

**KATHA: INVESTING IN POVERTY ALLEVIATION  
THROUGH EDUCATION AND THE ECONOMIC  
EMPOWERMENT OF WOMEN**

by

Lauren House

A thesis submitted to the Faculty of the University of Delaware in partial fulfillment of the requirements for the degree of Bachelor of Arts in Communication with Distinction.

Spring 2010

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Approved: \_\_\_\_\_  
McKay Jenkins, Ph.D.  
Professor in charge of thesis on behalf of the Advisory Committee

Approved: \_\_\_\_\_  
Juliet Dee, Ph.D.  
Committee member from the Department of Communication

Approved: \_\_\_\_\_  
Jill Neitzel, Ph.D.  
Committee member from the Board of Senior Thesis Readers

Approved: \_\_\_\_\_  
Ismat Shah, Ph.D.  
Chair of the University Committee on Student and Faculty Honors

## **ACKNOWLEDGMENTS**

In fall of 2008 I was deciding between two study abroad programs, one to Ecuador and one to India. After a conversation with Professor Barua, the program director of the English trip to India, my decision was made. She organized an unbelievable program itinerary and went beyond the call of duty to keep us all safe and healthy. My study abroad group would often refer to her as our surrogate mother. Since then, Professor Barua has become an adviser, a mentor and a friend. Neither of my two trips to India would have been possible without her support.

Another adviser and mentor, Professor Jenkins, agreed to guide me through my thesis after only an email introduction. Before having met Professor Jenkins, I would listen to my friends rave over his unique enthusiasm for teaching. Once I began writing my thesis I would visit his office every other week drained of confidence. I left those meetings full of energy, ready to plunge back into writing. Professor Jenkins was the ideal thesis adviser; he was patient, involved, motivational and an invaluable source of advice. I am unbelievably fortunate to have had his guidance throughout this process.

My close friend, Nicki Brooks, deserves huge thanks. Nicki was my roommate in India two winters in a row, and it was she who first proposed we pursue a partnership between our university and the non-governmental organization, KATHA. Nicki is an incredibly optimistic individual and exceptionally hard working. Her planning, organization and determination carried our group back to India.

I also would like to thank the English Department, the Communication Department, Service Learning and University of Delaware Alumni for considering my group's proposal and funding our trip back. A special thanks also to my family as well as the members of my thesis committee, Professor Dee and Professor Neitzel.

## DEDICATION

*This thesis is wholly inspired by the dignified, resourceful women of India.  
I've never felt so proud to be a female.*

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## **ABSTRACT**

Inspired by the work of a non-government organization called KATHA, this study is an observation of poverty alleviation efforts taking place in India. In particular, this research focuses on the important role microfinance and education play in the economic, social, and political empowerment of women. Microfinance received a huge publicity bump in 2006 when Muhammad Yunus won the Nobel Peace Prize for his successful implementation of micro-credit programs in Bangladesh. Having witnessed the potential of bottom-up development through micro-credit, India's citizen sector continues to experiment with different forms of microfinance. This thesis serves to detail one form of microfinance facilitated through self-help groups, a method that the Indian government first promoted in 1992. Through the stories of a group of women from a slum community called Govindpuri, this thesis addresses the complexity of empowering Indian women through microfinance.

## **Chapter 1**

### **PROLOGUE**

“India changes you- it makes you confront things about yourself that you may have chosen not to confront.”

- Sydnee Woods, volunteer at New Light Shelter

During the winter of 2009 I studied abroad in India. This was my first time visiting a developing country, and before I left I tried to prepare myself by pouring over literature and media, anything that had India in the title. A thousand novels wouldn't have made the experience any less jarring. We spent our first two weeks touring Delhi in a fancy, high rise tourist bus. I would look down on India, on the shanty houses lining the streets and the children chasing after cars. I felt ashamed for experiencing India this way, from the confines of a coach bus. I felt equally uncomfortable walking the streets under constant harassment for money. There was no escaping the guilt. Giving money to children gave me temporary relief, but still no peace of mind, and certainly no solution to their poverty. The longer I stayed in India, the more I realized the actual damage caused by giving money away. We were feeding a larger system that exploits children for profit.

It was during this trip that my class was taken to visit a non-governmental organization called KATHA. At first we made contact with this NGO to purchase textbooks. KATHA translates Indian texts into English, a unifying language of the



country. There are 22 languages officially recognized by the Indian Constitution, 1,652 languages in all. Their translations allow for Indians to read classic literature from other regions. Aside from translating Indian literature, this organization runs schools in slums throughout Delhi. When we arrived to pick up our books the staff sat us down and brought out platters of tea. The Executive Director was eager to explain the alternative form of education her organization offers slum students. I was introduced to this organization at an opportune time. I felt emotionally exhausted. India was every bit as interesting as I had hoped, but I couldn't stomach the poverty. I got chills listening to Executive Director Geeta Dharmarajan as she vocalized her organization's slogan, "No child in touch with KATHA will ever live in poverty again." She addressed the inner conflict I felt over giving money to begging children and made reference to beggar masters who maim children to heighten sympathy. This is why her organization roots out poverty by promoting quality childhood education and the economic empowerment of women. Geeta explained that children commonly drop out of school to help their parents ease the financial burden of the family. So KATHA has adopted this motto: "When women earn, children learn." KATHA assists women in setting up independent businesses. This allows parents to focus on providing for the family, at which point children can focus on pursuing an education.

I sat on the edge of my seat, nodding my head with enthusiasm. This is it, I thought. This is how I can actually make a difference. I left the organization inspired and determined to further their cause. While in India, my friend Nicki and I often spoke about setting up a permanent connection between KATHA and our university. We toyed around with the idea of returning the following winter to volunteer and establish an academic partnership. On the plane ride home two weeks later, I decided

that I would spend my summer researching microfinance in India. This summer research expanded into a senior thesis, and a group of us who studied abroad in India spent the following two semesters putting together a plan to return.

The following winter five of us returned to Delhi. My plan was to volunteer at KATHA and learn about microfinance firsthand through the organization's economic empowerment branch for women. After spending a week within the walls of one of the schools in a slum called Govindpuri, it became painfully obvious how different this organization was in person than it was on paper, or through the words of the employees. I had romanticized KATHA. But through this dysfunctional organization I learned an incredible amount about the challenges of running an NGO, not to mention the unbelievable complexity of empowering women through microfinance.

As for the style of this thesis, I have chosen to convey a combination of ethnographic and textbook research through a work of literary journalism. The anecdotal stories I gathered in India serve to illustrate themes I came across while researching microfinance through case studies, newspaper articles, blogs and textbooks. Especially in a place as dynamic as India, human stories can be as valuable as tables and statistics. This is why most of the chapters in this thesis begin with a story. Many of the stories trace the personal experiences of KATHA's self-help group members. When KATHA representatives visited the Govindpuri community to speak with the women of the organization's self-help group program, I was allowed to tag along. These stories serve to capture the common difficulties associated with female empowerment. This thesis begins with an overview of microfinance and how it is being applied in India. The following chapter discusses the development of the

Grameen Bank, a successful microfinance project started in Bangladesh. This chapter is intended to illustrate the potential of microfinance in any developing country. Chapters four and five are on the topic of female participation in microfinance. The fifth chapter is meant to exemplify how Indian culture often comes at odds with the intent to empower women. The sixth chapter details the use of self-help groups, a form of microfinance that KATHA has adopted under its economic empowerment branch. Much of the information presented in this chapter is supplemented with the stories of the women I met in the Govindpuri community. The seventh chapter is about KATHA and the experiences through which I discovered the true functionality of the organization. The final chapter of this thesis ties together the overall experience of studying microfinance first through textbooks and later through ethnographic research. Through ethnographic research I gained a more realistic impression on microfinance in India.

## **Chapter 2**

### **DEVELOPMENT IN INDIA**

“Growth alone is not the answer; only when the poor participate in, contribute to, and benefit from economic growth will it make a measurable and lasting dent on human poverty.”<sup>1</sup>

- Jan Vandemoortele, contributing author  
*NGOs and the Millennium Development Goals*

We stepped onto the street and waved wildly at the nearest auto rickshaw within sight. In order to land a fair price, Nicki and I worked as a team. She approached the rickshaw driver and began the negotiation process. Rickshaw drivers reserve special prices for foreigners; and when he requested his inflated rate, I threw my arms in the air and stormed away in search of another auto. Of course, another was right around the corner, and the driver was ready to strike a deal. This dance sometimes took twenty minutes before we were able to find a reasonably priced ride. Our ten minute drive to the shopping plaza at Connaught Place typically cost us forty rupees or about eighty cents, which we would split between us.

Our driver was a serious looking man with a weathered face and a tattered brown scarf wrapped tightly around his ears. He spat out the side of his green and yellow auto before gunning the engine. His intense eyes scanned the road as he pulled out onto Sansag Marg Road, avoiding collision with other vehicles. There are no rules

for driving in India. You just drive. This rickshaw, like all others, was open on both sides making for an unpleasantly windy ride during the winter. When we arrived at Block B of Connaught Place, I climbed out of the rickshaw and paid our driver. He stuffed the money into his pocket and nodded solemnly. I thought about the long, hard hours these men work for such meager wages. The sheer number of available rickshaws allows customers to negotiate unfathomably low prices.

