The Credibility of Microfinance Institutions

Clients´ Perception and Empowerment in Andhra Pradesh

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von
Markus Pauli

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ABBREVIATIONS

APR	Annual Percentage Rate
ASA	Association for Social Advancement (MFI from Bangladesh)
BPL	Below Poverty Line
BRAC	Bangladesh Rural Advancement Committee
BRI	Bank Rakyat Indonesia
CGAP	Consultative Group to Assist the Poor
FINCA	Foundation for International Community Assistance
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GDP	Gross Domestic Product
HDI	Human Development Index
InWent	Capacity Building International (now part of GIZ)
IPO	Initial Public Offering
JLG	Joint Liability Group
KfW	Kreditanstalt für Wiederaufbau
LPG	Liquefied Petroleum Gas
MFIN	Micro-Finance Institutions Network (Network of Indian NBFC-MFIs)
MFI	Micro-Finance Institution
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MPI	Multidimensional Poverty Index
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company (also: Corporation)
NBFC-MFI	Non-Banking Financial Company – Microfinance Institution
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Organisation
NSS	National Sample Survey
OBC	Other Backward Class
OPHI	Oxford Poverty and Human Development Initiative
PL	Poverty Line
RBI	Reserve Bank of India (The Indian Central Bank)
ROSCAs	Rotating Savings and Credit Associations
RRB	Regional Rural Bank
SBLP	SHG Bank Linkage Program
SC	Scheduled Caste
SERP	Society for Elimination of Rural Poverty
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
SKS	MFI from India
SME	Small and medium-sized enterprises
ST	Scheduled Tribe
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WEAI	Women's Empowerment in Agriculture Index

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PREFACE

Microfinance is a contested field in development and politics. When I was working at *InWent—Capacity Building International* (today part of the *Gesellschaft für Internationale Zusammenarbeit* GIZ), a German development organization contracted by the *Federal German Government*, I was puzzled by the diverse, not to say diametrically opposing perceptions of what had by the mid 2000s become a ubiquitous trend in development, the sponsoring and promoting of microfinance. On the one hand, there was much praise and hope within the development community, spread not least through the Western media with celebrated success stories of clients being lifted out of poverty. This was in line with the *United Nations International Year of Microcredit* 2005 and the *Nobel Peace Prize* 2006 given to Professor Muhammad Yunus for his work and creation of the microfinance *Grameen Bank* in Bangladesh. On the other hand, at international development conferences — in private conversations, during the breaks and in the corridors — doubts and scepticism about microfinance were constantly raised by those who ought to have known what was happening “on the ground”, development practitioners from Bangladesh or India alike, spoke about their concerns and reported cautionary stories. Hence, the original puzzle that motivated this thesis and the desire to understand, does microcredit “work”?

This puzzle took me to India, to small villages mainly in the South Indian countryside, to the offices of *Microfinance Institutions* (MFIs), *Self-help Group* (SHG) *Federation Conventions*, to universities, microfinance conferences and microfinance research centres, over a period of more than a year. At the *Centre for Micro Finance* in Chennai I had the opportunity to participate in the implementation of *randomized control trials*, which tried to assess the impact of microfinance with a treatment and control group design.

What impressed me deeply was the confidence with which women from small villages addressed their assemblies and their outspoken manner, raising problematic issues about microfinance that stemmed from their own experience. I got more and more interested in the question of how one could conceptualize and measure the impact of microfinance — beyond changes in cash flows — and if rigorous impact analyses would find changes in women´s empowerment. First and foremost, I was however interested in how the majority of clients themselves perceived microfinance, its impact on their lives as well as their opinion of specific *Microfinance Institutions.*

This interest was triggered not least by the anecdotic evidence that I read about in media reports about how microfinance induced over-indebtedness and repayment pressure were leading to farmer suicides across the country. Beyond the richness of anthropological studies about the impact of microfinance on specific villages, I wanted to know more about the overall picture. How could it be that millions of people *chose* to take loans from *Microfinance Institutions* (MFIs), which were accused of usury and ruthless repayment collection methods?

My scholarship and research funds, provided by the graduate school at the Cluster of Excellence, “Asia and Europe in a Global Context” at Heidelberg University gave me the opportunity to prepare, design and implement a comprehensive survey on microfinance, with more than 550 respondents in the South Indian State of Andhra Pradesh. Without my *Doktorvater* none of this would have actually happened for he introduced me to scholars at the Delhi-based, *Centre for the Study of Developing Societies* (CSDS). As a result, I was able to visit Andhra Pradesh and to work together with Professor Narasimha Rao, the then state coordinator of the data unit of CSDS called *Lokniti*, and his team of doctoral candidates at the *Department of Economics* at the *Acharya Nagarjuna University* in Guntur, Andhra Pradesh. My sincere thanks go to Professor Rao and his team who carried out the extensive interviews and hosted me at their department, providing invaluable feedback from their own research experience.

Finally, I would like to thank the women and men who patiently took the time to answer the survey questions and to introduce me to, and explain to me the reality of their lives.

1 A (Short) Introduction

Microfinance has been credited with a whole range of positive impacts — from "helping people to help themselves", lifting people out of poverty to empowering women. The most moderate claims circle around the provision of relatively affordable loans (that is in comparison to *informal* local alternatives) without collateral to those otherwise excluded from *formal* financial services. Microfinance seems like the dream come true in a world with a strong belief in markets and profits-driven business. Could poverty, which persistently taints the growth stories of developing countries and emerging markets, be eradicated by doing (financial) business with the poor — making money and fighting poverty at the same time? Mark Malloch Brown, administrator of the *United Nations Development Programme* (UNDP) views microfinance as "much more than simply an income generation tool (...) By directly empowering poor people, particularly women, it has become one of the key driving mechanisms towards meeting the Millennium Development Goals, specifically the overarching target of halving extreme poverty and hunger by 2015."[1]

Perception — that is the credibility of microfinance — clearly matters, as the above quotation conveys, but how do microfinance clients themselves regard *Microfinance Institutions* (MFIs)?[2] This study provides one of the first large scale surveys on the *perception* of MFIs by microfinance clients themselves that has ever been conducted. Microfinance in India is a particularly interesting case for several reasons, given the country's socio-economic development and its population of more than 1.2 billion people India is, unsurprisingly, the biggest "market" for financial services for poor people. India furthermore, has a long tradition of state-sponsored credit schemes and self-help groups (which are growing increasingly linked to banks for the delivery of microcredit) and India hosts (together with Bangladesh) some of the biggest and most cost-efficient operating Microfinance Institutions (MFIs) in the world. In addition, it was

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[1] United Nations (29 December 2003) Press Release "General Assembly Greenlights Programme for the International Year of Microcredit 2005", URL: http://www.un.org/press/en/2003/dev2452.doc.htm
[2] The title of this thesis is inspired by Haase (ed. 2013).

India that witnessed, after a three-digit-growth-rate boom of microfinance, what was the most severe microfinance crisis in the world, in the South Indian state of Andhra Pradesh in 2010. As a result, one of the two main research questions driving the work presented in this thesis is: How do clients, as well as non-clients, perceive microfinance after such a severe crisis? Is the perception as negative as one would expect?

Empowerment is — in addition to poverty alleviation — the most often cited impact of microfinance. *Randomized control trials* (RCTs), which try to measure the impact of microfinance through a "treatment" and control group design (more on this later in the thesis) find little or no such impact. Nonetheless, the story about microfinance changing peoples´ lives, continues to be a powerful narrative. Anecdotic evidence is widely used — both on the side of microfinance advocates and microfinance critics and has also been witnessed, first hand by the author on his many visits to such microfinance group meetings and at SHG-federation conventions. In an effort to get to the bottom of these discrepancies, the current study implemented, for the first time, a comprehensive, multidimensional measurement designed to assess the empowerment levels of microfinance clients as well as their non-client peers. It is based on the *women´s empowerment in agricultural index* (WEAI), which was developed by the *Oxford Poverty and Human Development Initiative* (OPHI) and which uses around 30 elaborate questionnaire items to capture the complexity of empowerment. One of these items for example is the inquiry about the respondent´s last day in the form of a conversation — which is then coded in fifteen-minute-steps to determine the individual workload.

The *empirical analysis* uses primary data generated by a sample *survey* with more than 550 individuals in Andhra Pradesh. The survey was conceptualised and developed specifically for this study by the author. A team of PhD students implemented the, up to one and a half hour long, interviews and were supervised by Professor P. Narasimha Rao, state coordinator for *Lokniti*, *Centre for the Study of Developing Societies* (CSDS), New Delhi, the pioneering and a leading institution of large-scale empirical studies in India.

Two main *research questions* underpin the survey*:*

- How are *Microfinance Institutions* (MFIs) in Andhra Pradesh *perceived* by clients and non-clients, especially in the aftermath of the major 2010 microfinance crisis?
- Is there a measurable difference in *empowerment* between female clients and female non-clients?

Following the introduction, the thesis is structured along the following chapters:
(2) Theoretical Framework — Capabilities, Rights and the Conceptualization and Measurement of Poverty and Empowerment
(3) Literature Review — Understanding Microfinance
(4) Contextualization — Microfinance in India: Boom, Bust & Recovery
(5) Empirical Study I — Survey Design & Findings on the Perception of Microfinance
(6) Empirical Study II — Findings on the Empowerment Levels of Clients versus Non-Clients
(7) Conclusion — The Politics of Microfinance

In chapter two, the thesis introduces the theoretical framework that emerges from the *capability approach*, developed by the Nobel Prize winning Indian economist and philosopher Amartya Sen. In this chapter the *capability approach* is scrutinized for its conceptualisation and assessment of the impact that microfinance is alleged to have. The focus of the *capability approach* is on individual freedoms and this is then contrasted with other development approaches that focus on resources, preferences, rights or justice. The argument is made that an impact assessment of microfinance has to take into account *multidimensional* aspects of poverty, going beyond cash flows and consumption patterns. The conceptualisation and measurements of such "soft dimensions" is problematized. *Empowerment*, the empirical focus of this thesis, is then introduced through the analysis of different conceptualisations; its dimensions and the adequacy of indicators for measurement are discussed. By complementing and contrasting the *capability approach* with the discourse on citizenship, it is argued that em-*power*-ment and development as individual freedoms, have to take into account the political dimension of peoples´ struggles for their rights.

In the *literature review* chapter the basics of *microfinance* are explained. Starting with a range of definitions on microfinance that are widely proliferated in established handbooks, it is shown that often the diversity of actors and the confusion with other traditional loan schemes, leads to misleading or plainly wrong descriptions of what microfinance is. The different and not always complementary aims of different schools of microfinance are introduced using, “the triangle of microfinance” — the aims of outreach, impact and financial sustainability. To understand the context within which Indian *microfinance institutions* (MFIs) aims at job and income generation, the Indian labour market and the core determinants of household income are introduced. The group-based “mechanics” of microfinance are explained with reference to the joint-liability approach and its potential social costs, with a special focus on the dominant *Grameen* model. The question of who provides microfinance starts with a global perspective and zooms into the two dominant microfinance provision channels in India — by the state (the self-help-group bank linkage program) and the market (most prominently in the form of MFIs). Finally the question is answered why clients take microfinance in the first place with reference to the informal and formal alternatives available to them, and the question is raised, whether interest rates of 35% are usurious. The overall argument made, is that microfinance is not the panacea often portrayed by its devotees, nor an alternative to sustainable growth and job creation through industrialisation and education.[3] However, it has the potential to be much more constructive (in financial inclusion, industry building and capability enhancement) than its fierce critics claim.

In the *contextualization* chapter, a focus on the Indian experience with *financial inclusion* includes an analysis of the background to the failure of subsidized, government-run credit schemes as well as the Indian agrarian crisis. In “3 Crises and an IPO” the prelude — several regional crisis and the controversial *Initial Public Offering* of the Indian Microfinance Institution SKS — to the 2010 crisis in Andhra Pradesh is explained. This is followed by a detailed analysis of the reasons, development as well as lessons learned from the Andhra crisis. It is posited that this, globally most severe, microfinance crisis was first and foremost a *political* crisis. It is argued that perception matters greatly in banking and even more so in “banking to the poor”. The political risk of *Microfinance Institution* cannot be underestimated, especially in countries, where the state is as a central actor in microfinance — not merely as regulator and promoter, but

[3] See also Roodman (2012).

as an active microfinance provider. The conflict between state and private actors, with the take-over of (semi- or) dysfunctional self-help-groups by private actors, is core to understanding the Indian microfinance crisis.

The subsequent two chapters focus on the implemented *empirical study*. Chapter five introduces in detail the research aims, the logic behind selecting Andhra Pradesh as a case study, the identification of the four sample districts as well as the randomised multi-stage sampling within each of the districts. Finally, the design and each section of the questionnaire are explained. The findings on the perception of *microfinance institutions* (MFIs) sought to answer the following question. Given the major allegations against MFIs in Andhra Pradesh and the subsequent (short-term) closing down and (long-term) diminishment of the sector in this formerly leading microfinance state, how negative is the perception of MFIs by female clients as well as by non-clients? This question is analysed against the background of the loan utilization by clients. The examination of microfinance in general, as well as the investigation into specific MFIs and their particularly positive and negative aspects, led to the calculation of a *MFI Perception Index*. This empirical study allows for an examination of whether the allegations against MFIs, for example their hard-handed loan recovery methods and bad staff behaviour, play a role in the perception of MFIs by clients and non-clients.

The second empirical chapter reports in detail the findings on the empowerment levels of female clients versus female non-clients as well as of female clients versus male clients. After an analysis of the economic activities of the respondents, the following overall hypotheses are introduced:

> H1 Female clients are *less* empowered than male clients.
> H2 Female clients are *more* empowered than female non-clients.

These hypotheses were then tested with regard to each of the following five dimensions and nine indicators of *empowerment*:

Production Decision-Making	Input in productive decisions
	Autonomy in production
Access to Productive ***Resources***	Ownership of assets
	Access to and decisions on credit

Control over Use of ***Income***	Control over use of income
Community ***Leadership***	Group member
	Speaking in public
Time Allocation	Workload
	Leisure

Each of these empowerment indicators is then scrutinized with regard to its usefulness in the context of microfinance, its cut-off points, aggregation method and findings.

In the conclusion it is argued that the *politics* of microfinance are central to a comprehensive understanding of the boom, bust and recovery of microfinance in India. Microfinance is *not* a business as any other and while a lot is known about the economics of microfinance,[4] not enough research is conducted on its politics.

What remains to be done in this (short) introduction, is to highlight what is new about this study and the contributions it can potentially make. The most rigorous way of studying impact with regard to a large sample (Large-N-analysis) is arguably to implement *randomized control trials* (RCTs). RCTs have the advantage that they take into account, counterfactuals. Counterfactuals are a way to assess what would have happened without an (for example development) intervention. RCTs compare a group of people, that (e.g.) took loans from a *Microfinance Institution* (coming from medical research called "treatment group") to another socio-economic similar group, that did not take MFI loans (called "control group"). Essential to this study design is that the determination of which individuals, or villages get the "treatment", is randomized.

This sounds ethically questionable in the first instance. How it is done in practice is, that a *Microfinance Institution* (MFI) that plans to expand into a certain region does not do this in the common way determined by convenience, e.g. proximity to existing operations, but instead goes into villages with a similar socio-economic setting (e.g. level of development, proximity to bigger city, etc.). These are divided through lottery into "treatment" villages, in which MFI operations are set up within a certain period of time and "control" villages, in which MFI operations are only started *after* the

[4] A good introduction into the economics of microfinance is de Aghion, Beatriz Armendáriz and Morduch (2005).

randomized control trial (RCT) has been completed, often after one or two years. Hence the villages, in which the MFI operations are not initiated in the first place, get them with a delay anyway. Without the RCT method, a similar number of villages would have been reached by the MFIs - which ones would just not have been determined by lottery but by convenience.

*Randomized control trial*s (RCTs) are certainly a good tool for assessing the impact of rather small interventions, e.g. the best way how to provide mosquito nets so that they are actually used.[5] On the other hand, it is argued that RCTs are far more complicated to implement when assessing complex (development) interventions like microfinance where there are a multiplicity of interfering variables. These can include other MFIs opening operations in the study area, other development interventions by NGOs or state programs, changes in the regional economy like a new factory close by or new transportation connections to an economic hub, etc. However, there are other threats to the internal validity of *randomized control trials* (RCTs), as outlined by Duvendack et altera: "(1) randomisation procedures; (2) adherence to treatment; (3) attrition (drop-outs and graduates); (3) behavioural responses of participants to randomisation, and in treatment and control contexts to masking/ blinding or their absence; and (4) spill-overs and spill-ins."[6] RCTs as quasi-experiments furthermore "depend on discussions with relevant stakeholders about what would constitute credible evidence in this context, and what is feasible given the practical, time, and financial constraints".[7]

The first *randomized control trial* (RCT) on the impact of introducing microcredit in a new market found (15 to 18 month after launching the new operations)[8]: (a) no effect on average monthly expenditure per capita, (b) but an increase of expenditure on durable goods and, (c) a rise of the number of new businesses by one third. The finding is insightful in that the impact of microcredit regarding consumption patterns depends on the type of household: those with an already existing business increased their investment in durable goods and did not change their nondurable consumption; those

[5] A lucid account of how scholars are using *randomized control trials* (RCT) for assessing what works in development interventions and what does not is provided by Banerjee and Duflo (2011).
[6] Duvendack et al. (2011: 44)
[7] Donaldson et al. (eds. 2009: 244)
[8] Banerjee et al. (2009: 1)

with a high “propensity” to start a business increased their spending on durable goods and sacrificed by lowering their nondurable consumption — to attend to the fixed costs accompanying the initiation of the new enterprise. The same study did not find any impact on indicators of health, education or women´s decision-making.[9]

The most comprehensive review of quantitative studies on the impact of microfinance — among the self-acclaimed “gold standard” of RCTs — is provided by Devendack et al. (2011), who conclude that “it remains unclear under what circumstances, and for whom, microfinance has been and could be of real, rather than imagined, benefit to poor people.”[10]

With regard to the impact of microfinance on empowerment Devendack et al. (2011) conclude:

> “Women’s empowerment is notoriously difficult to measure and the few quantitative studies included in this report that do examine empowerment issues might lack credibility due to unresolved issues of measuring women´s empowerment. However, a wealth of qualitative studies exists (Todd 1996) suggesting that the perception of women within their communities changes due to their activities in microfinance. [...] However qualitative evidence has often suggested that women become more involved in household and community decision-making or gain more control over resources. Much of this evidence has been assessed as ‘inspiring stories’, which do not amount to convincing positive evaluation in the face of more ambiguous quantitative evidence (Armendáriz de Aghion and Morduch 2010). In an otherwise sympathetic review, Kabeer (2005[...:4709]), pointed out that the mainly qualitative evidence she reviewed suggested effects that are highly contingent on ‘context, commitment and capacity’ [...]“.[11]

Context, commitment and capacity are always defining aspects for whether institutions make a positive impact or not. In addition it will be argued that a multidimensional conceptualization of empowerment, which is common in *qualitative* studies, can also enhance the *quantitative* measurement of empowerment. This is the methodological

[9] ibid.

[10] Duvendack et al. (2011: 75) Duvendack et altera add: “Exploring why what appears to have been inappropriate optimism towards microfinance became so widespread would also be a suitable subject for further research which would involve political scientists.” (ibid, 76) See also the quoted references: Todd (1996), de Aghion, Beatriz Armendáriz and Morduch (2005), Kabeer (2005)

[11] Duvendack et al. (2011: 69)

aim of the thesis. The novelty is that it applies, for the first time, a comprehensive multidimensional empowerment measure through a survey for the assessment of empowerment in the context of microfinance. Furthermore it scrutinizes the usefulness of the various indicators in the measurement of microfinance impact. In contrast, the earlier mentioned, first RCT conducted by Banerjee et altera (2009) operationalizes empowerment merely as decisions on "household spending, investment, savings, and education".[12]

With regard to the perception of *Microfinance Institution* (MFI) in post-crisis Andhra Pradesh (or for that matter in the whole of India) there is only one notable comprehensive study by *MicroSave* (2011). This uses focus group discussions, relative preference ranking, financial sector trend analysis, interviews with stakeholders and case study methods to assess the situation after the major 2010 crisis.[13] The thesis refers to the *MicroSave* study when looking at the interest rate levels of informal and formal lenders in Andhra Pradesh. While it provides insightful findings on the perception of microfinance, the given percentages refer to the qualitative research sessions (like focus group discussions) and do *not* provide a quantitative assessment of the perception of female clients — neither in comparison to female non-clients nor to male clients. The sample survey that was implemented for this thesis on the perception of *Microfinance Institution* (MFI) by clients themselves is therefore the first of its kind.

However, before the findings on perception and empowerment can be presented, an in-depth examination of the conceptualization of development and empowerment — the overall declared aims of microfinance is required. This follows in the subsequent chapter, which introduces and discusses the capability approach.

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[12] Banerjee et al. (2009: 34, table 8). The most comprehensive database on impact evaluations is provided by the grant-making NGO, called "3ie" and lists ten studies with regard to "microfinance, empowerment and India". (See www.3ieimpact.org) However out of those few studies which actually measure empowerment and make it explicit, which indicator they are using, the most notable operationalization includes Nilikantan et altera, who use the following indicators: decision making with regard to credit, expenditure and children as well as the management of the micro-enterprise. See Nilakantan et al. (2013). Another notable operationalization comes from Garikipati and includes the following empowerment indicators: decision making with regard to the household, ownership of household assets and incomes, control over minor and major finances, work time allocation and division of domestic chores. See Garikipati (2008: 2627).

