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The Effects of Grameen-Model Microfinance Institutions and Self-Help Group Microfinance on Women's Economic Empowerment in Rural India

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Abstract:

Women in rural India suffer from pervasive gender inequality and disempowerment. One road to equality is economic empowerment through microfinance. Economic empowerment consists of an increase in savings, income, ownership of property or a microenterprise, and access to social services and training. I compile studies of two most common types of microfinance models used in India in order to determine if there is a general trend indicating that microfinance as a whole has a positive impact on women's economic empowerment. The two types of microfinance examined are Grameen-model microfinance institutions (MFIs) and Self-Help groups (SHGs) through the SHG-Bank linkage model. I find that almost all of the studies conclude that both types of models significantly contribute to an increase in women's income and savings. However, the studies found that SHGs are generally more effective at increasing women's access to training, social services, market information and control over their microenterprises. As a result, I recommend that Grameen-model MFIs adopt the SHG into their own models in order to encourage sustainability and women's continued economic empowerment.

Introduction:

India is the world's largest democracy; despite this, India is plagued with issues of inequality. While income inequality and discrimination across the social castes are severe, gender inequality is one of the nation's most pervasive issues. A 2006 study indicated that "43% of women have high household autonomy; 23% of women have high freedom to move outside their home; 40% of women have no gender preference attitude (in regards to giving birth to males or females); and only 43% of women defy domestic violence."[1] Furthermore, the UNDP gender inequality index ranks India at 135th lowest for equality, citing low education and political participation rates for women compared to men.[2] This high level of inequality is detrimental to India for a number of reasons. First, gender equality is critical for a fair and functioning democracy. More equality will allow more female voices to be heard and provide opportunities for women to be elected into office. Second, despite any legal progress in lowering gender inequality, *de facto* customs and norms prevent women from fully participating in the economy, which is detrimental to economic growth and development. Finally, as India is the second most populous state on Earth, the scale of the problem is vast, and working to solve the problem in India will not only alleviate a great deal of human suffering, but also may act as an example to other countries that are suffering similar problems.

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[1] Gupta, Kamla, and P. Princy Yesudian. "Evidence of women's empowerment in India: A study of socio-spatial disparities." *GeoJournal* 65.4 (2006): 365-380.

[2] UNDP. Gender Inequality Index. 2014. United Nations, New York City.

Considering that much of rural India is still developing and is a largely male-dominated society, women’s empowerment is critical to achieving gender equality. Empowerment is a broad term that encompasses several concepts. One general definition of empowerment is having “both control over resources and over ideology... [Includes, in addition to extrinsic control] a growing intrinsic capability - greater self-confidence, and an inner transformation of one's consciousness that enables one to overcome external barriers.”[3] This definition is broad and covers many facets of what many people would consider empowerment, but it is also subjective and can be difficult to measure. In this thesis, I will focus on the economic aspect of women’s empowerment, which I define and measure as having the ability to own property, having the ability to own and control a bank account or some kind of savings, seeing an increase in general income, and having increased access to social and essential services such as education and healthcare.

These indicators can be objectively measured and can be used to tell whether or not women are achieving economic empowerment. First, having the ability to own property indicates that women have more control and direction over their lives, as some of their resources are not under the control of male family members. Second, having a bank account or access to some kind of savings demonstrates economic empowerment and also allows women to allocate resources to their own projects. Third, increased income can lead to increased financial autonomy and security for women. Signs of increased income include adding improvements to homes and increased consumption of both necessities and small luxuries.

[3] Kishor, Sunita, and Kamla Gupta. "Women's empowerment in India and its states: evidence from the NFHS." *Economic and Political Weekly* (2004): 694-712.

Increased access to social and essential services indicates more freedom of opportunity and that the welfare of women are equally valued to that of men.

There are many roads to economically empowering women. One possible avenue is through the use of microfinance. While there are many forms of microfinance, one can define it broadly as the “provision of thrift, credit and other financial services and products of very small amounts to the poor enabling them to raise their income levels and improve living standards.”[4] One of the first microfinance institutions was the Grameen Bank. Originally an action research project started in 1976 by a Professor from Bangladesh, Muhammad Yunus, the government authorized its transformation into an independent bank in 1983. The objectives of the bank were to provide low-interest loans requiring no collateral to the rural poor, especially women, in order to increase self-employment opportunities and encourage the growth of savings and investment in poor areas. Considering that many poor people had previously been exploited by predatory loan institutions, the Grameen Bank has been able to help thousands of needy people throughout Bangladesh.[5] The Grameen Bank’s successes in microfinance encouraged the buildup of other microfinance institutions.

Microloans to poor borrowers are one of the common ways that microfinance is manifested. The theory behind microfinance is that borrowers can use the small sums of money to pay for the upfront costs in starting a small business, such as buying materials or products, advertising with signs, constructing a stall, etc. When the borrower begins making a profit, he

[4] Shah, Mihir, Rangu Rao, and PS Vijay Shankar. "Rural credit in 20th century India: overview of history and perspectives." *Economic and Political Weekly* (2007): 1351-1364. Definition on page 1358.

[5] "History." *Grameen Bank Bank For Small Business RSS*. Grameen Bank, n.d. Web. 21 Oct. 2015. <http://www.grameen-info.org/history/>.

or she can pay back the loan and any other debts, and eventually improve their overall financial situation, further opening up more opportunities for themselves and family members. For the most part, women in developing countries are the primary receivers of these loans, as they are perceived to be more responsible and have fewer obligations outside of the home than men do.[6]

While all microfinance organizations function by lending out small sums of money to borrowers, there are two main types of approaches. The first is the Self-Help Group (SHG) approach, which generally involves small groups of women within a village who pool their money together and loan it out to other women with interest. The second is the institutional approach, where larger Microfinance Institutions (MFI) run by venture capitalists provide high interest, small sum loans to rural villagers. Unlike SHGs, MFIs provide more technology and are more innovative, but there is a separation between the institution and the village, as the lenders are typically outsiders and provide loan services across many villages and regions.[7]

There is a great deal of literature examining the effects of microfinance and the economic empowerment of borrowers. Overall, the evidence for its effects has been mixed, but there continue to be more thorough studies looking into the effectiveness of microfinance programs. How microfinance relates to gender equality and women's empowerment, however, is not as well researched. While there is some literature on the subject, almost all of it relies on qualitative studies and largely anecdotal evidence from lenders or villagers in India. Furthermore, there are differences in the findings of the researchers on the effectiveness of

[6] Shah, Mihir. P 1358-1359
[7] Shah, Mihir. P. 1359-1361

different microfinance programs on women's empowerment. This leaves an opportunity for more research on the subject; how do microfinance programs affect women's economic empowerment?

I argue that microfinance programs contribute to increasing women's economic empowerment, and Self Help Groups have a greater effect than Microfinance Institutions. Even if microfinance only economically strengthens women in the short term, if at all, it gives women greater autonomy outside of their marriage and household. The ability to make decisions about one's own finances is empowering in itself, as shown in the definition of empowerment above, and a woman who is able to build a reliable source of extra income outside the home gives her a greater sense of self-direction, independence, and greater importance within the community. Furthermore, a woman who makes her own money can make household financial decisions without having to rely on her husband or father, contributing to empowerment within the home. In addition, I argue that while microfinance has an overall uplifting effect on women's economic empowerment, SHGs have a more positive impact compared with MFIs. As SHGs are more local and run by female community members, the women in charge can make loans to women that they know will make the best use of them and that won't be taken away by their husbands. SHG's in themselves are also empowering, as they are run exclusively by women, placing them at a higher status than other rural community members. This is contrary to MFIs, which are run by outside parties who may not make the best decisions regarding who should be loaned money.

MFIs and SHGs:

While all microfinance organizations function by lending out small sums of money to borrowers, there are two main types of approaches. One is the Self-Help Group (SHG) approach, which generally involves small groups of women within a village who pool their money together and loan it out to other women with interest. The other is the institutional approach, where larger Microfinance Institutions (MFI) run by venture capitalists provide high interest, small sum loans to rural villagers. Unlike SHGs, MFIs provide more technology and are more innovative, but there is a separation between the institution and the village, as the lenders are typically outsiders and provide loan services across many villages and regions.

MFIs are essentially large banks that provide microcredit to clients. There are several varieties of MFIs, but the general MFI model, unlike other forms of microfinance, “brings great professionalism, innovation and technology to its enterprise. It also ventures to provide loans that banks do not” (loans to very poor people living in rural areas). While many MFIs may have other objectives on the side, the primary goal for all MFIs, even non-profit MFIs, is to make back the money that they loan out. As a result, many MFIs in India have attempted to raise interest rates for their microloans. While having high interest rates has been criticized as almost predatory, many MFIs keep interest rates high in order to sustain themselves over the long term and to accomplish secondary goals that may further rural development, such as providing of basic education, developing a sense of hygiene and health, encouraging environmental awareness, fostering a sense of gender equality, and encouraging family planning.

There are three main types of MFIs that operate in India. The first type is the non-profit MFI, which is by far the most numerous type of MFI in India with an estimated 410-510 currently active. One example is one of the largest non-profit MFIs is Kiva. With an estimated 70 million borrowers, Kiva also performs NGO duties; working on some of the development and educational issues mentioned previously. The second type is the Mutual Benefit MFI, which includes mutually aided cooperative societies. There are between 200 and 250 such organizations active in India. Some examples include “the SEWA Bank, an urban cooperative bank in Ahmedabad, the Women’s Thrifts Cooperatives (WTCs) established by the Cooperative Development Foundation (CDF) in Andhra Pradesh, and the women’s Kalanjiams established as Societies by the DHAN Foundation, Madurai.” The third type is the for-profit MFI, with only six currently active in India. One example of a for-profit MFI is SKS Microfinance, which has 1,300 branches spread throughout India and has provided over $7 billion in loans. While there are several types of MFIs, most share the primary objective of providing microloans to poor clients.

While MFIs have been working in India since the formation of the Grameen Bank, a somewhat newer form of microfinance has become very popular in India and throughout the world. Self-Help Group (SHG) microfinance largely departs from the large institutional model of micro-lending. Since the early 1990s, rural lenders and NGOs have interacted with the “poor, especially women, to form small homogenous groups. These small groups are encouraged to meet frequently and collect small thrift amounts from their members and are taught simple accounting methods to enable them to maintain their accounts. Although individually these poor could never have enough savings to open a bank account, the pooled savings enable them to open a formal bank account in the name of the group. This is the first step in establishing links with the formal banking system. Groups then, meet often and use the pooled thrift to impart small loans to members for meeting their small emergent needs. This saves them from usurious debt traps and thus begins their empowerment through group dynamics, decision-making, and funds management." The relationship demonstrated above between the SHGs and the banks is called the SHG-Bank Linkage system. The theoretical advantages that this system has over MFI lending include peer pressure to pay back loans in a timely manner, a reduction in transaction costs of making loans as they occur at a very local, personal level, and peer monitoring among monitors encourages borrowers to use their money in a productive way. In addition, the banks with which the SHGs are linked can provide some basic accounting training to ensure that SHGs manage their funds relatively well. Considering the small size of SHGs, there are estimated to be well over one million currently in operation throughout India, with many more sprouting in villages every day.

