

Micro Finance syndrome: Is it for empowerment or disempowerment of women?

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The premise

Micro Finance (MF) at the surface level appears to deliver the holy trinity of ‘out reach’ ‘impact’ and ‘sustainability’ making the development sector excited particularly in the process of attacking poverty. Further, the Self Help Group approach (SHG) for conduiting MF to the women ultimately is claimed to have facilitated for empowerment of women at large in rural areas. On similar account, the nascent player in this ., Micro Financial Institutions(MFI) have emerged as savior of the poor in the rural financial landscape. In the process of development and empowerment, the MF players have found the ‘poor’ a new market niche as lucrative and protected one since it relies on the famous concept of SHG with the provision of lending to group members (not individual) and collective responsibility for repayment. All these events appeared to usher in a significant stride in women empowerment in the rural areas.

However, a micro level perception over the realities of the situation, supported by the empirical findings through a participatory research appraisal method on the subject reveals some perturbing facts disproving the above popular postulates.

Although, there is positive impact of micro credit in particular (one of the components of MF) on the level of economic poverty at household level, the negative implication by and large, outweighs more than the positive ones. There is no doubt ample empirical evidence to establish the vast out reach of MF with the focus on women. But, mere out-reach alone, although claimed as successful achievement in many quarters particularly in supply side, does not portray the true picture on the implication of MF on poverty sector in general and empowerment of women in particular, as it is mainly lacking sustainability. Further, MF and SHG alone are inadvertently considered as “ sarvaroga nivanan”, a panacea for all the ills The lacuna is that the vital link between MF and human poverty reduction remains to be proven. In fact, there is also evidence that as a result of massive out reach in rural front , a proportion of micro credit beneficiaries with a majority of women, has become worse off with more debts after accessing micro credit through Self Help group(SHG). On similar counts, there were reported suicides too among SHG women questioning the very process of empowerment itself? Despite the presence of vast network of multi agencies in the formal sector(commercial banks, Regional Rural Banks, Cooperatives banks) participating in rural finance programme including MFI over three decades , a little more than half of the farmer households (51.4%)in India remain excluded from both formal/informal sources of finance., as highlighted by the **Committee on Financial Inclusion** constituted by National Bank for Agriculture and Rural Development (NABARD) in their report. Is this deplorable situation due to ‘**In spite of**’ or ‘**Because of**’ the presence of multi agencies in Indian rural financial landscape? This kind of syndrome in MF arena remains unchecked or uncontrolled.

In this above context, some perturbing questions therefore arise

- 1) what is the concept of Micro finance and its values in the context of poverty reduction and women empowerment? Is it misused ignorantly or mishandled deliberately ?

- 2) How does MF game gain entry into rural financial landscape in India?
- 3) Is micro credit administered as a pill for alleviating or aggravating poverty ?
- 4) Are micro credit programmes through SHGs with focus on women, a solution by themselves to women's poverty and dis-empowerment or are they just acting as flexible conduit for pushing micro credit to men through women and leaving debt burden to the latter?
- 5) Can mere micro credit alone successfully reduce poverty and empower women? Can we treat micro credit and micro finance as one and the same in delivering the expected good to the target group?
- 6) In the context of presence of multi agencies vying each other to conduit micro credit liberally and mechanically in the poverty sector through SHGs irrespective of the absorbing capability of these groups existing with a weak infrastructural base, whether micro credit facilitate income generation or debt burden in general and during drought period in particular?
- 7) In the context of unhealthy competition among MF service providers in rural arena, can we rejoice or on the contrary be worried about this 'commoditization' or commercialization of micro finance with poor becoming new 'market niche' ?
- 8) Can we bring all types of money lending to the poor under the MF canvas ?
- 9) Does MF leads to debt trap in poor women household?
- 10) Is the concept of SHG – MF galvanized for political advantage ?
- 11) Are the values of MF honored ethically in both supply and demand sides”?

The answers to these questions would break the myths and reveal the facts in real world in MF arena.

As against the above background, the scope of the paper is , in the first, to make some clarity on the concept of MF based on personal experiences of the author besides the one practiced by the practitioners as well in the arena. Secondly, and mainly the paper concentrates on the negative picture of MF scenario deliberately while admitting the positive impact of MF also in poverty reduction and women empowerment. The purpose of focusing the negative picture on MF is neither to discourage the use of it as one of the means of empowerment of women nor to undermine the value of it's development potential in the poverty sector, but to focus the realities of the situation at micro level once it is out reached the target group so that some corrective measures could be taken up for realizing the real purpose of MF in Indian context.

However, the specific objectives of the paper are as follows

Objectives

- To define the concepts and the values of MF arena and empowerment of women for clear understanding
- To trace the entry of MF –SHG for the cause of poverty reduction and empowerment of women
- To highlight the events taking place in real world to find the gap between the concept and the practice, and
- To give some recommendations for consideration both at policy and implementation levels

The paper has three sections . The first one gives the conceptual clarity on MF and empowerment. The second section discusses various events happened in MF-SHG arena focusing the shades in the process of empowerment of women. The last section portrays the gap between the concept and practice in MF-SHG area followed by a concluding remarks

Section 1.

The concept and values of MF

At the global level, the interest in micro finance has burgeoned during the last two decades: multilateral lending agencies, bilateral donor agencies, developing and developed country governments, non government organizations (NGOs), and private sector financial institutions all emphasize and support the development of micro finance. As a result, micro finance services have grown rapidly during the last decade, although from an initial low level. All these events have resulted in the existence of both a substantial track record of accomplishment and a significant body of empirical studies world wide together underline the significance of micro finance as an effective anti poverty and development strategy. However, the term micro finance is by and large used as synonymous to micro credit inadvertently and the holistic approach for the adoption of micro finance package is neither felt nor seriously followed. Unfortunately, the term micro credit is used in world bodies like 'Micro credit summit' and in the UN deliberation for 'Micro Credit year' for drawing global attention and top of it attracted the attention of Nobel prize committee too.

In Asia region, in countries like Indonesia and Philippines any lending activities in rural area (whether to poor or non poor) are treated as micro financing. Lending to institutions like co-operatives, village banks, rural banks, NGOs, Self Help Groups are also termed as micro credit representing micro finance.

In India, various terms like micro credit, loan to small farmers/ micro enterprises, weaker sections loans, rural credit, Integrated Rural Development (IRDP) Programme loan /Swarnajayanthi Grama Swrajgaris Yojana (SGSY) loan, petty loans are invariably used in the banking arena for indicating the advances extended to the poor. In formal banking parlance, advances to weaker sections (Rs.25000 and less) may also belong to this category. The bank loan under differential rate of interest (DIR) with 4% interest to the poor may belong the micro finance category. There is also subtle difference between micro credit given to rural and the one given in the urban areas. Priority credit which is supposed to accommodate the really deserving and the poor, now has become redundant and lost its value as deviations and relaxations have taken place. The irony is that it has now facilitated the formal players to find escape routes (like putting in Rural Infrastructure Development Fund, financing Non Banking Financial Companies [NBFC] etc.) for not reaching the unreached. This fact that also contributed in the rural areas for exclusion of deserving poor people from the formal banking system.

All these above terms may represent Micro credit in terms of the quantum of loan and target group (poor) and is used ambiguously for MF. A clarity on the concept of micro finance and its inherent values in development context is therefore, required urgently.

