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Integrating Social Justice Dimensions for Women's Empowerment in Microfinance

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Content

Preface

This document examines the burgeoning microfinance initiatives and the potential of these initiatives to intervene on certain gender issues, which have not received planned focus by the multiple players whose stake in microfinance has only grown over the decades. If microfinance initiatives do not serve the larger cause of women's empowerment, women would be reduced to being mere instruments to push savings and credit. The potential and onus to integrate social justice dimensions of women's well-being in the ever-expanding universe of microfinance becomes imperative in the context of globalising forces, which have increasingly diluted the role and services of the state in social welfare sectors. So it is evident that new strategies have to be evolved to extend support to promote women's empowerment. This document advocates policy initiatives to develop new models for empowerment through SHGs, their federations and microfinance institutions, and above all, the state.

The inspiration for this study comes in the wake of Tsunami rehabilitation efforts by MALAR, a women-led NGO based in Kanyakumari. A unique intervention of MALAR, which followed its Tsunami work during 2004, relates to setting up of MALAR Community Resource Centres (MCRCs), which extend cost-effective health and legal assurance schemes for Tsunami affected families. Most importantly, these services are extended to promote an empowerment agenda for women's well-being and rights. A major learning of MALAR has been that such sustainable interventions could be effective only if they are part and parcel of the organisation. Another major learning of MALAR is also that such initiatives have to have a strong process-orientation. The MCRCs are now managed by SHG members and are emerging as a model. Janvikas, an NGO based in Ahmedabad and Human and Institutional Development Forum, Bangalore were co-creators of MCRCs, and extended multi-level support for taking their agenda forward. (See MALAR's case)

Gagan Sethi, former Managing Trustee of Janvikas germinated the idea of this study. He advocates that SHGs, microfinance institutions (MFIs) and financial institutions, if rightly guided, have much potential to advance the cause of women's empowerment, especially in the areas of health and legal support for women's well-being. With many gains behind them, the many women's collectives too could advocate such models to enhance their agenda of women's empowerment.

During the study and preparation of this document, we ran into some critical questions and reflections, which we place below for wider dialogue.

1. "Banks and financial institutions are commercial enterprises. We are not in the business of empowerment." Such statements do raise the hackles of those who are interested in social agenda. For these organisations, microfinance appears to be a means to a commercial end. However, the larger question is – Who carries the social agenda? Should this be the burden of only sectional groups? And it cannot be denied that those in development lending – commercial, development banks or government-run microfinance initiatives – should be sensitised to women's empowerment which is a larger social need. The moot point is, should not the government, as the owner of these banks or development programmes, give not only mandates but also find ways of driving social agenda? The more fundamental objective of microfinance is social, although financial institutions might look at it as a commercial proposition.

2. What pathways exist for promoting women's empowerment through microfinance? Microfinance practitioners continue to be baffled by this question. Those who understand what is implied are baffled by the process which is time-consuming, requiring gender sensitivities, organisational commitment and above all, resources. And the absence of the above results in truncated efforts and limited outcomes.

3. Those who have social/ gender agenda in microfinance are limited by inadequate data/ information base, impact monitoring systems and research for up-scaling interventions. There is also little focus on leadership development and gender sensitive governance in microfinance initiatives. Lack of resources and competencies is yet another constraint.

4. How can resources be created/ allocated to support capacity building processes for incorporating the social empowerment agenda in women's groups and MF promoting institutions? This is the larger question that we were continually confronted with.

Acknowledgement

We would like to extend our appreciation and special thanks to Gagan Sethi for inviting us to undertake this study and to Janvikas, Ahmedabad for supporting it. The former's insights and inputs which he tends to put in powerful phrases were valuable. We place our thanks to HIDF for its administrative support. Vanya Joseph, HIDF, accompanied us on our field visits to MALAR. We thank her for her inputs and editorial support.

We would also like to thank Shelin Mary, President, MALAR, Kanyakumari, Tamil Nadu and the core team of MALAR and the MCRC members for readily sharing their experiences with us. We have included a few brief case studies – BASIX, IASC, SEWA and MALAR for illustrations. If these case studies are elaborated further, they would offer much learning to the wider public.

Finally, we would like to extend special thanks to N Srinivasan, ex Chief General Manager, NABARD, Pune, for his critical inputs which have enriched this study. We extend our thanks and appreciation for his feedback. Dr. Shobha Raghuram went through an earlier draft of this paper and said that we should put it out for wider circulation and discussion. We thank her for her encouragement.

Any opinions expressed in this paper are entirely that of the authors.

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Integrating Social Justice Dimensions for Women's Empowerment in Microfinance

Women's lives in Micro-finance: The Paradox

'The story of women self help groups (SHGs), promoted by MALAR (an NGO), in the 10 blocks of Kanyakumari district, powerfully portrays what is happening to a majority of women from marginalised communities in the microcredit movement that has swept across the country. The paradox is that while these women have struggled to save, educate their children and created small asset, their simple needs for better health, socio-legal support to counter violence and lead a life of dignity continues to elude them. Pitiably many continue to be battered by their men who are given to drinking and patriarchal ways. While the institution of dowry remains largely unaddressed, the issues of drunkenness and alcoholism continue to be the bane of these women's lives.

MALAR is a women-led secular organisation, based in Kanyakumari. With its prime focus on women's empowerment, over the last decade, MALAR has grown in its spread and size and has now an impressive membership with 31,000 women formed into 1,543 self help groups in the 10 blocks of Kanyakumari district. The savings and credit programme of MALAR has an impressive savings of Rs 8,70,84,020. The credit mobilised by these groups stands at Rs 27,34,51,500.

However, despite their spectacular achievement, MALAR has not been able to make even a small dent in the dowry system that ravages women's lives and their households. The MALAR story is not an isolated one and finds echoes in the overgrowing microcredit universe. The moot question is how do development practitioners and policy makers facilitate alternative models to counter these trends to promote the social well-being of women? (See MALAR's case)

1. Background

The presence and play of microfinance in the development sector has grown exponentially within the last two decades. The argument that the poor, in particular women, are creditworthy and lending to them makes good business sense has captured the imagination of several players in the development and financial sector. With an impressive 90 % loan recovery rate, advocacy for increased flow of funds through microfinance to alleviate poverty and improve livelihoods has found new articulations. Adequate flow of microfinance is now projected "… to generate rural opportunities in rural areas and help to raise the contribution of rural sector to the GDP from the estimated 40 % in 2002 to 50 % in 2012."[1] The prospects of poverty reduction through microfinance would only expand if one considers the vast untapped clientele of India, which has one sixth of the world's total population and one quarter of its population

At a basic level, microcredit aims to provide poor families with tiny loans (microcredit) for debt redemption and to engage in productive activities or enter into tiny businesses. Over time, microfinance has come to include a broader range of services – credit, savings, insurance, etc., to enable the poor improve their livelihoods.

While at one end microfinance disburses loans to serve the poor, it has also shifted towards profit orientation through growing number of microfinance institutions such as SKS, MMFL, SNF and several others. What is of significance is that microfinance is no longer focused solely on the poor but also on the growth and diversification of livelihoods and economy.

below the poverty line. Going by statistics, India has 242 million poor and if measured by the international standard of those living on less than USD 1 a day, the number of India's poor increases to 385 million.[2] The potential clientele of MFIs is quite vast with an estimated 75 million households of which 60 million are in rural India and the remaining 15 million in urban slums.[3] The services of microfinance are no longer focused solely on the poor, but also on the growth and diversification of livelihoods and the economy. All this might carry much conviction for players in planned economy. But it is a great paradox that microfinance initiatives have given little attention to

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[1] Mathew Titus, Executive Director of Sa-Dhan, the apex federation of microfinance institutions (MFIs) in the country
[2] The World Bank in India, World Bank Country Brief, July 2006.
[3] Raven Smith, 2006, 'The Changing Face of Microfinance in India,' The Fletcher School, Tufts University.

understand what actually is happening in the lives of women, the many hardships that they are subjected to, and therefore taking a few small supportive steps to ensure that women's personal and social lives are bettered. After all, women are the major players in microfinance!

2. Many Players and Several Models

The microfinance sector has several players with varying stakes. A new genre of microfinance institutions has emerged with differing approaches and strategic thrusts. While NABARD and SIDBI have been in microfinance for more than 10 years, several others such as Rastriya Mahila Kosh, commercial banks, regional rural banks, co-operative banks, non-banking financial companies (NBFCs) and various non-profit organisations are also now in the fray. But it is the viability of microfinance through self-help process that has upscaled financial operations of lending to the poor.

NGOs and SHGs in the Forefront

It must be said that it is the NGO sector that has visibilised the success of microfinance through SHGs and their federations at cluster/ block and district levels. Many of these SHGs are also linked with banks, often under the National Bank for Agricultural and Rural Development (NABARD) programme. Secondly, there are now MFIs and NGOs who directly lend to borrowers through SHGs or Grameen Bank modelled groups – emerging as Micro Finance Institutions (MFIs). These MFIs and NGOs borrow bulk funds from Small Industries Development Bank of India (SIDBI), Rastriya Mahila Kosh (RMK) and Friends of Women's World Banking (FWWB). Pertinently, state governments have also emerged as major players in microfinance. Bilateral and multilateral funding has enabled several state governments to promote major microfinance initiatives to empower women. These are multi-stakeholder programmes with NGOs in partnership. Bilateral and multilateral funding to strengthen microfinancing to the poor has also introduced new partnerships and networks. In its wake, the profile of the partners too has altered. NGOs who once credited themselves for promoting SHGs have now become partners to a complex web of action in microfinance. Several models of NGO partnership in microfinance are at play in contemporary India. Another variation is the Mutually Aided Cooperative Thrift and Credit Societies (MACTCS) as in Andhra Pradesh.