We hurried toward the stores to meet our friends at a posh night club called Q-Ba. As we arrived at the entrance of Q-Ba a man in uniform swung open the glass door allowing us entry. Before we walked in I glanced to my left and spotted a group of men huddled in a circle on the cold pavement. The doorman waved away a fast approaching woman with a baby in one arm and her other hand extended. Nicki and I picked up the pace.

It was like walking into an alternate universe. The dimly lit club looked modern with its black plush sofas and sparkling light fixtures. We joined our other friends behind strings of glass beads that hung from the ceiling. I glanced around and noticed the DJ spinning music. Groups of young men sat around their drinks, deep in conversation. There weren't any other women within sight. Nicki and I exchanged glances of disbelief as we flipped through the pages of the drink menu. After my ten dollar martini arrived we made our way up to the club balcony.

I took a sip from my wobbly drink as I balanced against the edge of the dark balcony. Peering down on the street below I saw a deformed beggar pursue a couple leaving the club. He moved quickly, dragging his atrophied legs by his slender arms. His frighteningly skinny body would have been completely exposed if not for a

pair of tan shorts. The couple walked on without acknowledging the man crawling after them. I pulled myself away from this sight and stared at my apple martini.

Night clubs like Q-Ba exemplify the process of modernization taking hold of India. The people you see on the streets outside of these night clubs highlight the growing gap between India's rich and poor. As large developing countries such as India and China continue to grow, it's increasingly clear that economic progress does not necessarily translate into effective policies that alleviate poverty. China, for example, has enjoyed tremendous economic growth since the reforms and the open-door policy of the 1970's. It is expected that China's economy will expand eight percent by the end of 2010. Yet, Chinese officials such as Premier Wen Jiabao see that little progress is being made to close the gap between the rich and the poor. Acknowledging the uneven impact felt from this economic growth, Premier Wen recently told an audience of delegates, "We will not only make the pie of social wealth bigger by developing the economy, but also distribute it well...[We will] resolutely reverse the widening income gap."<sup>2</sup> Why isn't the money trickling down?

In the late nineties, the world asked the same question: while China's economy was expanding by about fifty percent from 1996-2001, the poor population of 212 million remained surprisingly unchanged. The challenge lies in finding policies that allow for economic expansion as well as equitable distribution of growth. Development specialists struggle with identifying "pro-poor policies" that substantially benefit those most in need.<sup>3</sup> If economic growth alone is not enough to alleviate poverty, what kinds of policies or initiatives will result in equitable growth?

India, another monolith of development, faces a similar challenge. Though less consistent in growth, the Indian economy has also expanded significantly in recent years. In 2007 the economy grew by more than nine percent.<sup>4</sup> Yet like China, India's economic growth has had little effect on reducing poverty. India has the world's largest number of poor people in one country. It is estimated that about 350-400 million Indian citizens live below the poverty line.<sup>5</sup>

The division of wealth in India is very uneven. Wealth disparities exist between states, between the urban and rural areas, even between neighbors of the same city. When I was in Guwahati, Assam, I noticed that some of the wealthiest homes overlooked small shacks. In the morning, the families living in the shacks would bathe themselves outdoors using large pitchers. On my most recent trip, I stayed in one of the most well-developed areas of New Delhi near Connaught Place, a popular shopping plaza. India is proud of this area of Delhi; it has been chosen as a venue for the Commonwealth Games of 2010. Yet, for all of its development and roundabout roads, Delhi is still riddled with poverty. Poverty is visible from even the most flattering angles, even at the entrances of posh night clubs like Q-Ba. On the pristine roads outside of my hostel, poor women in colorful saris used axes and buckets of paint to reconstruct and paint over worn down curbs. On a ten minute walk to the nearest restaurant, I would see a child defecating in the middle of the sidewalk. Poor children were everywhere. They roamed throughout the streets in groups, making music and performing tricks for commuters. They would chase after cars screaming when nothing was given in return for their entertainment.

Such visible poverty opens debate on development tactics. In the continuous discussion over the methods most suited for international development and

poverty alleviation, the concept of bottom-up development has increasingly gained attention over the years. The idea of extending support directly to an individual or community is at the heart of bottom-up development. Very often bottom-up development includes a poverty alleviation practice called microfinance. No one dares to claim that microfinance is a solution to end all poverty; but as microfinance gathers more attention, many are beginning to wonder if micro-economic development policies are more geared toward equitable growth. The United Nations even declared 2005 the International Year of Microcredit with hopes of promoting the use of microcredit and microfinance.<sup>6</sup>

The financial service most commonly associated with microfinance is micro-credit, an old practice that received wide attention with Muhammad Yunus's advent of the Grameen Bank. Microcredit refers to the actual small loans that are given to clients. There are many different forms of microcredit: informal money lending through relatives, rural credit through specialized banks, Bank-NGO partnership microcredit, Grameen-type microcredit, and many other kinds. Despite the great variation in microcredit dispersion, all forms of microcredit are meant to serve a low-income clientele.<sup>7</sup>

Microfinance is designed to help the poor help themselves by supplying them with loans as well as savings and other financial services.<sup>8</sup> Similar to microcredit, there is tremendous variability in terms of microfinance packages. The rules of microfinance participation depend on the institution providing the financial services and the clients being served. The examples discussed throughout this paper serve to demonstrate the breadth of microfinance.



Microfinance in India is not a new concept. Informal money lending takes place everywhere. For the poor who cannot qualify for loans or other financial services through the formal banking sector, informal money lending is the only way to get cash fast. When friends and relatives are unable to lend, a moneylender will typically supply a loan under the condition of high interest rate repayment.<sup>9</sup> These exorbitant interest rates can be dangerous for an already vulnerable individual. The interest rates of many Indian organizations and institutions offering microfinance are greater than those of formal banks, but less than those of moneylenders.

Organizations in India have been adopting microfinance at a steady pace. From 2007-2008, it is believed that the number of microfinance clients climbed from 10.04 to 14.1 million people.<sup>10</sup> Because of this growth the national government is currently in the process of reworking a microfinance bill. If passed, this bill would bring more order and greater classification to the growing microfinance sector.<sup>11</sup> India's National Bank of Agriculture and Rural Development has already officially recognized 446 microfinance institutions.<sup>12</sup>

Though these statistics show that more Indian citizens are being engaged through micro-credit and other financial services, microfinance programs are mostly clustered in the southern most states of India. Three of these states account for fifty-three percent of microfinance clients. Six states account for eighty-two percent of all microfinance initiatives. Northeastern states such as Bihar and Orissa have experienced relatively little growth in the microfinance sector. In fact, the northeastern states are home to only one percent of all microfinance clients.<sup>13</sup> Interestingly, the point of microfinance is to aid in development, yet organizations prefer working in areas with greater infrastructure. Because many organizations stationed in northeastern

states also experienced inferior return rates, microfinance practitioners are hesitant to venture out east. Perhaps for these reasons, microfinance growth rates in the northeast have been minimal, and since such a high percentage of families from southern states are already participating in microfinance programs, there is not much growth happening in the south either.<sup>14</sup> Some of the most noteworthy growth within this sector is occurring in urban areas. As a result, those living in rural areas continue to be excluded from microfinance programs. A concern for the future of microfinance in India is stagnation of growth if organizations are unwilling or unable to tap into the rural population, especially since seventy percent of the Indian population resides in rural areas.<sup>15</sup>

### **Chapter 3**

## **THE GRAMEEN BANK**

“In the world of development, if one mixes the poor and the non-poor in a program, the non-poor will always drive out the poor, and the less poor will drive out the more poor, unless protective measures are instituted right at the beginning. In such cases, the non-poor reap the benefits of all that is done in the name of the poor.”<sup>16</sup>

-Muhammad Yunus, founder of the Grameen Bank

Dozens of executive directors and organization representatives sat quietly behind their tables waiting for him to appear from behind the double doors. The woman to my left scrambled through her purse, pulling out a notebook and a pen. Before long the keynote speaker of the 2009 Hilton Humanitarian Symposium in Washington DC, Muhammad Yunus, was ushered to his seat. A rather small man in stature, Yunus sat legs crossed with his hands pressed together in prayer position. He reclined in his chair and answered a whirlwind of questions. “How,” everyone wanted to know. How did you do it? The Grameen Bank’s immense success has been an inspiration to countless development organizations. Smiling slightly, Yunus shrugged his shoulders and said, “Nothing is beyond solution... You need to develop a seed. Once you have a successful plant all you have to do is replicate it.” Half an hour later Yunus was rushed off the stage as the audience hurried to the front in hopes of making his acquaintance. While Yunus was obviously understating the amount of thought and

effort that went into developing the Grameen Bank, the simplicity of his commentary on its creation was remarkable.