1. Definition of Micro finance

1.1 Consultative Group to Assist the Poorest (World Bank)

Micro finance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks.

Poor people usually address their needs for financial services through a variety of financial relationships, mostly informal. Credit is available from informal moneylenders, but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit

associations, and other mutual savings societies. But these tend to be erratic and somewhat insecure. Traditionally, banks have not considered poor people to be a viable market.

1. 2. Asian Development Bank (ADB)

Micro finance is defined as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to the poor and low-income households and, micro enterprises. Micro finance services are provided by three type of sources: formal institutions, semi-formal institutions such as NGOs, and informal sources such as money lenders and shopkeepers. Institutional micro finance is defined to include micro finance services provided by both formal and semiformal institutions. Micro finance institutions (MFIs) are defined as institutions whose major business is the provision of micro finance services

1.3. Task force on Micro finance – NABARD, India

Realizing the fact that the micro-finance often gets equated merely as credit for micro-enterprises while poor also need savings, consumption loans, housing loans and insurance services, the Task Force appointed by NABARD on supportive policy and regulatory framework for MF has suggested a working definition of MF as

" Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards ". The task force has further emphasized that MF will cover not only consumption and production loans, but also include other credit needs such as housing and shelter improvement while other financial services like savings and insurance are also included.

The target group

MFI is left to identify the poor. However the selection criterion so adopted will have to be in conformity with the poverty line adopted by the GOI .

Non financial services associated with MF

MF is very often accompanied by non financial and other business like capacity building, forward and backward linkages etc., provided by the same or other institutions mainly enhancing the productivity of the credit.

The emphasis is that MF services and products need to be dynamic to take care of the emerging requirements of the poor under **pre-micro – enterprise stage**.

Micro Financial Institution (MFI)

MFIs are those which provide MF as defined above. They have emerged broadly under three categories as follows

- a. **Not-for-profit** - MFIs a) societies registered under the Societies Registration Act, 1860 or similar State Acts b) Public Trusts registered under the Indian Trust Act, 1882 and c) Non-profit companies registered under Section 25 of the Companies Act, 1956.

Mutual benefit MFIs a) State Credit Cooperatives b) National credit cooperatives c) Mutually aided cooperative societies (MACS)

- b. **For profit MFIs**

Non-banking Financial Companies (NBFCs) registered under the Companies Act 1956.

Banks such as commercial banks, RRBs and Cooperatives which provide MF along with their other usual banking services could be termed as MF service providers. NABARD and SIDBI could be considered as apex level MF provider institutions while Rastrya Mhaila Kosh (RMK) could be considered as an apex level MFI.

. If we define micro credit in literal sense of the term, it means a small amount sanctioned to poor at the grassroots level, irrespective of the geographical location. It covers credit alone. But, considering the various needs of the poor for undertaking income generating economic activity and their social uplift, the terminology which is widely accepted by the practitioners of lending to the poor is **MICROFINANCE (MF) which is something a more powerful weapon for poverty alleviation than micro credit as it encompasses various financial needs of the poor other than the credit.**

Micro credit and Micro finance are not the same product. While MF represents a comprehensive package including various financial services like savings, credit, insurance, transfer of cash, etc., along with credit plus/non financial services like capacity building, micro credit is one of the components of MF and it cannot substitute MF in the context of effecting socio economic empowerment of women and the poor.

Mere micro credit lending cannot be equated with Micro financing, the fact erroneously practiced by MF players and found in all the literature pertaining to MF. The problem is that both researcher and the practitioners in MF have very limited assumption of 'causality' in the process of income generation and empowerment through Micro credit. To put it specifically, what is strongly postulated is that there is causal relation between micro credit and income generation and eventually empowerment. But, in most cases this has been proved wrong, since micro credit alone cannot do the magic.

1.4. The values of MF

MF otherwise is a social financing with integrated approach for a sustainable poverty reduction and empowerment of women through SHG system. To make the values of MF more explicitly to distinguish from other lending, the same thing is portrayed in Table 1 for the convenience of the reader. Further, it also facilitates for healthy discourse on MF –SHG system functioning for empowerment of women.

Table 1 Social and ethical values of Micro finance

Components of MF	Social ethos	Ethical values
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<p>Target group- poor with priority to poorest</p> <p>Organic link- Self Help Group/ or collectives among the people</p>	<p>Holistic development of vulnerable people</p> <ul style="list-style-type: none"> • Social capital in informal sector • Social, economic cultural and political Empowerment of poor women • Collective approach for mutual benefit for community development • Collateral substitute –joint liability/ guarantee • Social cohesion 	<ul style="list-style-type: none"> • Equity & sharing • Gender equity • Self esteem, self confidence self reliance, self help • Poor people participation • Self mobilization • Mutual consultation and sharing information and knowledge • Grassroots democracy • Moral behavior and cooperative movement both at household level and community level • Proper end use of credit • Repayment ethics
<p>Financial Demand oriented product and services Micro savings</p> <p>Micro credit (production, consumption, housing, etc.)</p>	<ul style="list-style-type: none"> • Protection during emergency • Income generation for poverty reduction , escape from health vulnerability • Social status • Decision making 	<ul style="list-style-type: none"> • Self reliance • Self improvement
<p>Micro Insurance</p>	<ul style="list-style-type: none"> • Social security • Protection against risk 	
<p>Transfer of fund services</p>	<ul style="list-style-type: none"> • Protection against loss and theft • Security & social status • Timely economic assistance to kith and kin – health social relation 	<ul style="list-style-type: none"> • Enhancement of moral attitudes • Attitude towards social evils

<p>Non financial Capacity building (training/skill upgrading)</p> <p>Backward & forward linkages (raw material, marketing, transport, pricing etc.,)</p>	<ul style="list-style-type: none"> • Social status • Self confidence • Smooth running of production process • Expected additional income • Employment generation • Diversion from domestic violence and alcoholism 	<ul style="list-style-type: none"> • Sharing knowledge • Self help and self reliance • Gender equity • Repayment ethics
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(This is only an illustrative and not an exhaustive one)

1.5. Empowerment

World Bank has produced numerous working definitions that make it possible to clarify the meaning of the term empowerment such as it is employed today. **The general** definition is as follows

“Empowerment is the process of increasing the capacity of individual or group to make it choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets”.

In feminist paradigm, empowerment surpasses the economic domain and the improvement in well-being by taking on strategic gender interests. Empowerment is thus perceived as “a process of internal change (power with in), augmentation of capabilities (power to) and collective mobilization of women and when possible of men (power with) to the purpose of questioning and changing the subordination connected with gender (power over)” (Jane Palier). These four meanings of power are taken up in numerous contributions concerned with the **links between micro finance and empowerment**. This empowerment phenomenon and its implications are illustrated in Table 2 form in SHG-MF linkage perspectives

Table 2 Empowerment phenomenon

Forms of power	Definitions	Implications	SHG-MF perspectives
Power over	Implies a relation of domination or of subordination that calls for active and passive resistance	Associated with the idea of zero-sum game, the redistribution of power is necessarily confliction	<ul style="list-style-type: none"> • Domestic violence and social evils • Male alcoholism • Corruption
Power to	Implies a power to make decisions and resolve problems, the capacity to create and to act	Implies the reinforcement of capabilities, participation in decision-making, the	SHG management, Group management and decision making on social and financial

		development of leadership qualities	matters Participation Local governance
Power with	Implies organization of the people with a common objective or a common agreement to attain collective goals	Is associated with feminist movements with collective organization, social mobilization and the construction of alliances, coalition or networks	Procession rally mela for Women's Day <ul style="list-style-type: none"> • Women's right Against domestic violence and male alcoholism
Power within	Implies recognition, through the analysis of experience, of the manner in which power acts in daily life and the gaining of self confidence to change power relations	Implies increased self esteem and self confidence, a form of awareness of one's rights and capabilities	<ul style="list-style-type: none"> • Self reliance and self help • Participatory development • Awareness of general development programmes and pro women development programmes