[13] MicroSave (2011: 9)

2 Theoretical Framework — Capabilities, Rights and the Conceptualization and Measurement of Poverty and Empowerment

The *capability approach* "emerged as the leading alternative to standard economic frameworks for thinking about poverty, inequality and human development generally",[14] as David Clark, the editor of the *The Elgar Companion to Development Studies* states. It naturally lends itself to the theoretical conceptualization and — as will be shown — to the assessment of microfinance and its impact, most importantly, on female empowerment. In this chapter three core theoretical pillars are presented: the central assumptions and claims of the capability approach; the discourse on citizenship, which provides useful insights for a critique of the capability approach and finally, the overarching themes of poverty and empowerment.

This chapter begins with an explanation of the theoretical framework of the *capability approach,* with the following lead questions:
(i) What should be the focus when conceptualising and assessing wellbeing and deprivation — resources, preferences, rights, justice or individual freedoms, as suggested by the *capability approach*?
(ii) Is the *capability approach* merely a theoretical-philosophical lens or can it be operationalized for a comparison based on wellbeing?
(iii) Does the conceptualization of *capabilities* — from basic ones, like having shelter to being able to play a complicated piece on the piano — make the approach arbitrary and unworkable? Or, is there any agreement on selecting relevant capabilities, like those suggested by the philosopher and leading proponent of the capability approach, Martha Nussbaum?

[14] Clark (2006a: 32)

Thereafter, the citizenship discourse on core civil, political and social *rights* — especially the concepts of *economic citizenship* and *inclusive citizenship* — are introduced to enrich the debate on Nussbaum´s 'capabilities as fundamental entitlements'.[15] Central queries to be addressed are:

(i) Citizenship in its historical appearance and as reflected in T. H. Marshall´s conceptualization represents a democratic-welfare-capitalism.[16] Does the (often praised as well as criticised) openness of the *capability approach* prevent it from taking a clear stand on questions about regime types, social policies and the economic system?

(ii) How can the citizenship discourse as well as the *capability approach* benefit from concepts like economic citizenship or inclusive citizenship — which address the role of (often) females who are taking care of children and the elderly as well as the role of the prevalent informal sector in developing countries, as well as the role of the widespread values of justice, recognition, self-determination and solidarity that exist even in severe situations of poverty? [17]

This leads to a conceptualization of poverty as multidimensional deprivation with the following principal inquiries:

(i) What are common material, economic and social conceptualizations of poverty?

(ii) What are the advantages of the *Multidimensional Poverty Index* (MPI) — not only in comparison to resource-based measures (like income) but also in comparison to the capability-based *Human Development Index* (HDR)?

(iii) What is the face of poverty in India — with regards to the dimensions of health, education and living-standards — within different states and caste groups and in comparison to India´s South Asian and BRICS peers?[18]

This in turn lays the groundwork for a multidimensional conceptualization of empowerment, which raises the following questions:

(i) What role does individual and group *agency*, the *opportunity structure* and the underlying root-concept of power play in leading em-*power*-ment conceptualizations?

(ii) Is empowerment in the context of development in South Asia depoliticized?

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[15] Nussbaum (2002b)

[16] Dean and Melrose (1999: 83)

[17] Kabeer (ed. 2005: 7)

[18] BRICS stands for Brazil, Russia, India, China and South Africa.

(iii) How can one conceptualize and operationalize (female) empowerment in the context of microfinance?

2.1 The Capability Approach — or Development as the Expansion of Individual Freedoms

'Development as freedom' — this is the essence of the *capability approach* developed by Nobel Prize winning economist and philosopher Amartya Sen. [19] Development is defined "as a process of expanding the real freedoms that people enjoy."[20] The expansion of individual freedoms is for Sen not only a primary end of development (*intrinsic value*) but also a principal means for development (*instrumental function*).[21] Agency features prominently in Sen´s approach.[22] He posits "that free and sustainable agency emerges as a major engine of development".[23] Sen´s concept of development revolves around the capabilities of individuals and "their respective roles in the promotion of overall freedoms for people to lead the kind of lives they have reason to value."[24]

2.1.1 Capabilities, Resources, Preferences, Rights or Justice?

What should be the focus when conceptualising and assessing wellbeing and deprivation? Conventional approaches focus on *resources* (such as income or commodities), *preferences* (aiming at happiness or desire fulfilment), *rights* (most fundamentally human rights, and citizenship rights) or *justice* (like distributive justice in the sense of Rawls as "justice as fairness"). The *capability approach* challenges these

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[19] Parts of this chapter have been published in an earlier version in Hawa (ed. 2012). I am thankful to the organizers of the *International Interdisciplinary Summer School* 2010 on the „The Capabilities Approach on Social Order" with Martha Nussbaum from the University of Chicago and all participants for their comments on an earlier draft of parts of this chapter.
[20] Sen (1999: 3)
[21] Sen (1999: 37)
[22] Sen (1999), e.g. Chapter 8 on Women´s Agency and Social Change, 189ff. "(…) achievement of development is thoroughly dependent on the free agency of people" - ibid: 4.
[23] Sen (1999: 4)
[24] Sen (1999: 10)

traditional concepts with its focus on *individual freedoms,* or in other words, the "substantive freedoms — the capabilities — to choose a life one has reason to value".[25]

What is the postulated advantage of focusing on *individual freedoms* rather than on *resources*, *preferences*, *rights* or *justice?*

Resources-based approaches are criticised — by Sen and others — for their reduction of human wellbeing to its *economic aspects*. In their operationalization this means a focus on income or commodities. Naturally, money (in the form of valued currencies) can be exchanged for (almost) any commodity or service and therefore can provide for a variety of capabilities. However, when evaluating wellbeing and deprivation the narrow focus on resources has the following disadvantages in comparison to the *capability approach*, as pointed out by Martha Nussbaum[26]:

(i) *Dimensions* — While resource-based measures have a rather narrow focus on overall wealth or command over resources, capability-based approaches with their focus on individual freedoms allow for a more comprehensive conceptualization of well-being. The operationalization of core dimensions include health, senses, emotions, reasoning or affiliation to name just a few. This allows for a more holistic view of human beings as ends, rather than a focus on the means.

(ii) *Distribution* — Resource-based measures like the *Gross Domestic Product (GDP) Per Capita* do not take into account the distribution of wealth. Capability-based measures like the *Multidimensional Poverty Index* (MPI) can decompose — or in other words zoom into — the deprivations of specific groups of people. Comparisons can be made not only regarding the percentage of people deprived in specific dimensions or indicators but also regarding the *intensity* of deprivation. We will see how the capability-based *Women´s Empowerment in Agriculture Index* (WEAI) inherently takes into account the differences in empowerment levels *within* a household — between the head of the household and his (or in matriarchic societies her) spouse.

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[25] Sen (1999: 74)
[26] Nussbaum (2002a: 125ff)

(iii) *Individual conversion factors* — Resource-based approaches ignore that "different people and societies typically differ in their capacity to convert income and commodities into valuable achievements".[27] This might be because of disabilities or illness, as a result of defective social institutions, unfavourable social and legal norms or market failures. Given these individual conversion factors — that is the fact, that not each person has the same capability to convert given assets into achievements — one discriminates systematically against those already *disadvantaged groups*, when focusing on resources. The *capability approach* on the other hand allows for assessing what *obstacles* prevent certain groups of people from not being able to translate given resources into achieved beings and doings (or in the terminology of the capability approach: *functionings*). The *capability approach* therefore offers a rationale for providing disadvantaged groups with special resources and privileges — like *affirmative actions* in the form of quotas in universities, bureaucracies or local government councils.

Preference-based approaches, which often focus on utility, are seen in comparison to capability-based approaches as being deficient for the following reasons that have been pinpointed by Nussbaum:[28]
(i) *Utility approach* — Preference-based approaches focusing on utility are criticized for their neglect of other aspects — beyond desire fulfilment or happiness — that have intrinsic value for human life such as rights and positive freedoms.[29] The *utility approach* is furthermore critiqued for not distinguishing between different sources of pleasure and pain and their significance.[30]

(ii) *Adaptive preferences* — Even though preference-based approaches have the advantage over resource-based approaches by putting the human in the focus of analysis, their inherent problem is that they usually just ask people about their satisfaction with their current situation. This means that they do not take into account that *preferences are not exogenous*, that they are instead shaped by the socio-economic, political, cultural and personal circumstances. Adaptive preferences means that desires — against which happiness is perceived — are adjusted to the given, maybe deficient,

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[27] Clark (2006a: 33)
[28] Nussbaum (2002a: 127ff)
[29] Clark (2006a: 34)
[30] ibid.

life situations. On the other hand, preferences are also shaped by obligations and social norms.[31] Capability-based approaches recognise that preferences are also shaped by exogenous factors — through laws, institutions and traditions.

(iii) *Inequalities* — Given the problem of adaptive preferences the focus on *current preferences* affirms given inequalities which have been „entrenched enough to have crept into people´s very desires", as Nussbaum (2002: 128) so eloquently puts it. When focusing on capability sets the options for an individual, from which he or she chooses, come to the fore. However, when focusing on *achieved functionings* (that is achieved doings or beings) — as often done when operationalizing the capability approach out of necessity, e.g. due to data availability — a similar problem arises within the framework of the capability approach. Nevertheless, it is not a problem of the conceptualisation but of the operationalization.

Rights-Based Approaches are also seen as insufficient for a comprehensive conceptualisation and operationalization of well-being, due to the following shortcomings, which have been summarized by Nussbaum:[32]

(i) *Intra-family injustices* — Coming from a liberal political philosophy tradition, right-based approaches distinguish between the public and the private sphere. Therefore they tend to ignore injustices *within* the family such as the uneven distribution of resources and opportunities or domestic violence. As will be shown, the capability-based approaches can assess these inequalities within a household.

(ii) *Political action* — Nussbaum points out that the capability approach is a close ally of the human rights approach and "complementary with some versions of it. But it has (…) a superior clarity in the way in which it defines both the goal of political action and its rationale."[33]

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[31] For a discussion on the negative *and* positive aspects of adaptation with regard to the capability approach, see Teschl and Comim (2005)
[32] Nussbaum (2002a: 133ff)
[33] Nussbaum (2002a: 133)

(iii) *Agency* – The capability approach stresses the role of the state in shaping the socio-economic environment of its citizen in order "to bring all citizens up to the threshold level of capability."[34]

Finally, with regard to *social-contract based approaches*, such as the theory of justice by John Rawls, the *capability approach* has one central advantage, according to Nussbaum[35]: the theoretical construct of "fully cooperating members of society over a complete life" (as assumed by Rawls) ignores the fact that human beings have long phases of profound dependency and neediness for care, especially but not exclusively, as children and in old age. The capability approach does not draw on such a theoretical social contract and has its strength precisely with regard to people with inadequate capabilities such as children and the elderly.

Is the *capability approach* then merely a critique of other theories or a theory in its own right? Robeyns distinguishes between three levels at which the *capability approach* operates:

(A) As a *critique of other approaches* that evaluate well-being;

(B) As a *theoretical-philosophical concept* with which one could analyse issues like "welfare and poverty, freedom and independence, development, gender related and other inequalities or justice and social-ethics."[36];

(C) As an *interpersonal welfare comparison approach* for measuring poverty and injustice. In the empirical chapters of this thesis, this third level will be considered in terms of measuring empowerment.

[34] Nussbaum (2002a: 133)
[35] Nussbaum (2002a: 134)
[36] Robeyns (2000: 3)

2.1.2 The Capability Approach as Theory and "Workable" Approach

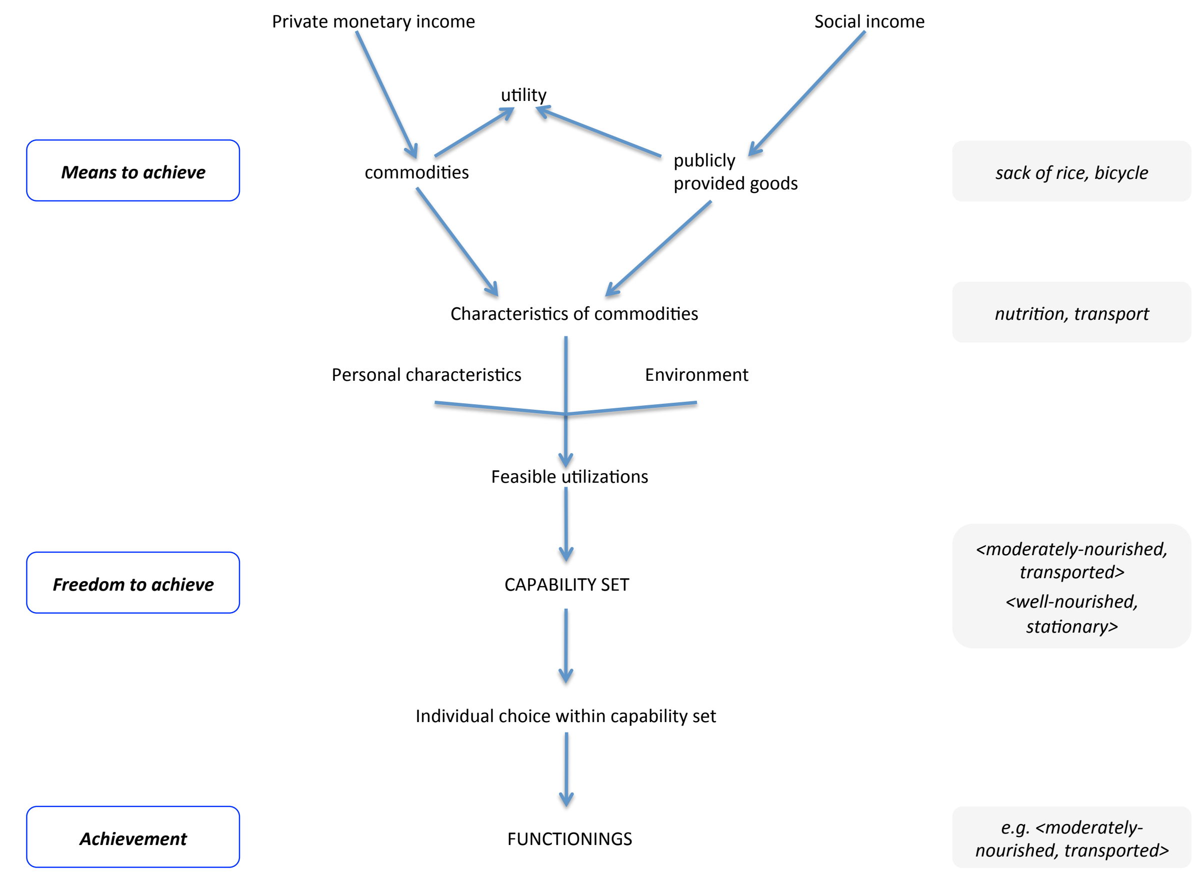
A visualisation (See Figure 1.) of the *capability approach* makes it apparent that traditional approaches of conceptualizing and measuring wellbeing merely take the *means to achieve* into account — that is income, commodities or the corresponding utility. If and how it is feasible for an individual to use these means to achieve valuable ends, was generally not part of the analysis. The *capability approach* on the other hand, draws attention to the *freedom to achieve* or, in other words, the *capability* of a person to do or be something. Examples for such capabilities are: to be well nourished, to attend school or to get a credit. Here an important clarification needs to be made. It is often the case that such capabilities are *de jure* guaranteed by law, but are *de facto* neither achievable nor enforceable for the individual. India is a good example with its often-praised laws, which however, not infrequently, lack effective implementation and enforceability. The capability approach is mainly interested in the *de facto achievability*.

The *de facto achievements* of an individual — called *achieved functionings* — depict the life situation of a person at a given moment. The *achieved functionings* result from a person´s choice, that emerges from her or his *capability set*. There are different ways to label these achievements: (i) 'living-standard achievement' — which Sen regards as a narrow notion referring only to the individual; (ii) 'well-being achievement' — which also includes *sympathy* for other people; and (iii) 'agency achievement' — which also takes into account *social commitments*.[37]

In contrast to the traditional evaluation of commodities or utilities — the capability approach analyses "what the person actually succeeds in doing with the commodity given its characteristics and his or her own personal characteristics and external circumstances."[38]

[37] Saith (2001: 9)
[38] Saith (2001: 6)

Figure 1 A Visualization of the Capability Approach



Source: Based on (Laderchi et al. 2003: 255) for the central figure depicting the links (modified), (Robeyns 2005: 98) for the aspects of achievement, and (Saith 2001: 7ff) for the examples.

The capability approach distinguishes between *functionings* and *capabilities*. (See Figure 1 above). *Functionings* are "the various things a person may value doing or being", for example being healthy, living in a safe environment, having good friends, a profound education or a good job.[39] Their scope reaches from very fundamental *functionings* such as being well-nourished, to complex ones like play a challenging piece on the piano. A *Capability* on the other hand is the "ability to do or be something".[40] Hence, capabilities are the different possible combinations of *functionings*, which one person is able to realise and thus represents his or her freedom to choose the life that she or he has reason to value.

[39] Alkire (2002: 1)
[40] Saith (2001: 7)

Box 1 Terminology of the Capability Approach

Functioning	• *Doings or beings* a person has reasons to value. • Examples: being nourished, being healthy, having good friends, having a good job. • Range from fundamental functionings like being well nourished to advanced ones like being able to play a challenging piece on the piano.
Capability	• *Ability (Freedom) to do or be* something. • Different possible combinations of functionings from which a person can choose — taking into account trade-offs. • Example: *Freedom to* choose to be <moderately nourished & transported> or <well nourished & stationary>. (Saith 2001: 7ff) • The total capability set is the *freedom* of a person to choose a life he or she has reason to value.
Achieved Functioning	• *Achievements* of doings or beings a person has reasons to value. • The combination of functionings (doings or beings) a person has achieved — after choosing from his or her set of capabilities. • Example: Being <moderately nourished & transported>. (Saith 2001: 7ff)
Agency	• People are seen as active agents, who can "shape their own destiny and help each other" not as passive recipients of cunning welfare programs. (Sen 1999: 11, 53) • Requirement: Adequate social opportunities and institutions are required. (Sen 1999: xii)
Institutions	• Adequate Institutions in the political, economic and social realm as well as transparency guarantees, and protective security are required to increase a person´s capability to live the life she or he values. (Sen 1999: 38) • Examples: federal and local governments, administrations and political parties, the market, a free press as well as health and education systems.
Justice	• The chance to make use of individual freedoms, rather than primarily distributive justice.

Source: Based on the quoted works of Sen, Nussbaum, Alkire and Saith.

Why should it be important to distinguish between *functionings* and *capabilities*, when assessing individual freedoms? Is it not sufficient, not to be hungry — which would be the satisfaction of a *functioning*? Do people really want the *freedom* not to be hungry — which would be a *capability*? Alkire — answering her own question — elaborates, that *functionings* could be achieved by force, violence or oppression; but individuals and groups throughout time have valued their freedom to *determine* their own political, social and economic future.[41] Capabilities constitute a chance to do or be something, thus a “positive freedom” (freedom to). This is in contrast to “negative freedom” (freedom from), as the bare absence of force and interference by others.

The difference between *functionings* and *capabilities* is well explained by Hausman and McPherson: “A person´s functionings are those things that the person does and experiences. Walking, playing the piano, being-well-nourished, loving one´s friends, understanding Chinese, and appreciating cubism are all functionings. But, like Rawls, Sen does not think that social policy should concern itself directly with the functionings that people achieve. Social policy, insofar as it is motivated by a concern for welfare, should instead focus on “capabilities” (…) A capability is the ability to achieve a certain sort of “functioning.” [sic] For example, literacy [or *being able to* read] is a capability while [the act of] reading is a functioning. People may value capabilities for their own sake as well as for the functionings they permit — you´re glad that you can walk around even if you are inclined to stay put”.[42]

Does the broad conceptualisation of capabilities — from *being able to* being well-nourished to *being able to* playing a sophisticated peace on the piano — lead to an arbitrariness and ultimate uselessness of this “definition”? Are some capabilities not more important than others? Sen — for the purpose of answering this question takes an instrumental perspective on individual freedoms — and points to five types of freedoms/capabilities that help to advance the general capability of a person to live the life she or he values: (1) *political* freedoms, (2) *economic* facilities, (3) *social* opportunities, (4) *transparency* guarantees, and (5) *protective security*.[43] These instrumental freedoms are seen as interconnected and might serve to re-enforce each other.[44]

Sen´s conception of human nature regards people as active *agents*. He argues that: “With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not to be seen primarily as passive recipients of the benefits

[41] Alkire (2002: 2)
[42] Hausman and McPherson (2006: 130)
[43] Sen (1999: 10, 38)
[44] Sen (1999: 40)

of cunning development programmes. There is indeed a strong rationale for recognizing the positive role of free and sustainable agency — and even of constructive impatience."[45] Justice is therefore not understood primarily as distributive justice, but as the chance to make use of individual freedoms. Adequate procedures and institutions, which enable individual freedoms of people, play a key role in Sen´s conceptualisation. "Institutions" in this conceptualisation come in the form of federal or local governments, administrations and political parties, the health and education system as well as a free press or the market, to name just a few.[46]

The *openness* of the *capability approach* makes it applicable with a range of normative and epistemological specifications. This "*deliberate radical under-specification"*[47] of the *capability approach* can be perceived as a weakness, leading to an ambiguous, unusable catch-all theory. It can however, also be regarded as an advantage concerning its usefulness in capturing complex realities; and because it urges scholars, to explicate their underlying assumptions. Robeyns[48] identifies three theoretical specifications, which inevitably have to be made during the operationalization of the capability approach:
(A) Are *functionings or capabilities* the focus of analysis?
(B) How are the *relevant capabilities* selected?
(C) If an *overall assessment* is the aim, how are the different capabilities weighted?