Any discussion on microfinance is incomplete without mention of Muhammad Yunus, the founder of the Grameen Bank in Bangladesh. Established in the seventies and officially implemented in the eighties, the Grameen Bank is a banking system founded on the notion that the poor can be reliable and profitable customers. Yunus was able to turn a pilot project into an independent financial institution with the passage of the Special Grameen Bank Ordinance of 1983.<sup>17</sup> This bank dared to distribute loans without collateral requirements of any kind. And counter to traditional banking strategy, poverty was a requirement for participation. Membership was limited to Bangladeshi individuals who owned less than an acre of medium quality cultivatable land or assets not exceeding the equivalent. To the world's amazement, the poor women of Bangladesh have to this day maintained a repayment rate of ninety-eight percent.<sup>18</sup>

The story of the Grameen Bank serves as a great example of the potential of microfinance to alleviate poverty. The bank's success paved the way for many other microfinance initiatives and ultimately served as a powerful, real life example of what can be accomplished through determination, flexibility and a true understanding of the needs of the poor. A nine year study in Bangladesh found that forty percent of all poverty reduction was attributed directly to microfinance, though not to the sole credit of the Grameen Bank.<sup>19</sup> Even in the context of examining microfinance efforts in India, the work of the Grameen Bank remains entirely relevant as countless Indian NGOs have adopted the Grameen style of microfinance.

The Grameen Bank is, as Yunus likes to say, a social business. The Grameen banking system has been structured to cope with and overcome the special needs and deeply rooted vulnerabilities of its poor clientele. The bank is proof that a financial institution is capable of devising, offering and then profiting from microfinance products. Furthermore, the bank illustrates that the poor can make phenomenal customers, so long as the product fits the client. Each financial product was developed with sensitivity and cultural understanding, and there are various products to choose from, depending on the individual's financial situation. Through a tremendous amount of trial and error, Yunus and his employees have established a model so successful that governments and organizations around the world have adopted the "Grameen Style" of microfinance.

The bank did not instantly thrive. Grameen Bank employees had to adapt in order to survive a series of setbacks. Most notably, in 1998 Bangladesh suffered a devastating flood during which almost two thirds of the country was under water for nearly a dozen weeks. At this point, eighty percent of its customers were repaying loans on time. The remaining twenty percent became very irregular in their repayment. In response to the climate, the Grameen Bank revamped their products, their programs, and their overall strategy of loan disbursement.<sup>20</sup> Initially, under the classic Grameen model, a strategy of group lending was implemented. Women formed groups of up to five and held regular meetings under the advisement of a bank official. It became very important that the women trusted one another, as they received loans as a group, allowing the two neediest members in the group access to the first loan. Group dependence acted as an additional incentive to responsibly repay loans.<sup>21</sup>

Under this model, the Grameen Bank required all members to undergo training in order to learn the basic functions of the bank as well as necessary skills such as signing names. If all of the group members passed an oral exam, the group was formally recognized. Once they received the first loan and only under the condition of full loan repayment, the women were sanctioned another, usually larger loan. One stipulation for the loans was saving. The women were required to save weekly in order to create a group fund. The bank then paid eight and a half percent interest on all of their deposits. In the case of a natural disaster such a flood, the women were allowed full access to their savings. Otherwise, group consensus was necessary before members were allowed to withdraw this pocket of savings. The savings were intended for uses such as paying for school tuition and purchasing food during a lean season.<sup>22</sup>

The new model, called Grameen II, did away with the method of group lending and instead granted loans to individuals. Through this model, individuals are not held accountable for the defaulted loans of other group members. If the individual repays a loan on time, this new model also allows for greater access to more loans. Loans are no longer staggered, and all women receive a loan when accepted into the bank. Instead of having to wait an entire year before requesting a new loan, the women only have to wait six months. Just as in the classic Grameen model, saving is a prerequisite for participation. Only this time, each woman maintains two separate savings accounts: an open access personal savings account and a special savings account. For every loan a woman takes out, five percent is deducted and split in half, with two and a half percent going to each of these savings accounts. The borrower then must make weekly deposits to her personal savings account, depending on the size of the loan she requested. Under most circumstances, the amount accumulated in the

obligatory special savings account cannot be taken out for the first three years. The borrower earns an eight and half percent interest rate on the money she deposits into these two savings accounts. In comparison, the average Bangladeshi commercial bank allows its customers an interest rate of four percent. Another important difference between the two models is that under Grameen II, borrowers are obligated to plan for later in life. The new pension savings scheme ensures that borrowers allot a portion of their savings for retirement. The borrower then receives interest rates of ten to twelve percent on all pension related savings. As a result of this high interest rate, the amount originally saved nearly doubles every ten years.<sup>23</sup>

Eventually group loans were abandoned because all members were held accountable for the defaulted loans of those unable to pay. However, the Grameen Bank did not fully eliminate central meetings. In order to maintain transparency of transactions between bank officials and the clients, public collections continued. During these meetings, bank representatives provide the women with useful knowledge about scholarship funds, loans for higher education for their children, and solutions to personal problems. In addition, these meetings maintain the element of social pressure so influential in securing loan repayment. Central meetings also allow women to network, provide one another with social support and share information and experience.

During such meetings, the Bangladeshi women developed a social charter called The Sixteen Decisions. Comprised of sixteen social commitments, the charter aims to encourage change within households and communities. Women help support one another in overturning social customs such as the use and acceptance of dowry. In this way, the Grameen Bank offers more than just microfinance, the financial

institution also supports social education. The Sixteen Decisions include the following:

- 1 Advancing the four principles of the Grameen Bank: Discipline, Unity, Courage, and Hard Work
- 2 Bringing prosperity to the family
- 3 Repairing dilapidated houses
- 4 Growing vegetable gardens all year round
- 5 Planting seedlings during planting season
- 6 Keeping families small, minimizing expenditures, and maintaining family health
- 7 Educating the children
- 8 Keeping the children and environment clean
- 9 Building and using pit-latrines
- 10 Drinking water from tube-wells or boiling water
- 11 Refusing to accept or give a dowry and not practicing child marriage
- 12 Not inflicting injustice on anyone
- 13 Working to collectively undertake bigger investments for higher income
- 14 Helping one another
- 15 Helping to reduce conflict within the center
- 16 Taking part in all social activities collectively<sup>24</sup>

Another noteworthy difference between the classic and revised models is a program that was adopted for the extremely poor. Extreme poverty is defined in many



ways, but one of the most comprehensive definitions comes from the World Bank's Voice of the Poor project. According to this study, "the extreme poor are those who (1) do not possess land or a house of their own; (2) are in families that have no income-earning male member; (3) are in families mostly headed by women; (4) meet their food needs by begging; (5) have no access to institutional or non-institutional credit; (6) have no access to health care facilities and are less informed about illness and treatment; (7) are excluded by the society as revealed by a lack of invitations to social celebrations." More succinctly, extreme poverty can be defined as having an income eighty percent below the poverty line.<sup>25</sup>

The poorest of the poor do not commonly participate in microfinance programs for many reasons. As mentioned above, the extremely poor are often socially ostracized or perhaps even choose exclusion out of shame. In self-help groups, such as the ones facilitated by KATHA, groups are not inclined to include members who cannot be reliable in loan repayment. If one group member defaults on a loan, the rest of the group may be left to make up for the lost money. Additionally, the extremely poor often lack an education and do not know how to run a business. They typically do not have the types of assets necessary to establish and hold onto independent enterprises. But at the core of it all, the poorest of the poor need more than loans for future investment; they require money for essential things such as food. Whether for sickness, lack of home, or extreme hunger, the very poor focus on immediate needs before concerning themselves with pension schemes and ceiling loans. And because the extremely poor face such high degrees of vulnerability, loan repayment can become next to impossible.<sup>26</sup> These factors make the extremely poor less than ideal

microfinance customers. Those most in need are often excluded from the very system designed to help them.

Taking into account a need for greater flexibility for those living in extreme poverty, the Grameen Bank built a program specifically for beggars. The objective of the program is to eliminate the act of begging in all areas of Grameen influence. Additionally, because the employees of the Grameen Bank hold that the biggest obstacle facing poverty alleviation among the extremely poor is a lack of self-confidence, this program is intended to show beggars that they can fight poverty. All programs for the poorest of the poor begin when Grameen staff members make a list of the names of beggars in a given area. Each staff member is assigned at least one beggar to assist. Beggars are not required to follow traditional Grameen rules. They do not have to belong to a group, save, attend meetings, or even make regular repayments. In large part, beggar members make up their own rules. While beggar clients are not required to quit begging, they are encouraged to find other income-generating activities such as small sales.<sup>27</sup> The Grameen Bank's program for beggars is specifically designed around the needs of the poor. This quality of microfinance separates the Grameen Bank from other global microfinance organizations. Programs such as these are greatly needed in India as well as Bangladesh.