(source: Jane Palier – last column introduced by the author)

To put it comprehensively, MICRO FINANCE comprises of small saving, saving based credit (group loan mostly for consumption), bank credit for income generating activities, payment services, money transfer, insurance, linkage between credit and noncredit and tied lending (tie up with marketing for repayment). Taking cognizance of the millennium needs, the focus of micro finance should be definitely on the **poorest and the women** with a bias to rural areas where the target groups are concentrated. Group formation, group lending, collateral substitute, peer pressure, high level of repayments, proper end use with asset creation, linkage banking with NGO and SHG are all common features associated with the micro financial initiatives. Financing through cooperatives, association, clubs etc., for the poorest and women as ultimate borrowers may also be termed as micro finance. This description on the micro finance is only an indicative one with room for further refinement so long as the focus confines to the poorest and the women and matching the financial needs of the poor in an integrated manner. MF is found to be a powerful tool for women's holistic development through SHG moment.

Section 2 The events in MF arena

2. With this clear understanding of the subject as referred to above, let us proceed to peruse over the events that are taking place in MF arena towards the goal of empowerment of women. Following five important events are taken into consideration:.
- i. Globalization and commoditization of MF
 - ii. Unethical Competition

- iii. Unknown about known in MF-SHG system
- iv. Drop out syndrome, and
- v. Financial inclusion

2.1 Globalization of micro credit as an international industry

First, Micro credit is an old wine in a new bottle and as early in 1972, small loans with 4% interest rate popularly known as *Differential Rate of Interest* (DRI) was introduced for the weaker section people in the Indian banking industry. Over a period of time, small loans through group approach for the poor have been baptized as Micro credit and this, has become a global industry with the active participation of World Bank and other multi national organizations and donors vying each other in thrusting the funds to this micro sector. The magnitude of the global target for micro credit could be seen from the declaration at the **Micro credit summit**, held in Washington in 1998 which points out “working to ensure that **100 million of the world’s poorest especially the women of these families are receiving credit to the tune of US\$ 21.6 billion for self employment and other financial and business services by 2005.**” Besides over emphasizing the deployment of targeted micro credit the protagonist of micro credit movement makes every one believe that what happened in Bangladesh and Bolivia in the process of poverty alleviation repeated in India also. On the contrary, the reality reveals that over indebtedness (as in the case of Bolivia) and increased consumption and over dues (as in the case of Bangladesh) are the high risk of micro credit threatening the sustained livelihood of the poor. In India, the corporatisation of rural markets utilizing SHGs as a medium for marketing their products (Hindustan Uni Lever, ITC group, Philips etc.), fuelled by rapidly expanding electronic media certainly influences the propensity to consume (conspicuous consumption) and expenditure pattern of the poor households and derail the noble purpose of micro credit movement. Adding insult to the injury, free distribution of TV to the poor people by the state government (Tamil Nadu) makes the beneficiary succumb to the temptation.. While the micro finance providers emphasis investment of working or fixed capital or working capital in micro enterprises, the reality is that many poor clients use credit for consumption smoothening or for protecting from vulnerability mostly on health ground in the demand side. Easy credit through SHG is aimed at empowering rural poor women. But the reverse is true as non -stop product intrusion through the rapidly expanding electronic media influences the poor to choose in favour of consumerism.

In fact, once the ‘credit worthiness’ of the poor has gained global recognition, number of lending institutions have created a web of soft -credit options to the poor on one hand and Multi National Corporate giants in turn, have found SHGs as mode for channeling their product on the other, whether the loan or product actually demanded or not by their poor client. Eventually, most of the funds are fungible within a household., if adequate income is not generated due to inadequate linkages with non credit inputs or mis utilization of the credit shifting from productive purpose to immediate consumption purposes in general and particularly during drought periods. This makes loan delinquency and, ultimately they are pushed into a debt trap and perpetual poverty. The proponents of micro finance in the brand name of MF have failed to sense this above impending crisis and the policy makers and academics confine with the limited postulate on the causality between micro credit and income generation.

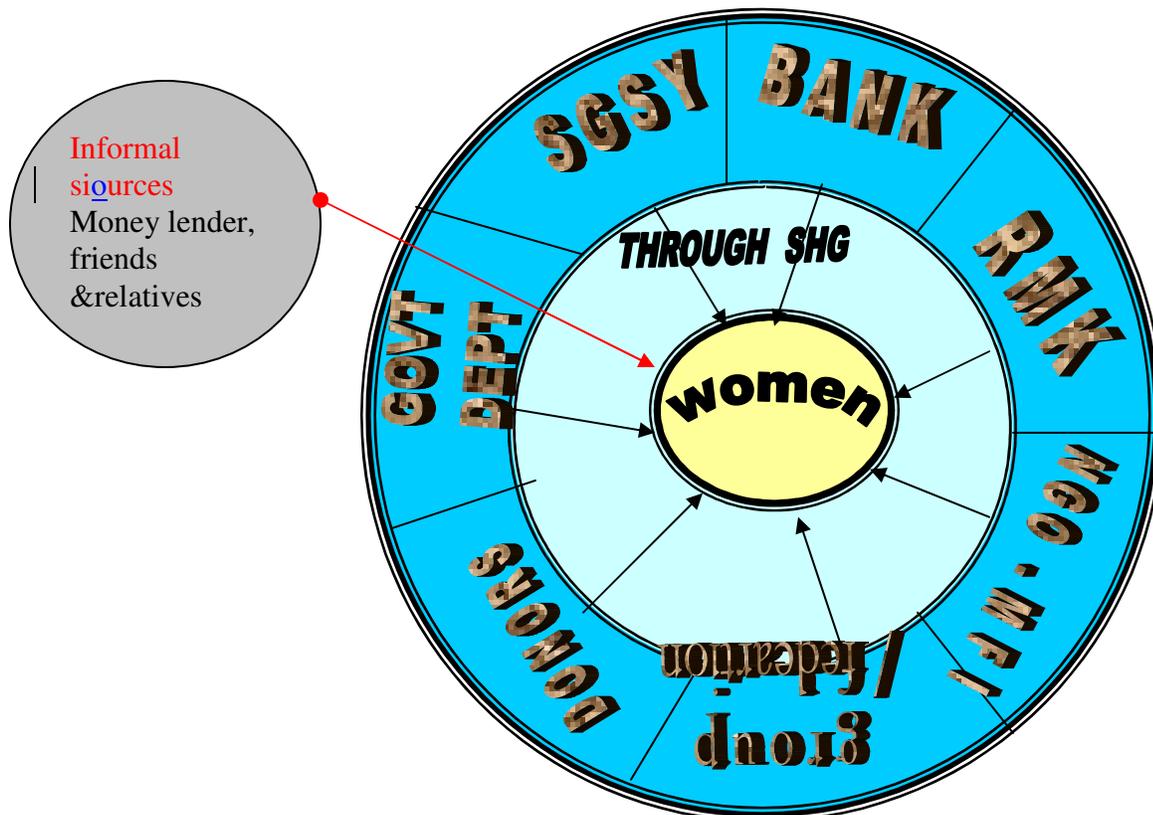
It may be true that the micro credit does reach the poor women and facilitate for empowering them socially in the global village, but once it is globalized in the competitive environment, profit comes first and the welfare of the poor later. Sometimes, the collateral substitute being “peer pressure” has per forced the poor

women to repay without default and .in the process, the latter whether income is generated or not from the economic activity, go to a money lender or even pledge some of their household assets at a higher rate of interest for the said purpose and ultimately becomes the poorer or poorest. In the process, the values of MF and their potential components (as illustrated in section-1) as a process of empowerment through poverty reduction are conveniently forgotten or neglected for the benefit of MF service providers in the corporate world, and eventually **the poor** has become a **lucrative market ‘niche’**. The level of debt continues to be stable or some time enhanced without any sustained empowerment or poverty reduction at household level.