SHGs are small, informal groups of poor with membership ranging from 10-20 persons, organised by an NGO or a bank or Government Agency (Self Help Promoting Institutions). The members are motivated to regularly save on a weekly, fortnightly and at times monthly basis, engage in internal lending to the members with commonly agreed interest rates and above all leverage their savings to access bank loans. The SHGs provide platforms to address common socio-political issues, which coheres the membership as mutual-help groups.

There is now a battery of delivery mechanisms to extend financial services to the poor. Group lending, individual lending, provision of savings and insurance, capacity building, and business development services have now become part of microfinance portfolio.

Pertinently, the vast majority of MFIs are NGOs as they are preferred clients of both mainstream financial institutions such as SIDBI and NABARD and even RMK and FWWB, which focus on alternative models. Are NGOs suitable channels/ agencies for microfinance? A segment of practitioners argue that NGOs are not the best type of agencies to carry out rural finance on a long-term sustainable basis. First, the major source of funds of NGOs is grants, which are very limited. Second, if the NGOs earn a substantial part of their income from lending activity, they can be construed to violate the Income Tax Act and can lose their charitable status. Moreover, NGOs do not have the appropriate financial structure for carrying out rural finance activities. NGOs being registered as societies or trusts do not have any equity capital and can never be 'capital adequate'.[4] The concerns of MFIs are vastly different in that they are challenged by lowering costs, up-scaling their outreach to the poor, value additions to their credit programmes, improving financial infrastructure, improving internal transparency and improving governance through professionalised management. These preoccupations have diluted issues of social empowerment.

Sa-Dhan is a national level network of more than 160 members, with a few well-known members such as Sewa Bank, BASIX, MYRADA (Sanghamitra), FWWB, EDA Rural System, SHARE, PRADAN, DST, Chaitanya, ICICI, HDFC and LEAD. The profile of Sa-Dhan is quite diverse with a sizeable number of MFIs, capacity-building service providers, bulk lenders, technical service providers and a few small network agencies.

See, web, Sa-Dhan - Strengthening the Provision of Microfinance Services in India; Also, Quick Report 2007, A Snapshot of Microfinance Institutions in India.

[4] Vijay Mahajan, 'A Framework for Building a Sustainable Rural Financial System (RFS) for India,' paper presented at National Symposium on 'Building and managing organisations for rural development in the new millennium,' Institute of Rural Management, Anand, December 13-14, 2000.

NABARD's Role

In 1992, NABARD,[5] promoted 'SHG-Bank Linkage' strategy as a pilot project to increase its outreach to the poorest. Over time, this strategy evolved into three models. The first is where the bank takes upon the task of promoting SHGs and provides bank loans. Under this model, the bank acts as a Self Help Group Promoting Institution (SHPI). Under the second model, SHGs are formed by NGOs and other non-formal organisations but are directly financed by banks. Nearly one third of the total number of SHGs is financed under this model. Backed by the vast banking network, NABARD's microfinance reach has been impressive and it is estimated that the NABARD models have reached an impressive 29,00,000 SHGs as of 31 March 2007. [6]

Non-Banking Finance Companies (NBFC)

In January 2000, the RBI created a new legal form for providing microfinance services for NBFCs registered under the Companies Act. A few NGO MFIs have promoted NBFCs to extend their reach and activities in microfinance. To become an NBFC, an NGO should have a start up capital requirement of Rs 20 million as fresh money. Because of this one finds that only large NGO MFIs with better access to capital have emerged as NBFCs (See Annexure 1). Well-known banks such as HDFC and ICICI have entered the fray too. The emerging microfinance scenario is competitive, vibrant and also evolving. With the exception of over 500 MACTCS in Andhra Pradesh, the newly emerging MFIs/ NBFCs include profit and non-profit types. For example, NBFCs are companies and some of them are registered under sec 25 of the Companies Act and hence are non-profits. Increasingly, the newer ones are profit oriented.

3. Regulating the Growing MFIs

There is also a growing critique among the MFIs that the present Rural Finance System (RFS), which is in urgent need of reform, has allowed Rural Financial Institutions (RFIs) to give primacy to supply or financial intermediation. Again, giving services that include the supply and demand components in financial

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[5] Set up on 12th July 1982, National Bank for Agriculture and Rural Development (NABARD) is an apex refinancing agency to provide investment and production credit for promoting various development activities in rural India.

[6] The distribution of microfinance in India was highly skewed with 65% of the SHGs being in Southern India and these SHGs were enjoying 75% of the credit disbursed

intermediation – a claim by MFIs, continues to be a precept that is hardly in practice. As service providers, the MFIs have also adopted high rates of interests to absorb organisational services, which have come under a lot of flak. Altogether, the microfinance sector is replete with divides in terms of perspectives and delivery systems.

The MFIs have been critiqued for high cost of operations and high interest rates. Where MFIs are operating within contiguous areas, there is flexibility to bring down lending rates, which is not the case where MFIs are on expansion mode.

Higher lending rates of MFIs in comparison to banks and government schemes is likely to remain a key risk factor given the political and social sensitivity of charging high interest rates to the poor. The high operating costs and borrowing costs result in many for-profit MFIs charging high interest. (CRISIL)

It is little wonder that the professional, competitive profile of MFIs and the controversies that a few raised have brought to centre stage issues of effective supervision.[7] Paradoxically, despite a few controversial episodes, NBFCs have not faced any tightening of either supervision or regularisation from RBI.[8]

The proposed central government bill for Microfinance Act to bring all institutions, which have hitherto not been covered, under its regulatory fold has raised dust.

Regulatory Bodies of MFIs

- *Banking Division of the Ministry of Finance, Government of India (GoI).*
- *Reserve Bank of India, through its Rural Planning and Credit Department (RPCD) and the Department of Banking Operations and Development (DBOD) for commercial banks and the Department of Non-Banking Supervision (DNBS) for NBFCs.*
- *NABARD, which inspects RRBs and Cooperative Banks.*

[7] A few have come under penal action taken under Money Lending Act

[8] The Reserve Bank of India (RBI) now has plans to encourage and enable complementary and competitive models of credit delivery to co-exist. For greater financial inclusion and increasing the outreach of the banking sector, the Reserve Bank of India has decided to enable banks to use the services of Non-Governmental Organisations/ Self Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) as intermediaries in providing financial and banking services through 'business facilitator and correspondent models'. The thrust is on "an integrated approach including provision of enterprise development services like marketing infrastructure with direct linkage between borrowers and potential buyers and introduction of technology and design development."

▪ *State Registrars of Cooperatives, who have jurisdiction over credit and thrift cooperatives as well as over primary agricultural cooperative credit societies (PACS).* ▪ *State departments for enforcing Moneylenders' Acts, Chit Fund Acts and more recent Acts prohibiting deposit taking by thousands of so-called 'finance companies', which are not actually companies.*
Vijay Mahajan, 2000, Ibid

4. Microfinancial Sector (Development and Regulation) Bill

In the midst of the growing debate on the efficacy of microfinance models, the proposed Microfinancial Sector (Development and Regulation) Bill, 2007, which seeks to promote and regulate the microfinance sector, has run into rough weather. While the bill includes trusts and societies including cooperative societies, it has remained silent on the inclusion of companies, either for-profit or the non-profit ones. By not including the MFIs, the bill is being criticised as being incomplete and not fulfilling its objective of "promotion, development and orderly growth of the microfinance sector in rural and urban areas for providing an enabling environment for ensuring universal access to integrated financial services, especially to women and certain disadvantaged sections of the people, and thereby securing prosperity of such areas and regulation of the microfinance organisations not being regulated by any law."[9] Altogether, the bill is being criticised for its lack of focus on regulation and supervision (See Annexure IV). A highlight of the bill is the signal role it has given to National Bank for Agriculture and Rural Development (NABARD) to regulate the microfinancial sector and establishment of Microfinance Development Council to advise NABARD on formulation of policies related to the microfinancial sector.

5. Advocacy for Empowerment Agenda

While the Microfinance Bill may set in motion the regulatory framework, one cannot ignore the fact that affirmative policies on empowerment by the implementing bodies are often missing. Often, the very definition of what is microfinance or MFIs stops short of bringing to the centre stage the critical dimension of empowerment which alone would take any microfinance initiative towards sustainable paths. Even the term 'equity for equity', espoused by prominent MFIs, talks only about access but does not extend itself to dwell into

[9] See Annexure IV - Girija Srinivasan and N Srinivasan, 'A Note on Proposed Microfinance Bill.'

the social dimensions. For example, the task force set up by the Women's World Banking (WWB), New York, in association with Friends of WWB, Ahmedabad, had organised a High Level Policy Forum on "Building India's Leadership in Microfinance" which arrived at a working definition of microfinance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards…" and "Microfinance institutions (MFIs) are those which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards".[10] Yet, others are vehement that "Microcredit is about much more than access to money. It is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability. It is about women achieving economic and political empowerment."[11]

The National Consultation on SHGs, Gender and Development organised by 'Nirantar' in 2007 demanded the stalling of the Microfinance Bill and setting up of a high level committee to review the impact of SHGs, and more importantly, making women's empowerment the mandate of the XI Five Year Plan.[12]

If one agrees to the relevance of integrating empowerment dimensions into microfinance, one can then begin to advocate for strategies that give space for women's 'capabilities' and 'critical voice/ agency' that Amartya Sen advocates. Critical agency is "not only to the freedom to act but also to the freedom to question and reassess." Capability and critical voice are so essential for 'well-being' and social justice that we are talking about.[13] The question for debate here is what strategies/ policies exist that integrate these 'well-being' dimensions into microfinance? Any debate on gender in microfinance is futile unless apex and policy-making institutions such as NABARD, SIDBI and other

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[10] The Forum was addressed by the Governor, Reserve Bank of India (RBI), and attended by senior government and bank officials and prominent MF practitioners. The Forum suggested that a high-powered task force on microfinance may be constituted by NABARD to arrive at a conceptual policy framework encompassing issues in policy, regulation, financing and capacity building, for sustainable growth of MF in the country.