## **Chapter 4**

### **THE WOMEN OF MICROFINANCE**

“Women hold up half the sky.”  
-Chinese Proverb

Rina is on the verge of turning thirty, and the family she works for, my host family, has already posted personal ads in the matrimonial sections of local newspapers. My host mother said that Indian women rarely marry past the age of thirty. She doesn't look a year past twenty with her bright smile and long, silky black hair. But she is eager to find a husband and settle down to start a family of her own. Rina is relying on my host family to help her find a suitable match because her own family would rather she remain unmarried. As a single woman she uses a great deal of her income to support her family back home.

My host mother, Ruli, refers to Rina as her “right hand.” In exchange for Rina's help around the clock, Ruli and her husband provide Rina with food, clothes, a room to live in and a monthly wage. When her employers are at work, Rina maintains the house and takes care of their two children. She is constantly in motion, hand washing dirty clothes, scrubbing the floors, cooking meals for the family. Because I was a guest in their home, Rina refused to let me so much as touch a dish. Once I sneaked into the kitchen to wash a couple of my own plates, and when Rina found out,

she told my host mother. Pampering unabated, I spent my time in their home drinking Assamese tea and eating buttery biscuits.

Rina works hard, and she carefully saves her income. This is how she paid to put her younger sister through school. And when Rina is allowed time off to visit her village, she purchases food such as rice or a cow for her family. She never gives her father her earnings in cash because in the past he has wasted it on alcohol. Rina is the perfect example of a reliable female who invests her earnings in the next generation. Millions of hardworking women such as Rina draw the loyalty of microfinance organizations.

Indeed, it is responsible women such as Rina who have become the main focus of microfinance programs and the related economic, social and political impacts. Women have become the direct, primary beneficiaries of microfinance for a number of reasons. As Rina's story demonstrates, it's not just women who gain from new resources generated through microfinance, children benefit as well. Several studies have shown that when women are in control of family spending, less money is devoted to instant gratification and pleasure.<sup>28</sup> As men are often in charge of household spending, approximately twenty percent of average income is used on a combination of alcohol, prostitutes, candy, sugary drinks, and lavish feasts and celebrations.<sup>29</sup> Many development projects target women specifically for this reason; governments, organizations, and individuals see that women are more likely to make long-term investments in areas such as childhood education.

Strictly from a business perspective, microfinance institutions prefer females because women have proven themselves more responsible clients. Women

tend to repay more often and in a timelier manner. Women are considered better money managers, and group projects often work most efficiently when run by women. The Grameen Bank, composed of nearly all women, has a repayment rate of ninety seven percent.<sup>30</sup> To illustrate the success of a female clientele from continent to continent, the Kenya Women's Micro-Finance Trust has a ninety-seven percent payback rate while another similar program in Jordan has a payback rate of over ninety-nine percent.<sup>31</sup> Drawing from the impressive repayment rates of women below poverty standards, we can see that the poor, especially poor women, are tremendously diligent when it comes to managing funds.

Microfinance organizations typically function more efficiently when women are involved. Parallel to this argument, a country gains a more competitive edge when women actively participate in the economy. Ideally, microfinance gives women the opportunity to obtain loans in order to start businesses or receive training. These investments not only better the women of the microfinance programs, they also better the overall economy of the country. In 2007 Bill Gates spoke at a business seminar in Saudi Arabia. When one of the questioners asked Mr. Gates if he believed Saudi Arabia could become one of the world's most competitive economies by 2010, Mr. Gates responded, "Well, if you're not fully utilizing half of the talent in the country, you're not going to get too close to the top."<sup>32</sup> If citizens of developing countries are truly focused on entering a competitive global market, female participation is a necessary part of the equation.

On equity grounds, it certainly makes sense for microfinance initiatives to target women because women are typically most economically disadvantaged. In fact, women make up a majority of the poor population. According to the United

Nations Development Fund for Women, the numbers of women living in poverty is disproportionately higher when compared to the number of men. Approximately seventy percent of the world's poor are women. Women faced with poverty typically own no assets, hold little weight in family or society politics and have limited confidence in their ability to improve their lives.<sup>33</sup> Many women are also restricted to their homes, which narrows their access to information and other development resources. Low mobility is one major reason why many women are unable to benefit from development programs.<sup>34</sup>

Acknowledging the inherent economic disadvantage of being female, microfinance is especially important for women because many programs result in different forms of empowerment, the most evident being economic empowerment. Women that experience economic empowerment can also benefit socially, politically, and medically. Some of this non-economic progress can be attributed to development strategies that include training, awareness building and information dissemination. Other non-economic benefits are considered the product of a higher income.<sup>35</sup>

For example, more money typically means better health care. An NGO in Bangladesh called UBINIG found that women avoided reporting illness until sickness became severe. There could be many reasons for a delay in treatment such as a lack of money or the lack of a male relative for accompaniment to the hospital.<sup>36</sup> But according to a book on the Grameen Bank called *The Poor Always Pay Back*, when women experience an increase in income, they are more likely to seek medical attention. It can be argued that health is directly affected by microcredit and income generation because women have more money to allocate toward food and medicine for the family. It could also be argued that through social programs women become more

aware of health issues and therefore make better decisions concerning their own health and the health of their family.

In terms of social implications, some women who start generating an income gain a new sense of authority within their families. World Bank survey data suggest that credit programs increase the bargaining power of female family members, leading to greater roles for women in household decision making.<sup>37</sup> Of course different research projects have found different levels of social empowerment among women who receive microfinance.<sup>38</sup> Nonetheless, while some organizations document little change in family dynamics, others mention a noticeable rise in decision making power. Perhaps women who make money “earn” more of a say in what the money is used for. This concept of bargaining power can even extend to participation in the panchayat, or local political entity. Many women who gain a voice in the household feel empowered to share their opinions with the community, too.<sup>39</sup>

## **Chapter 5**

### **THE COMPLEXITY OF EMPOWERMENT**

“Why is it that women are, on the one hand, viciously oppressed by cultural practices, and yet at the same time are the preservers of cultures in most societies?”

- Kavita Ramdas, President of the Global Fund for Women

Behind every microfinance initiative targeting women there is intent to empower. What does the word empowerment really mean? Behind empowerment is of course power, our ability to do what we want regardless of what others wish.<sup>40</sup> There are numerous definitions of empowerment, one the most concise is the expansion of freedom of choice and action.<sup>41</sup> Researchers like Nathalie Holvoet have investigated female empowerment in India through the lens of decision-making agency, or a woman’s ability to make her own choices.<sup>42</sup> Pamela Singla, an associate professor of social work at Delhi University, frames empowerment as a woman’s ability to improve her well-being. Shivaji, a representative of an Indian NGO called Pradan, sees empowerment as, “the enhanced social and civil position of women. It is when women stand up alongside one another when the need arises and demand what is their right.” There’s economic empowerment, political empowerment, social empowerment and community empowerment. And as I found out at KATHA, there are those who call into question the very basis of female empowerment.



Pushpam is a graduate student in social work at Delhi University, and as a part of his curriculum he completes work hours at KATHA. Every Tuesday and Thursday Pushpam visits the community of Govindpuri to interview one of the women of a self-help group called Surbhi. KATHA has asked Pushpam to speak with these women because the organization has identified this group as the most successful of their self-help groups. On this particular afternoon the director of the economic empowerment branch was not at KATHA, and Pushpam had no specific assignments for the day. I asked if he would be willing to sit down and chat for a bit, and he happily obliged.

We pulled a couple of chairs up to a large window in the computer room on the lower floor of KATHA. Pushpam was curious to hear my thoughts on the potential of microfinance in India. I expressed my interest in researching the ways in which microfinance empowers women not only economically but also socially and politically. The amused expression on his face confused me. I cut my comment short and asked him what he was smiling at. He conveyed his skepticism over the concept of social empowerment. “What is empowerment?” Pushpam asked me. “What?” he said, noticing the distressed look on my face. “How can you just go up to a woman and tell her that *now* she is empowered? Before you can go about saying you’re going to ‘empower’ women, there needs to be a clearer definition of what empowerment is. What is empowerment? Teaching a woman how to sign her name?” In order to explain his point of view he shared the story of a woman he had interviewed in Govindpuri before my arrival.

KATHA's self-help group, Deep, has a member named Renu, a woman who grew up in the eastern state of Bihar. Renu moved to Delhi after marrying a man who was originally employed in the garment industry. She joined her self-help group shortly after she married. Since then Renu has found steady work as a domestic servant. When she isn't cleaning someone else's home, she's taking care of her husband and three children. Her husband has been unemployed for four years now. Recently, Renu was diagnosed with heart disease. Yet her husband, comfortable with his living situation, still refuses to seek employment. When Pushpam asked her why she doesn't demand that her husband contribute to the household income, Renu responded that she has, and it resulted in him beating her. She avoids quarrelling with her husband because she's afraid of the impact it will have on her children.