2.2. Unethical Competition

Secondly, the multi institutional sources with different systems and norms /procedures for micro financing the poor women through SHGs are accountable for pushing them into debt trap. Once the poor is identified as credit worthy (thanks to grameen bank revelation) each one of the institutions is competing with one another making the poor women debtor through flexible and attractive credit facilities sometime linked with subsidy under government programme with the focus more for reaching the target group and getting back the money at whatever cost from the demand side. The diagram given below clearly depicts the different sources of micro credit (only) **under the banner of MF** surrounding the poor women vying and tempting to reach the target group.

Diagram:1 MULTIPLE SOURCES OF MICRO CREDIT TO WOMEN - A DEBT TRAP?



Non formal sources: NGO- Non Governmental Organization, MFI- Micro financial Institution.

Formal Sources : Banks- Commercial Banks, Regional Rural Banks, Cooperatives RMK

Informal sources – money lenders, traders, friends & relatives not through SHG but directly

SHG-Self Help Group, SGSY-Swarnajayanthi Grama Swarajgar Yojana

2.3 A perusal of various systems and procedures for micro financing followed by different institutions in different sectors for the common cause of micro financing the poor and women and its implication would be revealing.

2.3.1 Formal sector

In the formal sector, ever since nationalization (1969) the commercial banks have been directed to focus on lending to the poor. Subsequently, Regional Rural Banks (1975) and cooperative banks joined the mainstream for development through credit with focus on poor. Various strategies like the lead bank scheme (1978) and service area approach (1990), Bank-SHG linkage programme (1992), subsidy linked credit programme for poverty reduction etc., have facilitated the accelerated flow of credit **with the flavor of MF** to the target group in the rural areas. But, a close perusal over the historical perspectives of rural lending in this sector shows some revealing facts on the negative side.

The commercial banks and NABARD have been doing a massive paper work through out the country in the name of Service Area Credit Plan (SACP)/ Annual credit Plan (ACP) and Potential linked Credit Plan (PLCP) respectively at micro level flooded with various micro loans details such as sector wise, block wise outlay, credit outlay for pro poor government programmes with subsidy, credit to weaker sections, credit to women, without involving the people for whom these credit plans are prepared. Each bank is allocated a credit share under these plans and got their service areas demarked in rural areas for avoiding duplication of finance. The whole exercise has been periodically monitored at district level / block level and state level meeting among the bankers and government officials in the presence of representatives from apex banks (NABARD/RBI)

Unfortunately these micro level credit plans (prepared at village level) under SACP) are neither integrated with their respective corporate plans (performance budget) at each bank level nor dovetailed with the concerned District Development Plans of government (Budget). But, still this costly paper exercise without much concern on the impact on the target group, is repeated and monitored religiously every year without one to one relation between target and achievement. However, one worthy observation is the multi agencies in this formal sector viz., Commercial Banks, Regional Rural Banks and Cooperative Banks **lend** directly to SHGs and also through NGOs to these groups for individual/group income generating (IG) activity with different repayment schedule for each one of these loans. Again, under SGSY scheme, there is an attempt to promote multiple formal credit injection. Based on their credit requirement of the swaroazgaris their credit intake will be increased over the years. Over a period, SHG has been recognized as best and safe conduit for micro finance and various Self Help Group Promoting agencies (Ships) like NGOs, Banks, Government Departments/Agencies are taking efforts by and large in promoting SHG movement for MF purposes only, defeating the purpose of group cohesion for multidimensional empowerment of women besides economic power through micro finance. To add insult to the injury, the recent announcement of the Government micro credit scheme for financing pregnant women in

the group and also for such women outside group with recommendation of the SHG as in the case of Tamilnadu has affected the very credibility of MF movement . **Is the micro credit meant for whose welfare Mother or the baby in the womb?** In the process of reaching women with micro credit, it is irony to note that even the foetus in the womb is also indebted incidentally. The famous adage, found in the literature on rural credit by way of illustrating the misery of the poor farmer due to debt burden, says “ The farmers born in debt, live in debt, die in debt and bequeath debt”. Now, in the 21st century, with the advent of Micro credit, the adage should start from “foetus in debt “ or to say “*womb to tomb*” debt. The failure of credit cooperatives is a well known fact in rural arena. The frequent drought witnessed many such calamities including suicides due to debt burden in rural sector.

Rastrya Mahila Kosh (RMK) is yet another apex outfit that has joined the race for pumping micro credit to poor women through NGOs with some incentives for disbursements of loans within the stipulated time frame. Under the scheme, the NGO lends almost equal amount of loan to each one of the selected members in the groups irrespective of demand for various IG activities depending on the funds released. Due to shortage of funds, the beneficiary supplemented with group loans /outside loans. The repayment schedule is also uniformly fixed without any relationship with the income generation. capability of the activity. Further, the NGO who is the stake holder for repayment of funds to RMK starts promptly collecting loan instalments immediately after the month succeeding the loan disbursals in a few cases. To them, it is sooner the recovery lesser the risk, leave alone the intended impact of the loan on the poor women livelihood. Of late, these NGOs appear to be more concerned with the commercialization of Micro credit under the brand Micro finance than ushering in holistic development of poor women through the integrated approach with multisectoral inputs

Further, at the state level, under different sources, particularly the Government welfare departments such as TAHDCO (Tamilnadu Adidraavidar Housing &Development Corporation) loans are also released to the poor women (individual and SHG) for non agricultural activities irrespective of their existing level of debt thereby also increasing debt burden of the poor, by these institutions. Annual compulsory targeting for continuous supply of micro credit at macro level on one hand and over indebtedness and consumption at micro level on the other are indeed an important risks of micro finance in the process of empowerment. This is dangerous for sustained livelihoods in poverty sector.

2.2.2 Non formal sector

In the non formal sector, the voluntarism for social work is gradually replaced by commercialism. With micro credit under the name of micro finance, some of the NGOs, perhaps with an assumption that economic input will empower the poor women faster than the social one, in the process of transformation of target groups, are also evincing more interest in getting loanable funds from different sources including donors from abroad and turning as money lenders for providing micro credit without any norm except insisting strict repayment schedule of their loans in priority among others. Sometimes, these NGOs have to satisfy the expectation of the Donors and at the same time keep on money lending business on the tract continuously much against the given capabilities of the their clients and the infrastructure in their service area as well. In many areas, Micro credit has alone remained an “attraction” facilitating both NGOs and SHG for pulling fresh members and sustaining the existing ones under their canvas for sustaining their money lending activity. .In some other cases, there was commotion among the members within the groups on the question of availing the micro credit on priority basis leading to drop outs also (this issue separately discussed in detail).