[11] See, Noeleen Hezer, in 'Women's Empowerment and Microfinance: 'A Think Piece' for the Microfinance Field', www.genfinance.info/Document/MF, UNIFEM Think%20 Piece, PDF.

[12] See proceedings of National Consultation on SHGs, Gender and Development organised by Nirantar, New Delhi, on 22-23 February 2007.

[13] Sen, Amartya, 2002, 'Rationality *and Freedom'*, Harvard University Press, p. 258; Also, Andy Blunden, August, 2004, 'Amartya Sen on Well-Being and Critical Voice.' www.werple.net.andy/sen-critical-voice.

financial institutions commit to sizeable budget allocations for empowerment agenda in microfinance.

Women have emerged as the major customers of microfinance initiatives. The argument of the 1980s that lack of access to credit has constrained women's ability to earn and get empowered has now gained wide acceptance. In the eighties, Self Employed Women's Association (SEWA), World Women's Federation (WWF) and a few other initiatives amply demonstrated this by setting up a credit programme as part of a multi-pronged strategy for women in the informal sector. Savings and small loan programmes for the poor have also come to be seen as a panacea for alleviation of poverty. Female poverty has come to be recognised as the root of wider societal poverty in Asian countries. The fact that women exhibit high levels of responsibility for the well-being of their households, and more importantly, their proven capacity in loan repayment, has resulted in their becoming natural clients for microfinance. It is against this background that there was increased emphasis on self-sustainable financial services to the poor, more specifically to women, with appropriate interest rates to cover costs. Against this background is also the argument that microfinance which primarily targets poverty alleviation or even growth may completely bypass empowerment dimensions. Often it leaves out many disadvantaged women who cannot save regularly or even those who may not be disadvantaged and yet have potential to contribute as role models for other women. The moot question is how does one integrate empowerment dimensions into microfinance, programmatically and in terms of policy?

6. Paths of Change

To reinforce, SHGs have an overwhelming presence of women. Almost everywhere, SHGs are equated with women. In many places SHGs have federated at block, district and even state levels. A few have even taken on features of a movement. When one visits rural India, one might often come away with the thought – what difference does one small SHG make? But one shouldn't forget that when aggregated, they become a critical mass for change process, which goes beyond the world of microfinance. Where SHGs and their federal bodies have made a difference, they have become the dominant face of development.

Therefore the debate on the impact of various microfinance initiatives has necessarily to begin and also end with answers to critical issues in women and gender empowerment. More importantly, this debate has also to be placed within the context of diverse perspectives and approaches of development practitioners to microfinance and more specifically to women and gender.

Microfinance: Potential Paths for Empowering Paradigms

As one walks through the portals of microfinance, one runs into two purist versions. The votaries of microfinance are vehement that to upscale microfinance initiatives and make them succeed, efficiency and financial sustainability should be given priority. The assumption that access to microfinance services in itself would improve not only the economic lot, but also pave the way for social improvement has little empirical foundation. On the other hand, rights-based organisations and feminists are to seriously argue that SHGs' sole focus on microfinance diverts organisational focus on people's entitlements. To the feminists, SHGs can at best be an entry point but would have to get linked to the wider women's movement to address structural inequalities in gender.

Be that as it may, at the ground level, SHGs are also the most visible expressions of people who are made aware of the relevance of collective forms of cooperation. At the grassroots, SHGs are in different states of functionality. A few models of SHGs and their federal bodies have proven record of going beyond microfinance initiatives to address socio-political issues. One must remember that such initiatives are also outcomes of the larger development framework of NGOs in which SHGs are a part.

Where there is an explicit gender focus or where women themselves have seen success through collective efforts, there is a heightened awareness among women members on their capabilities. Women members, especially leaders, uniformly assert that they are now articulate and confident. There are numerous cases of women having taken bold stances like advocating women's rights and addressing wider social issues. For example, there are many instances of SHGs, backed either by their federal bodies or NGOs, that have taken on the issue of drunkenness, marched collectively to demolish local liquor shops, protested against police atrocities, etc. Many such leaders are viewed as models in their family circles and neighbourhoods. Women's altered states of awareness and changing mindsets, although slow to come by, are now abundantly found in many anecdotes.

A visible trend is also seen in the reduction of exploitative moneylenders. Debt redemption through their savings and loans has helped a segment of women to move away from the clutches of moneylenders. Women no longer go to

The interest rates charged by the microfinance institutions are estimated to range between 14% and 36% per annum. "…even among those above poverty line, very few can afford to pay these kinds of interest rates. They may be able to only at a great cost and upto a limited time. One reason why high interest rates prevail is because of timely availability of credit than cost of credit per se." The question is how sustainable are high rates of interests, though justified not only by the risk of but also by the very high transaction costs of a small loan to the borrower? Also how aware are the borrowers of this?
Rajarshi Ghosh, 'Microfinance in India: A Critique', mimeo, ND

moneylenders for small loans. In turn, internal lending has now become a practice within most of the SHGs. Reportedly, a spin-off of microfinance initiatives is the reduction in the interest rates charged by moneylenders to the extent of "… 30% per month to an uniform level of 3 to 5% per month…." It has been reported that some researchers analysing other pockets of SHG movement across India have come to identical conclusions. Even after charging high rates of interest, the "financial spread being earned by the average MFI in India is barely 11% leaving a 7.5% gap between it and the operating expense level of 18.5% of average portfolio."[14]

Findings of Impact Studies of SHG-Bank Linkage Programme of NABARD
1. 58% of households reported increases in assets.
2. Housing conditions improved for most, with a shift from thatched roofs to 'pucca' houses.
2. Almost all members developed regular savings habit and average savings increased from Rs 460 to Rs 1,444 p.a.
3. Average borrowings per household increased from Rs 4,282 to Rs 8,341.
4. Share of consumption loans in borrowing declined from 50% to 25%.
5. Average incomes of households increased by about 33% to Rs 26,889.
6. Employment increased by 18% to 375 man-days per household.
7. Major and positive social sector changes were noticed.
Source: Ranjana Kumar, 'Banking with the Poor – NABARD's Experience', 2004.

While individual success stories are plentiful, the larger question of whether and to what extent microfinance initiatives have mitigated poverty continues to be a contested area due to limited data and absence of commonly agreed framework to "…measure both the categories of poverty that they are targeting as well as

[14] See, Rajarshi Ghosh, 'Microfinance in India: A Critique'; Also, Sanjay Sinha, 'Financial Services for Low Income Families: An Appraisal', 2003, quoted Ibid.

whether they are having sustained impact on income and living standards of their clients."[15]

Poverty is Multidimensional

In the final analysis, microfinance has made a difference to the lives of people, but whether it has alleviated poverty to any serious extent is debatable. The specific gain is that credit is now available, often at the members' doorsteps, although only to those who can save regularly. Savings and credit have also been available to redeem debts, meet felt needs of the household such as repair of house, children's education and small expenses in health care and towards life cycle events. There has been asset creation in the form of livestock, agricultural implements and promotion of micro-enterprises etc. Moneylenders have gone into the background where SHGs are active, and the ones who are still in business charge more modest rates of interest. However, though none of this can be denied, the larger truth is that poverty is a multi-faceted phenomenon that cannot be eliminated merely through economic measures. Microcredit can do no more than to address the fringes of the problem.

There is a strong social and equity dimension to poverty that often remains untouched by these initiatives. What is often not sufficiently articulated is how, with every forward step in economic advancement, borrowers are also dragged back by social demands and negative impacts of globalising processes. The social dimension encompasses parasitical forces in the family and society that quickly cream off any gain accruing from microcredit and any surplus the borrower might have generated. These forces come in the form of social customs that require huge expenses on life cycle occasions such as birth and death, dowry, drunken husbands, ever-demanding family members and relatives and other forces too numerous to be mentioned here. There are also unforeseen contingencies that can quickly set back a micro entrepreneur.

Guiding Microfinance Towards an Empowerment Model

At one level, social forces do seriously push the poor back into the clutches of poverty. Lack of access to basic amenities and rights to health, children's education, and legal care push the poor households to yet another circle of

[15] Raven Smith, 2006 ' The Changing Face of Microfinance in India', The Fletcher School, Tufts University.

denial. Often it is women and children who bear the brunt of all this. In the final analysis while the economics of microfinance has powerful logic, improving poor people's lives and livelihoods is within the context of the social conundrum they are entrapped in.

The last three decades have successfully proved that women play a vital role in the economy, more specifically in the informal sector. Targeting women for microfinance has also taken women to the centre stage of most development initiatives. In turn, women have happily taken on more responsibilities and are in euphoric states in their newfound levels of confidence, freedom and success. While microfinance has opened doors for accessing resources and credit, a few models with gender perspectives have also paved new paths for women's empowerment. What is being argued is that policy makers and practitioners would have to gain perspectives to carve out gender paths in microfinance. Indeed, organisations that have put in so much effort into microfinance owe it to themselves to enlarge their focus if only to secure the gains already achieved.

Microfinance, whichever the variant, should not be the final stop but has to go through the logical progression of creating pathways for women's well-being. If one understands the new horizons of microfinance initiatives, one can and should negotiate with financial institutions, policy makers and practitioners to explore ways of building new perspectives and redesigning their initiatives towards the 'well-being' factor. This implies going beyond financial services to create support systems that assure healthcare, social security, legal protection from harassment and violence within the household and in the wider society. Microfinance with gender perspectives can be a powerful tool to bring social transformations.