Pushpam wanted to demonstrate that economic empowerment does not necessarily translate into a sense of social empowerment. "Husband is god," he added jokingly. This comment is symptomatic of the complexity linked to empowering women in India. Many Indians are raised to believe that a husband's word is supreme truth. This becomes an obstacle in empowering women to demand gender equality. As my Assamese friend shared, "it's impossible for me to live in India and not be a feminist." *The Times of India* is ripe with stories of bride burnings, dowry deaths, sexual harassment, an increase in violence against women and poverty among women and children. Even small things such as language can speak to the status of women in India. It is not unusual for an Indian wife of a later generation to respectfully avoid using her husband's first name. Instead some wives address their husbands through words like "listen" or "honey."

Another specific example of an Indian tradition known to limit women's ability to participate in or benefit from microfinance is the practice of purdah. Purdah is a custom intended to protect a woman's modesty by limiting her mobility and social interactions. Purdah is actively practiced by Muslims and some Hindus, especially in India. To make full use of the loans and related training, a woman generally must leave the confines of her house to purchase materials, promote her business, sell her product, and attend the various meetings offered by the economic empowerment programs. In many Indian households, leaving the home comes at odds with purdah.<sup>43</sup> The practice of purdah explains why KATHA offers training programs for women that teach income generating activities such as cooking sweets. This kind of work allows women to work from their homes, which is a cultural requirement for many. Indian tradition such as purdah adds a whole new layer of complexity to empowering women through microfinance. As a result, many organizations in India that facilitate microfinance through self-help groups also place emphasis on providing social awareness programs. This social education is meant to stir up conversation over culture and gender inequality.

## Chapter 6

### SELF-HELP GROUPS IN GOVINDPURI

“It is, therefore, being realized more and more that while financing small and very small entrepreneurs, it is not the availability of security that will ensure repayments, but winning their confidence organizing them properly, guiding and monitoring them.

-K. Karmakar, author

*Rural Credit and Self-Help Groups*

KATHA lies in the middle of the Govindpuri slum. Small shops and houses line the sides of the streets, separated in some parts by a tall cement barrier. That morning, Bollywood music was being blasted into the streets from some unknown location. Motorcycles and auto rickshaws honked loudly as they sped around potholes, playing children, and goats clothed in burlap. Men pushing wheel barrels of trash paused as they scooped up waste and burnt material. Women from the canopy of the slum peered up from their laundry. Brightly colored sheets and clothes flapped against brick buildings painted blues and pinks, some left to crumble. The tall wooden poles bordering the street gathered tangled, drooping electrical cables.

Pushpam and one of the self-help group facilitators, Niyazmeen, led the way across the main street and through a back alley of the slum. The buildings were closely constructed, leaving only a small gap for passage. We walked over broken cement, rocks and wooden boards propped up to form small bridges over streams of

running water. The buildings within the slum appeared equally as colorful as the walls without. Strings of dried flowers and ornamentation hung pinned over the doors of many houses. The music got louder.

We paused in front of a window displaying jewelry, cosmetics and hair accessories. Pushpam made a move to untie his shoes. The woman who welcomed us into her home is named Guddi, and she is the cashier of KATHA's most successful self-help group, Surbhi. This self-help group maintains a record high monthly savings rate of Rs. 500 (about \$10) per member per month. Her compact, one-room home was divided in two. Half was dedicated to a small beauty parlor while the remaining side acted as a bedroom/kitchen. In one small living space a television was stacked on top of a refrigerator, and the wall was decorated with posters, hanging glasses and a clock. Guddi's home was orderly, and when asked for a document she knew exactly where to find it. Niyazmeen, Guddi and I sat on the bed while Pushpam pulled up a stool. Very soon after the conversation began, one of Guddi's three children walked in timidly, requesting in between classes. While Guddi reached for the stove directly next to the bed, Pushpam drew a picture of a peacock and passed his notebook to the little girl, encouraging her to copy the image. Guddi scooped rice and daal onto a plate and poured her daughter a glass of water.

Conversation flowed freely between Guddi and Pushpam. A client walked in, and Guddi stepped aside and into her parlor to seat her customer. As Guddi used a string to pluck the woman's eyebrows, Pushpam translated what Guddi had said. When she and her husband first got married, she continued to live at home in the rural outskirts of Delhi while her husband worked within the city. Only with permission from her parents was her husband allowed to visit her. When she finally moved to

Delhi, a community oriented NGO called Lakshma School trained her to run a beauty parlor. Her beauty parlor has been a true success. Guddi is now the main source of income for her entire family. She pays for the majority of food, health, housing, school and social expenses while her husband makes money on the side embroidering saris. Guddi knows that her parlor would draw in even more business if she could move it outside of her home. Her husband, however, forbids her to do so. Pushpam conveys the husband's reservations. Apparently it's common for women to run prostitution rings under the pretense of opening a beauty parlor.

Despite such setbacks, the women of Surbhi have become models for all other self-help groups. Guddi is the only one of KATHA's self-help group members to found an independent business. Understanding her success could help the facilitators design a program that will optimize the outcome of microfinance through self-help groups. KATHA is still experimenting with techniques in order to improve group formation, meeting attendance and the mobilization of cash. Pushpam once shared with me his frustration over poor meeting attendance. Wasi, the director of the self-help group program, mentioned that the groups were in their infant stage, and that the majority of his current work is geared toward upgrading group functionality. He is specifically focused on promoting better savings among group members.

Self-help groups have become a common method of providing microfinance in India. It is true that banks and microfinance institutions are more adept at offering reliable financial services. It is also true that NGOs that run microfinance programs are notoriously better at community development through human resource support. Self-help groups have the potential to combine the best of both worlds. When

NGOs partner with banks to support self-help groups, the flexible and nurturing quality of NGOs combines with the safety and dependability of the formal banking sector. Since NGOs are typically involved in the development of self-help groups, these groups often receive other kinds of services beyond credit such as legal awareness or reproductive education. When coupled with credit programs, these services have the ability to empower women socially and politically as well as economically.<sup>44</sup> Some of the most impressive successes of microfinance are derived from a combination of credit, training and education. A sudden introduction to credit may prove worthless if a woman has no understanding of entrepreneurialism or has no formal education on credit management. This is why guidance and support is such a critical part of any microfinance program.

Typically, organizations such as KATHA play a central role in the formation of self-help groups. Self-help groups can be formed and financed in three ways. First, banks form the self-help groups, support them in their development, and provide credit to the group members once they have been deemed stable. Second, groups can be formed by non-governmental organizations or governmental agencies. Groups are nurtured by the NGO, later to be provided credit by the formal banking sector. Third, NGOs work to form and nurture the groups. The non-governmental organization also approaches banks for bulk loans which the NGO then distributes to the self-help groups.<sup>45</sup>

Usually through the assistance of an organization, a self-help group includes twenty women or less. Once this self-help group is formed, the members pool money which eventually acts as collateral for when a bank finances the group.<sup>46</sup> However, there are thousands of existing self-help groups that have been formed and

nurtured but have yet to receive financing from the banking sector.<sup>47</sup> KATHA has linked some of its 750 self-help groups to banks. However, none of the groups have actually received loans yet. The director, Wasi, says that the group must first achieve stability of savings before gaining the attention of the formal banking sector. In this scenario, the group often uses the pooled savings as in-group lending funds. Either way, once the women possess the loan or pooled savings, they can choose to use the money for a collaborative project or for the development of individual businesses. There are no actual requirements for the uses of loans or savings. One criticism of the self-help group model is the difficulty of tracking what exactly the women do with the loan money. In some cases women have reportedly taken loans to then act as moneylenders within the community. This can be harmful to poverty alleviation programs because moneylenders tend to charge higher interest rates that increase the likelihood of indebting others. More commonly, loans are used for social expenses, food, travel and household items instead of the development of personal businesses.

In terms of self-help groups that are linked to banks, once the first group loan has successfully been repaid another and usually larger loan is then distributed. It is generally up to the group to decide who receives the bulk loan first. Throughout this process of paying and collecting loans, NGOs frequently act as financial intermediaries and provide support unrelated to the microcredit transactions.<sup>48</sup> Poor women who under normal circumstances would not be able to gain the confidence of the formal banking sector are able to receive loans when they are part of a larger group facilitated by a credited organization.

India is recognized as the birthplace of the self-help group model.<sup>49</sup> In 1992, the National Bank for Agriculture and Rural Development launched the Self-



Help Group Bank Linkage Program. This venture turned into the largest micro-credit program in the world.<sup>50</sup> In 2008 it was estimated that there were 58 million self-help group members across India.<sup>51</sup> This number is still growing, though far less dramatically than in recent years. This minimal growth is thought to be the product of a slow down in group formation in southern states, and a lack of progression in the formation of new groups in states where organized microfinance is less predominant. Seventy to eighty percent of all self-help groups are located in four southern states.<sup>52</sup> In one such state called Andhra Pradesh, eighty-five percent of poor families are already covered by self help group programs.<sup>53</sup>

Though microfinance through self-help groups continues to gain attention, multilateral organizations such as the World Bank have hesitated to adopt the self-help group model for a number of reasons. One is that the self-help group model does not follow the Grameen method of microfinance, a method the World Bank wholeheartedly supports. Also, the self-help group model is not self-sustainable, and loans are allowed for purposes such as regulating diets, not always for income generation.<sup>54</sup> Be that as it may, World Bank researchers report wide achievements of self-help groups across India. Though the self-help group model strays somewhat from the traditional concept of microfinance, many argue that this lack of exclusive focus on credit or savings is exactly what makes self-help groups so successful. In addition to the improvements that come with income generation or affordable loans, the self-help groups are reputed to place great emphasis on social empowerment.

