
Feasibility Study: Micro Finance Programme, Chhatarpur: Empowerment of women through Micro Finance



Sarah Gettings and Rajni Thakur
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Abbreviations

Table of abbreviations

Abbreviation	Full Reference
ASA	Action for Social Advancement
SHG	Self Help Groups
MFO	Micro Finance Organisation
SC	Schedule Caste
ST	Schedule Tribe

Chapter 1 – Overview and Introduction

Chapter 1: Introduction and Overview

1.1 Introduction and overview of Micro Finance

This study assesses the feasibility of Action for Social Advancement (ASA) extending their Micro Finance programme to provide communities in the Chhatarpur District of Madhya Pradesh, India access to Micro Finance services. Towards this the objectives of the research undertaken can be summarised as:

1. To ascertain the current financial situations of families in Chhatarpur;
2. To understand the current sources of credit that families use and how these operate;
3. To recognize the barriers in engaging women to join SHGs and the solutions to these obstacles; and
4. To understand how ASA can ensure empowerment and autonomy through Micro Finance is achieved through imparting management skills and capacity building amongst women.

A short synopsis of the development of the concept of Micro Finance, its place within the development agenda and the prevalent issues and debates surrounding this concept are included as means of introduction to Micro Finance. Details of ASA's work in this field are also presented as well as a general profile of the Chhatarpur area.

1.2 Micro Finance and the Development Agenda

Introduction

A modern economy is dependent on the availability of a range of financial products to provide support to individuals in times of economic need. Micro Finance is the provision of these financial services to people that are poor and very poor. This concept, which now covers a broad offer of financial products, developed from the

provision of just one service - Micro Credit, a form of targeted development lending that became widespread in the 1980s. The aim of Micro Finance is to provide an alternative and economically beneficial form of lending to poor and very poor communities that have no other viable financial option:

People with access to savings, credit, insurance and other financial services are more resilient and better able to cope with everyday crisis¹.

Endeavours to achieve development goals through the financial sector are therefore long established. This legacy stretches back further, almost a century in India². The most recent progression in the area has seen the development of a number of savings and credit groups or Self Help Groups (SHG) as they are known in India, as well as a range of specialised Micro Finance Organisations (MFOs). To facilitate and encourage the activities of these groups, significant institutional structures have emerged. A significant portion of such support in India has come from non-profit NGOs such as ASA. It is these organisations that originally initiated the concept of Micro Finance and continue to work towards the delivery of Micro Finance projects. This is one reason why ASA are well placed to extend their current programme.

Micro Finance and SHGs

There are two main approaches to Micro Finance prevalent in India - the SHG method and the Grameen system³. It is the former model that is employed by ASA. The organisation has been working to develop this method over the last 9 years since their first project in this field was implemented in Jhabua, Madhya Pradesh in 1998.

An SHG is an informal group of approximately 10 – 20 members. The members of the SHG are joined for the specific purpose of facilitating saving and credit services for its members. This is made possible through members pooling their resources to create a common fund. The process and social involvement of SHGs are intended to be instruments of empowerment; building the capacity of members to eventually conduct and manage SHGs for themselves, and enabling them to have greater autonomy in financial decision making as well as wider social participation. This

¹ Mohapatra (2007:52)

² Fisher and Shiram (2002:5)

³ The distinction between these two systems is assessed by Harper (2002)

model and its range of achievements has found particular success within Indian context. As Jairam Ramesh comments:

There has been the SHG upsurge, an upsurge that is uniquely Indian...financial services is only a small part of their success story. More fundamental has been voice, identity and empowerment⁴.

SHG meetings are set to take place at regular intervals and at a designated time. Group members are drawn from the same social-economic strata and work on the basis of equal participation and contribution from all members. The groups are chaired by one lead member at a time; this role is usually rotated to allow capacity building for all members. Meetings are structured and accurate and up to date records of all financial transactions, group decisions and actions are compiled. Once established, SHGs are encouraged to make links with other SHGs and eventually with financial institutions to allow access to further financial assistance.

Micro Finance and Womens' empowerment

The membership of SHGs is constituted of 85 – 95% women. The reasons for this is that women are familiar with finances responsibility; making them trustworthy, reliable and prompt savers. Empowerment of women is also central to broad development goals:

Empowerment of women is critical factor in the eradication of poverty, as the women are the key contributors to the economic and to combating poverty through both remunerative and unremunerative work at home, in the community and in the workplace⁵.

SHGs have been established as one effective means of empowering women⁶. However, this process of empowerment is not automatically given by virtue of the creation of a SHG. Consideration of the feasibility of empowerment as well as the process by which this empowerment can successfully be achieved specific to a geographic area is required prior to project implementation. Once a project establishes a SHG, strategy to self perpetuation of the SHG is also important.

⁴ Ramesh (2007). Support is also found from Jerinabi (2006:10)

⁵ United Nationals (1996)

⁶ Jerinabi (2006:5-6)

Empowerment is central. Self direction and momentum from within the group has been cited as pivotal to ensuring a lasting and genuine power shift and empowering women in the long-term⁷.

Given the importance of this process to Micro Finance, the role to promote and train the groups, and assist them through the qualifying process of saving and internal lending is central to ASA's role.

1.3 Introduction to ASA's Micro Finance Programme

ASA and Micro Finance

ASA's Micro Finance programme began in 1998 in the Jhabua District, Madhya Pradesh. In 2006 / 7 their programme was extended to the districts of Barwani, Ratlam and Ujjain districts of Madhya Pradesh. ASA has plans to extend coverage further as well as scaling up their operation to include further services and products⁸ and eventually developing into a Financial Institution⁹. Latest figures¹⁰ show success includes:



SHG and ASA field worker in Ratlam

- Growth in number of SHGs by 48% since initial implementation (now 884 in total);
- 6,302 active borrowers saving a combined 98.23 lacs;
- Over 100% percent growth in lending since recent steps to establish ASA as a Financial Institution; and
- Recovery rates of 100%.

A strong empirical evidence base charting these achievements, as well as providing continual monitoring and evaluation of the Micro Finance programme has supported

⁷ Kumar, A and Katiyar, S. (2006)

⁸ For instance, ASA has begun to roll out the provision of Micro Insurance to all Micro Finance clients .

⁹ In March 2007 ASA Development Services was been set up towards this goal.