Methodology:

I hypothesize that microfinance increases women's economic empowerment and furthermore that Self-Help group (SHG) microfinance leads to a greater increase in women's empowerment than larger microfinance organizations. As stated previously, women's economic empowerment will be defined and measured as having the ability to own property, having the ability to own and control a bank account or some kind of savings, seeing an increase in general income, and having increased access to social and essential services such as education and healthcare. I will compile data from 15 studies that have been performed in various areas throughout India concerning the relationship between microfinance and women's economic empowerment. The studies that I will use in this thesis will have taken place in various provinces in rural India. Considering that the financial and social standings of women in urban India are much different from women who live in rural parts of the country, I will only use studies on rural women and rural microfinance. While the amount of microfinance development varies from state to state, all microfinance organizations effectively work in the same way throughout India.[8] As a result, I will use studies without regard to which state. In addition, considering that modern microfinance had its genesis only in the past several decades and has not undergone any significant organizational, financial, or ideological change, I will examine studies from the founding of the Grameen Bank until the present. The data I take from these studies will allow me to draw conclusions from the common (or diverse) findings of the various studies, which may point to a general trend in the effects of microfinance on women's empowerment.

I will compare the level of women's empowerment in the villages, as described and measured in the paragraph above, before and after the introduction of microfinance programs of various types. Furthermore, I will look at the effects of these varied programs on women's economic empowerment compared to villages that have few, if any, microfinance programs operating in them. Finally, I will compare villages with SHG microfinance organizations and villages that have microfinance programs controlled by larger institutions to see if the type of microfinance organization makes a difference in the level of women's economic empowerment. This methodology will allow me to examine how microfinance programs affect women's economic empowerment in general, as well as to see if the women's economic empowerment can be increased at a more local level.

While there are not many studies that have compared the effectiveness of SHG microfinance and larger Microfinance Institutions (MFIs), many of the studies that have

[8] ET Buruea. "MFIs Focus on Northern States, Register Double-digit Loan Growth in Uttarakhand, Rajasthan, Punjab, UP." *Timesofindia-economictimes*. India Times, 03 Dec. 2013. Web. 13 Feb. 2016.

examined the relationship between microfinance and women's economic empowerment include different data sets for SHGs and MFIs. With this secondary information, I will draw conclusions from the common findings of the studies previously compiled in order to determine if there is a major difference in the effectiveness of SHGs and MFIs in economically empowering women. For the most part, the same studies that I collected to examine the first hypothesis will be used to examine the second one.

Literature Review:

There is a wide variety of literature on the subject of microfinance and its effects, however the findings of this literature are mixed. Concerning the effects of microfinance on the financial well-being of borrowers, some researchers (Jonathon Murdoch and Barbara Haley) find that microfinance has a positive effect, while others (Mihir Shah and Vijay Shankar) conclude that the positive effects of microfinance have been exaggerated and benefits are only short-term at best. In regards to microfinance and women's empowerment, the literature is even more mixed. While some researchers (Mihir Shah and Ranjula Bali Swain) find that microfinance has a positive impact on women's empowerment, other researchers (Frances Sinha and United Nations) conclude that the effects are mixed or only short term. Furthermore, a few researchers (Fiona Leach and Linda Mayoux) claim that microfinance has very little impact on women's empowerment. Finally, several researchers (Ranjula Bali Swain and Mihir Shah) have compared the effects of SHGs (Self-Help Groups) and MFIs (Microfinance Institutions, larger than SHGs) on women's empowerment in rural villages in India and find that SHGs have a more positive impact than MFIs. While the literature covers many aspects of microfinance and empowerment, the qualitative nature of the articles leaves room for more research.

Microfinance and Poverty:

While alleviating poverty is one of microfinance's main purposes, the priority of this paper is to examine the effects of microfinance on women's empowerment. However, some literature on the subject will be examined. Researchers such as Jonathon Morduch find that despite some design flaws, microfinance provides poor households with the hope of making extra money and becoming more financially secure.[9] One study by Morduch and Barbara Haley uses a household survey comparing poverty alleviation between families that took advantage of microfinance projects and families that did not in order to determine whether or not microfinance was successful in reducing poverty. They find through their own survey and reviews of other studies that families who used microfinance were better able to build small businesses, had smoother income flows and consumption costs, had an overall increase in income, and women and children had larger arm circumferences than families that were not impacted by microfinance (indicating that they were relatively well-fed).[10] Furthermore, the authors found that larger microfinance organizations were more cost-effective than most other development organizations, smaller microfinance organizations could be cost-effective and more self-sustaining using the Self-Help Group model than organizations that relied on

[9] Morduch, Jonathan. "The Microfinance Promise." Journal of Economic Literature 37.4 (1999): 1569-614. Web. 15 Sept. 2015. P. 1609

[10] Morduch, Jonathan, and Barbara Haley. *Analysis of the effects of microfinance on poverty reduction*. Vol. 1014. NYU Wagner working paper, 2002. p.7

government or wealthy donors, and that most microfinance schemes of any size could be made to be profitable under the right conditions.[11]

While some researchers find microfinance a promising development tool, others highlight its glaring flaws. Mihir Shah believes that MFIs (microfinance institutions) are becoming more commercialized and may become more unstable as they compete with one another, leading to volatility that ultimately endangers the welfare of borrowers. In addition, his long-term studies of MFIs indicate that they are only beneficial to the poor for the short-term, but not the long-term. Without macro-investment into natural resources, infrastructure, education, or community financial security, then microfinance and microloans that are designed to alleviate poverty and provide money for small businesses only modestly and temporarily help the borrowers.[12] Finally, some MFIs charge very high interest rates due to the high risk of loan default. As a result, many borrowers have difficulty paying back the loan and may find themselves in worse debt than before. Here, Shah underlines the dangers of unregulated MFIs, which could further impoverish the rural poor.[13] While there are mixed opinions on researchers on how well microfinance works to alleviate poverty, many find that it has its merits and is capable of providing at least short-term poverty relief and act as a cushion against financial shocks.

Microfinance and Women's Empowerment:

[11] Ibid P.92-93

[12] Shah, Mihir, Rangu Rao, and PS Vijay Shankar. "Rural credit in 20th century India: overview of history and perspectives." *Economic and Political Weekly* (2007): 1351-1364.

[13] Shah, Mihir, Rangu Rao, and PS Vijay Shankar. "Rural credit in 20th century India: overview of history and perspectives." Economic and Political Weekly (2007): 1351-1364. P. 1361

The literature on microfinance and women's empowerment is diverse. Some researchers such as Mihir Shah and Ranjula Bali Swain find that microfinance, despite what one may think of its effects on poverty, has a positive effect on women's empowerment. Other researchers like Frances Sinha believe the evidence is mixed and that microfinance helps to empower women in some ways but not in all cases. Several researchers such as Fiona Leach and Linda Mayoux take a more pessimistic view, saying that microfinance in most instances does little, if anything, to empower women. The diversity in evidence and opinions on this subject suggest that further research is needed.

A number of researchers have a relatively optimistic view of the positive effect microfinance has on women's empowerment. Mihir Shah's assessment of women-run SHG microfinance finds that the potential for women's empowerment is great. "There is overwhelming evidence that women-run SHGs are the best managed with women showing much greater sense of responsibility as also a commitment to human development objectives such as health and education of their families."[14] Furthermore, SHG's linked together in regional "federations" are capable of increasing demand for basic infrastructure or investment in rural areas, leading to greater levels of education, construction of sewers, maintenance of clean water sources, and programs designed to improve child nutrition.[15] In sum, microfinance, especially SHGs, not only give women more social and financial importance in their communities, but could also provide the organizational means for receiving basic services and infrastructure provided by both the public and private sectors.

[14] Ibid P. 1359

[15] Ibid P. 1360

Ranjula Bali Swain's examination of microfinance and women's empowerment is also optimistic. Arguing that impoverished women in rural India are one of the most disadvantaged and disempowered groups in the region, Swain explains that empowerment is "a process in which women challenge the existing norms and culture to effectively improve their well-being."[16] Using survey data from 2000 and 2003 from a SHG bank linkage group in India, Swain compares the level of women's empowerment (measured as percentage of women who were politically active, literacy rate, and value of the household) before and after groups of women were aided by microfinance. Swain finds that women who participated in SHG programs have been able to more successfully challenge existing gender norms than others and have also been able to participate in decision-making in local communities.[17] While she argues that other factors contribute to women's empowerment in rural communities, she concludes that SHG microfinance is one of the key components to success.

While the literature highlighting the positive effect of microfinance on women's empowerment is optimistic, the literature has some flaws. First, women's empowerment is difficult to define and measure, and while Swain's article has a broad definition, Shah's article leaves out a concrete definition. Considering the importance of measuring this variable, a broad definition can leave much data to interpretation or to be skewed. Second, these articles rely heavily on survey data that includes their own interpretations of microfinance and women's empowerment, which don't necessarily match up. As a result, the mixing of potentially different viewpoints could endanger the integrity of the research. Third, the articles solely

[16] Swain, Ranjula Bali, and Fan Yang Wallentin. "Does microfinance empower women? Evidence from self-help groups in India." *International review of applied economics* 23.5 (2009): 541-556. P. 541-542

[17] Ibid P. 547-549, 552-553

examine the effects of microfinance on women's empowerment, but do not take into account other factors that could have led to an increase in empowerment, such as the presence of another development institution in the rural villages surveyed. While the articles examined provide some evidence on the positive relationship between microfinance and women's empowerment, the correlation is not bulletproof.

Other articles have a mixed view on the relationship between microfinance and women's empowerment; highlighting the positive effects but also underlining microfinance's limitations. An article by Getaneh Gobezie published by UN Women points out that women have less access to markets, information, technology, finances, other assets than men in developing states. Women's empowerment can be achieved by shrinking this gap.[18] As with the previous studies, Gobezie examines surveys and articles done by other researchers in order to collect evidence on the efficacy of microfinance of empowering women. She finds that while microfinance schemes have the potential to be empowering in a material sense, (money, small business capital, etc.) it does not address cultural issues that keep women subjugated. Even with institutions that promote gender equality, Gobezie believes that "tensions in gender relationship within the household may increase as economically empowered women find it difficult to co-exist with a man with traditional attitudes and who feels un-easy with and threatened by the increasingly economically independent and more demanding wife and perhaps reduces his contribution to household expenditures."[19] As a result, women may

[18] United Nations. UN Women. Ghana Empowerment of Women and Gender Mainstreaming in Rural Microfinance. By Getaneh Gobezie. N.p.: UN, 2011. Print P 2

[19] Ibid P. 5

become less socially empowered as men react negatively to the increased economic autonomy of women. Due to these issues, Gobezie feels that microfinance can only be effective at improving women's empowerment with third party mechanisms that monitor household situations to ensure that a woman can keep her economic and social autonomy.[20]

Another researcher, Frances Sinha, doesn't focus on women's empowerment in her study, but finds that microfinance groups don't have enough outreach and have some of the same problems as more traditional money lenders, which has negative implications for empowerment. Using a random sample of MFIs taken from nine Indian states, Sinha surveys 83 clusters of about 130 clients each from different MFIs. Sinha looks at three types of MFIs: SHGs, MFIs in the style of the Grameen Bank, and individual banking MFIs. She finds that most loans were microcredit designed to help increase savings or provide credit, however most of the MF groups had high effective interest rates. In addition, while most of the MF groups had women as clients, Sinha notes that very few of them were independent in taking the loans. Instead, she suggests that they took joint loans with men, and typically at a lower amount. Finally, Sinha noticed that while SHG microfinance is excellent for helping to grow a client's savings account, other MF types were not very flexible in repayment, leading to higher interest rates. As a result, they did not have as much of a positive effect on a client's finances.[21] While not dealing directly with women's empowerment, Sinha's findings imply that although SHGs may be useful in

[20] Ibid P. 8
[21] Sinha, Frances. "Access, Use and Contribution of Microfinance in India: Findings from a National Study." Economic and Political Weekly 40.17 (2005): 1714-1719. Web. 15 Sept. 2015. P. 1714-1715

building savings accounts, most types of microfinance, even when geared towards women, don't allow for much independence in decision-making.