As against the above scenario, over a period of time, some of the NGOs have transformed themselves as agencies providing financial and other linkages besides social sector activities. Initially, it appeared as an innovative phenomenon in MF arena, that NGO with social mobilization expertise and with some SHG-bank linkage experience could become an ideal MFI for catering the MF package with both financial and non financial to meet the requirements in the demand side. These NGOs turned MFIs could also fill up the gap created by the formal institutions in the provision of MF Services particularly to the poor and women segments in rural areas, since they have limited area of operation and much closer to the clients and flexibility in approaches.

But, contrarily the events happened do not support the above postulate. Most of the NGO-MFIs started with a greater enthusiasm to play a greater role in filling up the gap in MF arena. But, they have to face a lot of challenges like competition with formal players at ground levels, viability and sustainability, maintenance of low cost human resources, management of SHGs, rapport with the donors and funding agencies. In the process, MFIs preferred to confine to micro credit only on a commercial basis for their survival. They could not also venture successfully Micro insurance as they have faced a lot of constrains (Rengarajan). Practically, majority of their time has to be devoted for financial engineering than to social development work in which they have expertise accumulated over a period of time. The author could perceive from his field studies on NGO-MFI that their image as social agent has been very much lost after turning into MFI in their service area. Now, they are more looked upon as moneylenders at door step. A few of them honestly opined that while they gained easy entry, they could not find a way to come out from the financial venture. The major problem is that financial management is to be carried out with some profit at least for their survival through SHG system in the informal sector on one hand and fulfilling all the obligations as non profit organization, committed to the funding agencies in formal sector. In the process, the three vital issues pertaining to the cost of credit (interest rate- ranging from 20 to 40 %) and recovery procedures (harsh and compulsory) and repeat loaning (even for closing the previous loan due) in MFI arena cropped up attracting the attention of policy makers and media very much. Sometimes, the interest rate of MFI is on par with local money lenders making subtle difference in the cost of credit. On the other hand, in demand side, the factors such as deficit budget with more social expenditure, repeatedly availing loan irrespective of the cost (interest rate) beyond one's capability to repay from various sources including MFI and difficulties in repayment, failure in income generation activities due to poor infrastructure, inability to withstand the pressure for repayment, have all perforce the women clients to fall in debt trap and end their life in some cases due to burden of indebtedness. But, SHG system financing which conceptually is supposed to holistically empower the women, appears to struggle and collapse due to administrative rigor enforced in recovery system. The struggle is unfair and unwarranted in the Indian context. Empirically, in the case of series of sordid events, happened in Andra Pradesh, some fact are revealing in regard to MFI financing to SHG women, as brought out by Dr.Marc Rosch in his paper (see box)

“In the district of Krishna (AP) about sixty people , all IMF(MFI) clients of the private sector died in the last few months. Last November, a couple committed suicide by consuming cyanide, Kumari borrowed 25,000 rupees from an IMF for her husband’s business. To compensate for the financial difficulties, encountered by her husband Kumari takes two new loans for the same amount from other two IMFs. The situation becomes difficult and the repayment of the loans turn to be impossible. With the pressure from the other group members increasing, the couple commits suicide.

Not far from there, Renu, died by asphyxiation while she hid in a *rice drum* to flee the visit of the credit agent who had come to collect the monthly loan payment. Some week later, a farmer saves two SHG women who hung themselves from a tree in time..

The press also reports several cases of credit agents advising those clients who can no longer manage to pay , to apply for a new loan. In time , the situation degenerates and repayment becomes impossible. Verbal and sexual harassment culminating in prostitution, lock up and confiscation of goods are the dire consequences.”.

In another place, it is quoted “ The controversy in connection with the IMF’s methods of recovery took a new dimension on Wednesday, April 5th, when as SML **client hacked a credit agent to death**. Arrested by police, he explained why he could no longer bear the harassment and the pressures exercised by the IMF.

“ The recourse to excessive interest rates is the principal reason invoked: the administration also accuses IMFs of resorting to strong arm methods to recover their loans.. According to Time of India, the proceedings of the government against IMFs have only begun”

,Source:Mrac Roesch , Cyril Fopuillet, Isabella Guerin, “ *Debt, debt burden and interest rate: has “the micro finance machine” gone mad? Crisis in Andra Pradesh (India) French Institute of Pondicherry , Pondicherry June 2006*

Over indebtedness and western consumption have become paramount concern in empowerment process in rural front. Mere influx of capital would not be transformative as desired.

These types of unfortunate incidents in MF arena in other states in India also have been reported by media But, in Andra Pradesh where MFI-SHG system has shown the highest growth in India, have also witnessed more incidents of suicides due to debt from MFIs.

In the recent past, these **unethical approaches** of a few NGO-MFIs much against their Vision. Mission and Goal unnecessarily pollute the noble voluntary moment for the welfare of the deprived class by focusing more on micro credit input alone.

Here the moot question is “Are they specializing social engineering for smooth and sustained development of poor women or financial engineering for pushing the target group into debt trap and perpetual poverty?”

2.2.3. Informal sector

In the informal sector, money lenders/land lords /friends /relatives also exploit the situation which is obvious one. Another perturbing factor in the multi sourcing micro credit is the different level interest rates by different institution depending on their economics. The spectrum of interest rate prevailing in all the sectors in the rural financial architecture ranges from 4 % (from banks under DRI) at the one end to 100% (money lenders) at the other end for micro credit which is to be administered as pills against poverty. Further, It is irony to note that in the case of group loans under SHG system, the freedom is patronized for charging interest rate for the loanable funds given to them at cheaper rate, as per collective decision of the group itself and it often claimed

that the higher the rate ranging 24 to 36 % the higher profit to the group only benefiting its members.. In the midst of inter institutional competition for micro financing, there is intra competition among the groups among themselves for charging higher rate democratically for their loans to their members on the one hand and unethically taxing the poor women for no fault of theirs except being a member at group level . **Is it a self imposed penalty to the member of deprived class for having empowered through SHGs to have easy access to micro credit ? Are the rules of the game followed by the various players in micro credit field really pro poor? At the group level, is the level playing ground equal to all the members in the context of intra members' inequality in their socio economic status and capabilities.?** The level of debt under the name of Micro finance , created by all the sector financial agencies in rural area is presented in Table .3 (available data only)

Table .3 Strength of MF service providers & Credit flow in rural India

Delivery channel- sector wise.	Amount of credit flow	Remarks
<p>Formal sector Commercial banks (CB)– 33553 rural and semi branches Regional Rural Banks(RRB)- 13932 rural and semi urban branches Primary Agriculture Credit Societies (PACS)- 1.09 lakhs</p> <p>Non formal sector NGO-MFIs - 1000 MFIs (company act-NBFC)- 20 Cooperative organization- 3000 (includes SHG federation)</p> <p>APMAS-study 2007 – 69000 SHG federation 2008 - 94000 SHG federation (50% financing)</p> <p>Informal sector- SHG- 3 million Money lenders (myriad agents)</p>	<p>Credit to agriculture- Rs.60,022 crore (both CB+RRB)</p> <p>Bank loan Under SHG-Bank linkage (CB+RRB) (March 2007) No. of SHGs 28,94,505 Amount outstanding Rs. 12,366.49 crore</p> <p>Cooperatives(PACS) (March 2005) Rs 39,212 Crore</p>	<p>Only credit component of MF occupied vital place in official literature and monitoring system</p> <p>Further, these statistics on credit show the gigantic figure of debt in rural area even without including data from non formal agencies.</p>