¹⁰ March 2007

the development of ASA's work in this field over the 9 years it has been in operation. This evidence base includes a number of externally commissioned reports¹¹ as well as ASA's ongoing internal audit of processes, procedures and achievements. The findings of the study here will add to this evidence base helping to development best practise guidelines to continually improve ASA's own and other NGOs' delivery methods.

Monitoring, Evaluation and Learning

ASA's learning-based approach to project delivery is well supported within the Development field. Mondal and Dutta (2007) explain:

A Learning based approach to monitoring and evaluation can be seen as a cyclical process of overlapping circles where participants define success; collect information; refine and verify the results; reflect and build on what is working; identify lessons learned and obstacles and take corrective action. An essential feature of this learning cycle is for stakeholder groups to reflect continuously on the impact of their action and where the process is leading them, learning from their own successes and failures.

This reflective and proactive approach to the delivery of social development and improvement is the position held by a number of development professionals as well as eminent social commentators, experts in social research. These commentators are particularly supportive of the discourse that ensues within a particular field as a result of social research¹². This method of working aligns with ASA's commitment to raising awareness and communicating the difficulties they, and other NGOs , experience due to structural constraints. This study intends to contribute to this discourse and support ASA's broad development goals as well as those specific to the Micro Finance field.

1.4 General Profile of Study Area

The Chhatarpur District is situated at North East border of Madhya Pradesh, India. It is spread over an Area of 8687 Square Kms. The District is bordered by Mohoba

(Uttar Pradesh) in the East, Tikamgarh (Madhya Pradesh) in West and Sagar (Madhya Pradesh) in South East.

Map of the State of Madhya Pradesh, India, 2007



Source: <http://www.mapsofindia.com/maps/madhyapradesh/madhyapradesh.htm>

The characteristics of the study area relative to District, State and National levels provide background to the findings of report. They also give a benchmark to chart future progress should ASA decide to implemented Micro Finance programme in this area.

1.4.1 Demographics

The total population of Chhatarpur numbers 1,474,723. This population is comprised of 53.5% male to 46.5% female. This gender distribution is slightly skewed towards male domination compared to National and State level. This unbalance is reflected at SubDistrict and village level. In one of the villages under study men comprise 56.2% of the population¹³. Gender unbalance, in terms of population size provides some indication of the position of women¹⁴. The greater the proportion of males the greater issue there may be in empowering women in an area.

¹¹ Pastakia, A. (2005) Promotion of Micro-finance in the Tribal Districts of Jhabua (MP) & Dahod (Gujarat) by ASA: Assessment of Progress and Scope for Replication: An Evaluation Study

¹² Fisher, F. and Shiram, M.S (2002:19); Wright Mills, 2000[1959]:197; Jenkins, 2002a:104; Edelsonbos and Van Burren, 2005:608

¹³ See Appendix D for statistical tables and full figures

¹⁴ Female infanticide and foeticide, which may be one cause of this, is still an issue in many parts of India.

Population at National, State, District and SubDistrict level by gender , 2001

	Total Population	Males		Females	
		No.	%	No.	%
India	1,028,737,436	532,223,090	51.7	496,514,346	48.3
Madhya Pradesh	60,348,023	31,443,652	52.1	28,904,371	47.9
Chhatarpur	1,474,723	788,933	53.5	685,790	46.5
Bijawar	218,259	116,763	53.5	101,496	46.5
Bada-Malhera	171,533	91,614	53.4	79,919	46.6
Rajnagar	216,223	115,025	53.2	101,198	46.8

Source: Census of India, 2001

The largest village under study is Khairi in Rajnagar SubDistrict – with 2,065 inhabitants. The smallest is Sigrampura, Bijawar. This has just 265 people. This is also the village with the most pronounced gender unbalance – 56.2% male compared to 43.8% female possibly indicating issues of gender equality.

Population by gender at village level, 2001

Block	Village	Total Population	Males		Females	
			No.	%	No.	%
Bijawar	Bharatpura	2,060	1,070	51.9	990	48.1
	Narayanpura	961	510	53.1	411	42.7
	Sigrampura	265	149	56.2	116	43.7
Bada-Malhera	Chhaikuwan	566	296	52.3	270	47.7
	Bamni	1,195	648	54.2	547	45.8
	Toriya	459	234	51.0	225	49.0
Rajnagar	Khairi	2,065	1066	51.6	999	48.3
	Dugariya	269	144	53.5	125	46.4
	Bamari	1,155	621	53.8	534	46.2

Source: Census of India, 2001

1.4.2 Population Distribution

Rural Population

Chhatarpur has a significantly larger proportion of the population from a rural background. Nationally 72.7% of the population are rural compared to 78.0% in the District - a difference of 5.8 percentage points. Rural communities are most in need of support towards development goals. The rural composition of Chhatarpur indicates it is an appropriate area for ASA to target its work. This proportion of the population that is rural is more marked in the SubDistricts under consideration – 83.6% 84.9% and 85.3% (Bijawar; Bada-Malhera and Rajnagar respectively). Again, this indicates the relevance of these as potential intervention areas, as well as sites for this research to take place.

Rural population at National, State, District and SubDistrict level, 2001

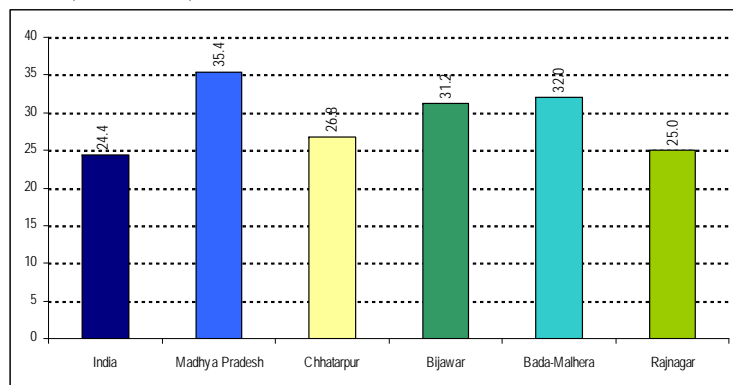
	Total Rural Population	
	No.	%
India	742,490,639	72.2
Madhya Pradesh	44,380,878	73.5
Chhatarpur	1,150,428	78.0
Bijawar	182,485	83.6
Bada-Malhera	145,676	84.9
Rajnagar	184,488	85.3

Source: Census of India, 2001

Schedule Caste and Schedule Tribe Population

The proportion of the population that are Schedule Caste (SC) and Schedule Tribe (ST) provides further indicator of deprivation. These are the two lowest social divisions and therefore the larger the proportion of these groups the higher the level of need. Madhya Pradesh has a significantly large SC and ST population – 35.4% more than 10 percentage points larger than the proportion at National level. Two of the SubDistricts under study have equally large SC and ST populations – Bijawar with 31.2% and Bada-Malhera with 32.0% belonging to these social categories.