Without these perspectives, the chances are that economic gains would only wither away. Implementing bodies, which are aggressively promoting microfinance, would have to integrate appropriate empowerment processes supported by budgetary allocations.

In the quest for women's and gender empowerment, two areas - health and social justice are in critical need of getting integrated into microfinance initiatives. In the present context, social justice is defined to include availability of socio-psychological counseling to the aggrieved party, access to legal services and sensitivity to socio-structural discrimination.

To repeat, not many have tried to integrate an empowerment agenda into microfinance through a process. A few who have attempted to go beyond microfinance offer other services (See Annexure II: cases). Integrating process-oriented empowerment agenda demands perspectives, budgets and political will. The MALAR case given below is a recent initiative at building an empowerment model in microfinance.

MALAR Community Resource Centre

MALAR in Kanyakumari district has been promoting women's groups since the nineties and has promoted SHGs with impressive microfinance impacts.

A turning point in the history of MALAR occurred when the Tsunami struck several parts of Kanyakumari, devastating the lives and livelihoods of many. Around 7,500 members in three blocks of MALAR were affected by the Tsunami. The initial response of MALAR was to extend help to the affected to get back on their feet - supplying clothes, rations and helping the affected families clean up their houses. Their members were in need of sustainable long term interventions to regain their health, livelihood systems and socio-psychological well-being. However, MALAR was soon to realise that this can be done effectively only if this intervention becomes a part and parcel of the organisation.

With this end in view, MALAR initiated MCRCs (MALAR Community Resource Centres) to extend health and legal assurance to its members. What is striking is that MCRC began with an annual provision of just Rs 300 per member to offer an assurance scheme with a package of services which include medical, psycho-social counseling and legal services. Most importantly, these services are extended to promote an empowerment agenda for women's well-being and rights. These centres extend cost effective health, legal assurance and socio-psychological counselling to its poor and destitute women members.

Trained volunteers at these centres act as barefoot health and legal assistants, provide linkages between its members and professional bodies and professionals, and maintain member-based information. Eventually, the MCRCs are expected to emerge as information centres.

Within a short 12 month period the MCRCs have extended the following services to their members with visible impacts:

- *Medical support – A team of doctors from Kulasekaram Homeopathy Medical College Hospital provide medical support for minor ailments. The doctors' visits are once a week per centre. An average of 350 people access this service every week. In order to invite the participation of the non-member community in the process of delivering the services, Rs 5 is collected as a fee towards the medical service. This money is pooled for the infrastructural development of the centres. MCRC has tied up with local hospitals to deal with serious cases needing hospitalisation.*
- *Medical camps – Medical camps such as eye and dental camps are conducted by allopathic doctors every month in each centre with the support of Rotary*

Club and other voluntary organisation in the local community.

- *Legal assistance - To address the women's legal issues, an advocate visits each centre every fortnight. The lawyer also conducts orientation programmes on women's rights and legislation once a month. A team of paralegals is currently undergoing a one-year training programme and will be certified by the Indian Institute of Paralegal Studies.*
- *Building linkages - Information on government schemes and programmes is provided to anybody who approaches the centre and all support is provided to apply for these schemes.*
- *Monitoring and supporting the Children's Development Centre.*
- *Helping to join unorganised sector schemes.*
- *Counselling on family issues, children/ student-related problems.*
- *A community library has been set up for people to read, and borrow books from the library.*
- *Plans are on to set up block level protection committees to monitor violence against women.*

The newly set up MCRCs show signs of a new model.

Ramaswamy, Uma and Anuradha Prasad, 2007, 'A Review of MALAR', HIDF, Bangalore.

Caring for Women's Health: Health Delivery Systems

For women to be empowered, good health is the foremost prerequisite. Yet, statistics on women's health continues to be alarming. It is amply illustrated that the poor health of women, especially from poorer families, is a major cause of skewed sex ratios. Fertility, morbidity and mortality, especially among women from marginalised communities in rural India, are reported to be unacceptably high. "Women below the age of 30 have higher death rates than men of the same age…loss of healthy life from non-fatal illnesses and pathological conditions is also higher for women than men…communicable diseases, maternal and prenatal conditions, and malnutrition account for 68% of death or disabilities among Indian girls and women….Community based studies in the country have shown that a high proportion of women receive no treatment at all for their illnesses and that among those who do, the most common treatment methods entail self-care, home remedies, or traditional medicine."[16] "A woman's health, especially among the poor and illiterate, is often neglected not just by her family but by the woman herself."[17]

[16] India's women get poor deal on health care, says World Bank, BMJ 1996; 312:1627-1628 (29 June).
[17] 'Access to Health: Claiming the Right to Health Care', India Together, Thursday Aug 30, 2007

"Drawing on national surveys, hospital records, and community based studies…80% of India's maternal deaths - estimated at 540 per 1,00,000 live births - result from anaemia, hemorrhage, eclampsia, obstructed labour, infection, or abortion. Although there are big differences in the urban and rural situations, the report estimates that only a quarter of all deliveries take place in health centres."
World Bank Report, 2006.

Although claiming the right to health as being fundamental has gained momentum within many segments, health delivery for the resource-poor households continues to be inadequate and apathetic. Since independence, the government has been a major stakeholder in health delivery systems. The outcomes of multiplicity of vertical national health programmes through various departments with no convergence at the community level, has had limited and uneven outcomes. For example, each of the primary health centres (PHC), which have been targeted to cover a population of about 25,000, is responsible for providing promotive, preventive, curative and rehabilitative care. While the intent of PHCs as the first portal of rural healthcare is well conceived, the majority of the PHCs are labouring under poor infrastructure, lack of medical equipment and apathetic medical staff. The unavailability, apathy and ineffective performance of the multipurpose health worker (Auxiliary Nurse Midwife - ANM) are now well-documented, calling for corrective measures.

Ahmedabad Women's Action Group (AWAG) has been working for the last 25 years in Gujarat to strengthen women's issues. In Radhanpur block of Patan district AWAG concentrates on the health care of rural women. The Government of Gujarat has set up an elaborate system to serve the health needs of rural people. For serving women's needs pertaining to Reproductive and Child Health (RCH) the state-appointed Female Health Workers (FHWs) operate as Auxiliary Nurse Midwives (ANMs). However, these services have not reached rural women because they are often not informed that such services are available. Not only do FHWs play truant, but even when the rural women find out about these services, they also don't know how to assert their rights.
Ila Pathak, 25th March, 2007. Ila Pathak heads Ahmedabad Women's Action Group; Published in India Together from 'Manushi'.

The launch of National Rural Health Mission (NRHM) by UPA government (in April 2005, for a period of seven years)[18] which, among other things, is expected to strengthen PHCs and sub-centres, is now being critiqued for "increased privatisation of health care services. For instance, in several states the NRHM, under the garb of better health management, opened up space to outsourcing and privatisation of PHCs and sub-centres."[19] Amidst this, the demand for comprehensive health policy has been raised. The People's Health Charter, adopted in the spirit of the Alma Ata Declaration of 1978 claims, "Governments have a fundamental responsibility to ensure universal access to quality health care … according to people's needs, not according to their ability to pay."[20] The Jan Swasthya Abhiyan (JSA), a coalition of more than 20 networks, which includes some 1,000 organisations and a number of health activists, spearheads the People's Health Movement (PHM) in India.[21] The outcry from various stakeholders on the neglect of government delivery systems continues.

"We have one of the most privatised health systems in the world. Nearly 40 % of Indians who get hospitalised are forced to borrow money or sell assets to cover health expenses," said Joe Verghese of the Christian Medical Association of India.
Verghese, Joe; The Second National Health Assembly in Bhopal, Frontline Volume 24, issue 20-07-2007.

7. Voluntary Initiatives

Historically, the voluntary sector has used health as entry point for development work. Several models of health interventions exist.

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[18] NRHM aims to undertake architectural corrections in the basic healthcare systems.

[19] NRHM aims to integrate different vertical programmes, to decentralise health care service delivery at the village level and improve intersectoral action. The highlights of NRHM are the creation of a community level health worker who has been named ASHA or Accredited Social Health Activist. It is proposed that over two hundred and fifty thousand such health workers will be appointed and they will provide first contact care to people in villages. These health workers will be women and will work closely with the Anganwadi Worker (village level worker of the Integrated Child Development Services) and the ANM. They will be chosen by and be accountable to the women in the community. Local ownership of health related planning, and the monitoring of health activities by the panchayat bodies is another key area of activity proposed for the NRHM. A third and very important aspect of the proposed changes is strengthening health care delivery through rural hospitals, which will provide a standardised range of services.

[20] People's health organisations formally met as National Health Assembly in Kolkata and Savar and launched the global people's health movement.

[21] The Jan Swasthya Abhiyan critiques health policies, raises these issues with the government and endeavours to influence policy. One of its main demands is the strengthening and expansion of the public health system.

- There are voluntary initiatives by NGOs that have given strategic focus to revival and use of indigenous systems of medicine – through demonstration farms, promoting village level volunteers to motivate rural households to grow herbal plants for common ailments, disseminating herbal kits, training village dais etc. In southern India, a few of these initiatives are connected to FRLHT (Foundation for Revitalisation of Local Health Traditions) in Bangalore, which believes in revitalisation of Indian medical heritage. FRLHT holds the view that in an era of globalisation, India should make fuller use of her rich and diverse medicinal plant knowledge for her own needs and confidently share on fair terms with the rest of the world, products and services based on her heritage.

- The second model relates to initiatives that bring pressure on government-run PHCs to be better regulated, referring the ailing and diseased to hospitals and doctors, holding health camps (polio, cataract, etc.), persuading doctors to visit the NGO offices/ village centres periodically to give free medical aid, etc. Many of these initiatives have gone undocumented.[22]

- With the spread of HIV/ AIDS, a vulnerable chapter in the lives of poor households, especially women, has begun. Funders are encouraging their partners to integrate care and support to HIV/ AIDS affected in their programmes. In this context, there are a few SHGs/ federations which have undertaken awareness programmes to support interventions to combat HIV/ AIDS.