Researchers have conducted many studies to measure the effectiveness of self-help groups in India. Since many of the studies use different organizations and institutions to gather research, the results of the studies are different. One World Bank

study called *Longer-Term Economic Impacts of Self-Help Groups in India* noted the positive impact that self-help groups had on consumption, nutritional intake and asset accumulation. This study stated that even the poorest households benefited from the program, and the overall benefits of the program far exceeded the costs of establishment and maintenance. It also reported that self-help groups reduced vulnerability to drought, encouraged entrepreneurial behavior, improved social capital, and had implications for social empowerment. Interestingly, this article mentions that social impact was more evident than economic impact. While improvements were seen in nutrition and social empowerment, impact on income and asset accumulation was less significant.<sup>55</sup> Another study conducted on the effects of microfinance in low income households in India emphasized the importance of self-help groups in alleviating some of the trauma associated with unexpected shocks like natural disasters or illness. Self-help groups lowered vulnerability and increased food security.<sup>56</sup> In 2004 World Bank researchers looked at the social and economic impacts of self-help groups in Andhra Pradesh. More than 6,000 households were surveyed, resulting in three main findings: 1.) Oddly enough the social and economic empowerment increased equally between participants and non participants in the area. 2.) Protein consumption increased even during severe drought. 3.) Participants in groups experienced significant gains in food consumption.<sup>57</sup>

The degree to which members of a self-help group benefit from microfinance is somewhat determined by the program offered by the facilitating non-governmental organization. Along with micro-credit, many organizations offer an opportunity for greater awareness, education and even social empowerment among self-help group members. As an example, KATHA promotes legal awareness by

providing the women of Govindpuri with organized discussions on issues relevant to the community.

For one particular meeting, thirteen women and one man of the Govindpuri community showed up at KATHA to partake in an awareness meeting. Women and men not involved in the organization's self-help group program were also invited to join the discussion circle. Pushpam laid mats down on the floor in the hallway outside of the computer lab, and as the women filtered in they sat down cross-legged to form a semi-circle around Pushpam. He began the meeting through conversation. The women eagerly shared their thoughts, smiling widely at one another. This meeting was meant to encourage the women to voice their questions and concerns regarding government made decisions through the use of the Right to Information Act. India's Right to Information Act has a similar purpose to an American journalist's best friend, the Freedom of Information Act. Both acts legally require their respective governments to release records upon receiving a written request, unless of course the documents are subject to certain predetermined exclusions.

Fifteen minutes into the group exchange, Pushpam asked the women to pull out identification cards. The cards labeled the women as living above the poverty line. These manila colored, pocket sized pamphlets were stamped with an official silver seal. Pushpam gathered a few of the pamphlets and flipped through the contents. Since none of the women were literate, he directed Niyazmeen and a few students of KATHA to write letters on each woman's behalf. The letters followed a strict format, demonstrated by a letter Pushpam wrote for a middle aged woman named Sunita. The letters included information on their families, their occupations, their homes and their

incomes, among many other things. Before leaving, one woman asked Pushpam to read back the letter written in her name.

After the community left, Pushpam explained the importance of the Below Poverty Line Card Scheme. According to the Indian government, the BPL scheme targets the most vulnerable sections of the Indian population, providing these individuals and families with monthly rations of wheat or rice.<sup>58</sup> Pushpam says that some individuals with BPL Cards also receive discounts on items such as kerosene oil and sugar. Those who attended the discussion showed up because their BPL cards were upgraded to Above Poverty Line Cards in 2004. Though the government claims that their economic wellbeing has improved, these women say that they have felt no change. Now they have lost the consumption based benefits of carrying BPL cards. The letters written on behalf of the women requested that the government clearly define the criteria for obtaining a BPL Card. The women want to know what information the government used to determine that they had crossed the poverty line.

At present, the government follows a contested definition of poverty. According to the Government's Ministry of Statistics and Programme Implementation, "The official estimates of the poverty line are based on a norm of 2400 calories per capita per day for rural areas and 2100 per capita per day for urban areas."<sup>59</sup> Rural areas usually have higher kilocalorie standards because of the physical activity generally required of rural dwellers. Through this definition it has been determined that twenty-six percent of the Indian population lives below the poverty line in urban areas and twenty nine-percent in rural areas. In other words, if a person can purchase the recommended daily diet of 2,400/2,100 kilocalories per day, she or he lives above

the poverty line. An individual living in a city is not considered poor if she or he earns a total of Rs. 540 a month (about \$12). This definition fails to take into consideration other uses for income aside from consumption. An Indian earning 600 a month who uses 540 of this money to pay for food is, by government definition, not classified as poor.<sup>60</sup>

Even within the Below Poverty Line Card Scheme, Indians believe that the cards and their benefits are being misappropriated. A report filed by an expert committee set up by the rural development ministry conceded that about fifty percent of India's poorest possess cards indicating poverty while about seventeen percent of India's richest have access to the same identification.<sup>61</sup> The government continues to receive complaints that citizens significantly above the BPL have managed to obtain BLP Cards.<sup>62</sup> Many non-governmental organizations such as KATHA closely observe how such government-run programs distribute national resources.

## Chapter 7

### REEVALUATING KATHA

“At Ashoka, we have the rule that we never use the phrase *NGO*, and we also do not use *nonprofit*. Where do those words come from? Was it that the Europeans saw something new wandering around and said, ‘Oh, what could this be? It’s nongovernment!’ Or that the Americans saw something new wandering around and they said, ‘Well, this is strange. These people are not looking for profit...’? Well, okay, one understands the etymology of where these terms came from, but one cannot define something this important by what it is not.”

–Jennifer M. Brinkerhoff, author  
*NGOs and the Millennium Development Goals*

One of KATHA’s young kindergarten teachers, Kanta, spent the morning cutting cardboard and paper to make interactive activities for the children. Yesterday the principal made one of her occasional visits and chastised the teachers of KATHA for having sloppy, ineffective teaching aids. So Kanta had two days to improve her interactive activities before the principal returned. She enlisted me to draw the appropriate number of kittens on ten cardboard blocks labeled 1-10. While we cut and glued, the children were left to do whatever they pleased. Some crowded around Kanta and me, interested in the things we were making. But Kanta shooed them away. She didn’t want the kids tearing or ruining our drawings, or worse yet, distracting us from the task at hand. Some students ran wildly around the small classroom, occasionally punching or kicking an innocent bystander. One favorite activity was stealing hats. All

throughout the day hats were thrown back and forth over the wall separating kindergarten classrooms.

Kanta stood up from the ground, smoothed down her kurta and asked me if I'd be okay with her leaving me alone with the children. I most certainly was not, but I nodded anyway. The boy in the fuzzy orange outfit had me worried most, and when I scanned the students our eyes met. On her way out, she locked the door from the outside. The moment she left all hell broke loose in the kindergarten classroom. The boy in orange immediately loosened the cap of his water bottle and threw it across the room, spraying the floor with water. He then ran to the other side of the room to tip over the chalkboard, and I watched it fall to the ground with a huge thud. The more I scolded, the more he misbehaved. There wasn't much more in the room aside from blocks, chalk and a chalkboard, but he managed to put all of these items to use as destructively as possible. Kanta returned ten minutes later and yelled for the children to sit down. She didn't look remotely surprised by the state of the room or the crazed children running every which way. "Come here Lauren," she said, gesturing for me to sit down and continue drawing kittens.

Experiences like these allowed insight into the type of organization KATHA really is. KATHA is an overextended and disorganized. Its impressive list of programs attracted me initially. But a serious identity crisis could be the reason why it runs so inefficiently. Though this commentary on KATHA is mostly related to the school in Govindpuri and not the self-help group program, it illustrates how an organization with a dysfunctional foundation will produce mediocre services.

KATHA calls itself a profit-for-all organization. It started out as a publishing company, translating famous Indian texts into Hindi and English. Most Indians know KATHA for its work in publishing, not for the schools it later set up in a few slums throughout Delhi. In addition to running a publishing company and two schools, this organization is also involved in community development through economic empowerment programs for women. Since KATHA has taken on so many projects, very few staff members have one clearly defined role. The volunteer coordinator is also one of the employees responsible for appealing to potential donors. It came as no surprise, then, that the volunteer coordinator was never in the actual location of the volunteers and gave little direction or support after the first day. One of the teachers who ran the school when the principal was gone, Vandana, commonly missed her classes because she was assigned work at the main headquarters, or because the Executive Director asked her to host visitors. We were all saddened to hear that the most experienced and gifted teacher at KATHA was soon to be transferred to the main headquarters.