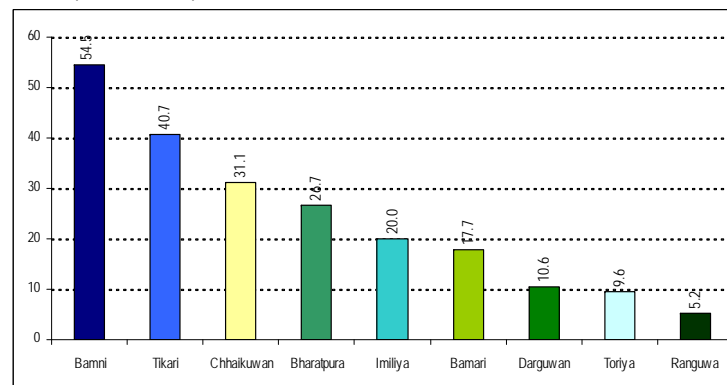
Proportion of Schedule Caste and Schedule Tribe population at National, State, District, SubDistrict, 2001



Source: Census of India, 2001

The proportion of the population that are SC and ST range from just 5.2% in Ranguwa to 54.5% in Banmi. Whilst there are areas with relatively small proportions of these deprived categories of society, 4 out of the 9 villages have proportions higher than the National level. Two of these villages' SC and ST populations are above 40% of the total population (Narayanpura and Bamni; 40.7% and 54.5% respectively). Again, this emphasises the appropriateness of these areas for intervention from ASA and as sites for this research.

Proportion of Schedule Caste and Schedule Tribe population at National, State, District, SubDistrict, 2001



Source: Census of India, 2001

1.4.3 Literacy

Literacy is one further measure of development. The proportion of the population that are literacy in Chhatarpur is considerable lower than State and National levels – by more than 10 percentage points. This is even lower in all the blocks under study – for example, just 36.5% in Rajnagar. Low levels of literacy are indicative of high levels poverty and therefore a cue for intervention of the type proposed by ASA appropriate¹⁵.

¹⁵ World Bank (1998)

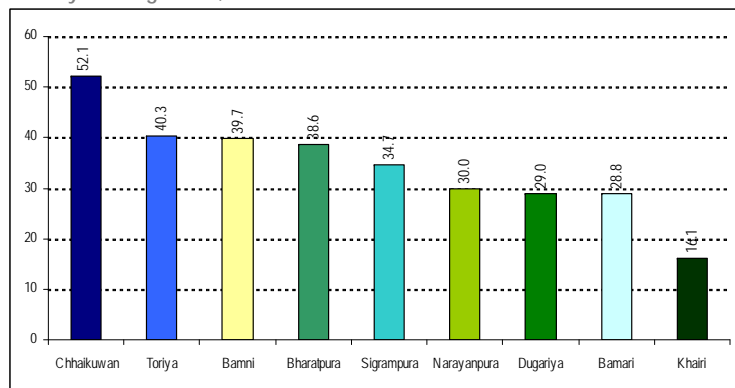
Literacy at National, State, District and SubDistrict level, 2001

	Literate Population	
	No.	%
India	560,687,797	54.5
Madhya Pradesh	31,592,563	52.4
Chhatarpur	631,370	42.8
Bijawar	86,529	39.6
Bada-Malhera	65,613	38.3
Rajnagar	78,904	36.5

Source: Census of India, 2001

At village level, literacy levels are low – for instance, just 16.1% of the population are literate in Khairi. These low levels of literacy provide further indication of the level of need for the type of intervention proposed by ASA in the study areas looked at here.

Literacy at village level, 2001



Source: Census of India, 2001

The gender distribution of those members of the population that are literacy give indication of gender equality. This proportion is weighted towards male dominance in all cases. However, this is more marked at District, SubDistrict and village level suggesting the female empowerment issue related to literacy will be more acute in these areas.

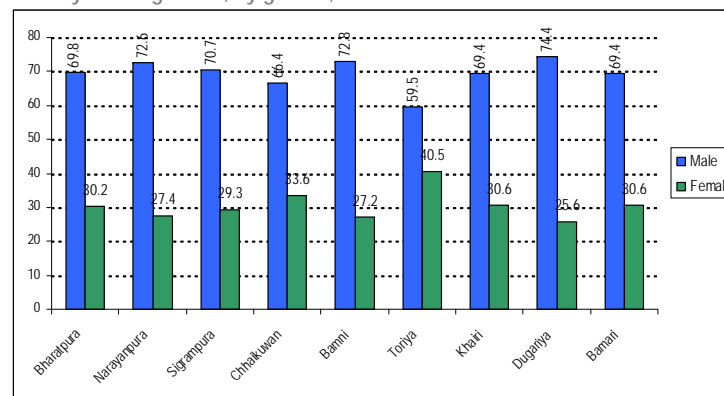
Literacy at National, State, District and SubDistrict level, by gender, 2001

	Males		Females	
	No.	%	No.	%
India	336,533,716	60.0	224,154,081	40.0
Madhya Pradesh	19,672,274	62.3	11,920,289	37.7
Chhatarpur	416,441	66.0	214,929	34.0
Bijawar	57,435	66.4	29,094	33.6
Bada-Malhera	44,315	67.5	21,298	32.5
Rajnagar	53,932	68.4	24,972	31.6

Source: Census of India, 2001

At village level there are 4 sites where the gender difference in the proportion of those who are literate is larger than 40 percentage points. In Dugariya in the Rajnagar District; 74.4% of the literate population are male compared to just the 25.6% female. Again, this confirms the gender inequality issues faced in the villages under study and indicates the level of difficulty that may be experienced by ASA.