In order to make these theoretical specifications with regard to the empirical focus of this thesis, namely empowerment, it is useful to see, how other scholars have dealt with it. Concerning the first questions of whether to focus on *functionings* or *capabilities* (point A), Nussbaum like Sen points out that *functionings* should not be the goal of public policies; otherwise we would be "precluding many choices that citizens may make in accordance of their own perceptions of the good".[49] This liberal, anti-paternalistic conception is also in line with the "responsibility-sensitivity principle" from political philosophy and welfare economics. However, "informational problems or

[45] Sen (1999: 11)
[46] Sen (1999: 20)
[47] Robeyns (2006: 353)
[48] Robeyns (2006: 353)
[49] Nussbaum (2002a: 132)

measurement constraints might make a focus on *functionings* the best available or only feasible option".[50]

An emphasis on *functionings* is the focus of choice in certain applications, as with the measurement of well-being *outcomes,* which Robeyns points out. This focus on *functionings* can be justifiable as in the case of large-scale analysis, within which the classic example — for illustrating the difference between *functionings* and *capabilities* — of people who are fasting (and hence are voluntarily hungry) can be regarded as "outliers" that do not have a statistical effect.[51] Saith concludes that "(i)deally interpersonal comparisons, within the functioning space, ought to involve evaluation and comparison of the capability sets. Practical considerations however usually restrict comparisons to those of the chosen functioning vector",[52] that is the *achieved functionings*. (See Box 1 Terminology of the Capability Approach and Figure 1 A Visualization of the Capability Approach.)

Is the *capability approach* merely a philosophic idea with little practical relevance? Given the impressive range and growing number of studies that operationalize the *capability approach* and produce insightful findings one can safely reject this objection. Robeyns (2006) provides a comprehensive survey and assessment of how the capability approach has been used for (a) general assessments of the human development of countries, (b) assessments of small-scale development projects, (c) identifying the poor in developing countries, (d) poverty and well-being assessments in advanced economies, (e) deprivation assessment of disabled people, (f) assessment of gender inequalities, (g) debating policies, (h) critiquing and assessing social norms, practices and discourses as well as, (i) the utilisation of *functionings* and *capabilities* as concepts in non-normative research.[53]

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[50] Robeyns (2006: 354)
[51] Robeyns (2006: 354)
[52] Saith (2001: 10)
[53] See Robeyns (2006)

2.1.3 Selecting Relevant Capabilities

The second theoretical specification of selecting relevant capabilities (point B of Robeyns´ three theoretical specifications, see section above) can be examined at very different levels. At the level of ideal theory, there is Martha Nussbaum´s well-known list of basic-human capabilities. (See Box 2.) At the level of empirical application, there are for example Finni´s practical reasoning approach (as applied by Sabina Alkire 2002) as well as *a-theoretical*, procedural methods using statistical methods — like factor analysis — for determining which underlying factors are captured by existing survey data.[54] In the following we focus on the level of a theoretical justification of relevant capabilities. Nussbaum justifies the core human capabilities on her list as (i) *necessary elements of truly human functioning* that command a broad *cross-cultural consensus;* (ii) being of central importance and *distinct in quality* — the idea of an "irreducible *plurality"* that limits trade-off considerations between these core, irreducible capabilities; and (iii) exerting a *moral claim* that these core human capabilities should be enhanced.[55]

Box 2 'Basic Human Capabilities' by Martha Nussbaum

Life	Being able to live to the end of a normal life of normal length.
Bodily health	Being able to have good health, adequate nourishment and shelter.
Bodily integrity	Being able to move from place to place; being able to secure one's body against assault; having opportunities for sexual satisfaction and choice in matters of reproduction.
Senses	Imagination and thought. Being able to use the senses — to imagine, to think, to reason and to do these in a way that is informed and cultivated by adequate education — requiring not just education as formally understood, but also, legal guarantees of freedom of expression and of religious exercise. Being able to avoid unnecessary and non-beneficial pain as far as possible and being able to have pleasurable experiences.
Emotions	Being able to have attachments to things and to persons who are outside ourselves – an ability which would require certain crucial forms of human association to be supported.
Practical Reason	Being able to form one's conception of what is good and be able to engage in critical reflection about planning one's life — e.g. ability to seek employment and

[54] Robeyns (2006: 355)
[55] Nussbaum (2002a: 131)

	participate in human life; entailing protection for the liberty of conscience.
Affiliation	(i) Being able to live for others and engage in various forms of social interaction — an ability which would require the protection of certain institutions that people affiliate to, and protection of freedoms of assembly and political speech. (ii) Having social bases of self-respect and non-humiliation, entailing at a minimum, protections against discrimination on the basis of race, sex, religion, caste ethnicity or national origin.
Other species	Being able to live with concern for not just human beings but also animals, plants and nature.
Play	Being able to laugh, play and enjoy recreational activities.
Control over one's Environment	(i) Political - Being able to participate effectively in political choices governing one's life. (ii) Material – being able to hold property in terms of real opportunity; having property rights and rights to seek employment on an equal basis with others; having freedom from unwarranted search and seizure. With regard to work, exercising practical reason and entering into mutual relationships.

Source: (Nussbaum 1999). Quoted from: (Saith 2001: 14).

Sen has remained on a more abstract level in his theoretical work concerning the selection of capabilities, in order to keep the capability framework open to a broad spectrum of potential applications. Nussbaum on the other hand, has proposed basic human capabilities "to provide a focus for quality of life assessment and for political planning".[56] Nussbaum´s list of 'basic human capabilities' refers to the areas of life, bodily health, bodily integrity, senses, emotions, practical reason, affiliation, other species, play and control over one's environment. (See Box 2.) It is only natural and indispensable that such a proposal would face rigorous scrutiny. Gasper has identified the following critique of Nussbaum´s list: (a) incompleteness — missing of important dimension(s), (b) need for elaboration — too sketchy, versus (c) need for blurring or rejection — too specific, (d) mono-logical, (e) illiberal and as having a (f) missing middle — "a sketch not of minimal humanness or of 'flourishing' but of a decent minimum".[57]

As Gasper points out, the critique of "missing dimensions" and being too sketchy versus too specific could be addressed within Nussbaum´s approach through public scrutiny and debate. The same holds true for the criticism of being mono-logical — "that it assumes a deep-thinking individual could rationally determine what is morally binding

[56] Nussbaum (2002a: 131)
[57] Gasper (1997: 295)

in a situation; as opposed to dia- or poly-logical, where validity can emerge only through exchange of views by appropriate procedures."[58] Gasper insists "that plural and local specification can be, and surely are, realized in any particular context through processes of debate, negotiation and varied forms of group decision-making" and hence no deep-thinking individual but rather argumentative exchange is required.[59]

Concerning the criticism that Nussbaum´s approach appears "illiberal", one can refer to Nussbaum´s own precautions and the essence of the capability approach: (i) the "specification" of capabilities at a high level of *generality*, (ii) the prominent status of standard *political and civil liberties* and (iii) the very core of the capability approach of focusing on *capabilities rather than functionings*, which inherently protects pluralism.[60]
Nussbaum´s list includes all the entitlements that fall under the classical notion of citizenship; citizenship as the equality of citizens regarding their civil, political and social rights — and obligations. The most influential conceptualisation of citizenship is T. H. Marshall´s essay, "Citizenship and Social Class" from 1950. It showcases the triad of civil, political and social rights as a powerful framework for the articulation of social and political struggles and their transformation into legal rights.

There are two main reasons, why it might be worthwhile to re-examine the concept of core *capabilities* as concretized by Martha Nussbaum in light of the citizenship discourse. First, the classic, Marshallian notion of citizenship is criticized for its neglect of economic dimensions. This critique calls attention to the context of 'developing countries' as well as to gender equality. The worth of care-taking for children and the elderly and that of domestic work is highlighted. Not least in the context of developing countries, a right to work is advocated.[61] Muhammad Yunus, the economist from Bangladesh and Nobel laureate for his achievements in microfinance, advocates the right to credit as a "fundamental human right".[62] These debates on economic aspects like care and domestic work, the right to work or the right to credit can help not only to

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[58] Gasper (1997: 297)
[59] Gasper (1997: 297)
[60] Nussbaum (2002a: 133)
[61] In the Indian case the *Mahatma Gandhi National Rural Employment Guarantee Act* (MGNREGA) would be a good case study under the framework of a citizenship right to work.
[62] See the homepage of Muhammad Yunus: www.muhammadyunus.org/index.php/professor-yunus, last accessed: 4th May 2015.

scrutinize the list proposed by Nussbaum, but will also be useful for the following conceptualization and operationalization of empowerment in the context of microfinance.

Secondly, the citizenship discourse can help to clarify the agency behind the different 'functional capabilities', which Martha Nussbaum proposes as fundamental *entitlements*. While in the concept of citizenship the central role of the state in the provision of equal rights is emphasized and a *democratic-welfare-capitalism* (Dean and Melrose 1999: 83) is inherent, it does not seem self-evident which agent should be held accountable in making the 'choice in matters of reproduction' or 'being able to form one´s conception of what is good and be able to engage in critical reflection about planning one´s life'. (See Nussbaum´s list in Box 2.) Therefore an analysis of the concept of citizenship — and specifically economic citizenship — will lead us to a constructive critique of the potentially underdeveloped economic dimensions of the capability approach, especially against the background of its operationalization for the assessment of achievements in development and more specifically, empowerment.

2.2 Citizenship — or the Struggle for Civil, Political, Social (and Economic) Rights

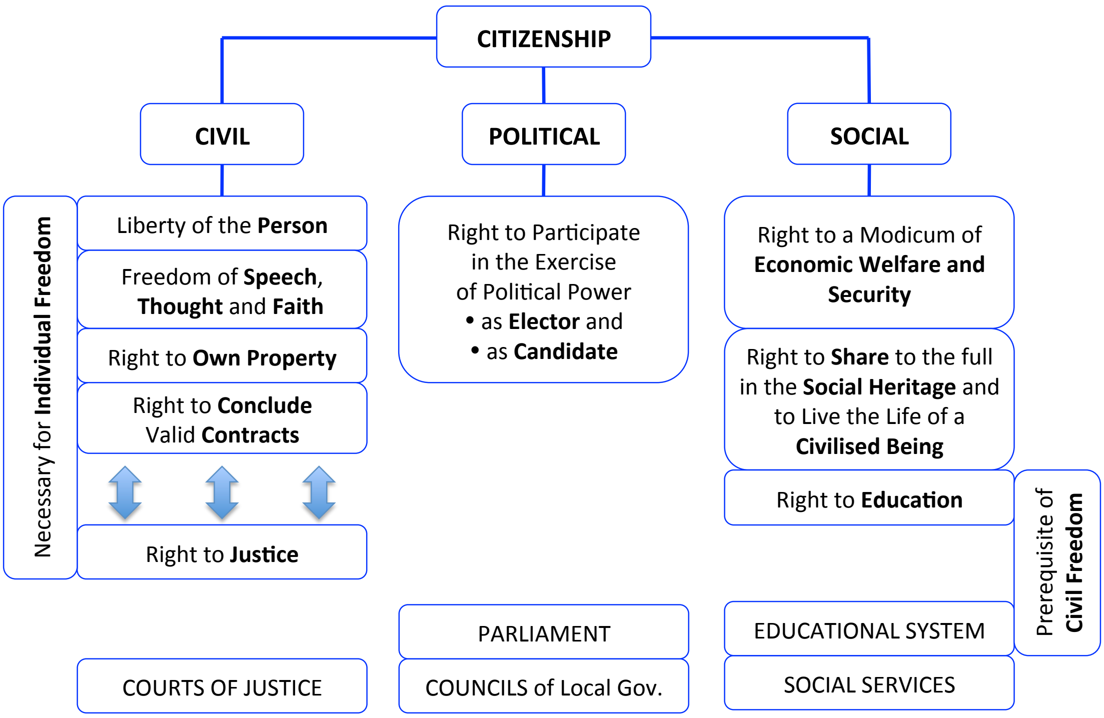
Citizenship lies at the core of debates about inclusion and exclusion. Citizenship stands both for a *status* as well as for a set of *rights*.[63] In his pioneering work, T.H. Marshall[64] defined citizenship as "a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed." These rights and duties are not universally given, "but societies in which citizenship is a developing institution create an image of an ideal citizenship against which achievement can be measured and towards which aspiration can be directed."[65] Rights provide people "with capacities or capabilities and

[63] Barbalet (1994: 227)
[64] Marshall and Bottomore (1987 (1950): 18)
[65] Marshall and Bottomore (1987 (1950): 18)

opportunities and (...) they can do so with a measure of security"[66], as the sociologist Jack Barbalet emphasizes.

In the European context the idea of citizenship emerged out of the Enlightenment and despite facing setbacks, has expanded its reach ever since.[67] T.H. Marshall recognised three realms of citizenship rights — namely civil rights, political rights and social rights. (See Figure 2.)

Figure 2 T.H. Marshall´s Concept of Citizenship.



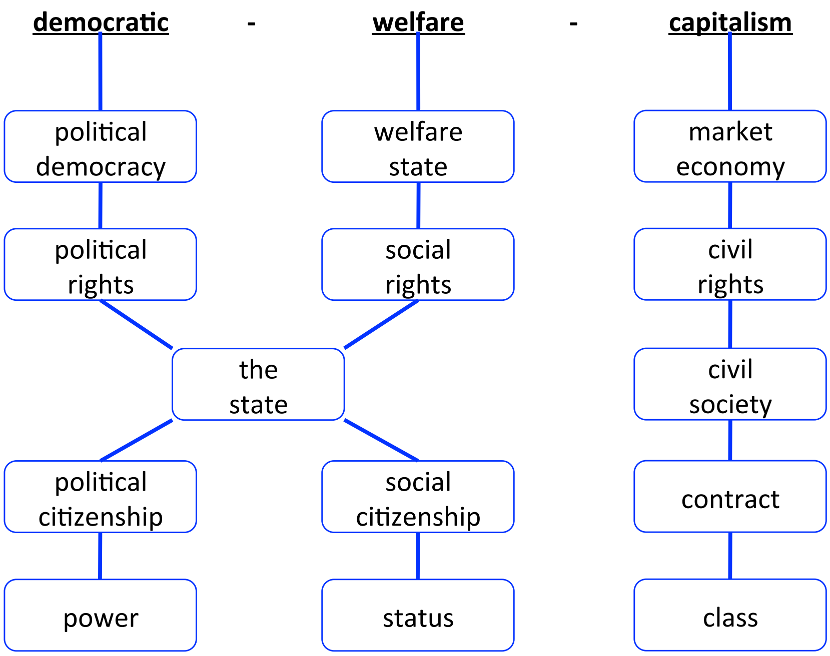
Source: Author's graphic based on T.H. Marshall (1950): Citizenship and Social Class.

Civil rights emerged in the 18th century, such as liberty of the person, freedom of speech, thought and faith, the right to own property and to conclude valid contracts, and the right to justice — as a super-ordinated right, meaning that it provides the possibility to claim all other rights legally. The institutions of civil rights took the shape of courts of justice. *Political rights* emerged in the 19th century, such as the right to vote and the right

[66] Barbalet (1994: 228)
[67] See e.g. Turner and Hamilton (1994: 35)

to stand for elections. In other words this was the right to participate in the exercise of political power through the parliament and through councils of local government. *Social rights* finally were institutionalised in the 20th century, such as the right to education, to a "modicum of economic welfare and security" and "to share to the full in the social heritage and to live the life of a civilised being".[68] The institutions for the provision of social rights are first and foremost the educational system and the social services of welfare states.

Figure 3 T. H. Marshall´s Hyphenated Society



Source: (Dean and Melrose 1999: 83)

The English society, which Marshall analysed historically and upon which his conceptualisation of citizenship is based, developed through the establishment of civil, political and social rights into a *democratic-welfare-capitalist* society.[69] (See: *Figure 3 T.H. Marshall´s Hyphenated Society*.) Citizenship in the conception of T.H. Marshall has an intrinsic connection to *democracy* as a form of government (that is inter alia the active and passive right to vote and freedom of speech with all the respective institutions), *free-market economy* (based on the right to own property and the right to conclude valid

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[68] Marshall and Bottomore (1987 (1950): 8)
[69] Dean and Melrose (1999: 82)

contracts) and a *welfare state* (necessary for the provision of a modicum of economic welfare and security). These three dimensions of citizenship in the notion of T.H. Marshall are depicted in Figure 3 with their respective institutions, rights, central actors and reference points such as power, status and class.

However, the concept of citizenship took on a more ambivalent form in many less-developed countries.[70] For instance, in India the concept was introduced in the early nineteenth century in order to legitimize colonial domination as was the case in many other formerly colonized countries.[71] Despite this initial distortion, the idea of citizenship played a decisive role right from the beginning of the foundation of the Republic of India. In the Constitution of 1950 most civil and political rights of citizenship — as outlined by T.H. Marshall — were incorporated.[72] The Preamble stipulates democracy as the form of government with its intrinsic political rights and prescribes justice (social, economic and political), liberty (of thought, expression, belief, faith and worship), equality (of status and of opportunity) and fraternity (assuring the dignity of the individual). A remarkable exception is the right to own property, which was originally ensured under Articles 19 and 31, but with the 44th amendment act of 1978, the right to property was removed from the list of fundamental rights and became only a legal right.[73]

Examining the most controversial debates about citizenship, one detects parallels to the criticism of the capability approach.[74] First, the debate identifies the tensions between *universalism versus particularism* or the cultural relativism of rights. This relates closely to the debate about human rights. Can human rights be regarded as universal? Within international law this question seems to be answered, as the *International Bill of Human*

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[70] I had the opportunity to benefit from debates within the research project on 'citizenship as conceptual flow' led by Subrata K. Mitra, drawing on his work on the institutional basis of citizenship and the role of identity. This project traced citizenship in a transcultural context, focusing on South Asian and European examples, see Mitra (ed. 2013).
[71] Isin and Turner (eds. 2003: 293) and Harriss-White (2003: 1)
[72] See Government of India (2007)
[73] Following the liberal economic reforms from the beginning of the 1990s onwards this issue has come back into the political debate. See: Forty-Fourth Amendment, The Constitution (Amendment) Acts including statement of object and reasons (SOR), Government of India, Ministry of Law and Justice, URL: http://indiacode.nic.in/coiweb/amend/amend44.htm [Last accessed 4th May 2015].
[74] See Kabeer (ed. 2005: 9)

Rights[75] has been ratified by a vast majority of countries and hence became international law. Secondly, there is the hiatus between *individual versus collective rights*. In this context the debate about special rights for underprivileged and excluded social groups is central, as in the Indian case of positive discrimination.[76] This debate about individual versus group rights also links to the debate — most famously between Amartya Sen and Singapore´s Prime Minister Lee Kuan Yew — on "Asian values" of loyalty towards family, nation or corporation and the forgoing of (Western-style) individual freedoms for higher goods.[77]

Thirdly, one needs to take into account the distinction between a *hierarchy* versus an *indivisibility of rights*. Within this debate the "privileged status granted by mainstream liberal theorists to civil and political rights over economic, social and cultural rights" is challenged by theorists insisting that these rights are "indivisible: each is essential for the realisation of others".[78] This indivisibility is accounted for on the ground that exclusion is often multidimensional in its constitution: "political disenfranchisement, social marginalisation, cultural devaluation and economic dispossession come together in various combinations to define the condition of exclusion and marginalization."[79]

Finally, the discussion highlights the *relation between rights and duties*.[80] Competing philosophies of citizenship attach different importance to rights and duties. *Libertarian* thinkers postulate that citizens have to 'earn' their rights by first fulfilling their obligations as citizens whereas *communitarian* thinkers deem it necessary to link the provision of welfare measures to the fulfilment of obligations in return — nevertheless letting rights precede duties. What White calls the *real libertarians,* finally, do not

[75] The International Bill of Human Rights, consisting of the Universal Declaration of Human Rights (adopted 1948), the International Convenant on Civil and Political Rights (1966) and the International Convenant on Economic, Social and Cultural Rights (1966).
[76] Even though "the State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, place of birth or any of them" (Article 15.1 of the Indian Constitution); special rights for groups find its expression in the formulation "nothing in this article (…) shall prevent the State from making any special provision, by law, for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes or the Scheduled Tribes" or in other articles "for women and children". (Ministry of Law and Justice 2007)
[77] See Sen´s critique of Lee Kuan Yew's "defense of authoritarianism" and his argument that tolerance and civil rights have roots both in Asian and Western traditions: Sen (1997b).
[78] Kabeer (ed. 2005: 15)
[79] Kabeer (ed. 2005: 15)
[80] See Kabeer (ed. 2005: 16)

consider duties or obligations necessary and insist on the unconditional provision of civil, political and social rights.[81]

2.2.1 Economic Citizenship — or Full Participation in the Polity

Within the growing field of citizenship studies, efforts have been made to establish other concepts of citizenship — beyond the Marshallian triad of civil, political and social rights — emphasizing particular aspects, like cultural, multicultural or cosmopolitan citizenship, post-national and denationalized citizenship, sexual or environmental citizenship as well as flexible or multi-layered citizenship.[82]

Economic citizenship refers in the conceptualization of the historian Alice Kessler-Harris to "the privileges and opportunities necessary for men and women to achieve economic autonomy and independence".[83] *Economic citizenship* should comprise "the right to work at the occupation of one´s choice (where work includes child-rearing and household maintenance), to earn wages adequate to the support of self and family, to a non-discriminatory job market, to the education and training that facilitates access to it, to the social benefits necessary to sustain and support labour force participation."[84] In her critique, the sociologist Ana Guillén points out that it would be important — especially in the context of less developed countries — to also take into account the "informal, illegal, or underground economy activities".[85] In India for example, approximately 83 per cent of the population (92% of women workers and 80% of men) work in the informal or "unorganised" sector of the economy.[86]

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[81] White (2003: 7)
[82] See Isin and Turner (eds. 2003)
[83] Kessler-Harris as quoted in Guillén (2003: 186).
[84] Guillén (2003: 187)
[85] Guillén (2003: 188)
[86] Harriss-White (2003: 5).
The International Labour Organization (ILO) conducted the latest comprehensive study in 2002, stating with regard to the "unorganized" sector in India: "The informal workforce in India is an estimated 370 million workers, nearly 93 per cent of the total workforce. (…) The informal workforce is comprised of three main segments. First, informal employment in agriculture — comprised of the self-employed in small-scale farm units and of agricultural labour — which continues to be important in India, represents 60 per cent of total employment. Second, employment in informal enterprises/sector outside of agriculture represents another 28 per cent of total informal employment. Third, informal employment outside informal enterprises and outside of agriculture is an estimated 6 per cent of the total informal

Inclusive citizenship, outlined by the social economist Naila Kabeer provides a broader conceptualization of citizenship in the context of less developed countries.[87] In the chapter *"growing citizenship from the grassroots"*, Kabeer explains her concerns with 'substantive' rights in practice ('from below') rather than formal citizenship as a legal construct.[88] Given the fact that within citizenship studies the bulk of academic work is theoretical, Kabeer makes an important contribution towards reducing the 'empirical void'[89] by addressing what citizenship means to citizens themselves, especially those who are excluded.