This blurring of positions has a kind of rationale. The Executive Director Geeta Dharmarajan says she is so insistent that her employees appeal to potential donors because without funding, there is no KATHA. Many citizen organizations registered as non-profit organizations contend with the limitations of providing services without being financially reimbursed for their work. Because the majority of non-governmental organizations are non-profit, the staff must rely on philanthropy, grants, and government support. Locking down a reliable source of funding can become the primary focus of the organization. If an organization loses a major donor or wants to expand the outreach of a really successful program, none of this can be



accomplished without first gaining the support of another donor. An organization cannot run without staff, and people will not work without being paid adequately. But a serious problem arises when the search for funding requires more of the organization's resources than the original work at hand.<sup>63</sup>

KATHA is in sore need of additional funding. One of KATHA's main donor contracts is soon to expire. Geeta expressed panic over this great loss of money and what it might mean for the future of the schools. Other schools have already been shut down for lack of financial support. This is one reason why Geeta frequently organizes visitor tours.

On one such day, a group of Australian educators took a guided tour of the school. There were about a dozen of them, and they looked equally as impressed as I was when my group first visited. Shortly before they arrived, KATHA representatives rushed around preparing for their arrival. The art teacher, Dilip, displayed artwork around the main computer room, carefully propping canvases against corners and pillars. This was the first time I saw the principal. She showed up early that morning and instructed others as they pieced together an overhead projector. When the Australians arrived, I joined the back of their tour, curious to hear what the Executive Director had to say. Smiling broadly, she led them through the colorful hallways and paused in front of the kindergarten classrooms. Everyone observed the adorable children who were for once actually engaged in the act of learning. They stood together in a circle singing a song while Kanta clapped her hands in encouragement. At the conclusion of the tour, everyone gathered in the main computer area. I was headed to the upstairs office when Geeta called me over. She introduced me to one of

the touring Australians, a high school teacher. Geeta explained to the woman that my group came to India in order establish a meaningful, long-term relationship between the University of Delaware and KATHA. The Australian women nodded approvingly and congratulated me for my hard work. Suddenly I became part of the KATHA illusion.

Attracting funding is again important because money often dictates the quality of employees recruited. The less money an organization can raise, the lower the quality of employees it will likely attract. Considering the low budgets many citizen organizations operate on, many NGOs are unable to provide their employees with benefits such as pensions and healthcare. Though it's rare to hear of individuals entering the non-profit sector to become wealthy, these types of low paying positions are without question less attractive to more experienced workers. Because these employees have spent more time in the workforce and universities, they are likely to have more field work experience and more connections. Employees like this may prefer government positions because of the steady pay and included benefits. Or, if they take on a job at an NGO, perhaps they complement the non-profit paycheck by working another job, consulting or conducting research. This frequent need for additional employment only detracts from the work being completed at the citizen organization.<sup>64</sup>

This commonly documented observation is supported by the employee base of KATHA. The majority of the employees are in their twenties. Many of the teachers at KATHA are younger than me. One English teacher, Neetu, is spending a couple of years working in order to raise money for a graduate school program in

chemistry. Kanta, the kindergarten teacher, takes classes on the side. During a conference on social movements that KATHA co-sponsored, I had the opportunity to speak with Trisha Agarwala, a representative of an NGO called Centre for Budget and Governance Accountability. Her organization tracks government spending. Trisha spoke with me about her extensive experience working for a variety of different Indian non-governmental organizations. She shared her past dissatisfaction with the lack of dedication of previous co-workers. She expressly stated that apathetic co-workers contributed to an unprofessional working environment. This was one of the main reasons why she quit more than one organization. Trisha explained that she's had experience working with NGO employees who don't seem to be particularly drawn to the cause so much as to the paycheck. "I like this organization," she said. But she doesn't think it's easy to find an organization like the one she currently represents. She considers the Centre for Budget and Governance Accountability to be an organization of uncommon structure and leadership.

Trisha has worked at four of what is estimated to be more than a million non-governmental organizations in India. And all of these organizations are vying for the same funding sources.<sup>65</sup> This serious competition over funding may be one reason why KATHA distorts facts, embellishes truths and markets itself so heavily. After all, Geeta gained my initial support and dedication by dazzling me with facts, statistics and stories of children shedding their lifestyles of poverty. On the day my class visited the main headquarters in 2009, Geeta told us that the organization runs 96 schools in slum communities. In reality, the organization has two functioning schools and is in the process of constructing a third. The "ninety-six schools" include the various government-run classrooms that KATHA teachers visit to extend additional lessons.

The organization's website also boasts of a ninety-two percent performance rate. I am not entirely sure what this means, especially considering the blatant cheating that took place during the exam week that I witnessed. One of the other volunteers, Patrick, stayed out of the classrooms during exam week because of the awkward position it put him in.

Even organizations that manage to reach a level of functionality and stability face compromising choices as the organization continues to develop. One such concern arises when an organization is ready to expand its outreach to include more individuals and turn a greater profit. The concern many express over responsible growth is especially relevant to microfinance institutions. This debate touches on both the importance and drawbacks of sustaining non-profit work. As many non-governmental organizations rely on philanthropic support to carry out their missions, economic downturns and shifts in political ideology may disrupt the necessary services they provide. Microfinance is an exciting topic because through loans, savings and other financial services, a microfinance institution can actually be self sustaining. But as microfinance institutions expand and prosper, concern grows over the priorities of the institution. Many worry that as investors continue to stake claim in institutions, social causes could take the back burner to personal profit.<sup>66</sup> Actions taken to maximize return may clash with the overall goal of alleviating poverty through the extension of microcredit loans.

This common fear has been labeled as "mission drift." For example, if a microfinance institution's dominant goal becomes to provide owners with a profit, higher interest rates may be required for each loan. Or, because banks and microfinance institutions simply make more money from larger loans than smaller

loans, richer clients might take precedence over poorer clients. Should a microfinance institution make profit a high priority, the institution risks compromising the original intention of doing good. Others are concerned with the financial sustainability of microfinance organizations and therefore place great importance in outreach through economies of sales. Those focused on sustainability may still believe in serving clients underrepresented or neglected by the formal banking system. Nevertheless, the number of clients does take precedence over the types of clients served (very poor vs. moderately poor). This practical approach could prove more far reaching than a small non-governmental organization providing microcredit loans. If an institution reaches a large population of clients, chances are it can turn more profit and continue to expand its outreach.<sup>67</sup>

Microfinance organizations and self-help groups alike are frequently accused of failing to reach the poorest of the poor. The extreme poor have lower marketable skills and next to no assets to act as cushioning. They have to overcome the most unimaginable vulnerability to survive on a day to day basis. These people are more likely to fail in using microloans for the purpose of establishing independent enterprises. It is understandable that loans given to the poor intended for smart investment are often used for immediate and pressing needs. Unfortunately, when loans must be repaid and no new business results in no new return, the client lacks any ability to pay what was initially borrowed. Loan upon loan with no prospect of repayment is detrimental to the organization or institution, and counterproductive in aiding the poor.<sup>68</sup>

Certain self-help groups and microfinance programs require an initial savings pool to act as collateral or a nonnegotiable weekly savings to promote future

planning. Though these savings requirements act as safety nets for the organizations and alleviate poverty in the long term, the poorest clients may not have the capability of fronting savings, committing to weekly savings, attending weekly meetings, or paying any kind of interest rate on microcredit loans. In order to maintain the resources need to function, some organizations turn away people incapable of such monetary participation.<sup>69</sup> This is another limitation microfinance organizations often face when attempting to extend microfinance as a means of alleviating poverty.

## Chapter 8

### MOVING FORWARD WITH MICROFINANCE

“Every time someone tells you to ‘be realistic’ they are asking you to compromise your ideals... Maybe your ideals will never be completely met. But sometimes, however imperfectly, you make progress.”

The Idea of Progress, *The Economist*

After spending a summer and a semester reading literature about microfinance, I felt as if I had grasped all of the complexity and technicality involved in making small loans to very poor people. I made a neat list separating microfinance into pros and cons, and I had no problem repeating the textbook criticisms of microfinance. I tucked this list away in the back pages of my notebook. The stories of success felt far more compelling. Perhaps for this reason, witnessing attempts at microfinance in India was, at first, incredibly disheartening. With each week that I spent at KATHA, I began to understand more and more the challenges of promoting female empowerment through self-help groups. At distinct times, I questioned the practice of microfinance altogether. One moment in particular stands out.

I busied myself with the kindergarten students and waited for Pushpam to arrive at KATHA. I had posted a note on the main office door requesting he find me before making his routine visit to the community. Around 2 pm Pushpam, Niyazmeen

and I walked single file down a back road in Govindpuri. We were scheduled to talk to a woman by the name of Kalawati and her daughter Neelum. Both Kalawati and Neelum used to be members of the self-help group Surbhi. Because the family can only afford to finance one member, just Neelum continues with group membership.