- The health components of government programmes such as 'Velugu' in Andhra Pradesh, 'Magalirthittam' in Tamil Nadu and 'Kudumbashree' in Kerala are limited to creating awareness, holding health camps, etc. In 'Kudumbashree', for example, weekly meetings of group members are organised to discuss issues related to hygiene, mother and childcare, nutrition, immunisation, etc. A community health volunteer that is selected from among the members performs convergence of various programs under the Health and Social Welfare Departments and helps

[22] There are between two to three million midwives in the country and most of the births in rural areas are still attended by them. Unfortunately, insufficient attention has been paid to integrating these practitioners within the growing health system, in increasing their skills and helping them to attain the status of professional health providers. There are approximately 5,00,000 nurses of various categories in the country. Although there is a perceived shortage of nurses, the incomes of qualified nurses remains low at 22 N D, Devadasan et al. 'Community Health Insurance in India: An Overview', Economic and Political Weekly, July 10, 2004.

the members, especially women, children and the aged, to access services.

- It is only in the last decade and half that microinsurance – a term now commonly used for insurance services, has reached the poor, thanks to the initiatives of NGOs, MFIs, cooperatives and workers' organisations. Medical insurance is normally given to individuals or households. Again, only one product – often only life insurance or health insurance – is offered. There are instances of successful community health insurance (CHI) which has emerged as a possible means of "…improving access to health care among the poor; …protecting the poor from indebtedness and impoverishment resulting from medical expenditure…. BAIF, DHAN, Navsarjan Trust (which gives sole focus to Dalits) and RAHA explicitly state that the health insurance scheme was developed to prevent the individual members from bearing the financial burden of hospitalisation. Health insurance was also seen by some organisations as a method of encouraging participation by the community in their own health care."

- However, very few such as SEWA have accessed multiple products and multiple premium options for insurance. The premium payment pattern also varies – they may be linked to a savings plan or may be collected annually. The coverage also varies from insurance against small losses incurred on account of death, illness or property damage, to near complete insurance of all losses.

- In the midst of new efforts by NGOs and MFIs to access health insurance schemes, the insurance sector is also being opened up. The Parliament passed the Insurance Regulatory and Development Bill in 1999, opening the insurance market to foreign insurance companies. IRDA (Insurance Regulatory and Development Authority) mandates that a certain fixed percentage of the total business of insurance companies should come from the rural sector.

Health Insurance Schemes

Generally, there are two kinds of insurance schemes, popularly known as 'products', as a protection against major risks – life and non-life. Non-life insurance relates to risks related to property and assets. Insurance is now being offered in the agricultural sector for crops, livestock *and agricultural implements such as hand pumps etc. Life insurance is the most popular insurance. A few have argued that this might be due to relatively simple procedures needed in managing life insurance. Health and asset insurance are more complex. Verifications for claims made for asset insurance for the poor is often a challenge as insurers need to have a reliable method for determining the value of the assets and verifiable mechanisms to assess the loss, especially after the calamity.*

Many institutions offer only one product – either life insurance or health insurance, but a few others like SEWA are offering multiple products and multiple premium options.

For life insurance, while the insurance agency provides the insurance product, the delivery and servicing the clients are taken up by institutions/ organisations (workers' union, MFI or NGO). This is also the most common model for asset insurance. For health insurance, one runs into three variants. In the first, NGO running the insurance scheme is also the healthcare provider. The second model is where the NGO is the insurer, but does not provide healthcare. In the third instance, several of the schemes involve an organisation acting as an intermediary between the target population and the insurance companies.

Provision of health insurance is more risky and more complex than either life or property insurance. The causes of health risks are varied and require more detailed information to identify and classify the risk level associated with a potential policyholder. Second, there is also a risk of unexpected increases in claims, which both the policyholder and healthcare provider need to guard against. *See Annexures: cases*

Legal Assurance for Social Justice to Protect Women from Vulnerabilities

The Indian government, in its 1995 Country Report for the Fourth World Conference on Women at Beijing, spelt out violence against women as one of the eleven critical areas of concern. Studies and evaluations have amply illustrated that women experience violence in different forms, which are seldom reported. Cases of violence that get reported belong to extreme cases such as rape, murder etc. While it is a commonplace that several socio-structural factors such as patriarchal practices and dowry system contribute to violence against women, what stands out is the 'dailyness' of violence, which has not spared any section of society.

While the Domestic Violence Act of 2005 is recent and a progressive piece of legislation, what calls for comment is the complex and gender insensitive judicial machinery which needs to be negotiated for any kind of formal reddressal. Today, women in distress can reach out to legal aid cells, family courts, people's courts ('Lok Adalats'*)*, and women's courts ('Mahila Lok Adalats'*)*. All-women police stations have been set up for greater accessibility. Police counselling cells and special cells run by NGOs at a few police stations endeavour to address the needs of women experiencing abuse. Counselling cells and shelter homes have come up too. Again, NGOs' responses vary from provision of alternate shelter, counselling, community mobilisation, and awareness to advocacy efforts. Despite the plethora of institutional mechanisms, the vulnerabilities that women experience are enclosed within the 'personal' domain and continue to remain invisible. According to United Nations Population Fund Report (2005), 70 % of married women in India between the age of 15 and 49 are victims of beating, rape or coerced sex. The potential to bring protective cover to women through legal assurance within the context of social justice offers an uncharted territory for promoting women's well-being.

Recorded evidence highlights that the large majority of women who are in poor health are also victims of violence. For the majority of women, this arena of pain remains closely guarded. Beyond the legal solutions, these women are in critical need of socio-psychological care (See Annexure III).

"Studies worldwide have shown that hospitals and clinics, whether government owned or private, are an important entry point for women suffering from abuse within the family. Hospitals and community health facilities then become an important point for bridging a 'private' problem hidden in the home with 'public' services that currently reach only a small proportion of the women experiencing violence…. The fact that a large number of women accessing health services are victims of domestic violence points toward the need to develop more rigorous, detailed, and sensitive recording formats within the health sector…primary as well as tertiary health facilities have to be strengthened to identify and support women with injuries caused by domestic violence. …strengthening the linkages between various departments within the hospital and with other agencies involved in providing services to victims of domestic violence will promote concerted action on the issue."
Source, See, Jaswal, Surinder, 'Health Records and Domestic Violence in Thane District, Maharashtra' in ICRAW, May 2000, Domestic Violence in India.

"*Analysis of the Special Cell records, in conjunction with the in-depth case studies of the criminal cases registered under Section 498A, has yielded several key conclusions. While women seek help with support of the natal family, the case studies reveal that women do not register cases without male approval. In the detailed statements it clearly emerges that fathers, brothers, uncles or brothers-in-law have given approval and often take the lead in registering a case. Secondly, the woman's voice is not enough to validate a complaint as a criminal charge, there has to be endorsement by witnesses to build a picture of the violation and have weight in the court. Thirdly, from the data it is evident that violence within marriage is viewed hierarchically with grievous hurt being treated more seriously than being kicked, punched or beaten by hands. …The qualitative case analysis indicates that while the investigative officer is a critical link in making the woman's voice heard legally, the attitudes and reporting of these officers are also shaped by the same dominant ideology that produces violence against women and governs most institutions within Indian society."*
Source: Elizabeth, V, 'Trends of Domestic Violence in India: An Examination of Court Records', in ICRAW, 2000, Domestic Violence in India, A Summary Report of Four Record Studies.

The responses to vulnerabilities that women experience are varied. It is also evident that at a fundamental level, solutions to women's vulnerabilities have also to be found within the household and family and communities and their institutional practices. Women themselves have to be empowered. More importantly, to be gender sensitive, men have to be given perspectives. Collaborative models in gender have to be nurtured and strengthened. There are models of SHGs taking on issues of alcoholism and confronting the local mafia. But these are piecemeal initiatives. While a few NGOs and activist groups have addressed issues relating to violence against women by setting up counselling cells, their outreach remains limited and constrained by resource support. It is against this background that SHGs/ federations/ MFIs with a good track record could be empowered to help women in rural India with legal assurance and support.

8. Wider Role for MFIs, NGOs and SHGs in Social Justice for Women Through Health and Legal Assurance

The microfinance sector has more than its share of critiques. Those who are concerned with poverty alleviation argue that microfinance practitioners have barely touched the fringes of poverty. Additionally, the feminist critique has come down heavily on the microfinance sector for diluting and diverting its focus on socio-structural issues that have weighed women down.

A fallout of better economics is believed to increase the well-being of women, particularly their children and families. The envisaged outcomes of this expectation have not escaped critical scanner, either. Increased incomes might have contributed to the financial well-being of the household. More often than not, going by estimates, increase in income levels has only been incremental and does not come so much through savings but only when savings result in income generating activities or micro enterprises. With the exception of a tiny segment of women members who emerge as tiny entrepreneurs or powerful leaders, for the general rung of SHG members, microfinance has meant regular savings of small amounts of monies. Pertinently, as members or leaders of SHGs/ MFIs, women's involvement in development programmes has grown too. Again, as the critics argue, small increases in access to income and growing involvement in public life might be at the cost of higher workloads, health hazards and stressful lives. However, it cannot be denied that for most women, entry into SHGs or microfinance activities have opened up new areas of mobility. But one must hasten to add that despite all this, women's woes of patriarchy have not altered. If anything, for many, especially those who have emerged as emboldened individuals, the backlash of patriarchy has been most harsh. Without informed gender perspectives, there is every chance that economically empowered women might end up being victims of gender stereotypes or replicating them.