Source 1. NABARD report of the Committee on financial inclusion 2008 &

2.NABAD-Sataus of micro finance in India 2006-07

APMAS-Andra Pradesh Mahila Abivirudhi Society

The emerging picture is that in spite of outreaching with a high level of debt /indebtedness by these multi agencies, they did it with one component of MF package that is Micro credit, without adequately linking with other financial and non financial factors which are equally essential pre-requisites from demand side perspectives for poverty reduction and empowerment under MF concept as explained in Section 1. Further, despite creating high level of debt through myriad delivery units in country side, about 51.4% of the farming households in rural areas still remain excluded from both formal/informal sources (Report of Committee on financial inclusion) and there were number of reported incidences of suicides even among those included due to debt burden. These sordid state of affairs reflecting the presence of unacceptable poverty level are causing concern in our country. Is this situation perhaps due to poor implementation of MF linked programmes with only one component viz., micro credit. over a period of time. **This situation calls for an immediate action for mainstreaming micro credit in Micro financing programme for ensuring sustainable well-being of the poor as well women.**

2.3. Unknown about the known in Micro finance gamut –(savings and repayment)

In the arena of micro credit dispensation through SHGs, the supply side expectations do not coalesce with demand side capabilities at micro level. This phenomenon occurs since the providers of MF service attach more importance to regular and buoyant trend in the level of savings in the group and cent percent recovery without much concern for the sources of funds from demand side perspectives for honoring the social obligation (group saving) as well as social or peer pressure (repayment of loan).

In the process of rating the SHG performances for further enhancement of their eligibility for more credit facilities, certain grades are awarded for each group depending on the level of group savings and recovery performance. All these norms are necessary for judging the candid progress in empowerment of women . Unfortunately, in reality, the picture of different sources of fund (**unknown at surface level**), managed by the poor women for compulsory maintenance of fixed level of savings periodically in the group and prompt repayment of loans as per stipulated schedule(**known openly**) , is revealing. It is there where the shoe pinches. While the former (savings) is prestigiously maintained for the sake of safe guarding the group cohesion, the later (repayment) is **somehow** fulfilled due to group / peer pressure. So long the fund for the above factors is realized from the additional income generated from the asset for which is micro credit is raised, it is admirable showing the sign of candid development. Contrarily, the sources for savings and repayment as evidenced in many groups in the field, include borrowing from friends and relatives, money lenders (Kanduvatty), pledging of household assets including jewel, husband's wages, reduced consumption and expenditure, and of course some portion from the Income Generation activity (if the fund is not misutilised – conspicuous consumption & hobby's such as alcoholism). The hidden facts could be perceived more in the event of "Grading the group" as one of the pre conditions for availing loan /subsidy from the bank/Government. In the records, it **is known** as growth of saving and high recovery performance. What is **unknown** in the game is that a new debt is created for which accessibility is easy in the presence of multi agencies vying each other to woo the clients, for closing the current loans or keep regularity in savings payments or both keeping some level of debt always. This is a global phenomenon. The recent research (Sharma) indicates that Grameen Bank in Bangla desh allows several types of

credit for one household at a time, making it easy to repay one loan with another one. In the process, the poor get trapped in a debt-cycle. The growth of Micro Finance institutions in Bolivia has increased the number of loan defaulters. Though their repayment record is still better vis a vis banks, the number of bad loans is rising alarmingly.

In reality, the temptation to repay a debt by means of a new loan – *a forbidden apple*- is too strong among the SHG women : **it becomes a way of 'life' an unfortunate accident in the process of empowerment** due to oversight of this unknown fact or deliberate negligence in the MF game. In this venture, those who could manage this life with debt unethically, they survive and others mostly the poorest and incapable drop out – a dangerous phenomenon remains neglected by the players in MF – SHG arena.

This situation happens partially due to inefficient budget management at household level. Culturally, the social status with a reciprocal gesture among the women demands unsustainable expenditure (exchange of gifts, leisure expenditure –TV with cable connection, for women and alcohol and tobacco for men and cinema for both) irrespective of the status of the household.. “As for leisure expenditure , mainly television and cable subscription”, the women say that it is their only source of relaxation and pleasure. And it is there that the shoe pinches, since television at a rate of five minutes of commercials for every fifteen minutes , obviously “fuels’ the propensity to consume (In Tamilnadu, free distribution of TV for the poor has been made by the state government). What remains is alcohol and tobacco which indeed can be regarded as a true plague although men also have their argument (in short it is simultaneously a means of energy, for getting the onerousness of work and everyday life and of affirming one’s virility). But, here also a few training sessions will certainly not put this to an end. As for the other expenditure, housing , food and health care, these can obviously not be reduced . The struggle is unfair. On the one hand, the only choice people have is between increasing the opportunity for debt, the impossibility of living without going into debt, and, on the other hand, a “second-rate” life, expenditure reduced to the minimum at the cost of malnutrition and degradation of social status” (Marc Roesch and others).

2.4.Drop out syndrome in MF-SHG system

SHG is a fragile social capital emerged in informal sector and meticulous efforts in nurturing and grooming this for said purpose (empowerment and poverty reduction) are to be taken up so carefully to maintain the spirit of unity and ethical values among the women members of SHGs. The drop out phenomenon in MF-SHG system which is the base for functioning of MF providers is causing concern affecting the empowerment process and leaving the poorest women excluded from the mainstream. The fact which eventually defeats the purpose of MF-SHG social development venture. **Further**, there are many social and economic reasons for drop out which are not seriously looked into by the players or **this phenomenon has not received due attention among the scholars and practitioners in this arena.** In this regard, EDA report points out that “ In functioning SHGs, the drop out rate for the two regions combined is under 10% of the membership. Almost 50% of the SHGs had no drop outs; one third had two or fewer drop outs.” The author’s perception during the field study on MF-SHG system in northern district of Tamilnadu reveals that on an average, 10% to 20% dropped out in the study area. To look into the insight of the causes of drop outs, particularly the continuing drought (co-variant risk) in many parts of our country assumes importance as it considerably affected the agricultural labourers with no wage employment and per forced many to migrate to distance places for eking out a living. Some of the migrants are the members of local Self Help Groups in their native villages and due to migration, micro

financial transactions are also affected. This event has impacted in derailment in micro finance management at group level and sometimes due to irregularity in payments to SHG (Savings + repayment of debts) **due to absence of suitable financial transfer or remittance mechanism** to them in the formal banking system, the affected members are dropped out or pushed out. All these events push the target people into accumulation of debt trap and uncontrolled budget in the outside area as migrant household level leading to ultimately perpetual poverty. The percentage of victims under the above phenomenon may be small, but it will spread like cancer due to negligence of this factor. This sordid situation in MF-SHG system is causing concern in the context of social values preached for the empowerment of most disadvantaged poor women and gender development with equity at grass root level under this system. However, this fact is very much reflected at least in the so called Vision and Mission of NGOs/MFIs explicitly.