Justice, recognition, self-determination and solidarity are the four most widespread values concerning the organisation of life in a society, identified by Kabeer in her empirical study.[90] *Justice* as the notion of "when it is fair for people to be treated the same and when it is fair that they should be treated differently"; *Recognition* "of the intrinsic worth of all human beings, but also recognition of and respect for their differences" (or Hannah Arendt´s "right to have rights"); *Self-determination* as "people´s ability to exercise some degree of control over their lives"; and *Solidarity* as "the capacity to identify with others and to act in unity with them in their claims for justice and recognition."[91]

These widespread — if not universal — values highlight that also in the context of severe poverty and exclusion, economic means are not the sole and foremost concern of people. This corresponds with the comprehensive assessment of poverty introduced by the *capability approach*.

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workforce (…). Among the total non-agricultural workforce, 133 million workers or 83 per cent are in the informal economy." International Labour Organization (2002: 34)
[87] Kabeer (ed. 2005)
[88] Kabeer (ed. 2005), chapter 11.
[89] Lister (2007: 12)
[90] Kabeer (ed. 2005: 7)
[91] Kabeer (ed. 2005: 3)

2.3 Poverty — as Multidimensional Deprivation

What is poverty?[92] A renowned glossary on poverty identifies twelve distinct definitions.[93]

Poverty as a material concept: (1) *Need* constituted by lack of material goods and services — such as basic human needs like save drinking water, food, shelter, sanitation, health, education or information.[94] (2) *Patterns of deprivation* taking into account the combinations, seriousness and duration of deprivations. (3) *Limited command over resources* as every need is a need for something.

Poverty as economic circumstances: (4) *Standard of living* measured as income or consumption. (5) *Inequality* as an intrinsic conceptual part of poverty when poverty is linked to a minimum standard of living tolerable in a society. (6) *Economic position* in society, abstracted as "class" and reflecting the inequality of a social structure.

Poverty as social circumstances: (7) *Social class* attaching a socio-economic status to an economic position in society – e.g. "underclass" or in the Indian context "low castes" or "untouchables". (8) *Dependency* mainly conceptualised in the relationship towards the state as following from being dependent on social benefits. (9) *Lack of basic security* leading to vulnerabilities with regard to social risks. (10) *Lack of entitlement* as the underlying reason for lack of resources. (11) *Exclusion* from the "minimum acceptable way of life" due to limitations in material, social and cultural resources.[95]

(12) Poverty as moral judgement: pointing to the element of *unacceptable hardship* of poverty, implying that something ought to be done about it. (See Figure 61 Definitions of Poverty in the Appendix.)

Poverty is thus quite obviously, multidimensional. Decisive in the acknowledgement of the multiple dimensions of poverty has been the human development approach spearheaded by the *United Nations Development Programme*. Since launching the human

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92 An earlier version of the following paragraphs has been published in Mitra et al. (22–8)

93 Spicker et al. (eds. 2007: 230–40)

94 United Nations, Department of Economic and Social Affairs (1995: 57)

95 European Economic Community, On specific community action to combat poverty (85/8/EEC, Official Journal of the EEC, 2/24, 1985).

development index in 1990 by Mahbub ul Haq and Amartya Sen, which aimed at putting health and education, in addition to income, at the centre of poverty conceptualisation, more and more dimensions of poverty have been acknowledged as essential.

Poverty as a lack of *entitlement* — the argument that a lack of essential resources echoes a lack of entitlements, as made by Drèze and Sen (1989) — was a milestone in the multidimensional conceptualisation of poverty.[96] In other words, it is not the lack of food that produces famines but the inability of people to buy existing food; it is not the lack of housing that constitutes homelessness but the lack of access to housing. Developing this idea further, Sen's capability approach defines development as the expansion of *peoples' individual freedoms* and their overall capability to enjoy a life they have reason to value. One of the central contributions of the *capability approach* has been to draw attention to the importance of *agency* and *freedom of choice*.

This leads to the question of how poverty can be measured. The most pervasive international measures are the poverty lines set by the World Bank at $1.25 and $2 using 2005 purchasing-power parity (PPP). These poverty lines refer to an underlying definition of poverty as "the inability to attain a minimal standard of living".[97] Such an *absolute* measure of living standards, usually measured as income or consumption, defines a specific and a — to a certain extent arbitrary — threshold under which one is regarded as being poor. This type of absolute measure has to be distinguished from a *relative* standard of living in a society, which conveys inequality and which is the common way to conceptualise and measure poverty in advanced economies (e.g. setting the poverty line at 60% of average household income as das been done in the UK).

The beauty of attaining a single, allegedly precise number of poor people based on their income brings with it a high price, as Spicker et al. (eds. 2007: 61) point out: First, it *defines the standard of living narrowly* in terms of income, not taking into account other central aspects like life expectancy or access and quality of health care and education. Second, *non-monetary income* and income transfers like free or subsidized public services do not feature due to data limitations. Third, the way income is *adjusted for*

[96] Drèze and Sen (1989)
[97] World Bank (1990: 26)

household size and type is rather arbitrary. Fourth, the *differences in cost-of-living* between different regions and social groups are not captured appropriately.[98] Fifth, *inequality within the household* is usually not captured. To gain a more comprehensive and instructive understanding of poverty, it is necessary to look into further dimensions beyond standard of living measures (and their indicators like income or consumption).

The *multidimensional poverty index* (MPI) is an innovative measurement and was launched at the 20th anniversary of the *human development report* in 2010.[99] The MPI assesses the "nature and intensity of poverty at the individual level".[100] The MPI goes beyond a mere headcount of poor people and identifies the depth of poverty, meaning the intensity of deprivation across different dimensions of poverty. So far, the MPI takes into account three dimensions: (1) *health* — measured as nutrition and child mortality; (2) *education* — with the indicators years of schooling and number of children enrolled and (3) *standard of living* — comprising electricity, drinking water, sanitation, type of floor, cooking fuel and assets.[101]

Yet more "missing dimensions" of the *multidimensional poverty index* (MPI) have been suggested for future inclusion. Alkire and Santos suggest the following dimensions: quality of work, empowerment, physical safety, social connectedness and psychological well-being.[102] One core feature of the MPI is that it enables the black box of "poverty" to be opened, as findings can be analysed according to *indicators* (e.g. how much the indicators of sanitation or cooking fuel contribute to overall poverty), by *groups* of the population (e.g. in what dimensions groups like scheduled castes experience more or less deprivation than other groups — and what the intensity of these deprivations is) and by *regions* (e.g. which states or regions within states are exposed to what kind and what intensity of poverty). This allows for more precise policy recommendations than aggregated, non-decomposable indices like *GDP per Capita* or also the *Human Development Index* (HDI).

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[98] Spicker et al. (eds. 2007: 61)
[99] United Nations Development Programme (UNDP) (2010)
[100] Alkire and Santos (2010b: 1)
[101] Alkire and Santos (2010b: 2)
[102] See Oxford Poverty and Human Development Initiative (OPHI), Missing Dimensions of Poverty, URL: http://www.ophi.org.uk/research/missing-dimensions.

2.3.1 Poverty in India — a Multidimensional Analysis

In the following pages the insights gained from a multidimensional, capability-based, (by indicators, groups and regions) decomposable *poverty* measurement will be introduced for the case of India. This will set the stage for a multidimensional, capability-based, decomposable *empowerment* measurement — developed by the same group of scholars as the MPI, namely the *Oxford Poverty and Human Development Initiative* (OPHI).[103] This *empowerment* measurement, called the *Women's Empowerment in Agriculture Index* (WEAI) is modified for the empirical study of this thesis. The insights into poverty in India introduced here, also prepares the ground for the literature review on microfinance (in chapter 3) and the context of the microfinance boom and bust in India (in chapter 4).

Poverty in India is best understood in comparison to its South Asian neighbours and its international peers in the BRICS nomenclature — referring to Brazil, Russia, India, China and South Africa. The multidimensional poverty index (MPI) does not only identify a different proportion of people as poor, but the difference to resource-based measures varies widely. In India, Bangladesh and Pakistan, the percentage of people classified as MPI poor is between the two poverty lines used by the World Bank. The percentage of people classified as MPI poor ranges from 51% in Pakistan, 55% in India to 58% in Bangladesh. (See Table 1.) For China and especially for South Africa, the MPI identifies less people as poor compared to both World Bank poverty lines — 13% in China (instead of 16%, respectively 36%) and merely 3% in South Africa (instead of 26%, respectively 43%).

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[103] I would like the OPHI team for the fruitful discussion at the international summer school on multidimensional poverty measurement and inequality comparison in Amman, Jordan in 2010.

Table 1 Poverty Lines and Multidimensional Poverty Index (MPI) — BRICS, Pakistan and Bangladesh

	Comparative Poverty Measures				Poverty Depth	Index
	US$ 1.25 a day	US$ 2 a day	National Poverty Line	MPI – Proportion of Poor (H) a)	MPI – Average Intensity (A)	MPI (= H x A)
India b)	42 %	76 %	29 %	55 %	53.5 %	0.296
Bangladesh c)	50 %	81 %	40 %	58 %	50.4 %	0.291
Pakistan	23 %	60 %	33 %	51 %	54.0 %	0.275
China d)	16 %	36 %	3 %	13 %	44.9 %	0.056
Brazil	5 %	13 %	22 %	9 %	46.0 %	0.039
South Africa	26 %	43 %	22 %	3 %	46.7 %	0.014
Russia	2 %	2 %	20 %	1 %	38.9 %	0.005

a) Values have been rounded.
b) Survey Data for India: DHS 2005.
c) Survey Data for Bangladesh and Pakistan: DHS 2007.
d) Survey Data for China, Brazil, South Africa and Russia: WHS 2003.

Source: Oxford Poverty and Human Development Initiative (OPHI), Country Briefing – India, Bangladesh, Pakistan, China, Brazil South Africa, Russia, 2010 & Human Development Report, 2010.

Bangladesh has the highest percentage of poor people in South Asia, followed by India and then Pakistan, according both to the poverty lines of the World Bank and to the multidimensional poverty index (MPI) proportion of poor. (See Table 1.) This order changes when using the national poverty lines, as defined by the states themselves.[104] The overall MPI finds that India has the worst performance among the three South Asian states. This is due to the way the MPI is computed: it takes into account the average intensity of deprivation (A) and multiplies it with the proportion of poor (H).[105] (See last three columns in Table 1.) The average intensity of deprivation "reflects the proportion of dimensions in which households are, on average, deprived".[106] The

[104] Poverty measurement is, of course, a highly political issue. This can be seen in the extensive debates in academic journals — like the Indian *Economic and Political Weekly* (EPW) — and controversial debates in national media about the conceptualisation and determination of the national poverty line.
[105] Concerning the methodology see: Alkire and Santos (2010a). As well as: United Nations Development Programme (UNDP) (2010).
[106] Alkire and Santos (2010b: 2)

dimensions are — as introduced above — health, education and standard of living. On average, poor households in India are deprived across more dimensions than in Bangladesh, whereas Pakistan has an even slightly higher average intensity of deprivation than India (See second last column in Table 1.) Due to this higher average intensity of deprivation in India (despite having some percentage points less poor people than Bangladesh), India performs slightly worse than Bangladesh.

Table 2 Multidimensional Poverty Index (MPI) by Indicators — BRICS, Pakistan and Bangladesh

States	*Education* [a)]		*Health* [a)]		*Living Standard* [a)]					
	Schooling	*Enrolment (Children)*	*Mortality (Children)*	*Nutrition*	*Electricity*	*Sanitation*	*Drinking Water*	*Floor*	*Cooking Fuel*	*Assets*
India	18 %	25 %	23 %	39 %	29 %	49 %	12 %	40 %	52 %	38 %
Bangladesh	24 %	9 %	24 %	37 %	39 %	48 %	2 %	54 %	57 %	45 %
Pakistan	19 %	34 %	30 %	N/A	9 %	33 %	8 %	36 %	42 %	26 %
China	11 %	0 %	0 %	3 %	0 %	8 %	3 %	3 %	9 %	2 %
Brazil	8 %	0 %	0 %	1 %	0 %	4 %	2 %	2 %	7 %	0 %
South Africa	3 %	0 %	0 %	1 %	0 %	2 %	1 %	1 %	2 %	1 %
Russia	1 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	1 %

Source: OPHI, *Country Briefing – India, Bangladesh, Pakistan, China, Brazil South Africa, Russia*, 2010.

Decomposing by the indicators of education, health and living standards gives a much clearer picture regarding the comparison between India and its peers in South Asia and in the BRICS. (See Table 2.) Bangladesh outperforms India and Pakistan concerning the enrolment of children whereas Pakistan is far better in providing electricity to its citizens. Given the weights of the different indicators the biggest contributor to multidimensional poverty in India is the health sector, with inadequate nutrition contributing disproportionately. Within the living standard dimension, cooking fuel and sanitation can be pinpointed as major contributors to a low ranking of multidimensional poverty in India. (Regarding living standards, measured as GDP per capita, in a global perspective over time, see Box 3.) Regarding *multidimensional poverty* India´s performance on all indicators is far worse than that of its BRICS peers; which, with the exception of China, of course also have only a fraction of India´s population.[107]

Box 3 Longue Durée View of World GDP and World GDP Per Capita

When analysing the "wealth of nations" (to use the words of Adam Smith) and the human development of people living in these nations, it is insightful to also take a *longue durée* view.[108] Based on the calculations of the British economist Angus Maddison about the historical development of the World GDP, China´s share was in 2008 back to a similar level as in 1870 (around 18%) — after a long decline from its peak in 1820 (with a share of around *one third* of World GDP) to its low point around 1970 (with a share below 5%). (See Figure 62 A History of World GDP in the Appendix.) The figures for India are similarly impressive — with the difference that not least due to the earlier economic reforms in China (starting in 1978 under Deng Xiaoping), India (with its economic liberalisation starting arguably in 1990 under Narasimha Rao) has a far lower share of World GDP.

However, it is important to remind oneself about the overall size of World GDP over time — e.g. the economic output in 1820 in comparison to 2010. Drawing again on (updated) figures from Angus Maddison: a startling 23% of all goods and services ever produced — since the presumed birth year of Jesus Christ — were produced between 2001 and 2010. (See Figure 63 When history was made.) When taking into account the production in the 20th century this percentage — of all goods and services ever produced — goes up to 78%. The same graphic also depicts "years lived" for each century, which takes into account the respective World population and life expectancy — summing up all years lived by a human. This leads to the intriguing finding that "over 28% of all the history made since the birth of Christ was made in the 20th century."[109]

GDP per capita subsequently to this production boom grew impressively — for some countries exponentially — in the 20th century. (See Figure 64 in the Appendix.)

A state-wise comparison of the *multidimensional poverty index* (*MPI)* reveals the huge variation in multidimensional poverty between Indian states — ranging from 16% being poor in Kerala, 32% in Tamil Nadu, 58% in West Bengal to 81% in Bihar. (See Table 3.) A

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[107] The BRICS population sizes in 2013 were: 1.4 billion in China, 1.3 in India, 200 million in Brazil, 143 million in Russia, and 53 million in South Africa. See http://data.worldbank.org/indicator/SP.POP.TOTL, accessed 14th May 2015.

[108] The French *Annales School* associated with Marc Bloch and Lucien Febvre advocates (i) a long-term view of *historical structures*, (ii) the utilization of social scientific methods like economic history and (iii) more attention to *social* history. Burke distinguishes three phases: first (in the 1920s to 1945) the movement was "small, radical and subversive, fighting a guerrilla action against traditional history, political history, and the history of events"; then it became "a 'school' with distinctive concepts (notably 'structure' and 'conjuncture') and distinctive methods (notably the 'serial history' of changes over the long term), [and] was dominated by Fernand Braudel"; finally (after 1968) it fragmented — as Burke (1990: 2) states.

[109] The Economist Online (June 28th 2011)

special feature of the MPI is that it highlights the fact that poverty needs to be examined both in terms of its spread as well as its depth. The *average intensity* of poverty — meaning the average deprivation across all indicators, of those identified as poor — differs from 41% in Kerala to 61% in Bihar.[110] (See Table 3.)

Table 3 Multidimensional Poverty Index (MPI) for Indian States

MPI Rank	*States*	*Population (millions) 2007*	*Number of MPI Poor (millions)*	*Proportion of Poor (H)*	*Average Intensity (A)*	*MPI (HxA)*
1	Kerala	35.0	5.6	15.9 %	40.9 %	0.065
2	Goa	1.6	0.4	21.7 %	43.4 %	0.094
3	Punjab	27.1	7.1	26.2 %	46.0 %	0.120
4	Himachal Pradesh	6.7	2.1	31.0 %	42.3 %	0.131
5	Tamil Nadu	68.0	22.0	32.4 %	43.6 %	0.141
6	Uttaranchal	9.6	3.9	40.3 %	46.9 %	0.189
7	Maharashtra	108.7	43.6	40.1 %	48.1 %	0.193
8	Haryana	24.1	10.0	41.6 %	47.9 %	0.199
9	Gujarat	57.3	23.8	41.5 %	49.2 %	0.205
10	Jammu & Kashmir	12.2	5.4	43.8 %	47.7 %	0.209
11	Andhra Pradesh	83.9	37.5	44.7 %	47.1 %	0.211
12	Karnataka	58.6	27.0	46.1 %	48.3 %	0.223
13	Eastern Ind. States	44.2	25.5	57.6 %	52.5 %	0.303
14	West Bengal	89.5	52.2	58.3 %	54.3 %	0.317
15	Orissa	40.7	26.0	64.0 %	54.0 %	0.345
16	Rajasthan	65.4	41.9	64.2 %	54.7 %	0.351
17	Uttar Pradesh	192.6	134.7	69.9 %	55.2 %	0.386
18	Chhattisgarh	23.9	17.2	71.9 %	53.9 %	0.387
19	Madhya Pradesh	70.0	48.6	69.5 %	56.0 %	0.389
20	Jharkhand	30.5	23.5	77.0 %	60.2 %	0.463
21	Bihar	95.0	77.3	81.4 %	61.3 %	0.499
	India	*1,164.7*	*645.0*	*55.4 %*	*53.5 %*	*0.296*

Source: Based on Oxford Poverty & Human Development Initiative (OPHI), Country Briefing India, 2010.

[110] An earlier version of the following section has been published in Mitra et al. .

In several indicators for health, education and living standard the poorest Indian states are comparable to Sub-Saharan Africa.[111] Then again one has to keep in mind the startling diversity of India as a subcontinent. There is an immense variety in human development achievements — from the impressive human development achievements of states like Kerala to the specific needs (e.g. child school attendance, mortality, nutrition or sanitation) in mega-states like Uttar Pradesh (with nearly 200 million citizens) or Bihar (with more than 100 million citizens). (See Table 4.)