Literacy at Village level, by gender, 2001



Source: Census of India, 2001

Chapter 2: Introduction to the Research

2.1 Introduction to the Research

Requirements of the Research

Given ASA's learning-based ethos and participatory approach towards development goals, the need to scope the feasibility of a project prior to embarking on implementation is crucial. As indicated above, in relation to Micro Finance (and particularly in connected with the women's empowerment dimension) this is needed to establish:

- Factors influencing the success of implementation;
- Appropriate processes by which success can be achieved specific to an area; and
- Strategy to ensure longevity and self perpetuation of Micro Finance projects.

The methods used within this study will match with ASA's working culture to support ASA as they seek to penetrate additional areas of rural India.



Women from Chhatarpur District pilot survey



Focus Group Discussion in Chhatarpur District pilot study

RESEARCH QUESTION	RATIONALE FOR RESEARCH QUESTION
1. What are the current financial situations of families in Chhatarpur?	To ascertain if there is the financial capacity to warrant a Micro Finance programme.
2. What are the current sources of credit that families use and how do these operate (i.e. Types of loans; cost of loans; term and conditions and loan operandi)	To understand if credit need is substantial enough to warrant the Micro finance intervention; to understand current issues in relation to credit need in the district and to understand if ASA's Micro Finance model is applicable.

2.1 Objectives and Rationale

Building upon previous research in this area the research questions important to this study are:

In specific relation to women and empowerment the objectives and rationale will be as follows:

RESEARCH QUESTION	RATIONALE FOR RESEARCH QUESTION
1. What will be the barriers in engaging / recruiting women to join SHG and what could provide solution to these barriers and obstacles?	ASA's model depends on SHG membership being primarily women. If this cannot be achieved it would jeopardise the feasibility of implementing Micro Finance in Chhatarpur.
2. How can ASA ensure empowerment and autonomy through Micro Finance is achieved through imparting management skills and capacity building amongst women (i.e. and in converse lack of dependency on ASA staff for future direction on SHG).	Research has shown empowerment is only truly achieved through Micro Finance where financial services in addition, capacity building is achieved with success. If this is not feasible in Chhatarpur, it would question the suitability of the programme for the area.

Study Design

The empirical research of this study was carried out during October – November 2007. This was completed in collaboration with field staff working for ASA in the Chhatarpur area. The research process and methods comprised 7 stages as follows:

1. Contextual and Background Research;
2. Field Visit and Pilot Qualitative Survey;
3. Qualitative Focus Group Discussion (see Appendix B);
4. Quantitative Data Collection (Census of India / Quantitative Household Survey see Appendix A); and
5. Data Analysis.

Each of these stages contributed to the drafting of the final report presented here, including summary research context; findings; conclusions and forward recommendations.

2.2 Sampling Method

To select a sample of the total population of Chhatarpur that would be broadly representative of the total population a rigorous sampling method was employed. This allows generalisations to be made reliably so that should ASA decide to roll out their Micro Finance programme across the District they are equipped with the knowledge applicable to the areas within Chhatarpur.

Building upon early stages of research the sampling process involved:

1. Identification of the whole population of the study area (total population in Chhatarpur -1,474,723¹⁶);
2. Identification of the sampling frame (i.e. easily accessed list of units within Chhatarpur). The units chosen were SubDistricts within Chhatarpur – 7 in total)
3. Identification of 3 SubDistricts in Chhatarpur that are easy to access (i.e. blocks ASA is already working)
4. In collaboration with ASA field staff, Purposive selection of 3 SubDistricts (i.e. sampling fraction of 2.3) within Chhatarpur that ASA are already working. The SubDistricts selected were:

Bijawar	Bada-Malhera	Rajnagar
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5. Identification of sampling frame of all villages within 3 selected SubDistricts (from Census of India 2001 – 549);
6. Purposive selection of 9 villages (3 from each SubDistrict) according to ASA presence and access (i.e. sampling fraction of 61 – resulting in 9 villages in total). Villages visited during pilot field visits were excluded from this list. The villages selected were:

Block	Village
Bijawar	Bharatpura
	Narayanpura
	Sigrampura
Bada-Malhera	Chhaikuwan
	Bamni
	Toriya
Rajnagar	Khairi
	Dugariya
	Bamari

7. Random selection of 3 women from each village by ASA field staff – 27 in total (i.e. sampling fraction of 399.9) for individual household interview;. This selection process produced 27 women aged between X and X years old.
8. Selection of 3 villages to undertake focus groups with 10 – 15 female participants; 30 – 45 women in total (i.e. sampling fraction of 239.9). The villages selected were:

Block	Village
Rajnagar	Bamni
	Paharhiraju
Bijawar	Bharatpura

¹⁶ Census of India, 2001

Chapter 3: Analysis and Findings

Chapter 3: Analysis and Findings

3.1 Current financial situation in Chhatarpur

3.1.1 Establishing financial need for Micro Finance

Given ASA's focus upon the poor and very poor communities in Madhya Pradesh, as well as the aims of Micro Finance to support people within these categories, establishing the financial need for ASA's intervention is crucial. From the findings of this research, this financial need is evident from:

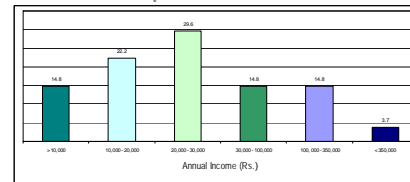
- 1) Low income;
- 2) Negative gap between income and expenditure figures;
- 3) Current lending patterns; and
- 4) Saving habits.

3.1.1.1 Low Income

There is a clear need in Chhatarpur for the financial service offered by Micro Finance given the level of income reported by respondents. The findings of this study suggest that average income levels are generally low – Rs. 56,554 per annum (Rs. 4,713 per month). However, these figures appear skewed by a few cases of relatively high income (for example, Rs.400,200 per annum: 33, 350 per month in one case) and the income of more than 80% of those surveyed actually falls between Rs. 8,400 and Rs. 55,800 per annum (Rs. 700 and Rs. 4650 per month). A more accurate guide to the income levels is perhaps the Median figure – Rs.. 23,898 per year (Rs. 1,992 per month). This is a very low income, especially when considering the number of family members this may have to support.

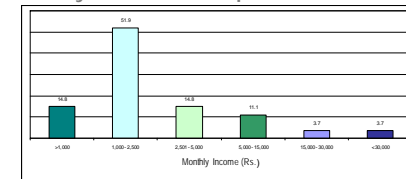
These low levels of income are indicative of poverty and deprivation in the area under study supporting the need for intervention of the type offered by ASA's Micro Finance project to increase financial autonomy which will contribute to a prosperous livelihood cycle and increase income.