2.5. Financial Inclusion

The report of the Committee on Financial inclusion (RBI) has given much importance to MFIs and SHG system for effective participation in implementation of National Rural Financial Plan (NRFP) for inclusion of hitherto excluded people in the rural front. It is not an impossible task for the system for delivering the good in this respect but again the report has pointed out certain preconditions for successful implementation of NRFP which merit attention for any discourse on MF-SHG for empowerment and poverty reduction.. It quotes,

- 1 Merely pumping a backward region with financial capital is not going to be enough in the absence of improvement on the side of human, social, and physical capital.
- 2 The people in the first place have to be healthy and educated to be productive so **that they can use finance effectively.**
- 3 There has to be a substantial degree of trust and functioning institutions in other words social capital, for economic transactions to take place in an atmosphere of confidence.
- 4 Finally, there has to be adequate access to physical capital in terms of roads, bridges, warehouses and market yards in addition to electric power and telecommunication for financial capital to be useful.
- 5 **In the absence of all these,, merely insisting on financial inclusion will not work.**

A proper integration of all the inputs (financial and non financial inputs) at micro level as well as SHG level is called for urgently instead of claiming pseudo empowerment following minimalist approach with micro credit alone. There stands the NFIP and who is to synthesize all the input activities for miracle to happen in MF arena in the given environment ?

Section.3

The gap between the concept and practices

Having diagnosed the concepts and values of MF in Section 1 and the events in the process of empowerment and poverty reduction through MF-SHG system in Section 2 of the paper, an attempt has been in Section 3 to find out the gap between the concept and the practice in MF field in the Indian context, its implication and to give some suggestions for corrective action . The qualitative dimensions of the gap and the palliative measures are presented in Table 4.

Table 4. Palpable gap and palliative measures in the empowerment process

Concept	Practice	Gap and its implication	Suggested measures
Target group – poor with priority to poorest	Both poor and non poor	<ul style="list-style-type: none"> • Survival of capable • Week and migrant poor dropped out • Target reaching approach • Multiple finance • Poorest exclusion 	<ul style="list-style-type: none"> • Adherence to government poverty indicators without bias or • Identification of poor through methods such as participatory wealth ranking method, household survey and observation • Demarcation of service area
<p>SHGs</p> <ul style="list-style-type: none"> • Social cohesion • Collective wisdom for mutual benefit • Socio economic cultural and political empowerment 	<ul style="list-style-type: none"> • Focus more on financial engineering (economic) than on social development • Mostly functioning for micro credit purpose only attracted by subsidy • At SHG level saving and credit • Domination and more flexibility in financial transaction More peer pressure for collection of funds for savings and repayment • Poor management of records • SHG concept 	<ul style="list-style-type: none"> • Social exclusion of the poorest-widows, deserted migrants and handicapped women • In SHG System killing the group dynamics and cohesion • lack of collective approach for community action • Ethical values in equity and financial matter (proper utilization of credit and prompt repayment) lost • Drop outs of poor deserving women • Unsustainable 	<p>And avoidance of duplication of finance</p> <ul style="list-style-type: none"> • Healthy nurturing of fragile social capital in the informal sector through Material Development through Capacity building, Training Skill in Income generation activity financial literacy up gradation family budget with the manageable debt level • Spiritual development for discipline, moral and ethical behavior • Both material and spiritual development go together. at group level • The

	galvanized for political purpose and serves as conducive market channel for corporate sector with	empowerment or pseudo empowerment <ul style="list-style-type: none"> • Multiplicity of debt, overburden of indebtedness and western consumption 	empowerment is an organic process where the spiritual is expressed and carried out in material. It should be reflected in equity & justice
MF package of products Financial Savings, credit, insurance, transfer services,	‘poor’ as market niche’ <ul style="list-style-type: none"> • Mostly Micro credit only, Unhealthy competition • Duplication of finance • Multi purpose credit without matching to the demand-without follow ups on credit utilization • Un checked end use of micro credit at household level • Conspicuous consumption • Struggled income process • Rigorous recovery process without linking to income 	<ul style="list-style-type: none"> • Minimalist approach with micro credit - vulnerability in income generation • Level of debt increases – recycling of fund choked-threatening the MFI-SHG solidarity and group cohesion • Drop outs • More concentration on financial services at the cost of social engineering by NGO-MFI at client level • Poorest living in Vulnerably and risk without protection by insurance 	generosity, compassion, unity, social cohesion compassion ,sacrifice for common good, financial ethics, self reliance <ul style="list-style-type: none"> • Rating tool should include the above item also for value judgment on the functioning for both SHG/MFI <p>Integrated approach with financial and non financial inputs for a holistic and sustainable empowerment For the above Micro Financial plan (MFP) at SHG level estimating the both financial and non financial requirements for the group members may be formulated (more detail is discussed below 3.1)</p>

	<ul style="list-style-type: none"> • generation • Repeated debt cycle • Savings at SHG level • Absence of financial transfer service • Very limited insurance coverage 		
<p>Non financial services - Capacity building, Backward and forward linkages</p>	<ul style="list-style-type: none"> • No adequate linkage with these non financial services while sanctioning micro credit • Limited capacity building programmes for clients • Just reaching physical /financial target, rigorous recovery drive, repeat loans without looking into other non financial inputs such training, transport, marketing, etc 	<ul style="list-style-type: none"> • Paralyzed production process mismanagement of micro enterprise • Saturated economic activity due to lack of support services like transport and for marketing • Unsustainable income and employment generation • Unsustainable empowerment of women • No confidence for self improvement • Repeat loan and increased level of indebtedness 	<ul style="list-style-type: none"> • Preparation of MFP at SHG level with both financial and non financial components and integration of the same with block and district development and credit plan • Effective monitoring at coordination meetings at block/district and state level • NABARD to prepare Potential linked credit Plan (PLCP) taking cognizance of MFPs and monitor the implementation with the coordination with MF players as well the district and block level public service providers for ensuring a sustainable production process and

			uninterrupted income generation More detail in 3.2 below
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For bridging the perceivable gap three comprehensive suggestions are made below

3.1 Micro Financial Plan (MFP) at SHG level

In the context of adoption of various indigenous technologies like group approach, linkage banking, micro financial products and services being followed for effective reaching of the unreached, as well as empowerment of women, a paradigm shift from micro credit planning to micro financial planning (MFP) in a true sense of the concept discussed in Section 1 of this paper, has become an imperative need at the grass root level. This MFP would indicate real and comprehensive requirements (financial and non financial) for empowerment of women and poverty alleviation **besides micro credit**. The most unique feature is that the people prepare the plan themselves at SHG level. That is to say in this exercise, the target people i.e. women fix their own demand target to receive from the supplier and not to accept wily nilly whatever the supply side institutions want to thrust on for reaching their targets. Further, in the MF planning process, the (target) **people participation** is very much ensured at grassroots level.

Each group (SHG) is to prepare MFP for the reference year at grassroots level and aggregation of these various groups' MFPs at federation level or block level would form Block MFP and similarly integration of all Block MFPs would represent District level MFP. This exercise could be a **pioneering attempt in bottom up approach** in planning strategy.

NABARD, Lead Bank and participating MF service providers at district and block levels need to take active role for effective implementation as it would yield sustainable impact on empowerment of poor women on one hand and financial inclusion of the hitherto excluded on the other. This planning strategy also takes care of various riders as referred to earlier in this paper for successful implementation of NRIP of NABARD.