The Indian case also implies a clear link between human development and security. The majority of states with so called "Left Wing Extremist" (LWE) affected districts, meaning districts with *Naxalite* operations, are in the lower part of the human development spectrum, with proportions of people living in multidimensional poverty of up to 81%, as in the case of Bihar (See LWE affected states, marked with * in Table 4.) Former Prime Minister Manmohan Singh declared that the Maoists constituted "the single biggest internal security challenge ever faced by our country."[112] This link between poverty and security issues — like, so called "Left Wing Extremism" (LWE) — gives poverty alleviation policies an additional urgency.

[111] See Oxford Poverty and Human Development Initiative (OPHI) (2010: 5)
[112] This led to the Integrated Action Plan (IAP) to foster development in 60 tribal and backward districts in LWE affected regions. A special LWE scheme was introduced within the Security Related Expenditure (SRE). Under this scheme, financial resources spent in states on anti-Naxalite operations and improvement of security-related infrastructure, are reimbursed by the Indian government.

Table 4 Multidimensional Poverty Index (MPI) for Indian States by Indicators

MPI Rank	State	MPI	H (Proportion of poor in %)[113]	Proportion of people (in %) who are poor and deprived in…									
				Education		Health		Standard of Living					
				Schooling	Child School Attendance	Mortality	Nutrition	Electricity	Sanitation	Drinking Water	Floor	Cooking Fuel	Assets
1	Delhi	0.062	14	4	9	7	9	0	10	3	2	5	6
2	Kerala	0.065	16	1	7	4	12	5	4	9	3	15	11
3	Goa	0.094	22	4	9	4	16	2	16	10	12	17	12
4	Punjab	0.120	26	8	13	9	17	2	20	1	16	23	11
5	Himachal Pradesh	0.131	31	4	7	9	25	1	28	8	15	29	20
6	Tamil Nadu	0.141	32	9	8	11	21	7	31	5	12	30	24
7	Uttaranchal [114]	0.189	40	8	10	15	30	15	33	10	30	37	27
8	*Maharashtra	0.193	40	8	15	14	30	13	36	8	27	34	28
9	Haryana	0.199	42	8	20	15	30	8	34	8	24	39	25

[113] "The proportion of MPI poor population is estimated using the Demographic and Health Surveys (DHS) dataset 2005-06, which has a slightly different distribution of population across states." (OPHI 2010, 6)
[114] Till 2006 called Uttaranchal.

10	Gujarat	0.205	42	12	13	17	33	9	36	10	24	36	29
11	Jammu & Kashmir	0.209	44	8	22	16	27	5	40	17	28	39	27
12	*Andhra Pradesh	0.211	45	19	13	16	29	8	41	6	19	42	35
13	*Karnataka	0.223	46	12	21	17	33	8	41	12	19	42	32
14	Eastern States [115]	0.303	58	19	21	19	37	41	45	23	50	55	42
15	*West Bengal	0.317	58	25	23	19	42	41	47	7	48	57	43
16	*Orissa	0.345	64	23	19	24	45	43	62	20	51	63	49
17	Rajasthan	0.351	64	21	32	28	44	31	60	24	36	61	47
18	*Uttar Pradesh	0.386	70	18	36	37	46	48	62	7	58	66	41
19	*Chhattisgarh	0.387	72	21	29	31	52	24	69	22	64	70	48
20	*Madhya Pradesh	0.389	70	22	32	31	50	25	65	31	57	67	52
21	*Jharkhand	0.463	77	26	45	30	56	55	73	42	63	76	55
22	*Bihar	0.499	81	35	52	35	61	65	74	4	70	79	57
	India	0.296	54	18	25	23	39	29	49	12	40	52	38

* States with "Left Wing Extremist" affected districts included under Security Related Expenditure (SRE) Scheme (Ministry of Home Affairs 2010).

Source: all MPI data from Alkire and Santos 2010, 124–25; population figures from Ministry of Home Affairs, Government of India 2012.

[115] Eastern States include Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura. (OPHI 2010, 6)

Finally when decomposing by social classes the common impression is confirmed, that marginalised social groups are disproportionately affected by poverty — the MPI regards as poor: 81.4% of *scheduled tribes*, 65.8% of *scheduled castes* and 58.3% of *other backward classes* — that is in comparison to 33,3% of the general population being classified as MPI poor. (See table Table 5.)

Table 5 Multidimensional Poverty Index (MPI) for Indian Caste Groups

	MPI	*Percentage of MPI Poor*	*Average Intensity*
Scheduled Caste	0.361	65.8%	54.8%
Scheduled Tribe	0.482	81.4%	59.2%
Other Backward Class	0.305	58.3%	52.3%
General	0.157	33.3%	47.2%

Source: (Oxford Poverty and Human Development Initiative (OPHI) 2010: 5)

Drawing on this multidimensional poverty measurement, the final section of this theoretical chapter deals with the conceptualization and operationalization of empowerment in the context of microfinance.

2.4 Empowerment — as the Expansion of Agency

Microfinance is often associated not only with poverty reduction but also with empowerment and, in particular, the empowerment of women who, especially in a country like India, make up the overwhelming majority of clients. Microfinance Institutions state women´s empowerment as one of their central goals. Regarding the four biggest MFIs in the following empirical study of Andhra Pradesh — namely Spandana, Asmitha, Share and SKS — all name women as their main target group in their *Social Performance Profiles* in the leading database for microfinance, called *Mixed Market*. All those that provided their development goals in the database[116] declare, "gender equality and women´s empowerment" as one of them. The development goals are usually positioned directly after the financial and entrepreneur related goals — such as increased access to financial services, poverty reduction, employment generation, growth of existing business and development of start-up enterprises — and before all other goals, such as health improvement, children´s schooling or housing. [117]

But what exactly is meant by empowerment and how does it manifest itself? When meeting spokespersons of SHGs or SHG-Federations (as experienced several times by the author), it was striking to see the eloquence and confidence with which women spoke up in front of large, often male dominated audiences and the courage with which they openly raised problems they and their peers had experienced with microfinance. This ability to raise one's voice is surely one part of empowerment but empowerment has multiple facets. What follows is a short review of how empowerment has been defined – especially in the context of development.

[116] The Microfinance Institution *Share* failed to provide their development goals.
[117] Source: MixMarket, Microfinance Institutions Database, www.mixmarket.org/mfi/spandana, last assessed 27th November 2013.

2.4.1 Definitions of Em-power-ment

Empowerment as the "expansion of freedom of choice and action" is a definition provided by the World Bank[118] but what is it that dis-empowered people lack? In the influential cross-cultural, large-scale participatory study, *Voices of the poor* two features appear as a universal, underlying fact of poverty: the "voicelessness and powerlessness" of those living in poverty.[119] Drawing on this insight the World Bank further elaborates on empowerment in its *Empowerment and Poverty Reduction Sourcebook* as, "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives."[120] Institutions here refer both to formal ones like the state, market or civil society as well as informal ones, like norms and practices.[121]

Empowerment in such definitions is seen as "an increase in certain kinds of agency that are deemed particularly instrumental to the situation at hand", as Alkire points out.[122] In this definition empowerment is a "subset of agency, that focuses on the instrumental value of agency".[123] Agency, however, as "people´s ability to act on behalf of what matters to them" also has an intrinsic value and is often regarded as one dimension of wellbeing.[124] Complementing agency, empowerment is often conceptualized with reference to "autonomy, self-direction, self-determination, liberation, participation, mobilization, and self-confidence".[125] Core elements of empowerment conceptualizations — as collected and analysed by Ibrahim and Alkire (See Table 1 in the Appendix.) — include:

(1) *Agency* and *Opportunity Structure*: Individual agency — defined by Sen as "what a person is free to do or achieve in pursuit of whatever goals or values he or she regards important"[126] — has to be seen within the respective opportunity structure, meaning the institutional and non-institutional structures in areas like society, politics and the economy that hinder or enable people to exercise agency, as outlined by Alsop.[127]

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118 World Bank (2002: 19)
119 Narayan (2000: 51)
120 World Bank (2002: 11)
121 World Bank (2002: 13, 14) The authors identify four key elements for successful institutional change, namely access to information, inclusion/participation, accountability and local organizational capacity.
122 Alkire (2005: 222)
123 Alkire (2005: 222)
124 Alkire (2005: 223)
125 Narayan (ed. 2005: 3). Quoted in Ibrahim and Alkire (2007: 6)
126 Sen (1985: 206)
127 Alsop et al. (2006). Explicated to in Ibrahim and Alkire (2007: 6)

(2) Empowerment as a *Process*: Sen argues that it is worth considering “the procedure of free decision by the person himself (no matter how successful the person is in getting what he would like to achieve) is an important requirement of freedom.”[128] This links to:

(3) *Social Mobility* and *Collective Action*: for Craig and Mayo (1995) empowerment “is about collective community, and ultimately class conscientization, to critically understand reality in order to use the power which even the powerless do possess, so as to challenge the powerful and ultimately to transform the reality through conscious political struggles”.[129] Empowerment is thus a *struggle for power* and *rights,* bringing politics back into what is, at times, a depoliticized debate.

(4) Empowerment as *Psychological*: even on the individual level one can distinguish several levels of empowerment. These are a micro level regarding a sense of *personal control*, an interface level regarding social contacts and the community as well as a macro-level including “the individual's critical reflection on power relations and his/her readiness to take action”.[130]

(5) Empowerment as Participation: This participating refers to decision-making in all kinds of formal settings (like local political representation, e.g. in the *Panchayati Raj* system in India) and informal settings (like the family). This also points to the importance of institutions and procedures, their legitimacy, accountability and transparency.

This focus on participation leads to the, in various forms, most used definition referring to empowerment as the process of enhancing the capabilities and assets of people to influence institutions, participate in decision-making and engage in markets. (See e.g. Grootaert, Malhotra, Moser and Narayan in the collection of empowerment concepts in Table 1 in the Appendix.) This influential definition goes back to the World Development Report (WDR) 2000/2001 which stated that:

> “Empowerment means enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in

[128] Sen (2002: 585). Quoted in Ibrahim and Alkire (2007: 6)
[129] Craig and Mayo 1995 as quoted in Ibrahim and Alkire (2007: 7)
[130] Albertyn (2005: 32)

political processes and local decision-making. And it means removing the barriers — political, legal and social — that work against particular groups, and building the assets of poor people to enable them to engage effectively in markets."[131]

When defining *empowerment* — as the *expansion of agency* on all levels — one can also take a more clear-cut political standpoint like the renowned Pakistani economist Mahbub ul Haq, who after a long career at the World Bank, convinced the UNDP "to sponsor the *Human Development Report*, as an alternative to the World Bank´s *World Development Report* (…) argue(ing) that the ultimate end of development was to improve human well-being and economic growth was only a means (…)."[132] For Ul Haq empowerment meant:

> "people are in a position to exercise choices of their own free will. It implies a political democracy in which people can influence decisions about their lives. It requires economic liberalism so that people are free from excessive economic controls and regulations. It means decentralisation of power so that real governance is brought to the doorstep of every person. It means that all members of civil society, particularly non-governmental organisations, participate fully in making and implementing decisions."[133]

This *democratic - decentralized - economic liberalism* as a requirement for empowerment formulated by ul Haq surely comes close to T.H. Marshall´s "hyphenated society" of *democratic - welfare - capitalism*. (See Figure 3.)

Problematizing these political implications of empowerment — as a concept in development — the former Iranian diplomat Rahnema states, "When A considers it essential for B to be empowered, A assumes not only that B has no power — or does not have the right kind of power — but also that A has the secret formula of a power to which B has to be initiated. In the current participatory ideology, this formula is, in fact, nothing but a revised version of state power, or what could be called fear-power."[134] A

[131] World Bank (2000: 39)
[132] Clark (ed. 2006: 214)
[133] ul Haq, Mahbub (1995) Reflections on Human Development, New Delhi: Oxford University Press, p. 20. Quoted in Chellakan (2007: 201).
[134] Rahnema (2009: 135)

similar debate evolved around power in the public policy concept of good governance. Mitra calls attention to and questions the usage of 'good governance' in its most common form, which "makes it possible for those with the money and the vision to instil their objectives in the qualifier, 'good' that precedes governance. Even when the definers of good governance act out of the best of intentions, the pre-qualification lowers the legitimacy of the concept for those affected by it in direct proportion to the hiatus between what they perceive as their interests and those of their minders."[135]

Power — after all — is the underlying "root-concept" of empowerment[136] and has, of course, been conceptualised in many different ways.[137] Before introducing the context of South Asia, it is worthwhile pinpointing two of the many existing power conceptualizations, keeping in mind the twin empirical aims of this study which are, to survey the perception of microfinance institutions and assess empowerment levels of female clients and non-clients.

Foucault´s analysis of discourse as power[138] has been fruitfully applied in the context of development. The Colombian-American anthropologist Arturo Escobar traces the invention of *development* and shows how discourses translate into power.[139] He argues that the "exercise of power" by the multitude of development actors was induced by professionalizing and institutionalizing the production of knowledge and practices".[140] The American anthropologist James Ferguson shows with the example of Lesotho how the developing discourse can end up *mis-guiding* development interventions through a distorted picture of the socio-economic reality in order to justify interventions.[141] What is more, the discourse takes the "politics out of `development´" and thereby makes the "´development` apparatus (…) (into) a machine for reinforcing and expanding the exercise of bureaucratic state power, which incidentally takes ´poverty` as its point of

[135] Mitra (2006: 4)
[136] Rowlands (1996: 86)
[137] For a good guide to primary and secondary sources on the concept of power — from Thucydides through Machiavelli and Hobbes to Weber, Luhmann, C. Schmitt and Foucault see Nohlen and Schultze (eds. 1995: 305–15). The "Six-Field-Matrix of Power" by Pfetsch (1995) shows the spectrum of power with regard to the "type and use of resources" and the "degree of force and legitimacy". (Pfetsch 1995: 85)
[138] For Foucault a "discourse is constituted by the difference between what one could say correctly at one period (under the rules of grammar and logic) and what is actually said." Foucault (1991: 63)
[139] Escobar (2012)
[140] Escobar (1988: 430–1)
[141] Ferguson (1994)

entry and justification — launching an intervention that may have no effect on the poverty but does have other concrete effects."[142]

Another useful systematisation of power comes from the social psychologists French and Raven.[143] Power is operationalized in the form of influence — influence on psychological change including "behavior, opinions, attitudes, goals, needs, values, and all other aspects of the person's psychological field".[144] French and Raven´s operationalization is, in so far highly suitable for this thesis as it also focuses on perception. That is the perception of an individual or group ("P") of another individual or group ("O"). "O" is in this example the one exercising power in the form of influence on "P". The sources of power are thus:
"(i) *reward power*, based on P's perception that 0 has the ability to mediate rewards for him; (ii) *coercive power*, based on P's perception that 0 has the ability to mediate punishments for him; (iii) *legitimate power*, based on the perception by P that 0 has a legitimate right to prescribe behavior for him; (iv) *referent power*, based on P's identification with 0; and (v) *expert power*, based on the perception that 0 has some special knowledge or expertness."[145] Raven differentiated later *informational power* from *expert power.* Hence a sixth source of power: (vi) *informational power*, "or persuasion, is based on the information, or logical argument, that the influencing agent could bring to bear on the target in order to implement change."[146]

Empowerment, as has been argued, is a highly political and *politicized* concept. It refers to the distribution of power and "implies recognizing the need for changes" in favour of disadvantaged groups.[147] Three generic forms of power can be found in the literature: "power over" (dominance), "power to" (enablement) and "power within" (competence).[148] Power of course manifests itself in many different aspects of life. The most common in the theory and practice of empowerment, are the economic, political

142 Ferguson (1994: 178 & 180)
143 French, John R. P., Jr. and Raven (1959).
144 French, John R. P., Jr. and Raven (1959: 86)
145 French, John R. P., Jr. and Raven (1959: 86)
146 Raven (1990: 496)
147 van Driel (2011: 199)
148 Rowlands (1996: 86–7). Restated in: van Driel (2011: 199).

and social aspects. All these manifestations of power have many different dimensions, which will be valued differently from one person to the next.

Generally, empowerment can refers to the personal, relational and collective level.[149] The personal level is emphasized by the development practitioners Jo Rowlands referring to "self-confidence and self-esteem, a sense of agency and of ´self´ in a wider context, and a sense of *dignidad* (being worthy of and having a right to respect from others)".[150] The relational level pertains to the relationship between individuals, groups and institutions.[151] Finally, the collective level refers here to the ability of groups to make themselves heard, take decisions and translate them into action. The most common way to operationalize the empowerment of individuals vis-à-vis other people — be it in the realm of the household or the community — is to analyse the relevant decision-making processes and ownership structures. Before explicating what this means for the operationalization of empowerment in this study, it is necessary to briefly introduce empowerment in the context of South Asia.

2.4.2 Empowerment in the South Asian Context

Empowerment can be defined as, "a process that shifts social power in three critical ways: by challenging the ideologies that justify social inequality (such as gender or caste), by changing prevailing patterns of access to and control over economic, natural, and intellectual resources, and by transforming the institutions and structures that reinforce and sustain existing power structures (such as the family, state, market, education, and media)."[152] This is the definition put forward by a group of 25 organisations and well-known feminists for the context of South Asia. This threefold conceptualization challenges prevailing *discourses* on the *materialisation* of, as well as, *institutionalisation* of power structures that hinder the empowerment of individuals and groups. As a result, it goes beyond the usual focus on power over material assets and decision-making.

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[149] Rowlands (1996: 87). Restated in: Parpart et al. (2002: 11).
[150] Rowlands (1997: 130)
[151] van Driel (2011: 200)
[152] Batliwala (2007: 560)

A common critique of concepts like empowerment is, that it is a Western concept, which is not applicable elsewhere. The social anthropologist Caroline Moser however asserts that the origins of the empowerment approach to women´s development is not to be found in Western academic writings or Western development institutions, but in the work of feminists and practitioners of “grassroots organisations” in developing countries.[153] Empowerment was conceptualised not merely with regards to “power over” — assuming a zero-sum-game within the household, different levels of society and within the international system — but rather concerning women´s ability to improve their “self-reliance and internal strength”.[154] Empowerment is furthermore seen as a right, “the right to determine choices in life and to influence the direction of change, through the ability to gain control over crucial material and non-material resources.”[155] The answer to the question of how disadvantaged people can best achieve this control differs. Gita Sen and Caren Grown[156] make a strong case for “collective action”[157] of women through organisations and networks. The women's rights scholar Srilatha Batliwala and the social economist Naila Kabeer underline the need for “transformative political action” embedded in “collective, grass-roots participatory action”.[158]

Also with regard to South Asia, several authors criticize the “depoliticization” of empowerment, both as a concept and a practice.[159] This criticism recognizes a fundamental shift away from the originally inherent “transformative power” challenging “not only patriarchy, but also the mediating structures of class, race, ethnicity – and, in India, caste and religion” to a mere apolitical “buzzword”.[160] Batliwala sees this depoliticization as being interlinked with other shifts in the predominant usage of empowerment:

(1) *Individualistic* — away from “a collective to an individualistic process”;[161]

[153] Moser, Caroline O. N (1993: 74)
[154] Moser, Caroline O. N (1993: 74)
[155] Moser, Caroline O. N (1993: 74–5)
[156] Sen and Grown (1998)
[157] See also Parpart (2008: 356).
[158] Desai and Potter (eds. 2008: 356) - provides a good introduction to this debate.
[159] Batliwala (2007: 557)
[160] Batliwala (2007: 558)
[161] Batliwala (2007: 558)

(2) *Hand-outs & Services* — away from “new ideas and information”, that “raise consciousness” of women´s “subordination” in order to facilitate “women to recognise their own agency and power for change – their power to organise themselves to confront and transform the social and economic arrangements and cultural systems that subjugate them” and back to “hand-outs and services”;[162]
(3) *Professional Intermediaries* — away from the agency of disempowered individuals and communities into the realm of “professional intermediaries (lawyers, NGO activists, policy specialists)”;[163]
(4) *Formal structures & Equality* — away from “informal institutions and cultural systems that older empowerment processes attempted to transform”;[164]
(5) *Measurable, quick results* — away from “a broader notion of empowerment, that is difficult to quantify and takes time to show results to certain aspects of empowerment that “show `countable´ results”[165] more quickly.

As an example for such en vogue interventions that presumably show “countable” results, Batliwala points to micro-finance and quotas for women (for example in local government structures like the Indian *Panchayats*). It will be discussed in chapter 3 in how far microfinance interventions really show quick results and how far these are readily measureable in a rigorous way. More importantly, one can also argue that some of these shifts might not be so bad after all. Decades of failures in development interventions, such as rural credit programs, will be examined in chapter 4. As will be argued throughout this thesis, a focus on the sustainability of available *services* provided by *professionalized* intermediaries (like MFIs) operating in *formal structures* and focusing on the *individual* rather than groups, can be, good news for the dis-empowered (with regards to access to financial services), provided adequate frameworks and procedures are in place. However, it seems logical that empowerment ultimately is about agency in all realms of life, and that this involves a political struggle for, and by, the dis-empowered.