While most researchers emphasize the potential of microfinance for empowering women, some are skeptical about the positive effects. The weaknesses of microfinance institutions that target women are examined in an article by Fiona Leach and Shashikala Sitaram. Using a sample of twenty women who took out microloans to start small businesses, the authors use levels of income, access and control of resources, status, and quality of life as indicators of empowerment. Over a period of six to eight months, the women were interviewed to discuss changes in the indicators, and were again interviewed three years after receiving the loans.[22] Overall, the authors find that while the women gained increased experience in the market place and communication skills, most of the businesses failed for a variety of reasons, namely a lack of training in the marketplace, a volatile market, illiteracy, lack of support from the loaning program, and lack of support from men in the community. As a result, women gained no financial independence from their spouses or parents and gained little autonomy outside of the home. In hindsight, the authors suggest that men become involved in helping out struggling women with managing their loans (but not violating their autonomy) in order to guarantee some stability in a volatile marketplace and women can gain the experience needed to stand on their own.[23]

[22] Leach, Fiona, and Shashikala Sitaram. "Microfinance and women's empowerment: A lesson from India." *Development in Practice* 12.5 (2002): 575-588. P. 576-578

[23] Ibid P. 587

Another researcher, Juliet Hunt, also believes that current approaches to women's empowerment through microfinances are not working as they should. Through a series of interviews taking place over a period of three weeks in India and Bangladesh, the author finds that microfinance programs meant specifically for women don't always guarantee independence and autonomy. In the majority of cases, women pass most, if not all, of the loan that they took out in their name to their husbands or other men in the family. In fact, the author finds in a series of interviews that only between 25% and 37% of women who took out microloans use the loan for themselves.[24] While microfinance is needed in order to help alleviate poverty according to Hunt, she suggests that more NGO monitoring is required to ensure that loans that are taken out by women are used by them, as opposed to being given (or taken) by men who have no right to use it for themselves.[25]

SHGs Compared with other Forms of MF:

While the potential for microfinance to empower women is clear, the flaws in the organizations themselves as well as gender politics play a role in reducing potential positive effects. Research on the subject is, overall, mixed and more studies are needed on the subject. While there have been some studies on the effects of different microfinance institutions on empowerment, there have been fewer studies in the comparative effects of SHG model MF and larger MFI on empowerment. Overall, most researchers agree that smaller, SHG MF organizations are more effective at empowering women than larger institutions and NGOs.

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[24] Hunt, Juliet. "Reflections on Microfinance and Women's Empowerment." *Development Bulletin.* 57. 71-75. P.71-72.

[25] Ibid P. 74

An article by CS Reddy examines survey's interviews and studies on MF SHGs performed by other researchers and NGOs. Reddy finds that there may be as many as two million SHGs in India, most of them in rural areas.[26] Considering that they are mostly, if not totally, run by women the implications for their positive impact on women's empowerment is substantial. Reddy determines that SHG financial management capabilities and helpfulness in providing women with advise on how to spend their loan money ranges from weak to average, however their impact on women's political power, social justice, and overall livelihoods are much greater. In terms of political power, SHGs have allowed women to group together in local assemblies in rural communities in India and ensure that their voices are heard. Furthermore, although female participation in community politics remains low, Reddy finds that about 70% of women who run for political office are able to win a seat. These successes are mostly thanks to the greater voices and votes brought about by participation in SHGs.[27] In terms of social justice issues, social disputes and certain legal arrangements like marriage have traditionally been dealt with by men in rural communities, but Reddy finds that some SHGs take a more proactive role in these issues. "Now, there are instances of women, SHG members, being involved in resolving disputes. Whether or not the women are working for their own interests or in the case for justice varies, regardless SHGs' impact on the political arena is certainly being seen also in social justice, albeit in a slow and evolutionary process."[28] While Reddy concludes that more support of SHGs by outside sources is needed in order to continue the trend of rising gender equality, it is clear that SHGs have had an uplifting effect on women's empowerment.

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[26] Reddy, C. S. "Self-Help Groups: A Keystone of Microfinance in India." *Microfinancegateway.org*. APMAS, Oct. 2005. Web. 15 Sept. 2015. P. 3

[27] Ibid P. 12
[28] Ibid P. 13

Several of the authors previously mentioned also highlight the benefits of SHGs for empowering women. Swain compares levels of women's empowerment between women in SHGs and women outside of the SHG framework. The author finds that "The nature and types of activities and the kind of programme that the women are exposed to, critically determines how empowering the impact of the SHG is on women. The minimalist microfinance approach may not be sufficient by itself."[29] Furthermore, Swain recommends that outside groups, such as donors, NGOs, or politicians, could provide more resources to SHGs in order to give them a greater voice for women in local communities.[30] For Swain, not only is microfinance by itself an empowering tool, but SHGs are far more capable of supporting gender equality.

Mihir Shah also believes that SHGs have a greater uplifting effect for women than other programs. More optimistic than other scholars, Shah finds "Since most SHGs are women's groups, the potential for women's empowerment is huge. There is overwhelming evidence that women-run SHGs are the best managed with women showing much greater sense of responsibility as also a commitment to human development objectives such as health and education of their families [Pitt and Khandker 1998]."[31] Shah, like Reddy, also finds that the female heads of SHGs have a higher chance of being elected into local offices than other women, and that the collective political and social voices of women in SHGs is overall greater than women who do not take part in SHGs.[32] Acknowledging the limitations of microfinance, as

[29] Swain, Ranjula Bali, and Fan Yang Wallentin. "Does microfinance empower women? Evidence from self-help groups in India." *International review of applied economics* 23.5 (2009): 541-556. P. 553

[30] Ibid P. 554

[31] Shah, Mihir, Rangu Rao, and PS Vijay Shankar. "Rural credit in 20th century India: overview of history and perspectives." Economic and Political Weekly (2007): 1351-1364. P. 1359

[32] Ibid P. 1361

mentioned previously, Shah still indicates great potential for SHGs to empower women in rural communities.

The literature on how microfinance alleviates poverty or not is extensive but diverse, with no clear agreement. Generally speaking, however, researchers see microfinance groups as a potentially uplifting force for women's empowerment. Even the more skeptical scholars recognize how microfinance groups can have positive impacts with the right support structures. Furthermore, some scholars believe that SHGs have an even greater potential to empower women than other development tools or MFIs. Considering that the literature on these subjects is mostly mixed, there is more room for research and examining the relationship between microfinance and women's empowerment.

This thesis does not seek to add new data or conduct new surveys, but instead to compile the information that has already been gathered by previous researchers in order to compare and contrast the different findings and see if the data overall lean towards supporting or rejecting the positive relationship between microfinance and women's empowerment. Furthermore, considering that there are only a few studies that compare the effectiveness of SHG microfinance with larger MFIs, this thesis will examine previous studies where SHGs and MFIs are involved and provide further information regarding their comparative usefulness in empowering women.

Examining the Case Studies:

As stated in the methodology section, for this study I collected 15 studies that examined the relationship between microfinance and women's economic empowerment. In this section, I review each study individually: their methodologies, the specific type of microfinance that they examined, their sample sizes, the locations in which they take place, their key findings, and their conclusions. The first section of the analysis reviews MFIs and their effects on women's economic empowerment. The second section reviews SHGs and their effects on women's economic empowerment. Two studies, both by Frances Sinha, examine both MFIs and SHGs, however I review their findings for each type of microfinance separately and I discuss their implications in the following section.[33][34]

Examining MFIs:

Access, Use and Contribution of Microfinance in India: Findings from a National Study:

The first study reviewed here is titled "Access, Use and Contribution of Microfinance in India: Findings from a National Study" by Frances Sinha. This research was mentioned previously in the literature review, however in this examination section I will review this study in greater depth. Sinha's study does not examine women's empowerment in itself, but instead measures the contributions that MFIs and SHGs make to income, savings, and household expenditures of clients, and notes that many clients are women.[35] The author conducts her study with a questionnaire that he gave to client families, which she ranked according to their

[33] Sinha, Frances. "Access, Use and Contribution of Microfinance in India: Findings from a National Study." Economic and Political Weekly 40.17 (2005): 1714-1719. Web. 15 Sept. 2015.
[34] Sinha, Frances. "Impact Assessment of Microfinance in India"." EDA Rural system Pvt. Ltd., Gurgaon (2003).
[35] Sinha, Frances. "Access, Use and Contribution of Microfinance in India: Findings from a National Study." Economic and Political Weekly 40.17 (2005): 1714-1719. Web. 15 Sept. 2015. P. 1714

relative poverty level from very poor, to poor, to borderline and to non-poor.[36] She selected the MFIs in such a way that they were representative of the main forms of microfinance within a specific region. Ultimately, however, Sinha makes a clear distinction between SHGs, MFIs, (which she terms Grameen-model MFIs, but these fall into the same general definition as MFIs for the purposes of this thesis) and individual banking.[37] Sinha selected 6 Grameen-model MFIs with a total of 1,950 sample clients. The study took place in rural areas in the states of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Uttar Pradesh, Rajasthan, Assam, and Manipur between 2002 and 2004.[38]

Sinha finds that the average client from a Grameen-model MFI borrows about 7,000 rupees and 79% of these clients use the loan for some form of investment, usually in a microenterprise, which Grameen-model MFIs encourage. Furthermore, the largest wealth-ranking of borrowers is "borderline."[39] Out of all MFI clients, 99% engage in microsavings, typically saving 600-1,200 rupees over the course of the survey.[40] Sinha notes, however, that while Grameen-model MFIs make a significant contribution to the savings, borrowings, and payment for household expenses for poor people in rural areas, no MFI provides other services to clients aside from life-insurance policies.[41] Sinha's study ultimately indicates, however, that MFIs have been successful in the above-listed regions in contributing to the savings of clients. Considering that most of the clients in this study were women, this study demonstrates the

[36] Ibid. P. 1715
[37] Ibid. P. 1714
[38] Ibid. P. 1714-1715
[39] Ibid. P. 1716
[40] Ibid. P. 1716
[41] Ibid. P. 1719

efficacy of MFIs in economically empowering women in the facets described in the above methodology section.