Distribution of annual income in survey area, % of respondents, 2007



Source: ASA, 2007

Distribution of monthly income in survey area, % of respondents, 2007

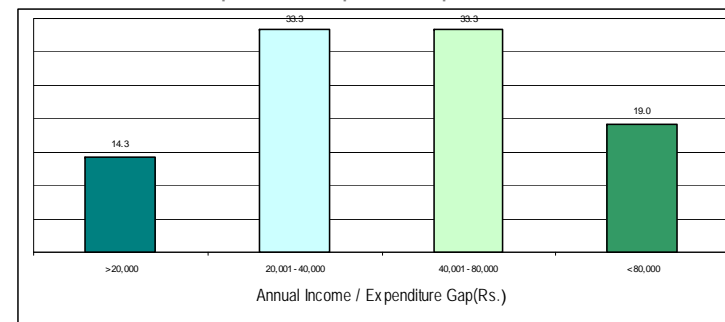


Source: ASA, 2007

3.1.1.2 Negative Income and Expenditure Gap

All 27 of the households, 77.8% have a negative gap between the amount of available income and the amount required for essential expenditure.

Annual Income and Expenditure Gap, % of respondents, 2007



Source: ASA, 2007

Of those respondents reporting a negative income and expenditure gap, the majority (66.6% of respondents) indicate a substantial deficit is between Rs. 20,000 and Rs. 80,000 per annum. Further, 19% (5 individuals) report a shortfall in excess of Rs.

80,000 per annum, suggesting some households are in serious need of the financial assistance offered by Micro Finance.

All of the respondents surveyed obtained a substantial proportion of income from Agriculture. Given reliance on this source of earnings, it is useful to consider the income and expenditure obtained by this means. Of all respondents, X% reported a gap between income and expenditure in relation to Agricultural inputs and outputs. Recognition of this deficit was recognised by participants in Focus Group Discussions:

"Agriculture is now just a loss making activity" Paharchura, Raj

This suggests that both low income and the negative gap in income and expenditure could be improved. Capacity building activity, as part of Micro Finance could work towards income generating activity to achieve this. Further, this could be supplemented by additional projects involving enterprise. Enthusiasm for this type of intervention is supported in Focus Group Discussion where interest in learning how to conduct business efficiently was expressed¹⁷.

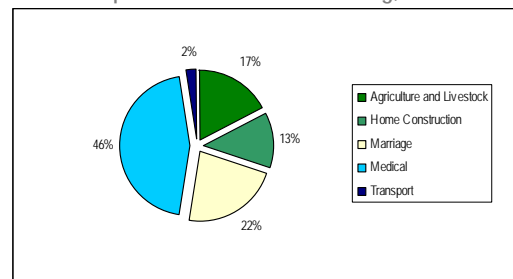
3.1.1.3 Current Lending

The gap between income and expenditure experienced by all respondents is met through various means; both formal and informal. Every respondent had used some form of financial lending to meet essential expenditure. Detailed understanding can be obtained through examination of the reasons for borrowing, the size of loans taken and the source of financial assistance.

Reasons for Borrowing

A number of reasons are reported to necessitate this borrowing:

Reasons reported for financial borrowing, % of total number of loans, 2007

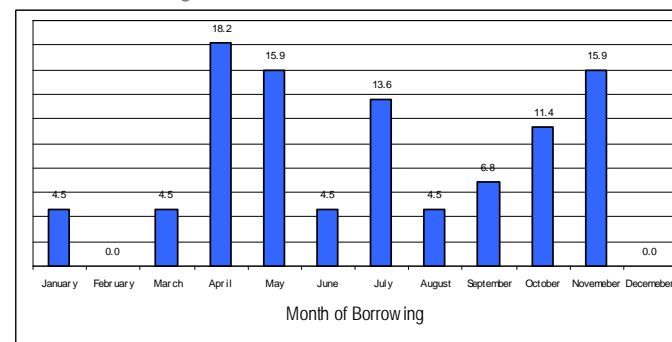


Source: ASA, 2007

The most common reason for borrowing reported was medical treatment – 45.7% of loans were taken for this reason. This was a finding also reported in all Focus Group Discussions. This again indicates the serious need for the type of borrowing offered by Micro Finance to support communities during times of emergency. That said, it needs to be ensured that borrowing can be arranged in good time to meet the immediate needs of emergency situations when time is of essence.

Another most common reason for borrowing is to support agricultural production – 17.4% of loans were taken for this reason. This finding demonstrates the farmers' willingness to invest in their principle source of income. This point is supported by the times of particular financial need as reported by respondents:

Month of borrowing, % of total number of loans, 2007



Source: ASA, 2007

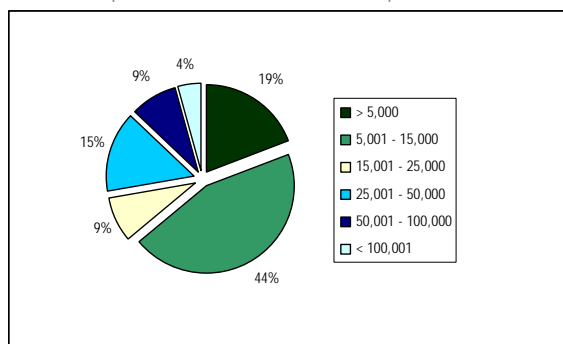
¹⁷ Bamni, Badamalhra

The experience of ASA field staff supports the notion that there are particular times of the year, in connection with agricultural conditions, when financial need is greater. The above graph illustrates this is the case of survey respondents here. High borrowing is seen in October and November (27.3% of all loans taken at this time) to support the Rabi crop, and again over May, June and July (34.1% of all loans) to support the Kharif crop. This suggests the programme should be tailored to times of particular need. The evolution of ASA's programme to date indicates such reflexivity will not be problematic.

3.1.1.4 Scale of Borrowing

The average size of loan taken by respondents over the last 2 years is just over Rs. 22,000. The majority of respondents borrow between Rs. 5,001 and Rs. 15,000 (44%). However, almost 40% of respondents report borrowing in excess of Rs.15,000; in two cases this figure reaches above Rs.100,000. Again this level of borrowing demonstrates the need for Micro Finance in Chhatarpur.

