control over physical mobility
 - access to places inside and outside the village
 - places where women can visit alone
 - places where women are escorted, and by whom
 - places where women can go at night
 - places prohibited because of gender/marital status
 - places prohibited because of caste/religion/community status
- Women's access/control of political spaces/processes
 - participation in elections as candidates and voters
 - decision-making about whom to vote for
 - membership/nature of participation in political bodies (women's groups/ panchayats/ unions/federations/caste associations)
- Women's consciousness and collective strength
 - ability to bargain/negotiate and promote own interests
 - space for women's collective in processes at the village level
 - access to and relationship with larger networks
 - involvement in larger struggles
 - involvement in initiatives for girls' education/health/empowerment
- ◆ Impact on child labor and education
 - participation of children in home-based work, hours worked and the nature of the work as a result of availability of micro-credit and income-generation schemes
 - taking children out of school so that mothers can be freed for productive work and children can help augment family income.
 - taking children out of work and putting them into school because parents now have additional incomes.

Methodology

The studies would be carried out through intensive field investigations. The indicative framework given above would be detailed through a workshop with researchers, academics and representatives of women's groups and NGOs.

Time Frame

The researchers would be expected to spend at least 15 days in the field. The research studies should take a total of 4 months. It is proposed that the draft reports be ready by mid-May 2001. Final reports should be available by end June 2001.

Costs of Each Study

It is envisaged that each study would cost approximately Rs.200,000 and the total consultancy cost would be Rs.12,00,000. Approximately Rs. 200,000 is budgeted for travel by air, board and lodging on actuals and incidental expenses. Two

workshops, one to discuss the research framework and the other to discuss findings would cost Rs. 300,000 each. The cost includes air travel for consultants and over night stay in Delhi. The total cost should not exceed Rs. 20,00,000.

Number of Studies to be Commissioned

Approximately six studies would be commissioned from different parts of the country. Possible NGOs to be studied are: SHARE in Hyderabad, Cashpor Financial and Technical Services in Mirzapur, ASA Trust in Tiruchirapalli in Tamil Nadu, PRADAN in Bihar UNDP supported South Asia Poverty Alleviation Project in Andhra Pradesh, Grameen Vikas Vigyan Samiti in Rajasthan, Kutch Mahila Vikas Sanghathana in Gujarat, Lokadrushti in Orissa and Swayam Shikshan Prayog in Maharashtra. At least 10 organisations would be invited to the first workshop to discuss the research proposal and framework and a selection would be made thereafter of the groups to be studied.

These studies would be published jointly by UNDP and ICICI.

Role of ICICI

ICICI would be a major partner with UNDP. ICICI would comment on the Terms of Reference for the studies, would be associated with the identification/ selection of researchers. They would participate in the planning workshop as well as comment on draft papers. ICICI would provide inputs for the policy discussions and jointly publish the papers with UNDP.

Other Conditions Applicable

UNDP shall ensure the incorporation of the following terms of reference in the overall framework of the study:

- a. A comprehensive literature survey on the theoretical and empirical research in the area will be submitted to ICICI.
- b. The impact of micro-credit alone on social empowerment vis-à-vis credit plus approaches of NGOs will be assessed.
- c. The study will draw from direct interactions with the women/borrowers as much as it will from the interactions with the NGO staff.
- d. Assessment of improvement in living conditions of the women in the short and the long-term will be a part of the study.
- e. A definition of women's empowerment to be made and broken down to formulate indicators for measuring the impact of the NGO's programmes.
- f. A comparative assessment of the impact of different models of delivery used by the selected NGOs will be part of the study.

[1] Which includes other financial instruments also like savings, insurance, financial intermediation, etc.

[2] One example is the Tamil Nadu Women's Development Project, *Mahalir Thittam*.

[3] IRDP and DWCRA have been replaced by SGSY for rural areas; the SHG idea has also been adopted for urban poverty alleviation under the SJSRY; many commercial and co-operative banks are also directly promoting and lending to SHGs with refinance from NABARD; WDCs in many states are also taking up this work, e.g., DeW in TN covers over 1,000,000 women members.

[4] The investigations were carried out by the author, in the absence of a budget for hiring field investigators, their training, etc. Help was provided by SML Head Office personnel who facilitated field visits. They were open, free with information, and enabled easy access to groups and field staff.

[5] In the districts the interactions were conducted at the Area and Branch offices of SML.

[6] Mr. Udaia Kumar, MD, SML and founder of the SHARE group.

[7] With a grant from the Asia Pacific Development Institute, Malasia, and a soft loan from Grameen Trust, Bangladesh.

[8] Loans to members within a group are staggered with 2 women getting them first, another two later after repayments from earlier borrowers are established, and finally, for the last member (2-2-1). Thus there is pressure from waiting later borrowers on the early borrowers to repay. Once repayments are well established, it is group guarantees and expectations of further loans that help keep up the zero default.

- [9] For e.g., it was made clear to this researcher that as UNDP was not providing any funds to SML or to the interviewees, the study meant costs to SML in terms of time and other facilitation expenses. There was, however, good co-operation which enabled the work to proceed with few hiccups.
- [10] For example, a young head office staff member was deputed to accompany this researcher for part of the field work in order to enable her to observe and learn from it. This may also help in internalising some of the ideas on gender within SML.
- [11] The operations of SML, including 5 member groups, are based on the Grameen model. This is different from the more participatory multi-purpose SHGs which manage their own savings and internal credit, plus access external loans for income generation activities. There are advantages and disadvantages under both.
- [12] Asset holding should not exceed Rs. 20,000 (approx. USD 430); per capita income should not exceed Rs. 350 (USD 7.5) per month.
- [13] However, a disaggregation of data in the study showed that while the *average* level of a poverty indicator was lower (i.e., worse off) for SHARE households as compared with non-client households, the *poorest* of the non-client group were worse off than the poorest of the clients. So, while a majority of the members are indeed poor, the absolute worst off cases are probably getting excluded. Credit may or may not be the best first tool in many such cases.
- [14] Though not required in India, this more stringent standard is useful for SML to attract international funds.
- [15] These figures were noted during M-CRIL rating, a micro finance risk rating and risk assessment exercise by Micro Credit Rating and Guarantees India Limited, which gave SML an alpha+ rating grade, valid up to September 2001.
- [16] Covering 125 mature clients from 3 SML branches.
- [17] UNIFEM 1999, Carrying the Beijing Torch in South Asia
- [18] UNDP, New Delhi 1997, India: The Road to Human Development. India Development Forum, Paris, 23-25 June
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