This MFP concept takes cognizance of the social and ethical values of MF discussed in section 1 of this paper, and this is meant for reaching the unreached with definite purpose and commitment. This MFP should also find a place in the over all service area credit plan in the banking parlance and district development plan and in the budgetary planning of state government

The essential components of the MFP are indicated below. It is an illustrative example, which may be fine tuned depending upon the requirement of the area.

Table 5 COMPONENTS OF THE MICRO FINANCIAL PLAN (M F P)(Rengarajan)

SL NO	ITEMS	NUMBER	AMOUNT. Rest.
1	Savings		
1.1	Opening balance	----	
1.2	Planned		
1.3	Total (1.1+1.2)		
2	Other receipts *		

3.	Total resources (1. 3 + 2)		
4.	Loans		
4.1	Group loans / saga loans (Purpose wise) A B C. Total (a+b+c)		
4.2	Bank Loans (purpose wise) a b c total (a+b+c)		
5.	Insurance coverage		
5.1	No. of members to be insured		
5.2	Details of assets to be insured		
5.3	Details of the dwelling places to be insured		
5.4	Amount of premium to be paid (if any)		
5.5	Details of claims (if any)		
6.	Linkages (activity wise)		
6.1	Forward linkage a)training b) inputs c) extension d) others		

6.2	Backward linkage 3. transportation 4. storage 5. marketing 6. others		
	* includes members' fees, recovery of group loans, donations etc.		

(expected level under each item for the reference year. planned by the members of the group)

3.2. An effective coordination mechanism at district level

In Indian rural financial landscape, there is an excellent coordination mechanism among the MF service providers at state, district and block levels. These are (1) State level Bankers committee (SLBC), (2) District Coordination Committee(DCC), and (3) Block Level Bankers Committee(BLBC). But, there is vast scope for rejuvenation in functioning of these forums for filling the gaps pointed in this paper. These committees are well represented by all the players in MF-SHG system including representatives from apex banks namely NABARD and RBI .

In the context of prevailing negative picture contributing for existence in the gap in the process of empowerment and poverty reduction and exclusion of vulnerable poor as captured in the paper, the functioning of these various committees need to be re looked into for further strengthening and effective functioning towards the purpose of the ultimate goals and MF programmes. The past lesson in the implementation of district credit plan under Lead Bank Scheme at district level is a pointer for us for perfecting the existing ones for further action. The lacunae in the past is lack of involvement of human resources at lower level and commitment since this whole programme has been carried (even now) out on “gentlemen’s agreement”. Eventually, mere reaching target set in numbers of SHGs or increase in number of women financed remains constantly without any palpable sustainability and it is perhaps bound to please the industry. This is only an indication for the policy makers for further probe to fully exploit these coordination forums already existing in the Indian financial architecture for the said purpose.

3.3 SHG federation as MFI- a way forward for NGO sector

The SHG concept has been practiced since 1990 in India and many NGOs have organized a number of SHGs in various states with concentration in South India. The reported data indicate that there are about 3 million of SHGs across the country. Once the SHGs are well established and nurtured by NGOs or Self Help Promoting Institutions (SHPI), with good practices for group financial management and social and political actions, efforts are being taken up to establish strong networks of women groups like federations and build capacity of such networks to manage their affairs independently, transparently and democratically.

But formation of their network / federation is found limited.. It was observed that many NGOs are not keen in formation of such a network and eventually many SHGs remain

always dependant on NGOs for all their activities much against the philosophy of 'self help'. However, the leading NGOs like MYRADA, PRADAN and Dhan Foundation have formed SHG federations in different parts of India. Here, it may be noted that once the capability of these federations is enhanced for making linkages independently with local institutions like Gram Sabha of the village panchayat, other bodies like banks, Cooperatives, Parent Teachers Association, Schools, Balwadis, Anganwadis, Primary Health Centers, the respective NGOs may entrust the responsibilities to the respective SHG federation for their SHGs functioning and leave them for democratic functioning. Perhaps, NGO can confine to training activity only for the SHGs if necessary. Over a period of time, the SHG federations are expected to have the ability to prepare practical Micro Financial Plans for their SHGs as referred to earlier, and execute them with enthusiasm and ease and meet financial needs through internal and external sources for certain period of time. Ultimately, these federations should become a self reliant MFI to manage their own group funds for meeting their requirements without much external sources. This would facilitate in bringing sustainability for SHG federations, built upon the noble concept of self help and self reliance based on which SHGs were started. Further, the various dimensions of negative impact, emerged out of linkage with external sources as highlighted earlier in this paper, could also be contained, if not eliminated, once the SHG federations function independently for self decision making and manage their own funds. By this process, SHG federation should become a mini independent MFI of the poor, by the poor and for the poor at grassroots level..

4. Conclusion

4.1 Non ethical character of contemporary development model

In India, we have enough resources – skilled human power and potential material sources for both empowerment of women and poverty reduction. But, as ill luck would have it, “in contemporary development models which are being implemented either for general development or poverty reduction or human resources development or gender emancipation, it is not uncommon to observe the prevalence of **justice and equity** that foster both individual and collective well-being, remain an **elusive** goal. As a vision of society, the relentless pursuit of wealth for material development appears to occupy central focus and this fact leads difficulty in sustaining the belief that the approach to social and economic progress to which the materialistic conception of life has given rise to, is capable of leading humanity to the equity and tranquility which it seeks” (Rengarajan). The assessment has therefore to be **more ethical** and take a broader view of 'the good'. Whereas in the present system, the ethical consideration in any deep sense is not given much role in the analysis of human behavior. It should be noted that all social welfare programs like MF –SHG involve various types of people hailing from formal and informal sectors and success of these programmes depends on **the attitude and behavior of these human beings**. and this fact has been neglected in the past. In this regard, Amartya Sen asserts “another surprising feature is the contrast between the self consciously '**non ethical**' character of modern economics and the historical evolution of modern economics largely **off shoot of ethics**.”

In the absence of ethical phenomenon in contemporary development approaches, the real people particularly the poor therefore remain unaffected by the reach of self examination introduced by Socrates “How should one live? These consequences also indicate the lack of spiritual development among the target community. This is due to the fact that contemporary development models focus more on creating **logistics (material)** for

human living which are by and large **'means' not** leading to sustainable **'end'** with **'equity'**. Ultimately, the gap between the rich and the poor is widening and other eventualities such as violence, injustice, surfaced and stayed in the society. This situation calls for strong integration of material development for enhancement of welfare and spiritual development for equity and justice in the process of any implementation of development or welfare oriented programmes including poverty reduction and empowerment..

4.2 Bottom up approach in development

With the fast expansion of SHGs and their network (federations) on one hand and communitisation of essential services in health, education, road, power supply, water in rural area, sanitation and drainages, public toilets, etc., through this social capital system on the other, in rural arena, the government is gradually reserving for itself the role of facilitator and enabler. If this phenomenon happens in development arena, it can be assumed that the **'trickle down'** concept of development has been effectively abandoned. Therefore, it is hoped that there will be a **'bubbling up'** of developments from the grassroots level which is equitable and suitable to the SHG concept. This calls for proper nurturing of SHG –MF system with spiritual characters along with material development.

4.3 Addressing the MF syndrome

If one agrees to this above philosophical note and the events happening in development field, then MF-SHG system with its social and ethical values has immense potential for serving the said purpose be it empowerment of women or poverty reduction or both in our country. If the suggestions made in this paper are considered, the intensity of MF syndrome can be reduced considerably for sustainable development of poor in the country.

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