Another pertinent issue that needs to be attended to relates to the economics of service provision of microfinance. In the name of providing services, MFIs have squarely transferred all transaction costs to the poor women. More importantly, the poorest are being charged the highest rates of interest, more in fact, than any other class of borrowers. This is patently unjust, especially considering that the poor are a low risk category with high loan recovery rates. Logically, they should be charged the lowest rate of interest. The very fact that big banks want to get into microfinance shows how attractive microfinance is for the lender.

When it comes to intermediaries such as NGOs and federations, the story is different. While women end up paying high rates of interest, the margins for the intermediary NGOs and federations are being used primarily for administering savings and credit programmes. Again by using NGOs and SHGs for credit disbursal, financial institutions do save on transaction costs, which remains invisible. If one looks at this aspect critically, it is only logical to demand that part of these savings is ploughed back for social empowerment agenda.[23] This has resulted in two trends – first, there is a preoccupation on financial management of savings and credit and organisational sustainability; secondly, there has been a dilution of the entire range of issues relating to social justice dimension of women's empowerment.

In the midst of diverse standpoints, what stands out poignantly is that the persistent drive for savings and credit by MFIs has diverted attention away from the more pressing issues of women's lives. The increasing emphasis on microfinance by policies, financial institutions and funding agencies has visibly shrunk the spaces of NGOs – to work deeply on issues relating to women's empowerment. However, NGOs, or development initiatives with strategic focus on health and legal issues, do continue with their pursuit. But such initiatives are very small in number.

It is worthwhile to briefly dwell on how empowerment issues could become intrinsic to microfinance initiatives. MFIs may be quick to equate some of their service products such as health insurance to being part of an empowerment strategy. Essentially, empowerment is a capacitating process for transformation and cannot be boiled down to products and services. Leaving jargon aside, for a poor woman, money may be important, but of equal significance is better health to herself and her family, a life that is free from violence and opportunities to improve her life situation. While much has been written on what is empowerment, what is of consequence in the present context is to identify which of the dimensions of empowerment could be leveraged by MFIs

[23] See Planning Commission: Report of the Working Group on Competitive Micro-credit Market in India, 11th 5 year plan, Development Policy Division.

to improve the lives of women? Microfinance would have to initiate empowerment processes for social justice rather than products, for long-term social transformation. For example, many MFIs have introduced health insurance schemes, which touch individuals or families minimally. Such strategies are short-term with minimal impacts.

A majority of the voluntary health initiatives discussed earlier relate to provision of insurance products or separate health programmes. Let us ask ourselves what kinds of health support a poor woman – a daily wageworker or a self-employed woman and her household – require? Empirical evidence shows that women are looking for health services for common ailments, gynecological problems and emergencies when they do occur. But most insurance products give focus to hospitalisation in emergencies. For a poor woman, putting aside Rs 100 or 200 as premium for a distant future emergency is neither attractive nor compelling. We need to realise that what poor women and their households want is health assurance through regular health services. (See case of MCRC)

This type of service is well within the reach of SHGs and their federations. But this approach has to become an integral part of the services of MFIs. If we hold the argument that lending to the SHGs is a good business proposition because of the extensive outreach, high recovery rates, reduction of transaction costs and the positive publicity that they are with the poor, then there is a powerful argument that the well-being of the women is equally important. A logical conclusion is that MFIs have to evolve innovative models of supporting the cause of women's well-being.

Similarly, with regard to legal assurance, violence against women has first to be understood within the context of their family and community. If women have to get immediate redressal, the first response has to be socio-psychological support at the community level. This is best provided either by their own community women or by women's groups. It goes without saying that socio-psychological counselling requires sensitivity. Women's well-being can be better addressed only when one combines socio-psychological counselling with legal aid and services to support women in distress. It is here that one sees the relevance of empowering local SHGs/ federations to take on this role.

In the years to come microfinance initiatives are bound to come under pressure to integrate planned social justice empowerment models. Against this backdrop, SHGs/ MFIs backed or accompanied by NGOs, federations or government have much potential to deepen their work. Given the presence of

SHGs in majority of the villages in rural India, they are well poised to facilitate health and legal assurance services to their members and even wider community. While not all SHGs are mature bodies, there is a sizeable segment of SHGs, their federations and NGO partners who can be capacitated to take up this agenda.

Creating paths for transformation in the field of microfinance has to come through policy initiatives. Financial institutions such as NABARD and SIDBI could set the stage for MFIs to pioneer new paths. Since microfinance is a vast and growing sector, Planning Commission could also open a new chapter that begins to champion the well-being factor in women's empowerment.

Beyond this, at the policy level, the following steps should be explored.

1. Setting up social think tanks in development-focused financial institutions such as NABARD, SIDBI, and banks with development wings/ projects to redesign their funding policies and strategies towards social empowerment models in their microfinance initiatives.
2. Identifying through action research, studies, surveys and databases the critical issues that are eroding the well-being of women savers, entrepreneurs, traders, self-employed in their workplace, home and community. This would help in developing strategies for resource support – both in terms of budgetary allocations and human skills and capacities.

3. Selecting MFIs/ NBFCs with some track record of having addressed gender issues and facilitating them to deepen their gender paths for model setting.

4. Social audit of MFIs and banks relating to their microfinance portfolio should be made compulsory. The audit should look into whether the institutions have consideration for women's empowerment, inclusion of poor, capacity building of women for pursuing larger agenda beyond finance, etc.

5. Providing strategic support to NGOs, SHGs and their federations with clear budgetary allocations to address health and integrated legal aid for the social well-being of women.

6. Promoting social/ development /gender perspectives for critical actors in MF for implementing bodies. This would also include financial institutions with implementing roles.

7. Developing and integrating strategies for the promotion of not only product development for risk mitigation but also processes that capacitate groups and members to access the products.

Loan and Borrower Portfolio of a Few NBFCs/ MFIs				
Sl No	Name	Type of Financial Institution	Gross Loan Portfolio (in US $)	No. Of Active Borrowers
1	BASICS	NBFC	32,049,336 (31/03/07)	198,282 (31/03/07)
2	SHARE	NBFC	82,083,949 (31/03/06)	814,156
3	Spandana	NBFC	63,646,299 (31/03/06)	772,775
4	SKS	NBFC	(31/03/06)	172,970
5	IASC	NBFC	4,120,946 (31/03/06)	14,268
6	Bandhan	Non-Profit (NGO)	8,318,229 (31/03/06)	149,886
7	RGVN	Non-Profit (NGO)	792,957 (31/03/05)	31,899
8	BISWA	Non-Profit (NGO)	12,500,761 (31/03/06)	132,027
9	Cashpor MC	Non-Profit (NGO)	11,434,863 (31/03/06)	123,359
10	AML	NBFC	39,863,595 (31/03/06)	393,538
11	Sanghamitra Urban	NBFC	5,165,648 (31/03/06)	84,882
12	SKS	NBFC	61,407,251 (31/03/07)	513,108
13	VWS	Non-Profit (NGO)	3,751,045 (31/03/06)	53,932
14	Bandhan	Non-Profit (NGO)	8,318,229 (31/03/06)	149,886
Source: www.mixmarket.org				

Financial services by MFI

SEWA, Ahmedabad

SEWA's insurance program started in the early 1990s in their quest for social security to their members. Initially, life insurance was offered to SEWA members through the Life Insurance Corporation (LIC), a public sector insurance company. However, SEWA continued to pursue for a more comprehensive insurance package as a buffer against the multiple risks and crises that its members faced in their daily existence and thus was started its Integrated Social Security Scheme.

Starting the Integrated Social Security Scheme

In 1992, SEWA's Integrated Social Security Scheme was initiated with coverage for life, asset loss, widowhood, personal accident, sickness and maternity benefits. In 2002, medical insurance for husbands of members was added to the scheme, and in 2003, the scheme extended health insurance cover to children of members. As of January 2006, 1,52,651 women and their husbands were insured under SEWA's insurance scheme in both urban and rural areas. All insured members contribute premium to the scheme. Since 1992, more than 32,000 women have received benefits during crises in their lives.

Hospital Tie-Up Programme

In 2006, Vimo SEWA members in Ahmedabad city had the option of using the cashless hospitalisation system or filing a regular claim. Based on the success of the cashless hospitalisation system in Ahmedabad city in 2006, it was extended to all hospitalisation claims submitted in Ahmedabad city in 2007. Vimo SEWA has tied up with 21 hospitals, of which several were part of the system in 2006. Six 'Vimo saathis' appointed by Vimo SEWA exclusively service cashless hospitalisation claims. The 'saathibens' have been allotted the responsibility of three to four hospitals each. Members residing in talukas of Ahmedabad district that border the city are also eligible for cashless hospitalisation, subject to certain conditions. Under the hospital tie-up programme, Vimo SEWA selects multi-specialty hospitals run either by the government or by registered trusts. Private hospitals are included only after careful scrutiny of the quality of services provided. Vimo SEWA enters into a Memorandum of Understanding with each partner hospital, and negotiates affordable rates for its members.

Rainfall Insurance

SEWA initiated Rainfall Insurance in association with ICICI Lombard General Insurance Company Ltd. The pilot project in collaboration with Centre for Microfinance Research (CMFR) was launched in Ahmedabad, Anand and Patan districts for the monsoon season in 2006. Almost 1000 policies were sold. In order to customise indemnity for various stages of a crop cycle, the product was broken into three phases to match the sowing, growing and harvesting stages. Deficit rainfall was covered in the first two phases while excess rainfall was covered in the third phase. Separate triggers were fixed for each phase to fine-tune the product. Farmers in Ahmedabad and Anand had the option of high as well as low rainfall products, depending upon the water requirement of their crops. The product was available to landless labourers as well, whose livelihoods also depend heavily on monsoon.