Does microfinance reduce poverty in India? Propensity score matching based on a national-level household data:

The second study is titled “"Does microfinance reduce poverty in India? Propensity score matching based on a national-level household data” by Thankom Arun et al. Arun’s study mostly focuses on the poverty-reduction aspects of microfinance, and while he does not define women’s empowerment specifically, he mentions that women are mostly the clients of the MFIs he examined and that other studies indicate that microfinance has had a positive impact on women’s empowerment.[42] Arun measures poverty reduction by using the Index Based Ranking indicators (IBRs) that “were created to overcome the income or consumption-based poverty measures and capture non-income or multi-dimensional dimensions of poverty, such as basic needs, capabilities, social capital or vulnerability.”[43] This entails the measurement of income, productive assets, the fulfillment of basic needs, the availability or affordability of human and social capital (i.e. school), housing, and household assets. Arun created a questionnaire that he sent out to MFI clients throughout India in 2001. In total, 5,327 clients of 20 MFIs were selected for the survey. The author based his study on the cross-sectional data for these clients’ households compared with a control group.[44]

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[42] 3. Arun, Thankom, Katsushi Imai, and Frances Sinha. "Does microfinance reduce poverty in India? Propensity score matching based on a national-level household data." Economics Discussion Paper, The University of Manchester, September (2006).
[43] Ibid. P. 8
[44] Ibid. P. 6

The author finds that simply having access to an MFI in rural areas leads to a small, but measurable, decline in poverty levels for clients. On the other hand, clients who used their loans for productive purposes, such as investing in microenterprises, saw a much greater reduction in poverty.[45] The author believes that this implies that loan monitoring on the part of MFIs can lead to greater poverty reduction in rural areas. Furthermore, the author notes that “while microfinance focuses on women, male-headed households tend to be in a more advantageous position to take loans for productive purposes.”[46] Arun’s study indicates that MFIs can reduce poverty for women in rural areas, but men using loans for productive means stand a greater chance for poverty reduction than women, indicating that some MFIs may not be totally conducive to women’s empowerment.

Impact Assessment of Microfinance in India:

The third study, also by Frances Sinha, is titled "Impact Assessment of Microfinance in India.” This study was conducted with the support of the Department of International Development, from the UK, the International Fund for Agricultural Development and it was implemented by the Small Industries Development Bank of India (SIDBI). This study presents the findings of a national impact assessment of several types of microfinance models, including SHGs and (Grameen-model) MFIs.[47] In total, Sinha examined ten Grameen-model MFIs with 383,000 clients from all over India between 2000 and 2007.[48] As with his previous study, Sinha does not explicitly define women’s economic empowerment, however she gives indicators that

[45] Ibid. P. 17, 20, 21
[46] Ibid P. 14
[47] Sinha, Franches. "Impact Assessment of Microfinance in India"." EDA Rural system Pvt. Ltd., Gurgaon (2003).
[48] Ibid. P. 2-3

are consistent with the indicators listed in the methodology of this thesis, including a woman's ability to save and access loans, opportunity to undertake an economic activity, mobility (opportunity to visit nearby towns), awareness (local issues, MFI procedures, banking transactions), skills for income generation, decision making within the household, group mobilization in support of individual clients, action on social issues, and the amount women play a role in community development activities.[49] Sinha collected data through a series of surveys and questionnaires as well as national household data, which he then used to compare the welfare and empowerment of client households with non-client households.

Sinha finds that nearly 100% of clients in both the Grameen-model MFIs and SHGs increase their savings, compared to 18% and 27% of very poor and poor households, respectively in the control group. On the other hand, clients from both types of MFIs don't spend more money on their children's education than non-clients, indicating that microfinance does not necessarily impact education levels of clients.[50] In terms of women's empowerment indicators, Sinha notes that Grameen-model MFIs tend to emphasize the microenterprise aspect of development more often than SHGs. However, when surveyed, only about half of female clients reported that they had any hand in their microenterprises, with only 34% of businesses managed solely by wome and the other 20% managed In part by their husbands or male family members. In addition, most Grameen-model MFIs included in the survey required that a male relative sign the loan agreement.[51] Furthermore, the Grameen-model MFIs, while mostly lending to women, had a "gender-neutral" approach to loan agreements and only

[49] Ibid. P. 18
[50] Ibid. P. 14-16
[51] Ibid. P. 19

provided, at best, basic finance-related training (such as basic accounting skills and teaching clients how to sign their names). The MFI staff conducted all major transactions. As a result, the ability of women to effectively handle their own affairs without the aid of relatives or MFI staff was hampered.[52] Sinha concludes her sections on Grameen-model MFIs by mentioning that they have been successful at increasing client savings and decreasing levels of poverty, but have seen few successes in improving women's decision-making over their microenterprises or their own finances as they do not provide women with much opportunity for self-development.

Annapurna Microfinance LTD Impact Assessment Report:

The fourth study is an impact assessment report by Annapurna Microfinance PVT LTD. Annapurna Microfinance (AMPL) uses a model of lending that has similarities to SHG microfinance, in that poor women guarantee each other's loans. Furthermore, AMPL refers to this model as an SHG model, however considering that borrowers receive their money directly from AMPL, must pass a financial literacy test to receive a loan, and clients are monitored by both their peers and the AMPL to repay their loan,[53] AMPL will be considered a large MFI as defined in the introduction section of this thesis.

AMPL conducted their impact assessment in five districts of the state of Orissa between 2009 and 2011 with aid from KIIT School of Rural Management (KIIT University). They sent surveys and questionnaires to 180 clients and compared their answers and the data they provided with 60 women from a control group.[54] The goal of the impact assessment report was

[52] Ibid. P. 18
[53] Annapurna Microfinance Pvt. Ltd." Micro Credit. N.p., n.d. Web. 15 Mar. 2016. http://ampl.net.in/micro%20credit.html
[54] Annapurna Microfinance LTD. Impact Assessment Report. 2011. Orissa. P. 3, 12

to analyze the effectiveness of AMPL's microcredit program in terms of poverty reduction and women's empowerment. AMPL defines women's empowerment as an increase in decision-making over income, household expenditures, and an increase in domestic autonomy.[55] In terms of poverty reduction, AMPL lists income increases, expenditure increases, land ownership, savings increases, electricity availability, asset holding, increase in nutrition, access to sanitation, and access to water as indicators.[56]

AMPL's impact assessment found that there was an increase in income among the client group compared to the control group by 30%. The authors suggest that investment of loan money into different income-generating activities, especially agricultural activity, were the main reasons for this rise.[57] In terms of expenditures, the experimental group increased overall spending by 18%, with a high concentration in education and healthcare compared to the control group's 7% increase in expenditures over the course of the study.[58] Furthermore, the experimental group was able to save an average of 400 rupees more than the control group over the period of the study, due to the increase in income.[59] On the other hand, land ownership between both groups has remained the same, as well as access to sanitation, indicating that AMPL's microfinance services had no positive effect, and while electricity availability for the experimental group increased by 20%, the control group saw a similar increase, indicating that the increase in electricity access among both groups was due to

[55] Ibid. P. 39-41
[56] Ibid. P. 23-43
[57] Ibid. P. 23
[58] Ibid. P. 26
[59] Ibid. P. 27

another factor aside from microfinance.[60] The report also found that asset holdings (bicycles, TVs, mobile phones, etc.) increased by about 20%, while the control group's asset holding rates remained the same, indicating that the extra income from microfinance has allowed for the increase in assets.[61] In addition, 72% of clients were eating three meals per day before their loans, but 92% were eating three meals per day by the conclusion of the study, further suggesting that the increase in income from the loans increased nutritional value among most clients.[62]

Regarding women's empowerment, the report found that 78% of clients had complete decision-making abilities over expenditures (except for very large purchases) compared to 58% of clients before taking the loan, suggesting that AMPL was able to provide female clients with more autonomy. In addition, 57% of clients had full control over their incomes and 37% had partial control over their incomes by the conclusion of the study compared to 5% of women having control over their incomes in the control group.[63] While there is still much room for improvement, the report indicates that women have seen a great reduction in poverty level, a significant increase in income and savings, and a great increase in economic empowerment through AMPL's loan program.

EDA Rural Systems (2002) Impact Assessment of Microfinance:

The fifth study is an impact assessment report by EDA Rural Systems for the SIDBI Foundation for Microcredit (SFMC). The impact assessment was carried out between July, 2001

[60] Ibid. P. 20, 29, 33
[61] Ibid. P. 31, 32
[62] Ibid. P. 32
[63] Ibid. P. 41-43

and March, 2002, and covers five MFIs that were considered representative of the 31 MFIs that are partnered with SFMC throughout India. The impact assessment was performed using a series of questionnaires given to recipients of loans in two to four areas covered by each MFI. In total, 1,400 questionnaires were answered.[64] As with some of the studies previously mentioned, this impact assessment does not define women's empowerment in any specific terms, but the indicators used fall in line with the indicators of financial women's empowerment outlined in the methodology section of this thesis. This assessment included opportunities for savings, overall increase in wealth, mobility within and outside of the villages, a sense of pride and self-respect, group interaction that could lead to opportunities for the exchange of market information, family influence on loan use, and the opportunity to lobby for infrastructure as indicators of the effects of microfinance on women.[65]

The impact assessment found that the sampled MFIs have a positive effect on women's livelihoods overall. In terms of wealth, the assessment found that the percentage of long-term (2-4 years) clients that were very poor was higher than the percentage of clients who had taken a loan with the MFI less than a year prior to the survey (short-term clients). In addition, 67% of long-term clients were considered poor, which is greater than the percentage of short-term clients who were considered poor, at just over 60%. On the other hand, the majority of long-term poor clients were less poor than when they first took out a loan. The largest category of non-poor (self-sufficient) clients were those who were in the two to three year-term range, with roughly 20% of those surveyed falling into this range. The percentage of both long-term

[64] EDA Rural Systems (2002) Impact Assessment of Microfinance for SIDBI Foundation for MicroCredit (SFMC) Phase 1 Report July 2001. March 2002, Gurgaon, India, March 200. P. 1-2
[65] Ibid. P. 10

and short-term clients who fell into the surplus category of wealth (beyond self-sufficient) was about the same, at about 15%. Once again, however, clients who were with MFIs for two to three years, mid-term, had the highest percentage of clients who fell into the surplus category, at roughly 18%. In terms of wealth, the impact assessment indicated that clients who took loans and worked with the MFI between two and three years saw the greatest increase in wealth, but there was an overall small increase in wealth for most clients who were with the MFI in the long-term.[66] In other words, women who spent between two and three years in the MFI saw the greatest economic benefits, while those who spent less than two years or more than three years saw fewer benefits.

In terms of savings, the impact assessment found that MFIs afforded more women an opportunity for savings than women who did not take loans from an MFI. Furthermore, the assessment found that women saw an increase in mobility inside and outside of their villages, an increased sense of pride and self-respect, a greater exchange of market ideas among women who took loans from MFIs, an increased ability to lobby for infrastructure, and an increased ability to lobby against alcohol outlets. On the other hand, the assessment also found that group leaders and certain long-term clients held disproportionally greater economic opportunities than other women, some women felt pressure from their families to apply for loans, and in some MFIs where men could also be clients, and women could only apply for very small microloans and typically had higher interest rates than men.[67]

[66] Ibid. P. 5
[67] Ibid. P. 10

The results of this impact assessment are somewhat mixed. In terms of wealth generation, only a small percentage of women see a great increase, and most women only see a small increase in wealth. However, the clients that were surveyed indicated that MFIs provided them with savings opportunities that they otherwise would not had had, as well as greater mobility, lobbying power, and overall influence in their community.