[162] Batliwala (2007: 560)
[163] Batliwala (2007: 563)
[164] Batliwala (2007: 563)
[165] Batliwala (2007: 563)

2.4.3 Operationalization of Empowerment

Women´s empowerment — the focus of the empirical study of this thesis — requires special attention on the level of the household, given the well-known intra-household inequalities between men and women. The UNICEF based gender scholar Malhotra (2003) argues that for women´s empowerment, change is especially needed regarding all those institutions, which reinforce "patriarchal structures".[166] Green (2002) on the other hand warns that an "overemphasis on women distorts the social and political realities facing men and women alike as they struggle, often together, to maintain their livelihoods and secure a future for their children."[167] When analysing women´s empowerment in a context such as the one in the South of India it would be a distortion to blank out "such factors as class, caste, age, education, ownership of resources, and, significantly, individual agency and the willingness (or otherwise) to conform".[168] However, it would be just as misleading, not to take into account obvious formal and informal institutions, which make it undeniably more difficult for women to improve their individual agency.

Reports of female clients regarding perceived increases in their agency usually refer to the sphere of the production process, the household as well as the community. Dimensions of empowerment, which might be positively impacted by microfinance include voice, agency and relationships — all with regard both to the household and the community — as well as self-worth.[169] Figure 4 tries to depict these interconnections between the (individual) client, the client´s household and community and the *Microfinance Institution* (MFI). It includes the five dimensions of the *Women's Empowerment in Agriculture Index* (WEAI), namely, (i) *production* decision-making, (ii) access to productive *resources*, (iii) control over use of *income*, (iv) *time* allocation and (v) community *leadership*.

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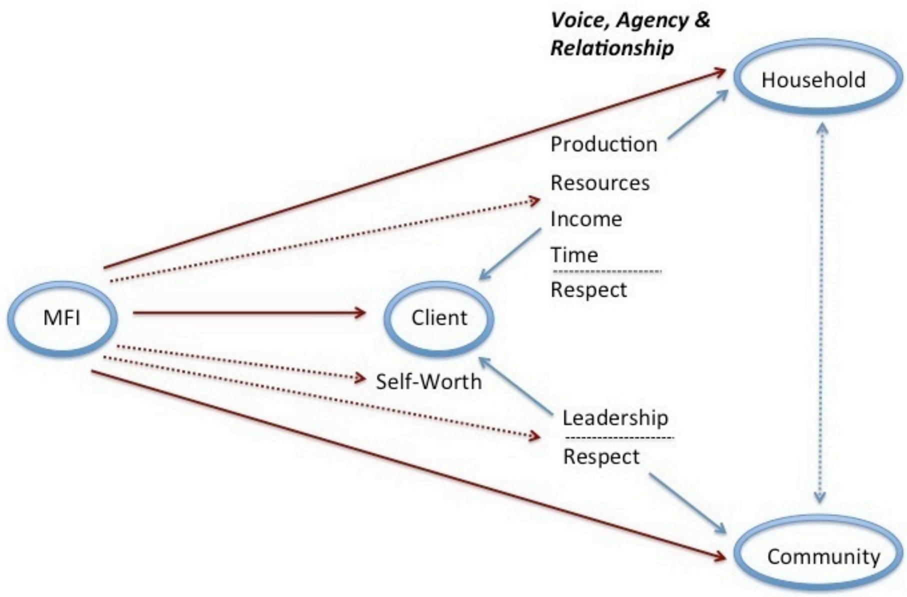
[166] Malhotra (2003: 2)
[167] Green (2002: 63)
[168] Green (2002, 63)
[169] Kabeer (2008: 231).

While the first four mainly refer to the relationship between the individual (women) and the household, leadership refers to the relationship between the client and her local community. One can argue that these dimensions ultimately reflect the respect the household or the community gives to the individual (client). Self-worth arguably, is not least influenced by the respect given by others. In this conceptualisation empowerment can be seen as the process of enhancing the ability to exercise autonomy and self-determination.

Figure 4 Microfinance and Empowerment



Source: Author´s Drawing, based on (Kabeer 2008: 231) and (Alkire et al. 2012: 61–2).

The *Women´s Empowerment in Agriculture Index* (WEAI) is arguably the most comprehensive and, for the context of rural India, most adequate conceptualization and operationalization for empowerment.[170] This WEAI goes well beyond the common operationalization of empowerment measured merely as decision-making. The WEAI consists of two sub-indexes: The *Five Domains of Empowerment* (5DE) sub-index assesses whether women are "adequately" empowered in the areas of production,

[170] Other quantitative empowerment measures were considered — namely the respective questions in the *Demographic and Health Surveys* (DHS) and the *Gender Empowerment Measure* (GEM). However the contextual appropriateness, comprehensiveness and decomposability (by groups and indicators) of the WEAI made it the most appropriate choice.

resources, income, leadership and time. (See Table 6.) In addition the *Gender Parity Index* (GPI) measures the "percentage of women who are as empowered as the men in their household".[171]

Table 6 Five Domains of Empowerment (5DE) of the Women´s Empowerment in Agriculture Index (WEAI) — Domains, Indicators and Weights [172]

Domain	*Indicator*	*Weight*
Production Decision-Making	Input in productive decisions	1/10
	Autonomy in production	1/10
Access to Productive ***Resources***	Ownership of assets	1/15
	Purchase, sale, or transfer of assets	1/15
	Access to and decisions on credit	1/15
Control over Use of ***Income***	Control over use of income	1/5
Community ***Leadership***	Group member	1/10
	Speaking in public	1/10
Time Allocation	Workload	1/10
	Leisure	1/10

Source: (IFPRI et al. 2012: 4)

The empirical study of this thesis applies for the first time to the context of microfinance, a slightly altered version of, the *Five Domains of Empowerment* (5DE) index in Indian states.[173] The reasons for *not* implementing the *Women´s Empowerment in Agriculture Index* (WEAI) in its entirety — including the *Gender Parity Index* (GPI) — is that this would require interviewing in each of the sample households, both one man and one women. This limitation is due to financial constraints as well as the other objectives of this survey, which is to assess the perception of microfinance institutions by clients and non-clients in general (not within the same household).

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171 IFPRI et al. (2012: 2)
172 IFPRI et al. (2012: 3)
173 The WEAI – with its two sub-indexes 5DE and GPI – has at the time of the conceptualisation of this empirical study only been implemented in Bangladesh, Guatemala and Uganda; that is as of 13th September 2012. For updated information see the homepage of the *International Food Policy Research Institute* (IFPRI): http://www.ifpri.org/publication/womens-empowerment-agriculture-index

The application of the 5DE index introduces a further level of comprehensive conceptualization and elaborate operationalization to the realm of microfinance assessment. Around 30 survey questions are used to capture its five domains — one of them being an elaborate recall of the last day in form of a conversation, which is then coded in 15-minutes intervals to assess the workload of the respondent as one indicator for the dimension, “time allocation”. Table 6 shows the WEAI with its 10 indicators for the 5 domains. The weights give each domain — whether it has one or three indicators — the same influence on the overall empowerment index. (See Chapter 6 for more details on the operationalization of empowerment for this study.)

But how is the choice of domains and indicators in the WEAI explained? Ibrahim and Alkire point to the following methodological considerations that need to be taken into account and which have been incorporated into the thesis’ empirical research design: [174]

(1) *Intrinsic or Instrumental*: The WEAI measures both empowerment that people *value* (e.g. questions about the motivations why people do certain things) and that people *have* (e.g. with regard to personal and household decision-making).[175]

(2) *Universal or Context Specific*: Given the aim of internationally comparable indicators the WEAI opts for the former — although in the rather specific “context” of *women in agriculture* (applied in *developing societies*). However caution is urged to the *internalization of values* (as in Bourdieu´s concept of ‘doxa’ — from Greek “regarding something to be true”) and “*adaptive preferences*” (as explained at the beginning of this chapter).[176]

(3) *Level of Analysis*: Should the measured indicators refer to the level of the individual, the household or a group — to name just the most common ones. [177] The WEAI and this thesis implement individual as well household measures. However, the unit of analysis is the individual, which in the WEAI also allows for comparisons between the household head and his (seldom her) spouse.

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[174] Ibrahim and Alkire (2007: 14ff)
[175] Ibrahim and Alkire (2007: 15)
[176] Ibrahim and Alkire (2007: 15f)
[177] Ibrahim and Alkire (2007: 16)

(4) *Individual or Collective*: This depends on the focus of the study, whether that is group agency or the empowerment of individuals. [178] The current study is mainly interested in the empowerment of female clients versus female non-clients, which fits well with the WEAI focus on the individual.

(5) *Dynamics*: [179] Randomized control trials (RCTs), which compare a treatment group with a comparison group are nowadays the gold standard in impact evaluation. These studies are able of capturing *dynamic* change over time. This (pilot) study tries to establish whether a comprehensive empowerment index like the WEAI has a value added for the assessment of microfinance. It takes a snap-shot of women´s empowerment and tests hypotheses regarding the differences between female clients and female non-clients.

(6) *Establishing Causality*: [180] This study will not be able to establish causality. It has explicit assumptions about causal mechanisms — like the self-selection of already more empowered women who are in microfinance groups (as well as a positive empowerment impact of microfinance in certain dimensions); both leading to a hypothesized higher empowerment level of female clients in comparison to female non-clients. However, only a far more resource intensive RCT could *establish* causality between e.g. microfinance loans and women´s empowerment.

(7) *Objective or Subjective*: While the same objective as well as subjective indicators as in the WEAI are implemented in this study, the caution of Ibrahim and Alkire regarding potential problems due to inter alia *adaptive preferences* are taken seriously and thus, problematized in the respective sections on each of the findings.[181]

(8) *Quantitative or qualitative*: [182] While there are numerous qualitative studies, which — sometimes in passing — refer to the perception of microfinance and the

[178] ibid.
[179] ibid. (17)
[180] ibid.
[181] Ibrahim and Alkire (2007: 17f.)
[182] ibid. (18)

empowerment of female microfinance clients, there are hardly any quantitative perception studies, nor are there many comprehensive explorations that operationalize empowerment in the context of microfinance in surveys. (See literature review in chapter 3.)

The WEAI — and this thesis — conceptualize and operationalize *empowerment as the expansion of agency*. The selection criteria for the indicators are explicated by Ibrahim and Alkire[183]: (i) *relevance* to the lives of the poor — especially in areas, in which they experience 'power deficits'; (ii) *international comparability* —an important aspect for a potential implementation in randomized control trials (RCTs), which often aim at comparing findings internationally; (iii) assessing *instrumental and intrinsic* aspects of empowerment; (iv) given the process-character of empowerment, the indicators should allow for tracking *changes over time* in panel studies, which is also a prerequisite for RCTs with their baseline study before the "intervention" and (often one or two years later) a follow-up survey; (v) preference for already established indicators, with scrutinized *accuracy, validity and reliability*.[184]

[183] Ibrahim and Alkire (2007: 18–9)
[184] For a detailed explanation why each of the WEAI indicators was chosen, see Ibrahim and Alkire (2007: 19ff).

2.5 Conclusion: Empowerment as Individual Agency and Collective, Political Struggle for Rights

The theoretical framework of the *capability approach* draws attention to the individual and his or her freedoms to achieve valuable goals. The advantages in comparison to other approaches, which focus on resources, preferences, rights or justice, have been illustrated. They include taking into account multiple dimensions, inequality and distribution (e.g. within the household), individual conversion factors (and hence not discriminating against disadvantaged groups) as well as intrinsic values (like rights and positive freedoms). Furthermore, the *capability approach* is conceptually better equipped to deal with adaptive preferences (by taking into account exogenous influences like institutions, laws and traditions), the role of the state and the political agency of those disempowered.

The distinction between *achieved functionings* (that is achieved doings and beings like being sheltered or having good friends) and *capability sets* (that is the *freedom to* achieve different combinations of doings and beings one regards worth of pursuing) might seem abstract and complicated at first, but serves to highlight the choices people have *de facto* and their *agency* in making choices to influence their course of life. This also highlights the role the state, the market and other institutions play in enhancing the ability of individuals to live a life they have reason to value — without reducing people to mere beneficiaries of the cunning welfare state. Justice in this conceptualisation of development is the equality of opportunities rather than being primarily distributive.

Individual freedoms in the *capability approach* refer to a multitude of areas, from essential to advanced achievements. This is only one example of the intrinsic openness of the *capability approach*. This leads inter alia to the “problem” of having to choose core dimensions. The debate about Nussbaum´s list of core human capabilities, as fundamental entitlements, shows how insightful such a public reflection on core human values can be. This “*deliberate radical under-specification*” (Robeyns 2006: 353)) is, as has been argued in this chapter, a strength rather than a weakness, for it urges the scholar to explicate his or her conception of human nature.

This thesis follows Sen´s core assumption about human nature that people are active agents of their own lives, given adequate opportunities. At the same time, this study adopts Sen´s assumption about the need for core entitlements and the important role of institutions like *democratic* political systems, *social security* especially with regard to health, education, pensions and unemployment as well as a *liberal market* economy. The role of the state versus the market in the provision of credit however is not so clear-cut and will be discussed in detail in the following chapters. In advance, it should be acknowledged that the state (especially in developing countries) does not have a very good track record of *sustainably* providing credit to the disempowered on a large scale. That is one of the reasons why a right to credit, as advocated by Yunus, is not without problems.

Right-based approaches like *citizenship* however have the potential "to strengthen the status of citizens from that of beneficiaries of development to its rightful and legitimate claimants." (Kabeer 2005: xii) *Economic citizenship* does not have to be reduced to the actual provision of legal economic rights (e.g. for the vast majority of workers in the informal sector in India or regarding unpaid care work within the family), but it also provides a framework for the articulation of the struggles of marginalised and excluded groups for justice, recognition, self-determination and solidarity — or what has been coined as *inclusive citizenship (Kabeer ed. 2005: 7)*. The insights gained from the citizenship debate include the *de jure* acceptance of the *universality* of human rights; the usefulness of methodological individualism (that is the focus on the behaviour and motivations of individuals) while acknowledging the role of positive discrimination in enhancing capabilities of disempowered groups; the indivisibility of rights as well as the relation between rights and duties.

Entitlements have been pinpointed as a milestone in the conceptualisation of poverty. Material, economic, social and moral conceptualizations of poverty have been introduced and contrasted to the *multidimensional poverty index* (MPI). Its application to India in comparison to its South Asian and BRICS peers, showed the specific challenges facing certain Indian states (like the 100 respectively 200 million citizen states Bihar and Uttar Pradesh) for example with regard to education (namely child school attendance) or health (as in mortality, nutrition and sanitation). It has also been shown that the (officially since Independence abandoned) caste system is still very much alive in the disempowerment of scheduled tribes, scheduled castes and other backward classes. The urgency of poverty alleviation is underlined by its link to the severe internal threats through Naxalite operations in several of the most multi-dimensionally poor states.

Empowerment is, along the lines of capabilities as individual freedoms, conceptualised as the expansion of agency. Its core aspects like agency, opportunity structure and its process character have been highlighted as well as the role of participation, collective action, institutions and processes. The potential de-politicization of the conceptualization of em-*power*-ment has been countered by emphasizing power as its root-concept and the role of political and social struggles for the empowerment of marginalized groups. The perception of merely negative shifts in the usage of empowerment is not shared by this thesis. The focus on services, professionalization, formal structures as well as measureable results was defended for the context of microfinance — and will be scrutinized and problematized with regard to the microfinance sector in India.

Finally, empowerment has been conceptualized and operationalized, along the lines of the capability-based *Women´s Empowerment in Agriculture Index* (WEAI), for the context of microfinance. The focus lies on voice, agency and relationships of the respondents within their household and local community. The dimensions, which overall capture the respect shown to the individual by her family members as well as her community, include production decision-making, access to productive resources, control over use of income, community leadership and time allocation. The specific indicators will be explained in detail in the empirical chapter on empowerment. For now, the theoretical-methodological decisions have been explicated — namely the importance of *intrinsic* and *instrumental* objectives, universal measures for the specific setting of agriculture in developing countries, the individual level of analysis and the use of both objective and subjective indicators.

The overall aim of this chapter was to demonstrate and discuss the usefulness and applicability of the capability approach for a comprehensive assessment of empowerment levels — not only in the context of microfinance. The challenging questions raised by the various (economic and inclusive) citizenship debates serve as a reminder that em-power-ment goes well beyond its conceptualisation and operationalization in a narrow setting, such as microfinance impact. In its entirety, it involves the political power struggle of the disempowered for their rights as equal citizens.

3 Literature Review — Understanding Microfinance

> Microfinance is "one of the most important policy tools aimed at the poor".[185]
>
> *Prabal R. Chowdhury, Professor at the Indian Statistical Institute, 2012*

> „Ultimately, it's [Indian microfinance] something like subprime lending [...] The same incentives are operating here... it was securitisation and derivatives that operated in the US. Here it is the priority sector lending by banks."[186]
>
> *Y. V. Reddy, former Governor of the Reserve Bank of India, 2010*

Common Questions (and Answers) about the Basics of Microfinance

Microfinance is obscured by a number of misperceptions, preconceptions and semi-correct descriptions. This is not surprising given the diversity of providers, products, aims and claims that characterise this sector. Therefore, this chapter seeks to clarify the basics through a comprehensive literature review, providing concise answers to core questions about microfinance as well as the necessary background analysis — with a focus on India. The questions that need to be tackled are:

1. What is microfinance?
2. What are the aims of microfinance?
3. Background: India´s labour market — as a core context of microfinance
4. How does microfinance work?
5. Background: The dominant *Grameen* model of microfinance
6. Who provides microfinance, where and to whom?
7. Why do people use microfinance — at interest rates of 35%?

The insights gained from answering these fundamental questions lead to an assessment of what microfinance is and — more importantly — is *not*. It will be argued that microfinance is far from being a panacea for lifting people out of poverty — as portrayed

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[185] Chowdhury (2012: 149)
[186] Nayak (2010)

by its spirited advocates. However, research suggests that — if done in a reasonable and responsible manner — it has the potential to enhance the *capabilities* of its clients.[187] Furthermore, microfinance can play an important role in building a sustainable and inclusive financial sector or in other words, a financial sector that also caters to socio-economically disadvantaged households.

3.1 What is Microfinance?

3.1.1 Definitions of Microfinance

A good starting point is to scrutinise different definitions of microfinance. The dictionaries by *Oxford University Press* provide several different definitions of microfinance:

> "A term for financial services aimed at very low-income individuals and communities who would be otherwise excluded from banking, savings, and credit arrangements. A common form is micro-credit, based on poor people pooling their savings and taking it in turn to access them (see *Grameen Bank*). Microfinance institutions are often caught between being co-opted into mainstream finance on the one hand, for example by stock flotation, and dependence on state largesse and private donors on the other."
>
> *A Dictionary of Human Geography (2013) Oxford University Press*[188]

This definition rightly emphasises, that such financial services are most often "aimed" at low-income individuals and (more often than not) at groups. In many countries these groups are predominantly composed by women as will be shown later in this chapter.[189]

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[187] Just as it has the potential, if done in an unreasonable and irresponsible manner, to decrease clients´ capabilities or in other words to harm those it purports to help. Reasons for this harmful impact will be shown in the thesis as well as suggestions on how to prevent such outcomes from occurring — not least through voluntary commitments of the microfinance institutions themselves but also through prudent regulation. It will also be shown in how far these suggestions — emerging from what has been the world's most severe microfinance crisis in 2010 and which took place in India — have already been implemented, and where reforms fall short.

[188] Castree et al. (2013)

[189] Earlier versions of parts of this chapter have been presented at the *Annual Convention* of *The International Studies Association* (ISA) in Toronto, Canada in 2014. I am thankful for the financial support of the *Cluster of Excellence "Asia and Europe in a Global Context"* at *Heidelberg University*.

However, it would be more precise to state that these microfinance clients would otherwise often be excluded from *formal* “banking, savings, and credit arrangements”. *Informal* sources for some of these financial services — first and foremost credit — are available and are used extensively by poor households as will be shown.

The second part of this definition refers to *one* — albeit the most widespread — aspect of microfinance, namely microcredit (distinguished from other aspects of microfinance such as micro-savings, insurance, remittances, etc.). However, the description of microcredit as being “based on poor people pooling their savings and taking it in turn to access them” is <u>*not*</u> correct. This is rather a description of the method used by *Rotating Savings and Credit Associations* (ROSCAs). ROSCAs are a specific form of informal peer-to-peer lending in small groups. (See Box 4.)

Box 4 Rotating Savings and Credit Associations (ROSCAs) — as a Traditional Financial Tool

> *Rotating Savings and Credit Associations* (ROSCAs) are a type of informal peer-to-peer lending in small groups and can be found throughout the world. All members of a ROSCA save the same amount at the meetings and then “take turns” at accessing a bigger sum of money.
>
> A good definition is: “A ROSCA is a voluntary grouping of individuals who agree to contribute financially at each of a set of uniformly-spaced dates towards the creation of a fund, which will then be allotted in accordance with some prearranged principle to each member of the group in turn. Allotment is either through lottery (random ROSCAs) or auction (bidding ROSCAs). (…) The interval between payment dates ranges from one day to six months.”[190]
>
> The existence of a particular ROSCA is limited till each member has accessed the funds once, which, depending on the scheme might be after 6 month or two years. In Calomiris´ study of Indian ROSCAs, their lifespan ranged from 16 to 30 months.[191] However, the same group might reconstitute itself subsequently.