Closely monitored inputs and an enabling organisational functioning buttress the SEWA initiative. For example, SEWA-trained midwives and health workers are from the self help groups/ cooperatives etc. They serve as health educators-cum-barefoot doctors to all the women members of different groups and help the women's groups in forging linkages with the government and private health care providers for specific services and programmes. The activities of these health workers include health promotion and preventive health care through health education, immunisation, micronutrient supplementation, family planning, provision of rational drugs, and low-cost traditional medicine. Subsequently, these health workers have formed their own cooperatives in a move towards achieving sustainability.

Source: www.sewa.org: Nayar et al, Self-help, 2004: 'What future role in health care for low and middle-income countries?' Licensee BioMed Central Ltd; Also, web, Vimo Sewa Insurance Products.

Bhartiya Samruddhi Finance Limited (BASIX)

Bhartiya Samruddhi Finance Limited (BASIX) is considered as one of the largest and successful MFIs in India, because of its outreach, loan portfolios, and impact. BASIX is unique in that it began as an NBFC, but evolved into a holding company in which an NBFC, Local Area Bank (LAB), and NGO are held. BASIX therefore combines both organisational structures of an NBFC (Samruddhi) and an NGO (Indian Grameen Services (IGS)) under a holding company, which allows it access to donor funds for research and development along with access to commercial sources of funding.

BASIX started in 1996 with equity from its founders which was followed by concessional loans from Indian and foreign donors such as the Ford Foundation and the Swiss Development Corporation (SDC). By 2002, BASIX had over fifteen different funders providing seven different forms of financing from convertible loans to deposits from the public, and had achieved its goal of a diversified and reliable funding base.

The BASIX group together provides approximately 90,000 clients in nine states with credit, insurance, agricultural business development services and capacity building. Samruddhi (BSFL) is the financial arm of BASIX, which provides financial services, predominantly microcredit, insurance and technical assistance to the rural poor. The business is characterised by intense field presence due to unit offices located in the field and loans originated at the customer's home or workplace through customer service agents (CSAs). Samruddhi, as of 2002, works in 3,300 villages spread over 18 districts in the states of Andhra Pradesh, Karnataka, Maharashtra, Orissa and Jharkhand.

Krishna Bhima Samruddhi (KBSLAB) is BASIX's local area bank and is therefore a regulated bank that can mobilise deposits in its local district in Andhra Pradesh. KBSLAB is BASIX's newest company and India's first microfinance bank started in 2001 in efforts to offer clients savings services. The challenge for KBSLAB so far has been the geographical restriction in offering savings to BASIX clients. However, KBSLAB is young and pending its success, BASIX may be able to scale up operations. The last company, Indian Grameen Services (ISI) at BASIX, is a non-profit registered 'section 25' company that conducts livelihood research and development of potential products and services for the BASIX Group.

Broadly, BASIX is premised on the belief that not all poor desire to be entrepreneurs and the poor actually prefer secure wage employment. Therefore BASIX believes in increasing livelihood opportunities and promotes large number of sustainable livelihoods through the provision of financial services and technical assistance in an integrated manner. This Livelihood Triad strategy gives focus to Livelihood Financial Services (LFS), Agriculture and Business Development Services (Ag/ BDS), and Institutional Development Services (IDS) in an integrated way. In their assessment, most of their customers are poor as their loans fall below US dollars 230. The clientele of BASIX includes the rural poor, particularly the landless and women, as well as rural commercial farmers and non-farm enterprises.

The loan methodology is innovative in that it aims to deliver financial services along with other interventions and services to produce sustained impact on the lives of poor. If through its triad strategy, BASIX has a wide-ranging impact, probably there is a compelling case for replicating its models.

There are differing opinions on the impact of BASIX model for poverty alleviation. CRISIL, in its evaluation of BASIX, has also raised the larger issue of MFIs' high cost of operations and high interest rate, more specifically in cases where MFIs are on expansion mode. Higher lending rates of MFIs in comparison to banks and government schemes is likely to remain a key risk factor given the political and social sensitivity of charging high interest rates to the poor. The high operating costs and borrowing costs result in many for-profit MFIs charging high interest. Beyond this, there is a larger question of the potential of this model to push for social transformations, more specifically among women who constitute a major segment of their universe.

Source: See Microfinance Mix Market - Profile for Basix; Also Raven Smith, 2006, Ibid; and CRISIL Rating

Indian Association of Savings and Credit (IASC)

IASC, registered under section 25 of the Indian Company's Act of 1956 operates in seven districts of Tamil Nadu and Thiruvananthapuram in Kerala to extend customised loans to low income groups for livelihood, shelter, education, healthcare and infrastructure. The loan portfolio of IASC has increased to Rs 42.55 million in 2006 from Rs 1.86 million in March, 1999. The client base of IASC includes 14,268 borrowers from 24 NGO partners. IASC intends to become an NBFC to increase its fund base and operational reach. IASC currently has borrowings from HDFC, SIDBI and Can Fin Homes Limited (FY 2002-03). The funds from HDFC and Can Fin Homes Limited are for housing loans while SIDBI's funds are for economic loans. IASC is premised on the belief that the poor are indebted and debt redemption loans should be given priority.

What makes IASC unique is that it grew out of a strong partnership between HDFC and Palmyrah Workers Development Society, an NGO based in Marthandam which during the last three decades engaged in a multi-pronged strategic interventions to improve the lives of palmyrah workers in Kanyakumari and neighbouring districts in Kerala. Non-literate, indebted, stigmatised and unorganised, the palmyrah workers lived in poverty and unhygienic conditions. While men tapped 'neera', the women would bring it home and boil it until the evening in open vats in the kitchen. After the drudgery of boiling 'neera', the kitchen was free for domestic cooking only in the evening. The pressing need for better housing conditions for these workers eventually led to a partnership with HDFC and eventual setting up of IASC.

A new chapter began in 1995, when PWDS promoted NEERA, a network of 12 organisations in Southern Tamil Nadu. NEERA has now 12 years experience in promoting SHGs and their federations, which have set up models. NEERA now work with 2,888 SHGs, 13 registered federations with a total savings of Rs 180, 310,818 and credit of Rs 274,359,050 accessed. Some of the models of the federations include settin up pre-schools and promoting the concept of pre-schools in 120 villages of NEERA, a super market solely owned and run by women SHGs, herbal medicine company and, regenerating water bodies and accessing health insurance schemes.

When NEERA's estimates of loan usage by members showed that medical treatment took away 35% of their loans, it lobbied with New India Assurance Company to develop Rural Health Insurance Scheme. Within a short period of six months, the policyholders totalled 3,000. NEERA plans to cover as many as 30,000 in years to come.

eIASC's vision is to become a role model in the use of microfinance facilities to bring about socio-economic development amongst under-privileged sections of the community. Based on this vision, the company has charted its mission "to adopt the best practices in dispensation of timely and adequate financial services, flexible and responsive to the needs of the under-privileged sections of the community, so as to bring about an amelioration in the quality of life."

Source: Uma Ramaswamy and Nandini Murali, 2006, 'Changing Equations, Imprints of NEERA Journey'; CRISIL, 2002, IASC Microfinance Evaluation Report.

Legal Protection for Domestic Violence: Cases

Centre for Social Justice (CSJ)

It is a commonplace that a just redressal through the legal system is not within the easy access of the large majority of the disprivileged. The 'mystique' that surrounds the legal system continues to keep many a litigant from seeking justice. The professional lawyers with their hefty fee structures are not in the reckoning of the common man. Yet, a host of issues, especially for socially disprivileged, are crying for legal redressal.

Despite the rich history of legal aid movement in our country, legal aid cells tend to languish, waiting for revival. Again, there are a host of disputes for which litigants seek alternative systems of dispute resolution. The majority of these issues fall in the social realm. Local initiatives in settling disputes have to be supported through legal self-help mechanisms.

There are also a host of issues where litigants cannot be supported through legal assistance. Over the decades, public interest litigation (PLI) has been an effective route to defend human rights. The High Courts and Supreme Courts have also passed landmark judgments concerning the PLIs. But the challenge of social justice lies in contextualising these judgments for local issues.

The Centre of Social Justice (CSJ) based in Ahmedabad, set up in 1994, is a pioneering endeavour to promote alternative lawyering that responds to social issues legally. Since its inception, the Centre has, through conscious strategies, promoted 'social justice' lawyer at the district level to make law an accessible and living institution to the disprivileged – dalits, tribals and women. The brief history of CSJ has been evolutionary, combining reactive and proactive strategies. The challenge of social justice lawyering is about making law and jurisprudence dynamic and evolving. The endeavor of CSJ underpins this.

IIPLS

Over the decades, there has been an increasing recognition for the role of paralegals as a critical support service to people in distress, especially women. The Indian Institute of Para Legal Studies (IIPLS) was established in June 2002 to legitimise paralegals in India.

Who is a Paralegal?

A paralegal bridges the gap between community, lawyers and judicial systems. She/ he helps in dissemination of legal information, follow-up of cases, provides support in investigation of cases, etc. She/ he can help in pre-litigative work, which is very crucial and if not done well, can affect the entire case adversely.

Often people find it difficult to articulate their problems from a legal perspective. Law does not deal with injustices, it deals with illegalities. The courts intervene only if there is a violation of a law. Merely saying that there has been an injustice done to someone will not move the legal machinery. This is where the role of a paralegal gains importance as a paralegal adds a legal perspective to social issues and has the ability to convert a social problem into a legal case.

While a lawyer is interested only in a legal case, the common person expects someone to help her/him through her/his problem. A paralegal is the link between the common person, the community and the lawyer. She/he identifies with the community in 'just-unjust' framework and presents it to lawyers by juxtaposing it with the 'legal-illegal' framework.

Role of a Paralegal

A paralegal is trained to do the pre-litigative work like support in investigation and fact finding, out of court settlements with a rights perspective, filing of FIR etc. Also, once a court order has been obtained she/ he is involved in ensuring proper implementation of the order and takes necessary steps for the same.