Size of loan, % of total number of loans¹⁸, 2007

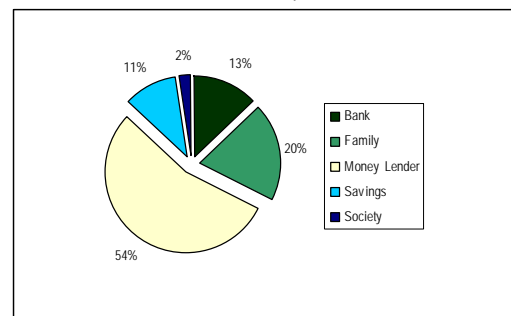


Source: ASA, 2007

3.1.1.5 Source of Borrowing

The majority of these loans are taken from informal Money Lenders - 55 % of all loans coming from this source:

Distribution of sources of loan, % of total number of loans, 2007



Source: ASA, 2007

The average size of loan taken from Money Lenders is reported as Rs. 26,173 at an average rate of interest of 3.16% per month. This would mean that average loan with a value of Rs. 26,000 repaid over 12 months an individual would pay back approximately Rs. 29,000. Focus Group Discussion made it evident respondents were not happy to rely on this source of income:

The current dependency on this source of income and respondents' frustration with this reliance, further demonstrates the need for a Micro Finance in Chhatarpur. It also indicates the potential take up, support and enthusiasm for the programme. This latter point was also demonstrated in qualitative discussions:

"We don't want to take money from Money Lenders" Bamni, Badamalhra

Current financial lending patterns support the need for Micro Finance in Chhatarpur. The case for ASA's intervention is also built by respondents' enthusiasm for a programme of this type. To further support this case, we can look at respondents' capacity and attitudes to saving as well as potential barriers (and respective solutions) to Micro Finance.

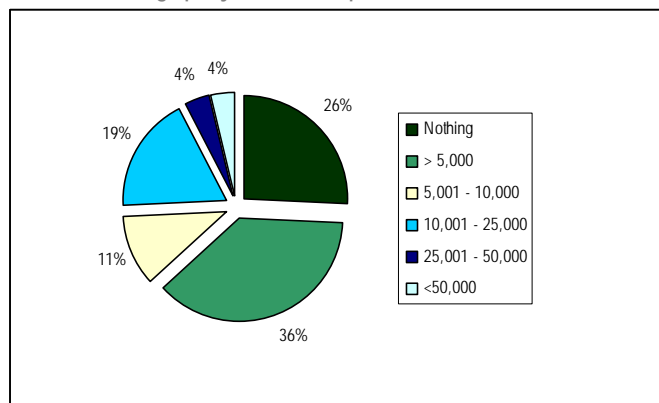
¹⁸ Total number of loans reported to have been taken in previous 2 years.

3.1.1.6 Savings

Saving Capacity

Whilst a quarter of respondents are unable to make any savings, as would be expected given their statement of financial situation, the remaining three quarters are able to make some savings¹⁹. Despite the majority of savings per annum being below Rs. 5,000 (37% of respondents reporting this level of saving); others report greater capacity to save, indicating the saving potential and positive attitude towards

Amount of savings per year, % of respondents



Source: ASA, 2007

Methods of Saving

In the main, at least some of the savings are kept in the family home (89% of respondents reporting this as one place of safekeeping). A small number of respondents also reported using banking services for saving purposes (3 respondents). This information establishes a positive attitude towards savings by the women of Chhatarpur and suggests again, that they are willing to take proactive steps to reverse their financial shortages. This positive response to a programme such as Micro Finance is supported in the comments of women in Focus Group Discussion:

¹⁹ ASA experience suggests that this is enabled through family savings, dowry and other customs and practices.

“We have to take time out for this [SHG] meeting” Paharinhiraju, Rajnagar

As well as indicating enthusiasm to undertake additional work and enterprise to increase income generating activity, a recognition of the need for thrift in relation to marriage expenditure and other ceremonies and gifts was also expressed during Focus Group Discussion. Expenditure on this type of commodity was cited as the second most common reason for borrowing²⁰. Furthermore, women were keen to begin participation Micro Finance as soon as possible in at least one of the villages under study. That said, ASA would still need to be aware that a culture of saving still needs to be established in some areas and would again need to tailor intervention to the attitudes of specific villagers’.

Banking Services

There is evidence that accessing official banking service, as used in Micro Finance is not an unfamiliar concept. This is supported in that 30% of respondents access banking services²¹ (other than savings) and use of banking services was identified as one means of addressing saving issues during the Focus Groups. That said, familiarity with these official forms of lending were concentrated in one or two villages, again suggesting that the level of knowledge and awareness of these types of services requires scoping prior to ASA intervention.

The findings of this report suggest there is good opportunity to develop the saving capacity of villagers’ through Micro Finance. A significant proportion of respondents are already have some level of savings and awareness of the need to increase these savings. Whilst some areas have more recognition of the concept of saving and ASA’s Micro Finance programme would need to be adapted to reflect these differing levels of understanding, the overwhelming indication is that villagers would be open to a programme of this type. ASA’s track record in adapting their programme to meet the needs of beneficiaries’ indicates this tailoring would not be an issue. Moving to consider further barriers that require consideration in the design of ASA’s Micro Finance programme in Chhatarpur.

²⁰ See 4.1.3.1

²¹ Namely, current account and credit card services

4.1 Barriers to formation of SHGs

Having established the need for Micro Finance in Chhatarpur as well as the motivation from villages is to participate in a Micro Finance programme, it is important to this feasibility study to consider the potential obstacles to. Building upon ASA field staffs' experiences, such issues were primarily explored during Focus Group Discussions.

Given the majority female membership required by ASA's SHG model, it is important to understand practical matters that could prevent participation of women. Aside, from variable attitudes towards the concept of saving issues related to gender are most prevalent.

The most common issue in relation to establishing the SHGs concerned timing and competing time pressures. This is supported by the fact that 78% of women surveyed worked as agricultural labourers; meaning they spend their days working in the field. When not working, women have domestic, childcare and medical care responsibilities to take into account. Other Micro Finance projects undertaken by ASA have encountered similar issues. However, this experience, as well as suggestions from Focus Group Discussion provide practical means to overcome this barrier (outlined in 4.2).