Microfinance and Poverty Alleviation: An Impact Assessment Survey:

The sixth study is an impact assessment report performed by the Royal Bank of Scotland (RBS) Group in India in association with CASHPOR Microcredit. This impact assessment took place in the state of Uttar Pradesh in 2008, and surveys 320 clients from CASHPOR using questionnaires. The report compares the livelihoods of clients before they took their loans with their livelihoods after they took out five loans over four consecutive years.[68] The assessment designates families as non-poor, moderate poor, and very poor. While the impact assessment does not define women's empowerment directly, it provides indicators of economic empowerment and social empowerment that are similar to the indicators of women's economic empowerment expressed in the methodology section of this thesis. In terms of economic empowerment, this impact assessment examines the CASHPOR House Index Score (CHI), which measures the average livability of a family's dwelling by examining its building materials, how well it is built, etc. The assessment also looks at the number of earners per household, the percentage of households with more than one earner, the number of sources of

[68] The Royal Bank of Scotland Group. (2008) Microfinance and Poverty Alleviation: An Impact Assessment Survey. Retrieved from http://www.mixmarket.org/sites/default/files/Enclosure_10-Impact__Assessment_report_-RBS.pdf P. 2

income, and the percentage of households that own agricultural land and/or livestock.[69] In terms of social empowerment, the assessment measures education levels of children, household vulnerabilities to economic shock (which is considered an indicator of economic empowerment in this thesis), the percentage of important household decisions made by women, and how respected women who took out loans felt.[70]

Overall, the impact assessment found that clients saw a significant decrease in poverty over time, however the effects of the loans on social empowerment were limited. In terms of economic empowerment, the assessment concluded that the average CHI for each household increased from a "3" to a "4", indicating that loan recipients improved their housing situations. Furthermore, the average number of earners per household after four years increased from two to three, the percentage of households with more than one earner increased from 61% to 86%, the average number of sources of income increased from 1.75 to 2.48, the percentage of families with livestock increased from 37% to 100%, and the percentage of families that owned agricultural land increased from 1% to 40%. As a result of these findings, the assessment concluded that recipients of CASHPOR loans were able to invest loan money into household assets in order to diversify income, thereby leading to a general increase in income and a decrease in poverty. However, 33% of clients are still considered poor, while 66% are non-poor.[71]

In terms of social empowerment, the impact assessment found that the loans had a positive impact in most categories. First, the percentage of very poor children that attended

[69] Ibid. P. 2
[70] Ibid. P. 16-17
[71] Ibid. P. 2-3

school increased from 67% to 75%, but the increase in percentage of children attending school in the moderate-poor and non-poor category, while higher than very poor children, was negligible. Furthermore, the assessment found no significant difference in the education levels of male and female children. Second, the assessment found no relationship between poverty-level and economic shocks. Even with loan money, families in every category received an average of one financial shock every one to two years. The assessment report hypothesized, but does not prove, however, that non-poor clients could use their higher income and loan money to absorb the shock much more effectively than clients who were poor. Third, the report ranks the social empowerment of women at an average of 6.44 out of ten based on the responses to questions on the client survey, as well as how the clients themselves felt about the loans and their own empowerment. There was no significant difference in responses from the different poverty categories. On the one hand, women felt like they were more respected after receiving the loan and could make more decisions in the household, but on the other hand, 25% of women felt no increase in respect, and many women did not feel like they had total control over their own money or livelihoods.[72]

The RBS impact assessment report on CASHPOR indicated that women see a significant increase in their economic empowerment. Furthermore, many, though not all, of the surveyed clients saw a significant increase in income and asset holdings. However, the increases in measurable social empowerment were less significant, and most of the clients' gains from the loans were material and invested in the household, rather than social.

The Impact of Microfinance on Women Empowerment: Evidence from Eastern India:

[72] Ibid. P. 15-17

The seventh study, by Rahul Nilakantan et al, examines the impact of MFIs on the empowerment of women in eastern India. This study collects data from Bandhan, one of the largest MFIs in India in 2011. The author sampled 927 households from West Bengal in 2010 and used the pipeline methodology, which is a comparison of older members and newer members, with new members effectively acting as a control group.[73] The author explores four dimensions of women's empowerment, which are compatible with the definition outlined in this thesis. First, the author determines whether the female borrow manages her microfinance-backed enterprise. Second, the author examines the influence the borrower has over decision-making on credit related issues. Third, the author measures the influence the borrower has over expenditure related issues. Fourth, the author ascertains whether the borrower has significant influence over children related issues.[74]

Unlike some of the previous studies mentioned in this thesis, the author finds that microfinance has either no effect or a negative effect on most aspects women's empowerment. He finds that longer durations of working with the MFI resulted in a lower likelihood of running the enterprise and a lower likelihood of having significant influence over credit and expenditure related issues. In addition, the author found that women see no increase in influence over children related issues. The author divided the samples into two groups. The control group worked with the MFI for one loan cycle, while the experimental group worked with the MFI for more than one loan cycle. On a scale from 0-1, the author specifically found that the mean control women had over their enterprise decreased from .40 to .27. In terms of credit and

[73] Nilakantan, R. A. H. U. L., SAURABH C. Datta, P. R. I. Y. A. N. J. A. L. I. Sinha, and SAMAR K. Datta. "The Impact of Microfinance on Women Empowerment: Evidence from Eastern India." International Journal of Development and Conflict 3 (2013): 27-40. P. 28-32
[74] Ibid. P. 27

expenditure related issues, the mean influence women had decreased from .33 and .34 to .28 and .28, respectively. In terms of children related issues, women's influence decreased from a mean of .34 to .33, but this is not significant.[75] The author argues that over time traditional gender roles resurface in client families, and men or older family members take more control over micro-enterprises and women's finances. While Bandhan loans exclusively to women, Bandhan does not appear to have very strong empowerment tools at their disposal. As a result, attempts to empower female clients through loans and microenterprises alone is not sufficient or sustainable. That being said, the author indicates that most of the clients' finances had improved over time, but that was not the primary and subject of this paper, and economic improvement alone was not enough to achieve empowerment.[76]

Smoke and mirrors: Evidence of microfinance impact from an evaluation of SEWA Bank in India:

The eighth study is an impact evaluation of the SEWA Microfinance Bank in India by Maren Duvendack. The author does not focus on or define empowerment, however the two primary indicators used to examine the SEWA Bank, annual income and school enrollment, are consistent with the indicators of women's empowerment mentioned in the methodology section of this thesis.[77] The author uses data taken from USAID in 1998 and 2000 and compares SEWA Bank clients with non-clients around the city of Ahmedabad. The methodology of USAID consisted of surveys sent out to clients and non-clients that questioned families about their

[75] Ibid. P. 33
[76] Ibid. P. 37-38
[77] Duvendack, Maren. "Smoke and mirrors: Evidence of microfinance impact from an evaluation of SEWA Bank in India." (2010). P. 30

income and children's' education levels. Clients were further divided into two groups; borrowers and savers. Savers simply deposited money into a SEWA bank account and did not take out a loan a year prior to the survey, while borrowers took out a loan before the survey. A total of 264 borrowers, 260 savers, and 262 controls were surveyed in the two rounds during 1998 and 2000, making for a sample size of 1,572.[78]

Duvendack finds that both borrowers and savers ultimately had a greater income than the control group in both rounds. Borrowers saw the greatest benefits in terms of income, making an average of a little over 12,000 more rupees per year than the control group in round 1 (1998), and about 18,000 more rupees per year in round 2 (2000). Savers made an average of about 7,000 rupees more per year than the control group in round 1 and about 10,000 more rupees per year in round 2.[79] Furthermore, clients tended to spend several thousand more rupees per year on household expenditures and housing improvements than non-clients.[80] On the other hand, the author finds that while clients' children had a greater level of school enrollment than non-clients' children, the increase was statistically insignificant.[81] Despite the positive trend in participation with SEWA Bank and annual income, Duvendack writes that her results are inconclusive due to the presence of unobservable factors. Her results yield little in the way of explanatory power, and there is the possibility that clients are likely to pursue government programs that could also lead to an increase an income. As a result, the author

[78] Ibid. P. 19-21.
[79] Ibid. P. 40-41
[80] Ibid. P. 30
[81] Ibid, P. 30, 32

claims that the data is unreliable and new studies should take into account unobservable factors.[82]

The impact of microcredits on the life quality of women in the rural area in Andhra Pradesh:

The ninth and final study of MFIs examines the impact of microcredit through the SHARE organization on the lives of women in the state of Andhra Pradesh and was conducted by Raquel Marban-Flores. The author defines women's empowerment as an "increase in their confidence level, that is, their empowerment in regards to their families and society."[83] Her indicators for this definition are divided into three levels; those related to the individual, household and family, and microenterprise. Individual indicators include education level, marital status, and age. Household and family indicators include the impact of microcredit on family welfare, family consumption, and variation of family income. The microenterprise indicators include the impact of the creation of an enterprise on a woman's welfare and the making of decisions from a positive and negative viewpoint.[84] The study's methodology used a survey of 78 randomly choses female clients of SHARE in Andhra Pradesh, who were given the questionnaire in 2011. The clients were taken from different age, status, and educational

[82] Ibid. P. 42-44
[83] Marbán-Flores, Raquel. "The impact of microcredits on the life quality of women in the rural area in Andhra Pradesh (India)." Asia-Pacific Social Science Review 11, no. 2 (2011). P. 47
[84] Ibid. P. 47

brackets. Slightly over half of the clients were between the ages of 27-37, however, and about 87% were married.[85]

The author found that the incomes, savings, and consumption of clients have increased moderately after receiving loans, and while household autonomy of female clients only increased by a small amount, the women surveyed were mostly grateful for their loans. In terms of children's education level, 41% of the clients surveyed spent less than 5% of their income on education, while the rest did not know how much they spent. After receiving microcredit, however, the author found that 30% of clients spent 10% or more of their income on education, while just over half spent 5% on their children's education. In addition, 70% of clients increased spending and diversity of food products, indicating an increase in consumption. Furthermore, none of the women surveyed had any savings with a bank before their loan, but 89% of the women had opened savings accounts with SHARE after taking a loan. In terms of household autonomy, the author found that 35% of clients had to always ask their husband before making financial decisions. However, 43% of women had to ask only some of the time, and 15% did not have to ask their husbands about financial decisions at all, although much of those answers came from widows. While some women indicated a small increase in household autonomy, 86% of women had positive feelings about the SHARE loans, and the majority had felt an increase in their self-confidence; one of the keys to achieving empowerment according to the author.[86] [87] Overall, the author finds that women and their

[85] Ibid. P. 48
[86] Ibid. P. 49-52
[87] Ibid. P. 47

families benefited materially from the SHARE loans and microenterprises they started, however social empowerment gains within the household remained minor at best.