Microcredit however, it must be emphasized, is *not* about internal lending within informal peer-groups. Microfinance is about formal institutions, like banks or *non-banking financial companies* (NBFCs are the most common legal form of *Microfinance Institutions* in India) as well as semi-formal institutions like NGOs. Respectively it refers to schemes *linking* informal groups (like Self-Help-Groups in the Indian context) to

[190] Calomiris and Rajaraman (1998: 208)
[191] (idid: 212)

formal financial institutions like *Regional Rural Banks*. Also in the referred to, group-based *Grameen model* of microfinance, the clients do *not* "take turns" in accessing the money they collectively saved. As will be shown in more detail later in this chapter, the *Grameen Bank* initiates the formation of small groups of five women, provides credit to two of the women right away and depending on their regular repayment, gives loans to other women in the group.[192]

Last but not least, it will also be shown that several of the largest *Microfinance Institutions* (MFIs) seem to have found a sustainable middle path between "stock flotation" and "dependence on state largesse and private donors". However, it is the case that microfinance institutions struggle with achieving their declared, *double bottom line* of operating in a manner that is financially sustainable while ensuring positive socio-economic impact for their clients.

Another definition of micofinance from the renowned dictionary series of *Oxford University Press* explicates it to be:

> "A method of enhancing quality of life and improving health for people living in extreme poverty, by providing very small interest-free or very low interest loans to enable them to start a small, local enterprise. (…) Indian subcontinent and Africa, where the program has perceptibly raised living standards and improved population health."
>
> *A Dictionary of Public Health (2007) Oxford University Press*[193]

Since the results of academic studies trying to assess the impact of microfinance will be discussed later in this chapter, it should only be pointed out that this is a strong — and completely unsubstantiated — claim that microfinance has "perceptibly raised living standards and improved population health" in the Indian subcontinent and Africa. It will be shown that "people living in *extreme* poverty" are usually *not* the ones who have access to microfinance. More importantly, microfinance is *not* known for "providing very small interest-free or very low interest loans". Actually it is more often than not

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[192] The definition of microcredit by the *Grameen Bank* is: "small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families." See http://www.grameen-info.org/index.php?option=com_content&task=view&id=32&Itemid=91, accessed September 19th, 2014.

[193] Last (2007)

criticised for too high interest rates. The average interest rate for loans from microfinance institutions in India — including "hidden costs" such as fees and compulsory insurances — was 33% in 2011. (See the later section on the height of microfinance interest rates.) India in fact has some of the lowest, average interest rates in microfinance worldwide. These interest rates of course, have to be seen in the context of the high costs of delivering microfinance and, in comparison to the interest rates of available alternatives such as local moneylenders. (See the later section on "Why do People Use Microcredit?".) In how far these loans enable people "to start a small, local enterprise" will also be scrutinised later in this chapter.

One last definition — with regard to micro*credit* — from the Oxford University Press series:

> "Lending small amounts of money to very poor households at commercial rates, rather than at the 'usurious rates of loan sharks' (S. Buckingham-Hatfield2000). The classic model is the Grameen Bank, initiated in Bangladesh by Mohammed Yunus. Similar micro-credit schemes have been set up throughout the developing world, and have been enormously effective, not only in alleviating poverty and improving child nutrition, but also in increasing the voluntary use of contraception. N. Burra et al., eds (2005) assess the impact of micro-credit. Poverty trends would probably not be reversed, 'but booming micro-credit would at least speak for a world where justice would have a greater place' (Santiso (2005) Int. J. Soc. Sci. 57, 185)."
>
> *A Dictionary of Geography, 4th edition, (2009) Oxford University Press*[194]

In how far microfinance is "enormously effective, not only in alleviating poverty and improving child nutrition, but also in increasing the voluntary use of contraception" will be discussed later on. This reference is useful in showing how, also in the academic realm, high expectations and claims — like "a world where justice would have a greater place" — are associated with microfinance.

[194] Mayhew (2009)

3.1.2 Microfinance as a Multidimensional and Multilevel Concept

The perhaps most accurate definition of microfinance is provided by the *Asian Development Bank,* which states that:

> "Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises. Microfinance services are provided by three types of sources:
> • formal institutions, such as rural banks and cooperatives;
> • semiformal institutions, such as nongovernment organizations; and
> • informal sources such as money lenders and shopkeepers.
> Institutional microfinance is defined to include microfinance services provided by both formal and semiformal institutions. Microfinance institutions are defined as institutions whose major business is the provision of microfinance services."
>
> Asian Development Bank 2000[195]

It can be argued, that what is referred to here, as "institutional microfinance" is what is most commonly meant by "microfinance". In public debates, the media as well as in academia, one does *not* refer to "microfinance" when talking about moneylenders (in developing countries), pawnbroker's shops (present in cities around the world) or payday loan providers (like those that became infamous in the USA). Microfinance providers (be they formal or semi-formal institutions, government-run, non-profit or for-profit) *claim* in their official statements to pursue social aims. That is for example, true for the stock exchange-listed (originally) Mexican *Microfinance Institution, Compartamos*, which was highly criticised for charging interest rates of 100%.[196] *Compartamos* states on its homepage that it is "committed to eradicating financial exclusion" and lists the social, economic and human values they aim to fulfil. The reference to such statements is not meant as a polemic (it is not proposed that they do not sincerely aim at or even — to a certain extent — achieve these aims) but rather to illustrate the self-conception of microfinance providers.

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[195] Asian Development Bank (ADB) (2000: 2)
[196] These 100% include a value added tax of 15%. For more details see section „How high are the interest rates for microloans?" further down.

For this thesis a definition of microfinance is adopted that is similar to the *Asian Development Bank* definition, with two modifications. First, there is a need to exclude "informal sources such as money lenders and shopkeepers" from this definition in order to reflect the actual usage of the word. Second, it is necessary to include that microfinance is commonly perceived, both by the public and the providers themselves, as pursuing a *double bottom line*, that is achieving financial sustainability as well as social aims, such as financial inclusion, poverty alleviation or empowerment to name but a few.

Following Goertz's work on the construction of concepts in the social sciences[197] the thesis goes a step further to propose a causal, ontological and realist concept of microfinance. (See Figure 5.) It is argued that Micro*finance,* in the real sense of the word, means (i) to provide a *range of financial services* — not only credit; (ii) to target *primarily poor* and low-income households (and their microenterprises); (iii) to be at least *semi-formalized* — meaning that a moneylender does *not* provide microfinance; and (iv) to have a *double bottom line* — of pursuing financial sustainability/ profitability *and* positive social impact.

Of course, as with the dimensions of 'basic human capabilities' by Nussbaum, discussed in the previous chapter, specification at the indicator level has to be context specific. The chosen aggregation method therefore regards the conditions at the secondary level as *necessary* but not sufficient. This means that institutions, which do not fulfil one of the four criteria at the secondary level — range of financial services; the poor as main target group; (semi-) formalization, and the double bottom line — would not be regarded as conducting microfinance.

[197] Goertz (2006: 6ff)

Figure 5 Microfinance as a multidimensional and multilevel concept

Secondary Level	*Indicator/ Data Level*	*Method of Aggregation*
Range of financial services	Deposits, loans, payment services, money transfers, insurance.	Necessary but not sufficient condition at secondary level. Substitutability at indicator/ data level.
Mainly for poor and low-income households and, their microenterprises	Socio-economic level of clients´ household, measured e.g. as income, cash flows, assets, education, etc. Usage of financial services, e.g. for starting new business, improving existing business, education, etc.	Necessary but not sufficient conditions at secondary level. Substitutability at indicator/ data level.
Formal or semiformal institutions	Type of institution, e.g. formal (bank) or semiformal (NBFCs, cooperative, NGOs); *not* informal (moneylender).	Necessary but not sufficient conditions at secondary level. Substitutability at indicator/ data level.
Double bottom line	Type of institution, e.g. government, not-for-profit; owned by members, for-profit. Social-performance, measured e.g. through borrower retention, staff turnover, non-financial services outreach, impact.	Necessary but not sufficient conditions at secondary level. Substitutability at indicator/ data level.

Source: Conceptualization by author. Drawing on (Goertz 2006: Chapter 1 & 2, esp. 18-19).

3.2 What are the Aims of Mircofinance?

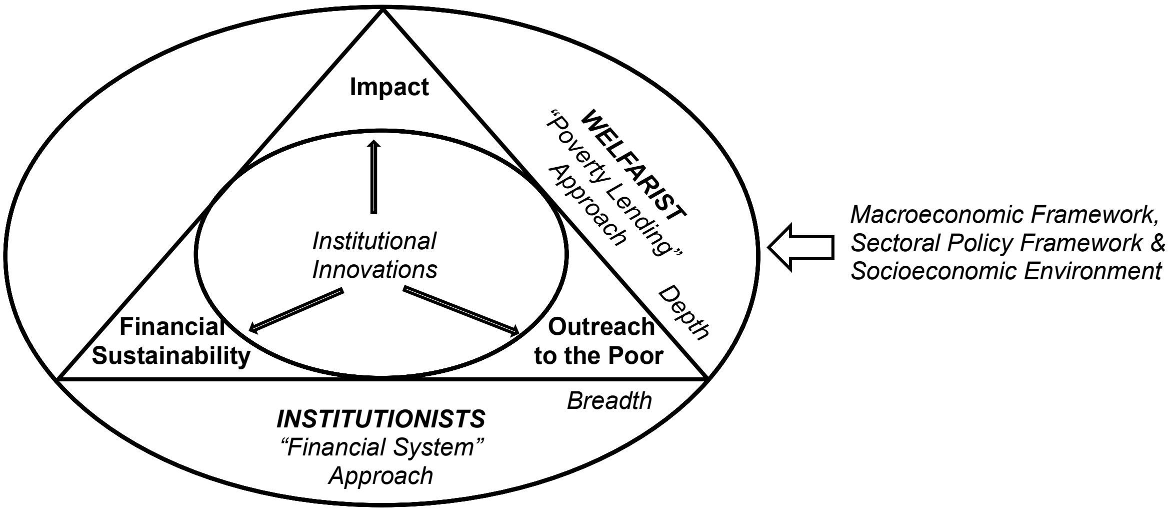
3.2.1 The Double Bottom Line and the Triangle of Microfinance

The double bottom line, mentioned before, refers to two core aims of microfinance. First, financial sustainability — that is, for the microfinance institution itself — implies that the medium-term (at least proclaimed) aim of microfinance institutions is to reduce their dependency on subsidised funding for their operations. The role of the three sources of funding, namely debt, equity and deposits in Indian microfinance will be analysed in depth in a later section. Given the failure of subsidised credit schemes not only in India (See in chapter 4 the section on "The failure of government-sponsored rural credit in India"), the financial aim of MFIs is — usually — profitability. The second part of the double bottom line, are social aims. These range from poverty alleviation, establishment of small enterprises and financial inclusion in the form of access to credit, to the empowerment of women.

Outreach to the poor can be identified — in addition to the double bottom line of *financial sustainability* and (*welfare*) *impact* — as the third defining aspect of microfinance. Zeller and Meyer introduce the conceptual framework of the "triangle of microfinance" to analyse the "existing trade-offs and synergies" between these three "overarching policy objectives in microfinance".[198] (See Figure 6.) The authors argue that this new paradigm emerged in the second half of the 1980s due to two factors. First, the failure of the *state- and development bank-driven* credit schemes for (predominantly) small farmers in the 1960s and 1970s. Second, the success stories of microfinance pioneers such as the *Grameen Bank* in Bangladesh, *Bank Rakyat Indonesia* (BRI) and *Prodem*, the predecessor of *BancoSol* in Bolivia.[199]

[198] Zeller (ed. 2003: 3)
[199] Zeller (ed. 2003: 3–4)

Figure 6 The Triangle of Microfinance



Source: Triangle adopted from (Zeller, ed. 2003: 6), *Figure 1.1 The critical triangle in achieving economic sustainability of microfinance*. "Depth" and "Breath" regarding "Outreach to the Poor" as well as Welfarist Approach & Institutionists-"Financial System"-Approach added by author and adopted from (Woller et al. 1999: 2).

Zeller and Meyer explain the inner and outer circles of their "triangle of microfinance" as follows:

> "The inner circle represents the many types of institutional innovations that contribute to improving financial sustainability (such as employment of cost-reducing information systems), impact (such as designing demand-oriented services for the poor and more effective training of clients), or outreach to the poor (such as more effective targeting mechanisms or introducing lending technologies that attract a particular group of clients). The outer circle represents the external socioeconomic environment as well as the macroeconomic and sectoral policies that directly or indirectly affect the performance of financial institutions. Innovations at the institutional level (the inner circle) and improvements in the policy environment (the outer circle) contribute to improving the overall performance of financial institutions."[200]

The *sectoral policy framework* (outer circle) — not least in the form of *priority sector lending* (which will be explained in detail) — played an important role both in the boom and doom of microfinance in India. (See Chapter 3.)

[200] Zeller (ed. 2003: 7)

3.2.2 Two "Schools" of Microfinance: Welfarist versus Institutionists *Approach*

With regards to the aims and focus of microfinance, two "schools" have to be distinguished. As shown in the "triangle of microfinance" (Figure 6) they are: on the one hand the *poverty-lending* or *welfarist approach* and on the other hand, the *financial system or institutionists approach*. Advocates of the *welfarist approach* emphasise the socio-economic welfare impact as the central objective of microfinance. They accentuate the depth rather than the breath of outreach to the poor. This means that they prefer rather to reach fewer, but more severely poor clients. The aim of achieving financial sustainability — in the near-term — thus has to take a backseat in comparison to the main aim of positively impacting the life of severely poor people in the short run. The prevalent objective is "self-employment of the poorer of the economically active poor, especially women, whose control of modest increases of income and savings is assumed to empower them to improve the conditions of life for themselves and their children."[201] Woller regards the *Grameen Bank* in Bangladesh (and its replicates around the World) as well as the non-profit, microfinance organization *Foundation for International Community Assistance* (FINCA) (which was founded in Bolivia and spread from Latin America to Africa, Europe and Asia) as following the *welfarist approach*.[202]

Institutionists — that is advocates of the "financial system" approach, on the other hand, accentuate that microfinance has to be done in a financially sustainable manner. The main aims are: (i) to deliver financial services sustainably, (ii) to gain from *economies of scale*[203] and (iii) to make gains from the access to finance via mainstream financial

[201] Woller et al. (1999)
[202] Woller et al. (1999). Chirwa (1999) explains the "Village Banking" Approach of FINCA as follows: the founding members of a village bank are asked to form a group of minimum 35 women. In their weekly meetings initial savings are collected and training on the method of village banking, group dynamics and business basics are provided by FINCA. Each group elects — for the period of a loan cycle — the *Village Bank Board of Directors*, which is given special training by FINCA to manage the "credit functions including: screening of applications, approval of sub-loans, disbursement, supervision, recovery and book-keeping." (ibid.: 8) However a so-called "project promoter" from FINCA supervises the weekly meetings. The account for the compulsory savings is held at a commercial bank.
[203] Economies of scale refers to the "factors which make it possible for larger organizations or countries to produce goods or services more cheaply than smaller ones" — they include division of labour, indivisibilities (that is "a minimum scale at which any technique can operate") and lower costs caused by absent workers or by broken equipment; the downside is that the task of coordination and motivation of employees gets more complicated, the bigger the organization is; economies of scale differ widely between industries and countries with bigger populations of course provide the advantage of bigger

markets and thus achieving profitability. This focus on numbers — regarding *outreach* and *profitability — the institutionists* claim benefits the clients through providing credit to more people in a shorter time and, what is more, increases efficiency and accelerates institutional innovations.

Due to the sheer size of demand for financial services for the poor, this cannot be served through funding from government and donor agencies alone. This is one of the main arguments of the *institutionists*. Therefore, tapping into commercial funds within the financial system is seen as the only way to achieve financial inclusion on a meaningful scale in the near future. This future of microfinance is, in their vision "dominated by numerous large-scale, profit-seeking financial institutions that provide high quality financial services to large numbers of poor clients. Because of their insistence on financial self-sufficiency, institutionists eschew subsidies of any kind."[204] Prominent microfinance institutions following the *institutionists approach* are *Bank Rakyat Indonesia* (BRI) and *BancoSol* in Bolivia.[205] The *institutionists approach* dominates the academic literature and is prominently articulated in contributions from the *World Bank*, USAID and the influential *Consultative Group to Assist the Poor* (CGAP) housed at the *World Bank*.[206]

markets for products and services. (Black et al. 2012: 123, 204) The importance of economies of scale for Microfinance Institutions (MFIs) will be discussed again with regard to the level of interest rates — not least due to the high percentage of manpower costs in the cost structure of MFIs.

[204] Woller et al. (1999: 3)

[205] Woller et al. (1999: 2)

[206] Woller et al. (1999: 3) furthermore refers to the Ohio State University Rural Finance Program and writers such as Elisabeth Rhyne (previously at USAID) and Maria Otero (ACCION International) as examples of outspoken institutionists.

Box 5 Excursion: Livelihood Promotion — Going Beyond Microfinance? The Case of BASIX

The *BASIX Social Enterprise Group* is one of the main driving forces of the Indian microfinance sector. Harper (et. al. 2011) provides the best account and analysis of the historical development and functioning of BASIX. The authors point to the many firsts in Indian microfinance. Established in 1996, BASIX was the first commercial microfinance institution in India. It formed the first *Non Banking Financial Companies* (NBFC) in the realm of microfinance.[207] BASIX also pioneered *joint liability groups* (more on this nowadays dominant type of microfinance groups later in this chapter), computerised *management information systems* and was the first MFI to offer *life insurance*.

Regarding funding, BASIX was first in borrowing from local banks as well as from abroad; it was first in raising *equity capital* as well as in the *securitisation of its portfolio*. What might be most surprising, however, is the fact that BASIX played a central role in *pioneering loans to SHGs*. BASIX was, for a time, India´s premier lender to SHGs. Hence BASIX is unique not only as a core innovator in the commercial microfinance sector, but also for its role in the *linkage between SHGs and banks* (more on this dominant channel of Indian microfinance later in this chapter).

Interestingly, BASIX insists on *not* being a *Microfinance Institution* (MFI). Its main actors envision and shape it to be a financial *and* livelihood promotion institution. BASIX´s core actors, first and for most Mr. Vijay Mahajan, stand firm on their conviction that credit alone is not enough. Given the complexity of livelihood promotion, BASIX insists that financial services — not to mention merely microcredit — are not enough and need to be accompanied with business assistance and, first and foremost, with group and institution building.

So what is the difference between a *Microfinance Institution* and a *Livelihood Promotion Institution*? The distinction means that beyond financial services, BASIX offers technical assistance — for agriculture, businesses as well as institutional development — in order to promote "sustainable livelihoods". Stating its double bottom line on the start page of its web presence, BASIX — unlike other institutions — also emphasizes its business mission as striving "to yield a competitive rate of return to its investors so as to be able to access mainstream capital and human resources on a continuous basis".[208] Given its holistic approach of livelihood promotion, BASIX is — and at first sight this appears counterintuitive — an influential promoter of the *financial system approach*, asserting that grants are not enough to reduce poverty on a large scale and that commercial capital is essential.[209]

[207] The names of these first Indian Microfinance NBFCs were *Bhartiya Samruddhi Finance Ltd.* (BSFL) with credit targeting rural farm and non-farm enterprises; and *Sarvodaya Nano Finance Ltd.* directed at small borrowers. See Harper (et. al. 2011: 4).
[208] URL: www.basixindia.com, last accessed May 8th 2015.
[209] Harper et al. (2011: 1)

The ultimate goal of microfinance is — and arguably has to be — (higher) income creation so that clients can sustainably repay their loans. The main factor determining income for the majority of Indians is the type of work they are engaged in. To understand microfinance and its potential role in income creation and employment one therefore has to step back a moment and review the overall picture of employment in India.

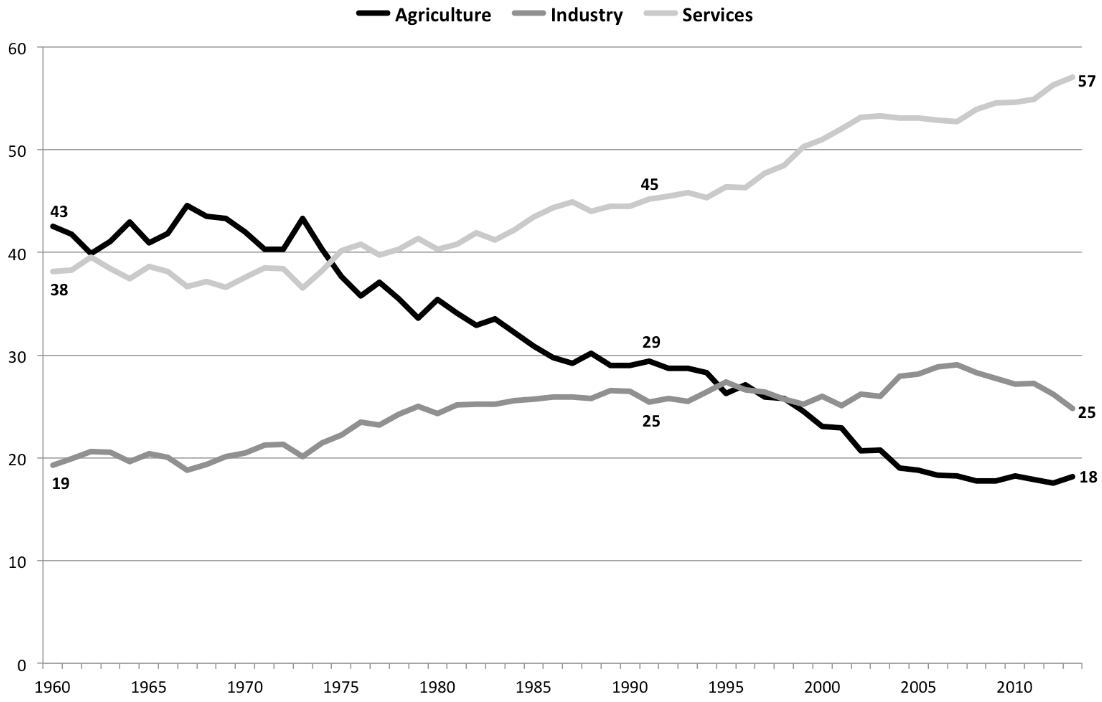
3.3 Background: India´s Labour Market, as a Core Context of Microfinance

3.3.1 Agriculture and Non-Agricultural Employment Trends

The growth of the service sector is a well-known part of the economic development story in post-liberalization India. (See Figure 7.) The value added in per cent of GDP by the service sector increased from 38% (in 1960) to 45% (in 1991) to 57% (in 2013) whereas the industrial sector´s contribution to GDP merely rose from 19% (in 1960) to 25% (in 1991) and again 25% (in 2013). The agricultural sector´s GDP percentage share went down from 43% in 1960 to only 18% in 2013. Given that in most emerging market economies, the industrial sector — especially light industries (producing clothes, electronics or home appliances) — is *the* job generator, one wonders how job creation was nevertheless achieved in India?