Aside from practical timing concerns, the position of women within society is a second potential barrier to establishing a Micro Finance programme. Focus Group Discussion made it clear that the womens' husbands must be first consulted before there was possibility of women partaking in a SHG type meeting. The degree of persuasion would require tailoring to the site concerned. Discussions suggest some villages have more progressive approaches towards women and equality than others. This makes some villages appropriate for immediate intervention whilst others will have a slower programme of implementation.

A final concern relates to the lack of knowledge about Micro Finance, SHGs and the concept of saving (as outlined above). This also covers the womens' ability to operate and maintain a SHG to facilitate savings. However, as highlighted above despite this gap in knowledge, enthusiasm was show towards bridging this gap and all participants were eager to increase their learning.

4.2 Overcoming barriers to formation

The barriers identified women during Focus Group Discussion indicated an enterprising spirit to resolve these issues and overcome these hurdles. The table below summarises discussions:

Barrier	Solution
Appropriate timing / competing time pressures	<ul style="list-style-type: none"> - Scoping of convenient time for meeting appropriate to village (e.g. prior / post working hours) - Clear communication of SHG meeting time / place
Women's' subordinate position in villages	<ul style="list-style-type: none"> - Initial contact meetings arranged with village men - Case study evidence to support women's' successful management of finances - Appropriate meeting place e.g. in temple
Lack of knowledge and understanding concerning Micro Finance	<ul style="list-style-type: none"> - Building rapport with participants to earn trust and respect - Training events modelled on previously successful ASA Micro Finance projects
Womens' capacity to operate SHG	<ul style="list-style-type: none"> - Continued training based on previously successful ASA Micro Finance models
Availability of additional income for savings and loan repayment	<ul style="list-style-type: none"> - Tailor capacity building / training towards enterprise / business development - Investigate potential for villages to benefit from additional ASA intervention e.g in relation to income generating activities

4.3 Ensuring empowerment and capacity building through Micro Finance

An important aspect of the ASA's Micro Finance SHG model is the opportunity it provides to empower women. As outlined at the outset of this study, female empowerment is still a troubling issue in India. This is evident in the findings reported here so far.

In the study area, in line with national and District trends education levels are low – 74% reported they had no educational attainment. That said, 22% has achieved 5th standard and 1 respondent had 10th standard education. These cases of higher educational attainment once again suggest the potential that these women have to exert power, further supported in the finding that over half, 52% are already in control of household spending. Nevertheless, to ensure empowerment, understanding of the issues specific to new villages will be required by ASA field staff as well as inclusion of those women who are not literate by means of literate women explaining the issues effectively to all members of the group.

Motivation towards empowerment from the women is evident. Gender equality was described by one Focus Group as:

“Something we have to put into the mind of the male” Paharinhiraju,
Rajnagar

That said, the extent of this task can not be underestimated. Recognition of the scale of reversing a patriarchal society is recognised as a “serious mental block”²² that will take many years to dissolve. However, Micro Finance and the SHG model has been shown to be one means of making steps towards this dissolution. There is evidence here that in the villages under study, and Chhatarpur as a whole, that ASA intervention in terms of a Micro Finance programme will be one way such empowerment can begin.

4.4 Focus Group Discussions as Self Help Groups

Not only were the Focus Group Discussions held as part of this research method a good means extrapolating data, as a social process in themselves the meetings were indicative of the potential success of the SHG model:

Opportunities to build upon	Challenges to face
<ul style="list-style-type: none"> - Women talked freely, discussing issues that would not be tackled in individual conversations - Useful as a tool for ASA to identify dynamic women to appoint as president / secretary of SHG - Good tool to voice concerns from quieter members of groups 	<ul style="list-style-type: none"> - Social interaction new concept to some women who rarely leave the home. Familiarity with this idea will be required in some areas before Micro Finance can begin - Dominance of group by confident members - Presence of men within social situation often unavoidable and inhibits discussion. This may require additional time with village men to establish the foundations of the female only SHG model and its benefit

This helped facilitators of the Focus Group Discussions identify opportunities to develop these meetings as well as the challenges for this method of working that can be prepared for by ASA field staff.

²² Bharatpura, Bijawar

Chapter 4: Conclusions and Recommendations

4.1 Conclusions

It is evident that Micro Finance is an established means of support poor and very poor communities out of poverty and towards sustainable livelihoods. The feasibility of the Micro Finance model employed by ASA in other areas of Madhya Pradesh has been tested by this study and it is established that this is applicable to the Chhatarpur District. The evidence demonstrates:

1. A significant financial need for a programme such as Micro Finance;
2. Successful engagement and motivation of potential beneficiaries; and
3. Manageable risk and risk resolution.

The need for Micro Finance is made clear in the low income levels; negative gap in income and expenditure and low saving capacity reported by respondents. This is reinforced by lack of financial options, with all respondents currently forced to take extortionate loans from Money Lenders.

This frustrating situation does however appear to provide respondents the motivation to take part in a programme such as Micro Finance. Commitment to a programme of this sort is demonstrated in investments already made towards sustainable income sources (i.e. agriculture); positive attitudes towards the concept of saving as well as readiness (as seen in this research) to identify and overcome potential barriers.

The most significant of these possible barriers is the position of women within intervention areas. Given the exclusive female membership of SHG used by ASA, overcoming this issue will be central to successful Micro Finance implementation. Previous ASA experience demonstrates such cultural shift is not unfeasible and once women gain the confidence and skills to participate in wider social activity, the flood gates are opened to further sustainable development. As Sinha Archasna explained in 2002:

The challenge before the society is to evolve strategies to break the stereotypes of the past by solving problems of poverty, illiteracy, environmental degradation, violence, gender inequality

etc. Hence SHGs and [Micro Finance] should be seen as components of a solution to accelerate the socio-economic development particularly, of the rural poor women in India. A judicious mix of Macro Credit along with other activities with emphasis on development and empowerment strategies and processes' would certainly make [Micro Finance] an effective instrument of social and economic development particularly, of women a holistic and integrated manner²³.

These all encompassing benefits of SHGs are still applicable in 2007. Therefore, not only would implementation of a Micro Finance in Chhatarpur align with ASA's overarching philosophy towards sustainable development (securing livelihoods with equity and dignity) it would support the ethos of the development sector as a whole which looks towards ensuring sustainable livelihoods. This concept is defined as:

"the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain and enhance its capabilities and assets both now and in the future, while not undermining the natural resource base"²⁴.