Analysis of SHGs:

Does microfinance empower women? Evidence from self-help groups in India:

The first study analyzed here that examines the effectiveness of SHGs in empowering women is by Ranjula Bali Swain and takes evidence from Self-Help groups. This study was mentioned in the literature review of this thesis, but will be covered here in more detail. The author defines empowerment "as the process in which women challenge the existing norms and culture of the society in which they live to effectively improve their well-being. Women's empowerment therefore encompasses different spheres of a woman's life."[88] The author uses an increase in women's income, control over savings, increased political participation, less submissive household roles, and increased decision making in household and work matters as indicators of empowerment, although she does not concretely measure them individually in this study.[89] The author tested her hypothesis that SHGs can increase women's empowerment by surveying SHG clients in the states of Orissa, Andhra Pradesh, Tamil Nadu Uttar Pradesh, and Maharashtra from the years 2000 to 2003 and compared their answers to a control group of non-clients.[90]

The author writes that empowerment cannot be necessarily measured on an absolute scale, and concludes that relative to the control-group, SHG clients "are empowered by participating in this microfinance program in the sense that they have a greater propensity to resist existing

[88] Swain, Ranjula Bali, and Fan Yang Wallentin. "Does microfinance empower women? Evidence from self-help groups in India." International review of applied economics 23.5 (2009): 541-556. P. 546
[89] Ibid. P. 547
[90] Ibid. P. 551, 554

gender norms and culture that restrict their ability to develop and make choices."[91] This occurs as women make money from their microenterprises and build savings accounts. The author finds that this in turn allows women to have a greater say in household decisions, and women in SHGs further can group together and combine resources in order to have a greater say in their communities.[92]

Access, Use and Contribution of Microfinance in India: Findings from a National Study:

The second study by Frances Sinha on the "Access, Use and Contribution of Microfinance in India" examines both MFIs and SHGs and their effects on clients. The background and MFI section of the study was covered previously in this section, so only the SHG section will be covered here. Sinha sampled nine SHG-Bank Linkages with a total of 2,447 clients and found that the average client borrows 6,000 rupees[93] from their organization. About 54% of SHG clients used their loans for some form of investment, and 97% engage in some type of savings. Unlike Grameen-style MFIs, SHGs typically require that their clients save a portion of their loan. As a result, SHG clients had an average savings during the course of the survey of 1,100 rupees.[94] Furthermore, 40% of clients in SHG-Bank Linkage programs had access to life-insurance policies, and 5 large SHG-Bank Linkages provided non-financial services to clients, such as education or health services.[95] Overall, Sinha finds that SHGs provide clients with an

[91] Ibid. P. 553
[92] Ibid. P. 553
[93] While the value of the Indian rupee compared to the US dollar has fluctuated over the course of the studies I have examined, as of 21 April, 2016, 1,000 rupees was equal to $15.04.
[94] Sinha, Frances. "Access, Use and Contribution of Microfinance in India: Findings from a National Study." Economic and Political Weekly 40.17 (2005): 1714-1719. Web. 15 Sept. 2015. P. 1716
[95] Ibid. P. 1717

opportunity to increase their incomes and savings, as well as gain access to non-financial services.

Women's self-help groups, poverty alleviation and empowerment:

The third study examines the effectiveness of SHGs in empowering women in Andhra Pradesh. The authors, S. Galab and N. Chandrasekhara Rao, divide the concept of women's empowerment into three dimensions, power to, power with, and power within:

> The 'power to' dimension of empowerment indicates the power of women to control their lives. This includes power to survive, control over their labor and access to family labor, access to and control over resources, freedom to move and interact, access to leadership positions, control over reproduction and control over body. The 'power with' indicates the collective power of women members to negotiate their gender, caste, class and other interests vis-a-vis institutions of the market, the state, and the community. This includes collective interventions in the institution of family, community, market organization, the state including statutory local bodies. The third dimension 'power within' indicates the strategic gender awareness. An indicator of the 'power within' at the individual level is the ability of women to challenge gender related attitudes and social norms in their own personal lives. Another indicator of the power, women gaining at a deeper level, is the perception of others on women's confidence, assertiveness, and independence.[96]

The authors examine data from 1998-2002 taken from three large SHG development programs; the Cooperative Development Foundation (CDF), the Development of Women and Children in

[96] Galab, S., and N. Chandrasekhara Rao. "Women's self-help groups, poverty alleviation and empowerment." Economic and Political weekly (2003): 1274-1283. P. 1274

Rural Areas (DWCRA), and the South Asia Poverty Alleviation Program (SAPAP). Despite minor differences in these programs, their model SHGs are rooted in the same premises: "lack of access to credit at favorable terms and conditions for poor is resulting in perpetuation of poverty; social capital contributes to poverty alleviation; and women's empowerment reduces general and gender poverty."[97] The authors compare the average financial and social situation of women clients, as defined above, and compare it to their financial and social situation after becoming clients of SHGs.

The authors find that SHGs have primarily increased women's access to credit and forced other money lenders to reduce interest rates in order to remain competitive. Furthermore, the average woman client has seen an increase in consumption, diversification of income, an increase in quality of income, and have increased the quality of their employment.[98] In addition, many women, who previously were unable to save any money, have seen a great increase in savings. Clients from CDF SHGs saved an average of 1,034 rupees, those from DWCRA saved an average of 1,260 rupees, and those from SAPAP saved an average of 1,092 rupees.[99] The authors further none that "the women acquired some non-land assets; health, nutrition and education status of children has improved. This indicates that the intergenerational transmission of poverty has reduced."[100] On the other hand, the poorest of the poor clients in DWCRA and CDF did not have the facilities to intervene as groups into familial, local, or governmental institutions to address their specific concerns. Furthermore, the poorest of the poor saw the least amount of gains or savings from their SHG experience, with

[97] Ibid. P. 1275
[98] Ibid. P. 1281
[99] Ibid. P. 1276
[100] Ibid. P. 1281

some unable to pay back the loan or only able to barely pay back their loan with little in the way of extra gains.[101] In terms of social empowerment, the authors found mixed results:

> The achievements in empowerment varied across different social groups since the issues of women empowerment are interlocked with caste, religion and headship of the households and age of the women. The women headed house- holds, the aged women (those who are above 45 years) and dalits[102], on the whole, have benefited more in the process of empowerment. However, the women from other communities have made impressive beginnings in the process of women empowerment.[103]

However, despite these variances, the authors found that financial and social empowerment through SHGs can be sustainable if the poorest of the poor receive extra financial aid and skill training, and if SHG leaders and facilitators are given some kind of extra compensation for their efforts as incentive to continue working with the SHGs.[104] Overall, the authors found that SHGs are capable of economically and socially empowering women, but improvements are required in the models to ensure fairness and sustainability.

Performance and sustainability of self-help groups in India: A gender perspective:

The fourth study by Purna Chandra Parida and Anushree Sinha examines the performance and sustainability of SHGs in six India states: Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh, and Assam. The authors define women's empowerment as women having a significant say in decision making processes regarding children's education,

[101] Ibid. P. 1282
[102] A dalit is the lowest possible social cast in India, and are commonly called "untouchables."
[103] Ibid. P. 1282-1283
[104] Ibid. P. 1283

health, family expenditures, and purchase of assets. Indicators of this include an increase in savings, the development of technical and self-help skills, the ability to repay loans, and financial sustainability.[105] The authors created a thirteen question survey and in 2007 provided it to the clients of 811 all-female SHGs, 95 all-male SHGs, and 55 mixed-gender SHGs located in the states mentioned above. Furthermore, the authors claim that the wide variety of SHGs (with an average of 11-13 members each) and their spread out locations mean that the results of their survey can represent the performance of SHGs from all of India.[106]

The authors compared the results of each category of SHG and found that virtually all SHGs provide some kind of savings program for their clients, with the majority in all three groups having monthly savings programs. They find that 26.6% of all-male SHGs pay interest on member savings and clients have an average savings of 418.6 rupees per year. Some 39.2% of all-female SHGs pay interest on member savings and clients have an average savings of 467.6 rupees per year. About 59.3% of mixed-gender SHGs pay interest on member savings and clients have an average savings of 380.0 rupees per year. Mixed-gender SHGs also had the lowest amount of funds available to them on average, with only 2,272.9 rupees at the time of bank-linkage, while all-male and all-female SHGs had 3,298.3 and 3,680.3 at the time of bank-linkage, respectively.[107] In terms of financial sustainability, all-male SHGs had the lowest level of 100% loan repayment, at 56.8%, while all-female SHGs had a level of 75.1% and mixed-gender SHGs had a level of 81.8%. The rest of the sampled SHGs had a loan repayment level between 50-99%, and a negligible number of SHGs had a rate of repayment lower than 50%. In terms of

[105] Parida, Purna Chandra, and Anushree Sinha. "Performance and sustainability of self-help groups in India: A gender perspective." Asian Development Review 27, no. 1 (2010): 80 P. 87, 89, 90-91
[106] Ibid. P. 84-85
[107] Ibid. P. 89

awareness and benefits of SHGs, the authors found that 52.6% of all-male SHGs clients had a high awareness of the objectives of the group, 44.2% of male clients had a moderate awareness, and 3.2% had little awareness. 42.8% of clients in all-female SHGs had a high awareness of group objectives, 52.5 had moderate awareness, and 4.0% had little awareness. Some 25.5% of mixed-gender SHG clients had a high awareness of group objectives, 67.3% had a moderate awareness, and 7.3% had little awareness. Furthermore, the authors found that 25.3% of all-male SHGs had at least one client drop out since its establishment, 43.3% of all-female SHGs had a client drop out, and 60.0% of mixed-gender SHGs had a client drop out. However, 49.5% of all-male SHGs had helped members develop technical or professional skills, 49.6% of all-female SHGs had helped members develop such skills, and 32.7% of mixed-gender SHGs had helped members develop such skills.[108]

The authors conclude their study by noting that all-female SHGs are doing better than other types in most categories, especially in terms of loan recovery and savings. Due to the low level of loan recovery, high level of drop outs, and presence of alcoholism in all-male and mixed-gender SHGs, the authors believe that all-female SHGs are the most sustainable, although the other types may provide benefits for some clients. They note that "The all-female SHGs were sustainable because they were more focused and united, adhere to basic objectives of groups, utilize borrowed funds for different productive activities, and are highly concerned about the well-being of their children and family members. Further, female SHG members took membership in the group as a means to educate themselves and confront social, political, and

[108] Ibid. P. 91

economic problems."[109] Overall, all-female SHGs had a significant positive effect on women's financial and social empowerment according to this study.