A paralegal is involved in bringing about legal awareness in the masses through means like community education programmes. She/ he educates people about what their rights are and motivates them to fight for their rights.

A paralegal plays a role in revamping the existing dispute resolution mechanism and adds a legal and rights perspective to it.

A paralegal adds a social perspective to standard courtroom lawyering. Usually, a typical lawyer gets caught in the technicalities of law and does not pay attention to the social angle of the case. In such situations, a paralegal plays an important role in sensitising the lawyer to social issues.

A paralegal also does research and data collection on socio-legal issues. She/ he is constantly studying the impact laws have on lives of people in the relationship between the judicial system and people, where laws need change, what are the emerging areas where a fresh law is needed and what are the pitfalls and drawbacks of implementation of a particular law.

A paralegal is also involved in counselling with a rights perspective/ issue based perspective and out-of-court settlements.

Source: Indian Institute of Paralegal Studies, 2006, 'Translating the Dream of Justice Into Reality', Ahmedabad.

Vimochana

Vimochana, a Bangalore based organisation (1978) that has emerged as a forum of activists, has been addressing issues of violence against women for two and half decades now. For the activists of Vimochana, the challenge of feminism is the problems of everydayness in women's lives and what is important is to put together individual experiences and relate their connectedness to larger structures. "This gives us a praxis approach with an ethic of care at personal and political level." Vimochana has a special desk called 'Angala' (women's courtyard) for counselling women in distress.

With a dominant discourse on feminism, Vimochana's interventions on issues of violence against women – personal and domestic, reveal the complex processes involved in redressal and support. These include providing emotional support and medical assistance; shelter where necessary; holding separate and joint sessions with the aggrieved parties; holding independent enquiries and providing the parties with options to register a complaint if need be; taking legal recourses or settling the cases out-of-court by way of an agreement between the parties; and helping find jobs or getting school admission for children if necessary. Often *Angala*, the counselling centre of Vimochana, reveals the need to shift to non-legal methods of arriving at solutions, counselling to arrive at mutual agreements and reaching out-of-court settlements of cases of women in distress. "Because of the insensitive attitudes of the police, the bureaucracy of the legal procedure and corrupt practices, the affected families prefer the non-legal methods. However, extreme cases of violence such as rape or suicide require legal interventions." Counselling women in distress requires expert support of psychologists and other specialists.[24]

Two of Vimochana's initiatives, right to life and right to living, highlight the complex issues of female feticide and increasing dowry deaths and their fallouts.

Vimochana has played a critical role in improving the ward in Victoria hospital in Bangalore. Two Vimochana staff are placed in the Burns Ward in Victoria hospital.

Amongst other things, Vimochana has effectively used public hearing and meetings to visibilise issues of personal violence on women, especially on UDRs with considerable success. The setting up of Truth Commission comprising of eminent representatives of the Law Commission, former judges, legal experts and activists, is a pioneering effort to enquire into unnatural deaths of women in the country.

[24] Uma Ramaswamy, Discussions with Celina Suguna, the Coordinator of Angala, and Dona Fernandes of Vimochana.

The Proposed Microfinance Bill

Girija Srinivasan and N Srinivasan

The proposed Microfinance Bill that is before the Parliament would impact the entry, continuance and operations of the microfinance organisations (MFOs). The bill would be applicable to organisations such as trusts and societies including cooperative societies. The bill does not cover companies involved in microfinance – either for profit or the non-profit ones. By not covering MFIs the bill remains incomplete and would not be in a position to fulfil its objective of "promotion, development and orderly growth of the microfinance sector in rural and urban areas for providing an enabling environment for ensuring universal access to integrated financial services, especially to women and certain disadvantaged sections of the people, and thereby securing prosperity of such areas and regulation of the microfinance organisations not being regulated by any law."

The RBI, which is supposed to regulate the activities of MFI and NBFCs, has already kept the non-deposit taking entities out of regulatory rigour. In case of MFOs, only deposit taking entities would be subject to registration and close regulation and supervision (explained in detail later). This is on the premise that depositors need more protection. But there is limited appreciation of the fact that small borrowers could ill afford disruption to credit services. There is a clear logic to bring even lending institutions under greater regulation and supervision to ensure the tiny businesses and micro entrepreneurs do not fall victims to capricious conduct of lenders.

A point to note is the exclusion of thrift services from the definition of microfinance services. Further, microfinance service is defined in terms of the quantum of money involved – transactions of a value up to Rs 50,000 per client and Rs 1,50,000 in case of housing loans (RBIs norms place the ceiling on housing loans in microfinance in respect of NBFCs at Rs 1,25,000).

The bill makes a fine distinction between savings and thrift. Under the bill, thrift is defined as savings mobilised from groups by MFOs or savings mobilised by groups from their members using the group mechanism. The savings should not be in the form of current account or demand deposit. Thus thrift excludes voluntary withdrawable savings and refers to compulsory savings that group members make.

The bill has defined financial services to include provision of grants, guarantees as also in-kind contributions. On account of this the nature of its coverage has become sweeping and could bring under regulation even those types of donors that do not involve in microfinance except to provide grants of amounts less than Rs 50,000 to eligible clients.

In the case of cooperative societies it exempts cooperative banks and those engaged in agricultural, industrial or trading operations. But the Primary Agricultural Cooperative Credit Societies (PACS) which engage in mobilising savings and providing loans of less than Rs 50,000 are already subject to regulation by Registrar of Cooperative Societies as per the Cooperative Societies Act as also supervision by the Central Cooperative Bank to which the PACS is affiliated. Whether these should face a regulatory overlap is an issue that needs to be resolved.

Section 9 of the bill stipulates that only MFOs that undertake thrift activities need to register and that NABARD would register them subject to certain conditions. The registration does not mean that MFOs would be able to mobilise all types of savings as earlier explained. One of the conditions for registration relates to the MFO having to maintain net worth of Rs 5 lakhs. Some of the PACS would not be able to gain registration as they may not be able to bring in net worth of Rs 5 lakhs. Further, net worth has to be in the form of promoters' contributions or grants or donations received. In the case of cooperatives, equity is contributed by all members while the few promoters contribute a small part of the equity. Cooperatives build net worth through profitable working and transfer of surpluses. Net worth in cooperatives is not built through donations or grants. Hence opportunities for building net worth in the manner prescribed in Section 10 of the bill are rare for cooperatives.

The act would have an unintended consequence of barring the PACS from mobilising savings from its members as the permitted thrift service for registered MFOs is only that of SHG-based savings mobilisation that are not withdrawable on demand.

The cooperative reform process that is underway would seek to accelerate the microfinance activities in the PACS. While the post-reform business planning for primary credit societies would concentrate on savings mobilisation, the registration and net worth requirements would slow down the process if not halt it altogether in some smaller units. NABARD would have to handle registration of about 1,00,000 PACS in the country as all these would have thrift as a distinct business strategy.

The definition of cooperatives in Section 2(a) is too broad and inclusive. The bill should exclude Primary Agricultural Credit Societies from its ambit to ensure that PACS are in a position to continue financial services to their members – including SHGs.

Audit by departmental auditors attached to Cooperation Department of the state in case of cooperative societies and by chartered accountants in case of other entities has been stipulated, which seems adequate. The process of identification of chartered accountants (a prior approval by NABARD has been indicated) should be streamlined to ensure that accounts are finalised and presented in time.

The vesting of powers with the regulator for directing stoppage of thrift services is in the interests of the savers. The move to prescribe formats for submission of annual financial statements is welcome as it would establish a consistent and uniform basis for reviewing the operational performance of MFOs. For the first time, consolidated information on this sector is likely to be available on account of the MF Bill.

The proposed Microfinance Development Council and the use of the Microfinance Development and Equity Fund for promotion of the sector would facilitate the MFOs and MFIs apart from SHG-bank linkage programme. The representation to RBI, SIDBI, NABARD and NHB is welcome and would facilitate support to development of different streams of products in microfinance.

SHG-bank linkage programme run mainly by the banks, with the formation and nurturing activities being carried out by NGOs, has not faced any legal constraints. With this enabling provision, there should be no constraint for cooperative banks and cooperative societies to link SHGs and provide financial services. However, in the case of SHGs the DCCBs would be in a position to accept the savings even after the passing of the Microfinance Bill. PACS would be able to accept savings from SHGs as members till the MF Bill is passed, and once the bill is passed the position of PACS would be unclear on account of the regulatory overlap between the Cooperative Societies Act and Microfinance Bill referred to earlier. The problems of cooperative societies are likely to be compounded by Section 32 of the Microfinance Bill which states that the provisions of the bill override any other law.

The provision for appointment of an ombudsman for the sector is a step in the right direction. State level ombudsmen may also be required considering the number of people covered and the likelihood of a large number of grievances arising.

Overall the bill is long on small detail, expansive on development agenda but short on regulation and supervision. It does not really facilitate expansion of savings services through MF sector even though studies and experience clearly show that savings services are in great demand. The regulatory effort is likely to be buried under the volumes if the cooperative societies mobilising members' savings have to register with the regulator. The choice of NABARD as the sector regulator may require a review. An autonomous board with representation from RBI, NABARD, SIDBI, NHB, Ministry of Finance and Ministry of Rural Development could have been vested with the function. The NBFC sector is left to the existing state of benign oversight of RBI that offers little space for deposit taking entities and ignores smaller entities that carry out lending.

The proposed supervision mechanism has to be seen in the foregoing context. A comprehensive MIS framework covering a large number of players, registration of a significant number of institutions, responding to the needs of the sector expeditiously in such a way that the costs are kept at a minimum and capacity building is at the hands of the regulator are some of the core issues requiring immediate attention.