To make certain that ASA contribute to their full capacity, a number a recommendations are apparent from the findings of this research.

4.2 Recommendations

The recommendations emerging from this study can be categorised into short and long term considerations:

Short Term Recommendations

1. Use the research undertaken here as a platform to launch Micro Finance in the villages used in the sample, building upon the rapport initiated by ASA

²³ Archana (2002)

²⁴ DFID, 1999, in Power (2003:181)

staff. Such continuity of relations is central to successful implementation of programmes such as Micro Finance²⁵;

2. Tailor Micro Finance programmes appropriate to the village according to prevailing attitudes towards savings, banking and women for instance; and
3. Design capacity building training with an enterprise focus; drawing upon the experience of other ASA field units.

Long Term Recommendations

1. Investigate the possibility of establishing further income generating activities in areas under study;
2. Evolve ASA's Micro Finance model to make money available immediately for emergency situations (for example, in times of medical need);
3. Use the findings here as a baseline to chart future progress in the areas studied as well as contribute to Best Practice for ASA and others' working in the field.

These recommendations are developed in line with current and progressive thinking in the field. They look towards using Micro Finance and SHGs as a vehicle for ensuring sustainable livelihoods. Recent commentary highlights that taking this approach is central to holistic and integrated development:

It is critical to see SHGs not as just networks for confidence building and empowerment but also as networks that must have access to new economic opportunities²⁶.

ASA's track record and reflexive approach to implementation in the area of Micro Finance demonstrates their capacity to undertake the project in the Chhatarpur District. The research undertaken here will form the first evidence in their monitoring, learning and evaluation approach to assess and amend this project as it develops.

²⁵ Ramesh (2007:3622)

²⁶ Ramest (2007:3623)

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Appendix A – Household Survey

INSTRUCTIONS

- 1 questionnaire to be completed per woman as accurately as possible;
- No blank spaces to be left. If question not applicable to woman mark with "X"
- Provide further information on additional sheets. Please find attached _____ number of additional sheets attached

1. General Information

1a) Name of village:	
1b) Name of respondent:	
1c) Age:	
1d) Caste:	
1e) Education	
1f) Number of people in household	
• Number of men in household	
• Number of women in household	
• Number of children in household	
1g) Occupation & income of main earner	
1h) Occupation & income of woman	
1i) Who maintains cash in household	

2. Sources of income (per month)

Source	Income (Rs per month)
Agriculture (selling of crops)	
Poultry	
Milk	
Goat rearing	

Service	
Labour:	
In village	
Migration	
Any other (please specify)	

2b) If agricultural produce is a source of income, where is the produce sold?

--

3. Savings and investments

3a) How much are you able to save in a year?

--

3b) Where do you keep the surplus/ extra cash?

	Amount (Rs.)
At home (please specify family member)	
With Relatives	
Bank Account	
With any other safeguard (please specify)	

3c) In which form do you keep your surplus / do you invest in purchase of assets? (E.g. silver, land, equipments, livestock, any other etc.)

--

3d) What type of services do you get from the bank? (E.g. current account; savings; loans)

--

4. Expenditure

4a) What are the major annual expenses?

	Amount (Rs. per year)
Agricultural inputs	
Working capital for enterprise	
Medical treatment	
Purchasing livestock	
Daily expenses	
Food grain	
Festivals	
Marriages	
Gifts	
Other ceremonies	
House construction	
House repair	
Travel for migration	

Any other details:

--

4b) What is the amount of money required for agriculture? (Annually)

	Amount (Rs per year)
Seed	
Fertilizer	
Insecticide	
Irrigation	
Labour	
Other (please specify)	

4c) Where do you obtain the income? (Annually)

Source of Income	Amount (Rs. per year)
Employment	
Savings	
Bank Loan	
Other Financial Institution Loan	
Money Lender Loan	
Family and Friends	
Other (please specify)	

5. Information on credit – needs and sources

5a) For which kind of expenses do you need to borrow from others?

--

5b) What is your history of credit for the last two years?

Time (month)	Purpose	Amount (Rs.)	Source	Rate of Interest	Loan term	Repaid / Not repaid	Other Conditions

Appendix C – Focus Group Checklist

FOCUS GROUP CHECKLIST Introduction

The purpose of this meeting is to consider the possibility of setting up a Micro Finance project in Chhatarpur.

A Micro Finance programme can help communities manage their finance through providing savings facilities; small loans and other financial services such as insurance against emergency / other unexpected circumstances (i.e. financial support if these events occur)

In other areas they have helped communities save money; reduce the need to take loans from money lenders and banks

Microfinance relies on the setting up of small groups of people (10-15) called Self Help Groups. These groups collect money to allow the other services to be provided. The Self Help Groups manager their own affairs and make decisions through regular meeting held with all members.

Lots of Self Help Groups are exclusively female. AS wants to know if women in Chhatarpur would like to set up these groups to provide communities the financial services they can provide. ASA would also like to know what problems there could be in setting up these groups.

1. INCOME / EXPENDITURE AND FINANCIAL DECISIONS

- a. Who makes financial decisions in the household?
- b. Is there opportunity for this decision making power to shift within households? (i.e. if women do not have a say at the moment could this change?)
- c. What could help this shift of power?
- d. How likely is it that this shift of power occur?

2. SAVINGS

- a. What are the preferred forms of saving?
- b. Why are these forms preferred?
- c. Are the women open to alternative forms of saving?
- d. What would persuade the women to try alternative forms of saving??

3. DEBT AND LOANS

- a. What are the womens' experiences of taking loans?
- b. Are different options open to different people?
- c. What are the issues involved in taking loans?
- d. Are women happy with the options currently available?
- e. Would the women be willing to try and alternative approach to money lending?
- f. What would be influential in persuading women to try an alternative approach to money lending?

4. MICRO FINANCE

- a. What is the women's understanding of Micro Finance?
- b. What aspects do they like?
- c. What concerns would they have?

5. SELF HELP GROUPS

- a. What issues do they think there could be in *setting up* SHGs?
 - i. Timing
 - ii. Appropriate meeting place?
 - iii. Encouraging enough women to participate?
 - iv. Customs and practise?
- b. What could be done to overcome these issues?
- c. What issues do they think could arise in *maintaining* SHGs?
 - i. Communication
 - ii. Management
 - iii. Regularity
 - iv. Other (specify)
- d. What could be done to overcome these issues?