SHG-Bank linkage programme for rural poor–An impact assessment:

The fifth study is an impact assessment of the SHG bank-linkage program by V. Puhazhendi and K.C. Badatya. The authors compare the conditions and the socio-economic details of a total of 115 members from 60 SHGs before they started their programs and after they received their loans. The participants were surveyed from the states of Orissa, Jharkhand, and Chhattisgarh between 2001 and 2002.[110] The authors define women's empowerment as "the feeling of members in terms of their self-worth such as confidence building, meeting financial crises of the family, treatment towards neighbors, etc."[111] They use an increase in savings, spending, income generation, poverty alleviation, and employment generation as indicators of social and economic impact and empowerment by SHGs.[112]

The authors find that SHGs had a positive impact on the social and economic empowerment of women overall. They found that 45.2% of SHG members saw an increase in the value of their assets, while 52.2% saw no change in value, and only 2.6% saw a decrease in value. Members who had assets in cattle or poultry saw an average asset value increase of 66.6%, those with work animals saw an average increase of 16.1%, and those with consumer

[109] Ibid. P. 98
[110] Puhazhendi, V., and K. C. Badatya. "SHG-Bank linkage programme for rural poor–An impact assessment." In seminar on SHG bank linkage programme at New Delhi, micro Credit Innovations Department, Nabard, Mumbai. 2002.
[111] Ibid. P. 43
[112] Ibid. P. 28-29

durables saw an average increase of 21.2%.[113] In terms of savings, the authors found that 42.6% of clients had savings prior to membership with the SHG, while 81.7% had savings after receiving their loan. Furthermore, virtually every client with a savings prior to SHG membership increased their savings after joining.[114] In terms of loan purpose, 55.7% of clients used their loans for productive purposes, namely cultivation, livestock, industry, and business. The other 44.3% used their loans primarily for consumption.[115] SHGs loans have also made it easier for clients to repay debts, including the SHG loan itself. Prior to receiving their SHG loan, 86.5% of clients were able to pay their debts or repay other loans to relatives, banks, money lenders, and others. After receiving their loan 94.9% of clients were able to pay their debts.[116] In terms of employment (measured in employment days), the authors found that clients who worked on farms saw a 19.2% increase in employment. Clients who worked in non-farm related jobs saw a 121.4% increase in employment, and clients who sought off-farm jobs saw an increase of 20.8% in employment.[117] Overall, the authors found that the economic impact of SHGs had been positive for the majority of clients.

In terms of social empowerment, the authors found that 78% of clients "exuded confidence" after receiving their loan, compared to 21% before membership to the SHG. About 85% of clients could meet financial crises after their loan compared to 33% beforehand. 89% of clients received respectful treatment from family members compared to 40% before, and 95% of clients regularly helped neighbors compared to 50% beforehand (aiding neighbors is an

[113] Ibid. P. 29-30
[114] Ibid. P. 31
[115] Ibid. P. 34
[116] Ibid. P. 37
[117] Ibid. P. 42

indicator of happiness and confidence). In terms of household decision making, 74% of clients made joint decisions in economic matters compared to 39% before membership, and 69% of clients made joint decisions in social matters compared to 42% before membership. Furthermore, 65% of clients could speak freely compared to 23% of clients before membership. In addition, client had more confidence in speaking out against their husbands. Some 81% of clients protested drinking and gambling compared to 37% before membership. About 78% protested wife-beating compared to 52% before membership. About 49% reported domestic violence compared to 67% before membership, and 75% reported increased mobility compared to 45% before membership.[118] Overall, the social impact of SHG loans has been positive, and many women report more freedom and fewer restrictions, although not all women have experienced these benefits.

Impact Assessment of Microfinance in India:

The sixth study, an impact assessment of MFIs and SHGs by Frances Sinha, was already partially covered in the above MFI section. The findings of the author regarding SHGs only will be covered in this section. The author sampled data collected about 833,000 SHG clients, belonging to 23 SHG bank-linkage programs.[119] As stated previously, Sinha found that nearly 100% of clients in both the Grameen-model MFIs and SHGs increased their savings, compared to 18% and 27% of very poor and poor households, respectively. On the other hand, clients from both types of microfinance models don't spend more money on their children's education

[118] Ibid. 45
[119] Sinha, Franches. "Impact Assessment of Microfinance in India"." EDA Rural system Pvt. Ltd., Gurgaon (2003). 2

than non-clients, indicating that microfinance does not necessarily impact education levels of clients.[120] Furthermore, SHG service speed is typically high, and Sinha finds that SHG loan repayment schedules are usually highly flexible, allowing for more leniency with clients. The group mechanism in SHGs further reinforces repayment rates and allows for inter-group feedback, allowing clients to make better use of market information.[121] As mentioned in the previous section, Sinha finds that SHGs increase the savings and income of their clients, but are typically more flexible than their Grameen-model counterparts.

Personal and Economic Empowerment in Rural Indian Women: A Self-help Group Approach:

The seventh study, by Tracey L. Moyle, Maureen Dollard, and Saswata Narayan Biswas, examines women's empowerment by SHGs in the Udaipur district of Rajasthan between 2005 and 2006. The authors define women's empowerment "as bringing income in and by promoting decision-making independence in spending amongst group members (Centre for Social Research n.d.). Economic empowerment takes into account the economic strength of the individual or group. There is widespread belief that economic strength is the basis of social, political and psychological power in society."[122] Indicators of empowerment include income increases and group and self-efficacy of problem solving. The authors surveyed 100 female members of SHGs in two villages using informal interviews and questionnaires to gauge their empowerment before SHG membership and after.[123]

[120] Ibid. P. 14-16
[121] Ibid. P. 20
[122] Moyle, Tracey L., Maureen Dollard, and Saswata Narayan Biswas. "Personal and Economic Empowerment in Rural Indian Women A Self-help Group Approach." International Journal of Rural Management 2, no. 2 (2006): 245-266. P. 246
[123] Ibid. P. 251

The authors found that SHG loans and membership have helped women financially, but not enough to lift most out of poverty. Financial security and social empowerment, however, increase significantly with SHG membership. In terms of economic empowerment, the authors found that 88% of women had no income prior to joining the SHG, and 12% had a monthly income of 10-600 rupees. After membership, however, the authors found that 19% of women had an income of 50-175 rupees, 69% of women had a monthly income of 200-450 rupees, and 12% of women had a monthly income of 500-3000 rupees, although very few women achieved the higher range of this income bracket.[124]

In terms of social empowerment, the authors found that women had mostly positive views about themselves, their confidence, and SHGs. About 99% of women believed that it was "exactly true" that women could discuss and solve group problems within the SHG, and 91% believed that if a problem arises for one of the group members, then the whole group would be able to solve it. About 81% believed it was "moderately true" that group members could complete tasks assigned to them, and 85% believed that it was "moderately true" that the SHG could tackle any problems it faced.[125] In terms of proactive attitude, 63% of women believed that it was "exactly true" that they felt responsible for their own lives, and 93% believed that they could choose their own actions. Almost 97% believed that it was "moderately true" that they focused their skills on things that they could control. On the other hand, 57% of women did not think about long-term goals, and 92% of women did not think that they had plenty of opportunities awaiting them.[126] Most women, though, had an overall positive attitude. The

[124] Ibid. P. 255
[125] Ibid. P. 255
[126] Ibid. P. 256

authors find that 91% of women "strongly agreed" that they had a number of good qualities, and 71% "strongly agreed" or "moderately agreed" that they had a positive attitude about themselves. About 96% of women "strongly agreed" or "agreed" that they were satisfied with themselves.[127] Overall, most women had a positive attitude and better feelings about themselves after membership with the SHG than prior, however the added stresses and extra work with the SHG also led to some women feeling less happy. Furthermore, the economic benefits of the SHGs provided women and their families with extra financial security and more income in general, but it was not enough to lift them out of poverty.[128]

The impact of lending to women on household vulnerability and women's empowerment: evidence from India:

The eighth and final study of SHGs, by Supriya Garikipati, measures the impact of lending to women on household vulnerability and women's empowerment in Andhra Pradesh. The study examines survey data from 688 SHG clients from two villages taken between 2001 and 2003.[129] The author uses drought vulnerability, diversity of income, entrepreneurial behavior, and investment in and access to social capital as indicators of vulnerability, and control over household assets, role in household decisions, work-time allocation, control over minor finances, control over major finances, and division of domestic chores as indicators of

[127] Ibid. P. 256
[128] Ibid. P. 259-260
[129] Garikipati, Supriya. "The impact of lending to women on household vulnerability and women's empowerment: evidence from India." World Development 36, no. 12 (2008): 2620-2642. P. 5-6

women's empowerment. The author also takes into account the age, income, size of the loan and length of time with the SHG when making the analysis.[130]

Overall, the author found that SHG microfinance has had little positive impact on female clients' level of empowerment. About 79.4% of the loans procured by the clients were used for household activities, and 72.04% of that was used for working capital on family farms and businesses primarily controlled by the husband. Some 15.24% of loan money was used for buying land, and the rest was used for consumption purposes. Only 20.7% of the loans were used for client-managed enterprises, which mostly involved livestock, mobile shops, and tea-stalls, grocery, and tailoring shops. In general the author found that women who had significant control over their loans were likely to invest in their business, while other women used their loans for family enterprises and consumption.[131] Furthermore, the author found that repayment rates for loans were nearly 100%, however, only 29.3% of women reported a clear positive income after repayments. The rest of the women had trouble paying back the loans, and ultimately did not profit greatly from them. On the other hand, SHG loans were able to diversify income for the family, and thus decrease household vulnerability to shocks.[132] In the end, the author found that women typically did not completely control their loans, and in order for women to be empowered by the influx of money, the patriarchal nature of the family and household needed to be challenged.

Analysis:

[130] Ibid. P. 7-11
[131] Ibid. P. 16-18
[132] Ibid. P. 21-23

Overall, the majority of the studies compiled into this thesis indicate that microfinance is at least moderately effective at increasing women's economic empowerment, as defined and measured in the methodology section. Most studies note that both MFIs and SHGs have succeeded in increasing women's savings, providing them with small businesses that diversify income, and have increased women's financial security against shocks. On the other hand, some studies, while indicating that the economic situation of many women has improved, find that most women are not completely lifted out of poverty and demonstrate that their husbands may control, at least partially, the money that the women borrow or earn. Ultimately, however, it seems that both MFIs and SHGs have been instrumental in increasing women's economic empowerment. Furthermore, despite the many successes enjoyed by MFI clients noted in the studies listed previously, SHGs appear to have had a greater rate of success in empowering women. Considering that SHGs encourage values and practices that pertain to self-reliance and that there are mechanisms within many SHG-bank linkage programs that ensure that women gain complete control over their loans, clients of SHGs have had a measurably better experience at economic empowerment. As a result, SHGs linked to banks may be the better option for women seeking economic empowerment.

The majority of the studies compiled in this thesis have indicated that both MFIs and SHGs increase women's economic empowerment by at least a moderate amount. In total, seven studies find that MFIs are effective at increasing empowerment and seven studies find that SHGs are also effective at empowering women. Only two studies find that MFIs are ineffective and one study finds that SHGs are ineffective. As stated previously, this thesis measures women's economic empowerment as having the ability to own property or control an enterprise, having the ability to own and control a bank account or some kind of savings, seeing an increase in general income, and having increased access to social, training, and essential services such as education, healthcare, and financial training. While not all of the studies used all four of these indicators, all of them use at least several of them. In terms of these indicators of economic empowerment, four studies find that MFIs have a positive effect on women owning and controlling their own enterprises, while three find that MFIs have no or a negative effect. Eight studies of MFIs found that they had a positive effect on women's savings and income, and no study found a negative effect. Four studies of MFIs found that they had a positive impact on women's access to social services and training, and only one found that they had no effect. In regards to SHGs, three studies found that SHGs had a positive impact on women's control of a microenterprise, and only one study found that they had no effect or a negative effect. Six studies found that SHGs had a positive impact on women's savings and income, and just one found that they had no effect. Four studies of SHGs found that they had a positive impact on women's access to social services and training, and no study found that they had a negative or no effect. In sum, almost all of the studies found that both MFIs and SHGs increase women's savings and incomes. Not all of the studies examined women's control over their microenterprises or access to social services or training, but those that did found that MFIs had small positive impact and SHGs have a significant positive impact. On the other hand, some studies found that MFIs have no or a negative impact in regards to women's control of microenterprises, and few MFIs provide extra social services or training.