Kalawati welcomed us into her home with a warm smile as Neelum rushed to tidy the bed in the main room. Kalawati motioned for me to take a seat on the bed. After a few minutes of sitting on the bed I joined everyone else on the floor, cramping the already tight circle. Just like Guddi's home, Kalawati's living room was small, neat, and served many purposes. The walls, the drapes, the bed spread, everything was colored a similar shade of bright pink. As the sun sank lower, light flooded the room and illuminated the cheerful walls. Among the many things to look at were shiny, silver dishware that hung from the walls over the television and the refrigerator and a large poster of a dog with a rose in its mouth tacked to the far right of the refrigerator. Above the dog's face the poster read, "Individuals play game, but teams win championship."

As Pushpam and Kalawati chatted, neighbors periodically poked their heads around the pink, wooden door, curious about Kalawati's guests. Even dogs paused to peer inside. Neelum passed the time by coloring on the straw mat we were sitting on with a blue pen. She would look up every once and awhile and smile widely when our eyes met. This conversation was shorter than usual. After only fifteen minutes there was a long pause, and Pushpam offered me a chance to pose a question of my own. I was eager to ask about social empowerment. I wanted to hear whether or not the women felt socially empowered by their participation in the Surbhi self-help group. Pushpam translated my words, and the women seemed amused by the question.



No, they said, this self-help group is strictly about financial opportunity. Pushpam said that the women perceived no social empowerment. When I asked about the group's dynamics, the women responded that there was no strong connection between the members of Surbhi. The Muslim call for prayer sounded over the thumping Bollywood soundtrack, and so Pushpam drew our conversation to a close.

Back at KATHA I asked Pushpam to sit down with me for a minute to translate the bulk of the conversation. He looked particularly tired, but nonetheless he agreed to join me at the table. He explained that Neelum's father and two brothers were the ones who paid for the required Rs. 500 contribution per month. Her father is a laundry man. It's he who decides what the money is used for when it's her turn to receive a loan from the group. She simply serves as a representative for her family. Her parents generally use the loans to pay for nonproductive expenses such as visiting relatives and purchasing gifts. Pushpam disclosed that this is a common scenario.

I asked to hear more about Neelum. He told me that her family prevents her from attending school or finding work outside of the home. The men of her household do not perceive this microfinance program as an opportunity for Neelum to educate herself or gain knowledge on how to economically empower herself through the profit from a small business. Her participation in the self-help group is seen as a means of obtaining loans, a need shared by many families in Govindpuri. Neelum will continue to represent her family in the Surbhi self-help group until she marries in November. "How does she feel about all of this?" I asked Pushpam. He said that she expressed feelings of constraint. But, Pushpam added, constraint is a relative term. These kinds of restrictions are common.

This was my last visit to the community of Govindpuri, and it left a sour taste in my mouth. The true purpose of self-help group participation seemed lost. There was no social or political empowerment taking place within the groups I had spoken with, and it was becoming clear that the self-help group members of Govindpuri mostly used the loans to pay for social expenses, traveling and consumption. Guddi was the only self-help group member in association with KATHA to actually set up a business, and even this accomplishment was tainted by her husband's decision to keep her beauty parlor within the confines of their home. The more I spoke with Pushpam, the more I began to adopt his jaded outlook on female empowerment. It wasn't until I spoke with Shivaji, a Pradan representative, that I began placing this experience at KATHA into a wider context.

On two separate occasions over the course of the month I had heard mention of the exceptional work done at Pradan, a leading organization that works to facilitate the organization of self-help groups in rural areas. Before leaving India I knew that I had to speak with a Pradan representative. When I met Shivaji at one of Pradan's two headquarters in Delhi, I was surprised to see that he was a man. In fact, the three main figures who taught me about female empowerment, Wasi, Pushpam and Shivaji, are all men. Shivaji shook my hand energetically and welcomed me into his small office. He is a young man, probably in his mid-twenties, and his enthusiasm for self-help group work was apparent. As our conversation unfolded, I felt myself regaining my own enthusiasm for microfinance. In no way did Shivaji negate my concerns over the difficulty of empowering women in a patriarchal society; rather, he insisted that microfinance in India is a work in progress. I shared with him the stories I

gathered in Govindpuri, and in return he shared a few stories of his own, starting with how his organization defines empowerment.

First, he explained that social workers cannot simply impose their own definitions of empowerment on the women they work with. Through much trial and error, the Pradan team in Madhya Pradesh has come up with an inventive model for helping women personally define what empowerment means to them. The Pradan representatives first ask the group of women to name goddesses they believe are powerful and explain why they are considered influential. Next, the women are asked to identify powerful women on an international level. The women brainstorm why these individuals are considered powerful. Then, the group lists powerful women within India, then within the state, the district, and finally within their own village. Throughout this process, the women create a long list of the attributes that they typically associate with powerful women. Shivaji added that they, the Pradan representatives, could never assemble such a comprehensive list. The women are asked which of the listed characteristics they want for themselves, and this is how the Pradan team frames empowerment. Shivaji continues, “You need to trust the people you are working with are equally as able. They just need an environment.”

Shivaji expanded his understanding. “There are different and various levels of empowerment,” he said. He has seen women gain the confidence to speak with chief political leaders about development issues relevant to their communities. These are women that once slammed their house doors at the sound of a motorcycle. He said that this is his definition of an ideal state of empowerment. But, he added, “empowerment is a process...it is okay to question ourselves.”

In addition to having patience, Shivaji echoed a suggestion Wasi had made. He believes that men should be included in empowerment programs to avoid feelings of exclusion or threat. Male support is a huge factor in self-help group success. Inclusion might be the only way of deflecting the interference of male relatives. This is why Pradan hosts another kind of meeting outside of the weekly self-help group meetings. A Livelihood Group meeting includes the men of the community and is meant to give all community members an understanding of the benefits of participating in self-help groups.

Shivaji wanted to demonstrate that while empowering Indian women has its moments of supreme difficulty, there are stories of success. He gave one example of an extraordinary group of women from Kesla, Madhya Pradesh. Women involved in self-help groups in Kesla have banded together against men in their community who have committed acts of domestic violence. One man in Kesla told Shivaji that the men of the community now find it difficult to talk back to the women. These days the women come together to beat misbehaving men. This is, by all means, an isolated case. But Shivaji considers these women role models for other self-help group members. Pradan ushers these women from village to village to speak words of encouragement. He believes that forming a self-help group is not enough to encourage empowerment. These groups should be exposed to real examples of female empowerment. This is how women will come to realize that husbands are not always right.

For a day or two after this visit I felt regret over spending my second month in India at KATHA. I gathered that my experience would have been much

different had I shadowed Shivaji at Pradan. But who knows for sure what my judgment of Pradan would have been after a month of volunteering at the main headquarters. My expectations of KATHA were entirely off base, and now I hesitate before hastily building impressions on non-governmental organizations.

By the final leg of my trip I began to appreciate the dynamic perspectives I had gained throughout the course of my stay. From what I had learned about the challenges that many non-governmental organizations commonly confront, I imagine there are plenty of organizations like KATHA that are also struggling to establish effective microfinance models. Though, I cannot confidently make judgments on the Indian microfinance sector having only worked within one.

However, my second trip to India did force me to face a less flattering side of microfinance. This perspective changed my overall understanding of microfinance and female empowerment. Microfinance is no longer an abstract concept; it is a complex tool of development that requires deeper consideration. Empowerment through microfinance is not guaranteed, and the change that does occur is hardly ever immediate. Progress is slow, especially when it comes at odds with tradition. Nevertheless empowerment is possible; but it involves studying the strategy of successful outliers, and it involves gaining deep understanding of the individual communities where microfinance programs are to take place.

At the Hilton Humanitarian Symposium I attended in fall of 2009, one non-governmental organization representative described how on one visit to a rural village in Asia he came to realize that a few families in particular seemed healthier in comparison to their malnourished neighbors. His team studied these families and watched them as they went about their daily routines. After some time he saw that

these families were cooking unstrained rice full of bugs and water creatures. These families were healthier than other community members because of this additional source of protein. By studying these families, these outliers, he was able to recommend a simple and realistic strategy for improving the health of community members; refrain from straining your rice.

This kind of logic can apply to the future of microfinance, too. In this thesis, there are a few outliers that stand out. Guddi is the only woman associated with KATHA's self-help group program to have opened up a business of her own. Now she supports her entire family with the income from her beauty parlor. The women of Kesla, Madhya Pradesh have formed strong social support systems through their participation in Pradan's self-help groups. These women have commanded the respect of their community, fighting with fists against domestic violence. It's important to study outliers like Pradan and the Grameen Bank because it's notable organizations such as these that have devised community-oriented strategies that have successfully used microfinance as a tool to empower women.

None of this happened over night. Guddi received training in order to open her beauty parlor. The women of Kesla attended regular Pradan meetings where they established their close bonds and considered the meaning of female empowerment. The Grameen Bank revised their micro-credit schemes several times, and through trial and error they formulated a microfinance program so successful it won the Nobel Peace Prize in 2006. This kind of persistence and adaptability will be crucial as India's microfinance sector moves forward.

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