Many of the studies mentioned above cite four primary reasons for the successes and failures of both MFIs and SHGs. First, the studies suggest that loans provide income diversity for poor women. Women can invest loan money into agricultural or livestock ventures, which they may not have been able to do before their loan. With multiple streams of income, women are capable of earning more and put more money into savings accounts. In addition, the extra money and diversity absorbs financial shocks that could otherwise devastate their families. Second, women who start microenterprises can acquire their own money that they can use for their own purposes, or for improvements to family dwellings, food, and other amenities. While several of the studies mentioned that men in some cases may gain control of the income from microenterprises, those women who have partial or complete control can gain economic independence from the family, which economically empowers them. Third, the sudden influx of money from the microloan allows women to open savings accounts, which further bolsters economic independence and financial security against shocks. Fourth, some MFIs or institutions connected with SHG-bank linkage programs provide training and important market information, as well as social services, that allow women to enhance their skills and have an edge in the market or their trade. These primary factors contributed to the economic empowerment of women according to most of the studies mentioned previously.

Many of the studies cite three primary reasons for microfinance failures and inefficiencies. First, and most importantly in regards to women's economic empowerment, men in some MFIs and SHGs have a tendency to take over the finances and microenterprises of the women for whom microloans were originally intended. The main reasons for this, as mentioned in some studies, included loose regulations in loan contracts, and a culture of male dominance that prevents women who receive loans from resisting male control over their money. Second, while almost all of the studies agreed that women's incomes and savings increased with the microloan, many women were unable to actually escape poverty. Considering that poverty is one of the main factors that leads to female disempowerment, a small increase in financial (bank account) security is not enough to guarantee a stronger female position in the family or society. Third, Many MFIs and some SHGs in SHG-Bank linkage programs provide little to no economic skills training or any other training in useful market or investment tools. This prevents women from utilizing their loans to their full potential and prevents them from learning how to become independent from others, especially from their husbands, who might be able to leverage their own work-related skills to convince clients to give over control of their loans. These factors were cited as some of the most common reasons for why both MFIs and SHGs might fail at empowering women.

While many studies have indicated that MFI and SHG microfinance have significant flaws, the majority of studies found that both types of microfinance are beneficial for women. Plus these studies have devised measurable indicators that demonstrate in what ways these loans have economically empowered their clients. The negative traits that some MFIs and SHGs may have may be detrimental to their overall goals, but the general findings of the majority of the studies indicate that MFIs and SHGs are effective at economically empowering women.

MFIs Compared with SHGs:

While most of the studies previously mentioned found that MFIs and SHGs are effective at increasing women’s savings and incomes, there are some differences in success rates in regards to owning and controlling enterprises and access to social services and training. As seen above, four studies found that MFIs have a positive impact on women owning and controlling their own enterprises, while three studies found that they were ineffective or had a negative impact. There was only one negative study of SHGs in these terms, on the other hand, and three positive studies, indicating that SHGs at the very least don't have an overall significant negative impact on women's ownership of their microenterprises. In terms of access to social services and training, there were an equal number of studies (4) that indicated that MFIs and SHGs have a positive impact. However, many of the studies of MFIs do not take into account the benefit of taking loans and working in a small group. As Tracy Moyle suggests and finds in her study, "Shared beliefs in the group can result in action to achieve a common goal: the skills and abilities of group members shared with a common belief and combined with working together as a group to reach the goal."[133] While both MFIs and SHGs may be both effective at increasing women's income and savings, SHGs appear to have a group benefit that allows for the sharing of skills and information that increases the chances for women's success in the market, and therefore their economic empowerment.

The reasons for SHGs success in economically empowering women beyond simply increased income and savings are related to the group mechanism upon which SHGs are founded. First, SHGs allow the easy transfer of information, basic skills, and informal training among members. While some MFIs have training programs that may teach clients basic math or literacy, leaders in SHGs can teach these skills to women in their groups. Considering that most SHGs receive loans as a group in conjunction with an SHG-Bank linkage program, it is in the best interest of clients to ensure that everyone has the best chance possible of success (or at least

[133] Moyle, Tracey L., Maureen Dollard, and Saswata Narayan Biswas. "Personal and Economic Empowerment in Rural Indian Women A Self-help Group Approach." International Journal of Rural Management 2, no. 2 (2006): 245-266. P. 247

have the best chance possible to repay the loan), by sharing beneficial market information or skills, so that the group can continue to function and prosper. Second, many of the studies found that groups of women are highly motivated to succeed and use their loans for productive purposes due to the fact that they are typically the main caregivers of children and dependent family members. The Parida study, for example, found that "The all-female SHGs were sustainable because they were more focused and united, adhere to basic objectives of groups, utilize borrowed funds for different productive activities, and are highly concerned about the well-being of their children and family members. Further, female SHG members took membership in the group as a means to educate themselves and confront social, political, and economic problems."[134] The sense of unity exhibited by the female clients allow for greater chance of market success, and therefore economic empowerment, than through Grameen-model loans, which don't always use group mechanisms. Third, peer pressure from other group members, combined with penalties for delinquent members, ensures financial sustainability for the group model as women will be more likely to repay their loans and uphold the continuity of the group. As mentioned in many of the studies of SHGs above, most groups have a very high or 100% loan repayment rate.[135] It should also be noted that some MFIs use the group mechanism to ensure repayment and sustainability. For example, the Annapurna LTD MFI study stated in its impact assessment that "the most preferable thing that the clients like the most in the SHG model in this they get different types of opportunity to grow i.e. they had a knowledge about how to prepare financial accounts of the group, changed the positive attitude of the man's

[134] Parida, Purna Chandra, and Anushree Sinha. "Performance and sustainability of self-help groups in India: A gender perspective." Asian Development Review 27, no. 1 (2010): 98
[135] Ibid. P. 90

towards the women's (sic), they got the status in the family while they contribute their income in the home, increased nutrition and health… etc."[136] Furthermore, Annapurna only accepts individuals with clean loan-repayment records into an SHG, which ensures institutional sustainability by only allowing responsible clients to borrow money.[137]

Numerous studies of both models of microfinance demonstrate increased client income and savings, the group mechanism used by SHGs provides extra benefits to clients that MFI clients don't always receive. While some MFIs that primarily use the Grameen Bank model of microfinance may utilize the group mechanism in some way or provide extra services to clients, SHGs demonstrate that group cohesion gives women clients a market advantage through the sharing of skills and information, peer pressure that helps to ensure repayment of loans and therefore the sustainability of the SHG-Bank linkage model. Women also gain a louder voice in the community, because a group of women with some money saved is stronger than individuals without resources. While the Grameen model MFIs are not obsolete or ineffective at increasing women's savings or incomes, SHGs provide benefits to clients that allow women to further increase their economic empowerment.

Conclusion:

India is the world's largest democracy; despite this, India is plagued with issues of inequality. While income inequality and discrimination across the social castes are severe, gender inequality is one of the nation's most pervasive issues. Considering that much of rural India is still developing and is a largely male-dominated society, women's empowerment is

[136] Annapurna Microfinance LTD. Impact Assessment Report. 2011. Orissa. P 50
[137] Ibid. P. 1

critical to achieving gender equality. In this thesis, I focused on the economic aspect of women's empowerment, which I defined and measured as having the ability to own property, having the ability to own and control a bank account or some kind of savings, seeing an increase in general income, and having increased access to social and essential services such as education and healthcare. While there are many roads to women's economic empowerment, I examined the efficacy of two types of microfinance; Grameen-model microfinance institutions (MFIs) and Self-Help Groups (SHG) through SHG-Bank Linkage programs.

I argued that microfinance programs contribute to increasing women's economic empowerment, and Self Help Groups have a greater effect than Microfinance Institutions. In addition, I argued that while microfinance has an overall uplifting effect on women's economic empowerment, SHGs have a more positive impact compared with MFIs. I examined a group of 15 studies that examined both MFIs and SHGs and I compiled their findings and conclusions into this thesis. I used the common indicators mentioned previously in order to find a pattern of success or failure and compared the differences between studies of MFIs and studies of SHGs.

Overall, I found that both types of microfinance models are at least somewhat effective at economically empowering women. Studies of both types overwhelmingly found that the incomes and savings of women increased significantly, and loan repayment rates were generally high, especially for SHGs. Four Studies of MFIs that examined women clients' control of microenterprises found that they were successful at having at least partial control over their enterprise, while three studies found that women's microenterprises ultimately fell into the hands of husbands or male family members. Four studies of SHGs found that women were successful at having control over their enterprise, but only one study found that men ultimately take it over. In regards to access to social services and training, only about half of the studies found that MFIs or SHGs provide formal training or access to such services, although some studies found that SHG-Bank linkage programs provide extra services, such as life insurance, that MFIs do not provide.[138][139]

While both MFIs and SHGs economically empower women through income and savings increases, I found that the studies of SHGs emphasized the group mechanism as a large contributor to success for clients. While SHGs themselves are typically too small to provide official or formal training, as the individual groups only have about 10-12 members, informal training by leaders and the sharing of important information, such as local market trends, gives women in SHGs an edge over clients of MFIs or non-clients. Furthermore, women working for common goals in SHGs have a greater voice in the community and can potentially bring to light issues that were never discussed or previously ignored, such as lack of sanitation systems. In addition, group peer pressure combined with penalty imposition on delinquent members encourages loan repayment and cooperation with other clients, which helps ensure SHG sustainability and continuity. One MFI that I examined in this thesis, Annapurna LTD, used the group mechanism for this reason and found it was successful in increasing client confidence and female voices in the local community.[140] While I find that the Grameen-model of microfinance has been successful at increasing women’s income and savings, which are the building blocks for greater economic empowerment, I find that the SHG model is more sustainable and more effective and economically empowering women.

[138] Sinha, Frances. "Access, Use and Contribution of Microfinance in India: Findings from a National Study." Economic and Political Weekly 40.17 (2005): 1714-1719. Web. 15 Sept. 2015.
[139] Sinha, Frances. "Impact Assessment of Microfinance in India"." EDA Rural system Pvt. Ltd., Gurgaon (2003).
[140] Annapurna Microfinance LTD. Impact Assessment Report. 2011. Orissa. P 50

Considering the success of MFIs like Annapurna LTD and the SHG-Bank linkage model, I recommend that Grameen-model MFIs begin adopting the SHG model by loaning money to small groups instead of individuals. The group mechanism encourages loan repayment, and with many women working with microloans, rather than one, the clients will be able to share important information or skills with other members that may not have them, thus increasing the clients' chances for success. In addition, I recommend that MFIs start including stronger loan contracts that guarantee that microloans be used only by the clients (women), and that MFIs on occasion interview clients to assess whether or not loan money is being used by the client, or other family members. If MFIs adopt these simple recommendations, they may see an increase in loan repayment, increased sustainability, and they may better reach their goals of empowering women in rural India.

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