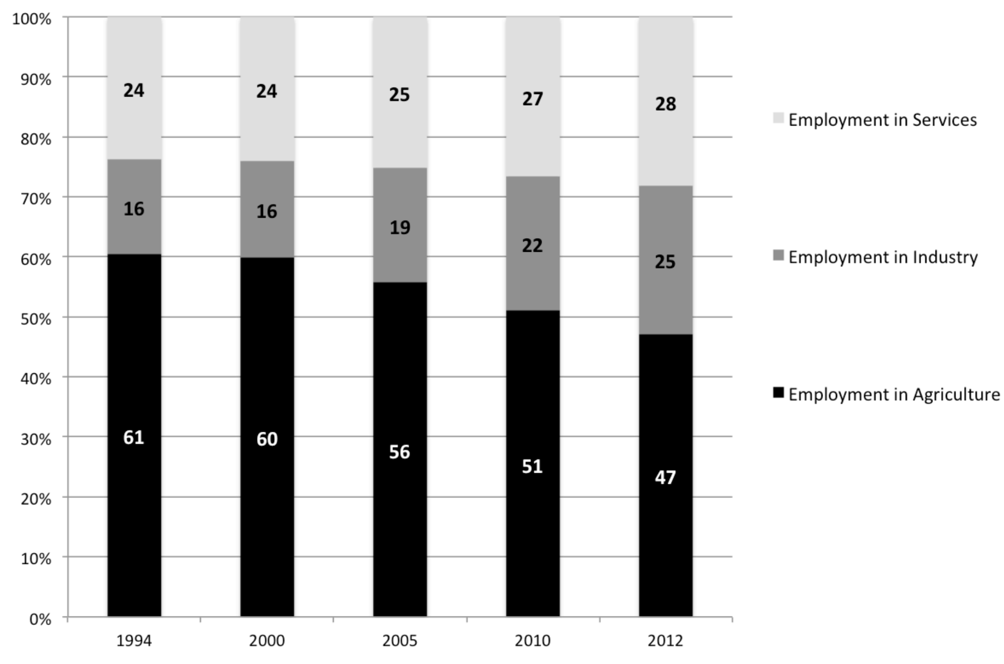
The figures of employment by economic sector show that the above-mentioned impressive increase in GDP value, added by the service sector (from 45% in 1991 to 57% in 2013) stands vis-à-vis a meagre increase of employment in services from 24% (in 1994) to 28% (in 2012). (See Figure 8.) Even though employment in agriculture decreased substantially from 61% in 1994, nearly every second Indian continued to work in the agricultural sector in 2012.

Figure 7 India´s Economic Sectors, value added (% of GDP), 1960 - 2013



Data source: http://data.worldbank.org

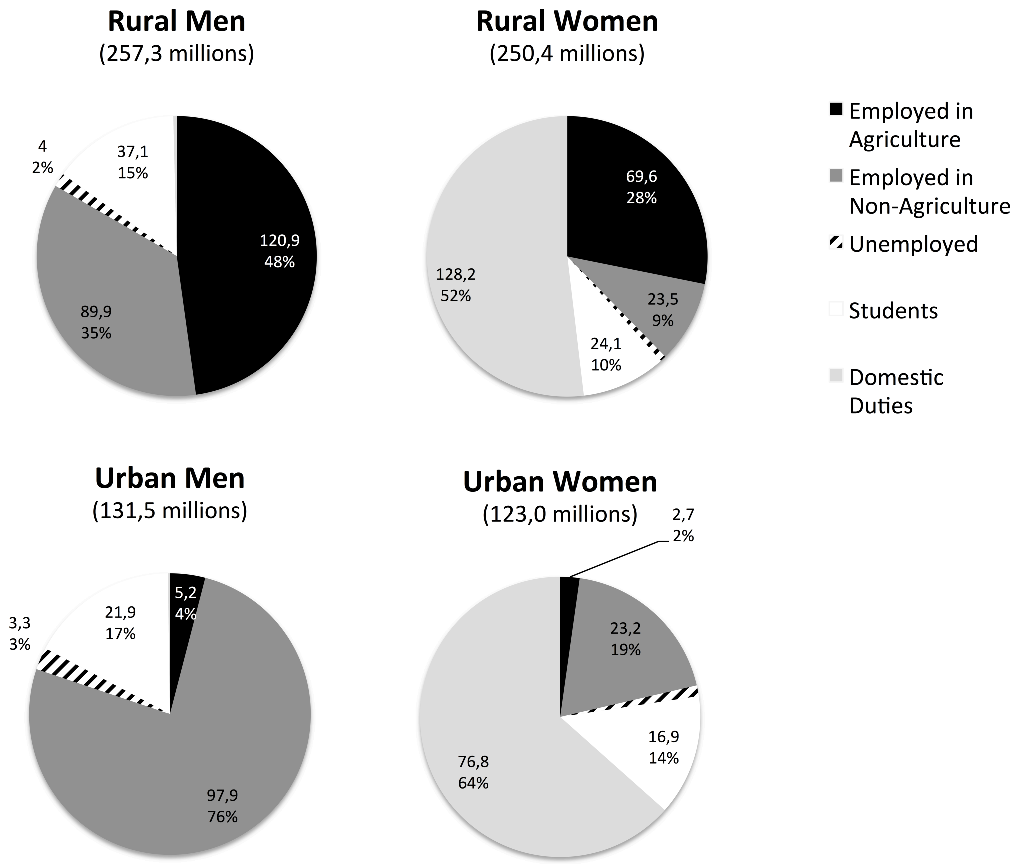
Figure 8 Employment in Economic Sectors in India (% of total employment)



Data source: http://data.worldbank.org, available years shown.

The gender gap, as well as the rural-urban divide, in employment is a core feature of the Indian labour market. In rural areas nearly every second men (48%) and more than every fourth women (28%) is employed in the agricultural sector. (See Figure 9.) The non-agricultural sector in rural areas employs around 35% of men and merely 9% of women. While it does not come as a surprise that most urban men work in the non-agricultural sector, it is striking that around 2/3 of urban women (64%) are attending to domestic duties — in comparison to 52% of rural women.

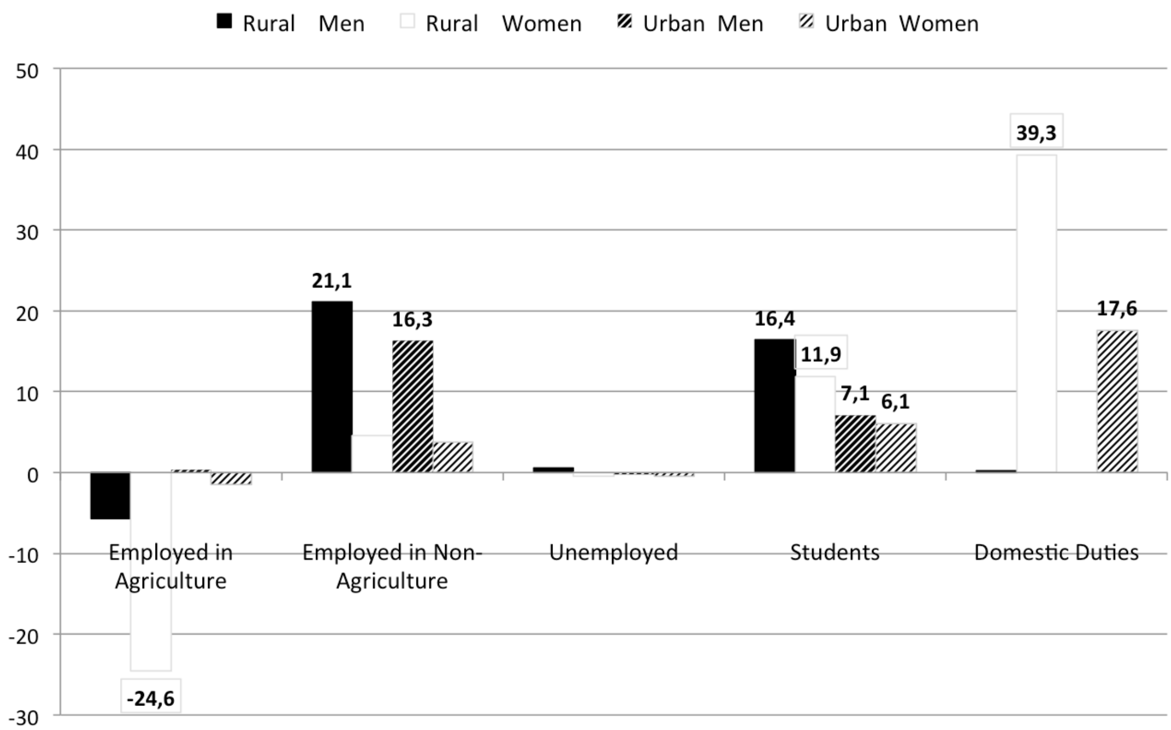
Figure 9 Occupation by Gender & Rural-Urban, India 2011-12 (Age 15-59) (Numbers in Millions)



Data Source: Jayan Jose Thomas (2014) The Demographic Challenge and Employment Growth in India. In: Economic and Political Weekly, February 8, 2014, Vol. XLIX, No6, p.16. Table 3: Population in the 15-59 Age Group India by Activity Status – Estimates for 2011-12 and the Incremental Change between 2004-05 and 2011-12 (Numbers in millions).

Employment trends are even more interesting than this latest snapshot from 2011-12. (See Figure 10 on the changes between 2004-05 and 2011-12.) While the decline in agricultural employment is mainly due to women moving out of agricultural work, in 2011-12 the Indian *National Sample Survey Organisation* (NSSO) recorded for the first time an absolute decline in the male agricultural workforce.[210] The expansion of low-skill employment in public (construction) works is identified by Thomas (2014) as one of the most important "pull" factors — referring to the rise from 0,9 million (in 2004-05) to 6,7 million (in 2011-12); with the *Mahatma Gandhi National Rural Employment Act* (MGNREGA) accounting for 2,9 million (in 2011-12).[211]

Figure 10 Incremental Change in Occupation by Gender & Rural/Urban, India between 2004-05 and 2011-12 (Age 15-59) (Numbers in millions)



Source: Thomas, Jayan J. (2014) *The Demographic Challenge and Employment Growth in India*. In: Economic and Political Weekly, February 8, 2014, Vol. XLIX, No6, p.16. Estimates based on the Survey on Employment and Unemployment, NSSO, 61st, 66th, and 68th rounds.

The incremental changes in occupation reveal the following trends:

(i) *The Economy looses out on the female workforce* — both in rural and urban areas. *Rural women are moving out of agriculture, into domestic work.* The decrease in the rural female workforce in agriculture (minus 24,6 million) is accompanied by a major increase in rural women attending to domestic duties (plus 39,3 million). Similarly there is an *increase in urban women attending to domestic duties* (plus 17,6 million).

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[210] Thomas (2014: 16)
[211] Thomas (2014: 16)

(ii) *Increase in non-agricultural jobs* — both for rural and urban men.
(iii) *Trend towards longer education* with an increase in the student population both in urban as well as in rural areas — with rural women lagging behind their male peers.

3.3.2 Core Determinants of Household Income in India

To contextualize this overall trend of people moving out of agriculture and to understand the core determinants of household income, the insights gained from the nationally representative, capability-based *Indian Human Development Survey* (IHDS) are informative:

> "Access to livelihoods that offer more or less year round work is the crucial determinant of household income. (…) access to year-round work is far more likely for people in salaried jobs or for those who are self-employed in business than for farmers, farm workers, or other manual labourers. Consequently, areas where salaried work or work in business has greater availability — such as in urban areas or states like Gujarat, Maharashtra, Himachal Pradesh, and Haryana — are better off than the rest of the country. Farm size and irrigation also affect household incomes, increasing average incomes in areas like Haryana and Punjab (…). Education is strongly related to access to salaried work, and vast differences in education across different social groups are at least partly responsible for the income differentials across socio-religious communities (…). While income levels are associated with the availability of work, the productivity of land, and individual human capital, consumption levels are further affected by household composition."[212]

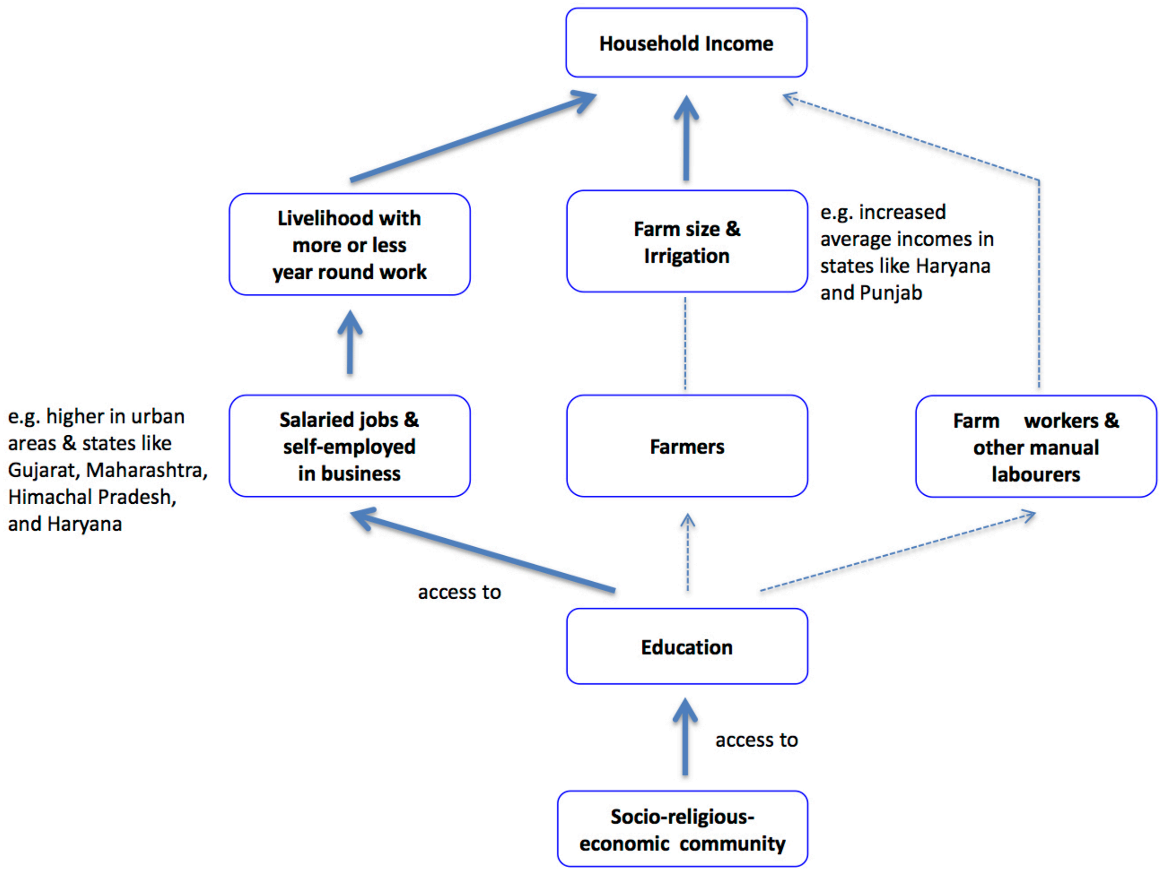
The core determinants of household income in India are depicted in Figure 11. The socio-religious and economic background affects the access to education. The level of education in turn is a major parameter regarding the access to salaried jobs or the capability of being self-employed with a small or micro-business. Naturally, major urban areas and states — like Gujarat or Maharashtra — provide more opportunities with regard to salaried jobs and self-employment. These salaried jobs or small- and micro-business on the other hand are the main determinant for a comparably secure livelihood with more or less, all-year round work. If the capabilities for finding a salaried job or starting a small or micro-business are not in place, usually due to inadequate

[212] Desai et al. (2010: 11)

educational achievements, farming or manual (agricultural or non-agricultural) labour are the main other sources for, an overall, less secure household income.

For farmers with their own plot the main determinant are naturally irrigation and farm size — which has increased steadily in India as shown in Mitra (2011: 157–8). Here again the capabilities for earning an acceptable household income depend mainly on the state one is living in. The "breadbasket of India", Punjab and also Haryana provide for higher average incomes for farmers than other states. In less fortunate states, agriculture becomes a less and less viable option for earning one´s livelihood and, due to the lack of other alternatives the trend moves in the direction of (often) unskilled, seasonal manual labour and, not seldom, in construction work.

Figure 11 Household Income´s Core Determinants in India



Source: Author´s drawing; findings from (Desai et al. 2010: 11).

3.4 How does Microfinance Work?

3.4.1 The Group-Approach and Costs and Risks of Lending to the Poor

High transaction costs and high risks are undoubtedly central reasons why financial institutions for such a long time shied away from providing small loans to poor people. One reason for high risks (and hence costs) is information asymmetry — for the financial institutions, but also for the clients.[213] Financial institutions face the risk that their lack of information leads to (1) *adverse selection*, e.g. the selection of clients, who bare a high risk of default; and (2) *moral hazard*, e.g. clients taking risks knowing that the consequences would be borne by others.

Clients, on the other hand face, due to information asymmetry, the risk of choosing a financial institution that is not financially sound. That a financial "institution", in the form of an assumed representative coming to villages, disappears with clients´ savings or goes bankrupt is not unheard of in India.[214] This problem naturally occurs more with regard to savings, remittances or insurances. If the provider of *loans* goes bankrupt merely one (possible highly valued) source of financing disappears; whereas the bankruptcy of a savings provider might result in the loss of a major part of a family´s savings. This is of course one major reason why such financial services tend to be more strictly regulated and monitored.

The group-approach to lending has three distinct features: (i) encouraging the *self-formation* of small groups, (ii) the group members' *mutual responsibility* for loan repayment (*joint liability groups*) and, (iii) the *conditionality* of loan provision to other group members on the basis of the loan repayment performance of their group peers. (See the later section on the widespread *Grameen model,* for a description on how this works in practice.) The group-approach addresses problems of lending small sums in remote areas (read: high costs) to poor people — without adequate collateral (read: high risks).

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[213] Zeller (ed. 2003: 4) The authors refer to: Stiglitz and Weiss (1981)
[214] To name just one major recent scam involving small savings deposits: the 2013 financial scandal in Eastern India caused by the collapse of the Ponzi scheme operated by the *Saradha Group*. See Economic and Political Weekly (2013) or Chowdhury (2013).

Local money lenders have three advantages over banks: (i) *adverse selection* — they know about the creditworthiness of people in their community or can, in a relatively time- and cost-efficient way, gather this information (ii) *moral hazard* — they can more easily monitor the financial conduct of their borrowers; last but not least (iii) *enforcement of repayment* —they can "put pressure" on the borrower (and his or her family), making the need for collateral less imperative.[215] For conventional commercial and government-run banks, it is undoubtedly much more difficult and costly to acquire such local information or for that matter to "put pressure" in the absence of collateral. With the group-based approach, microfinance found a way to "solve" the problems of information lack and the lack of enforcement mechanisms, in the absence of collateral.

The economist Brett Coleman rightly observes that in "tightly knit communities that exist in many villages in LICs [less industrialized countries], members are well placed to judge the creditworthiness and to observe the actions of their peers, thus mitigating the problems of adverse selection and moral hazard".[216] Stieglitz refers to this as *peer monitoring.* When modelling the "gains from improved monitoring" against the "costs of increased interdependence", as in the case of *Grameen* borrowers in Bangladesh, Stieglitz concluded that "the gains from peer monitoring more than offset the loss in expected utility from the increased risk-bearing"[217]. Stieglitz identified the following mechanisms as core to the successful peer monitoring in the case of the *Grameen Bank*: (i) the right *incentives* (*conditionality* of further loans), (ii) the *small group* size (avoiding two problems of big groups: the *free rider problem* and the *diminished incentive to monitoring* due to the smaller costs in case of a default), and (iii) the *homogeneity* within the group (with regard to risk characteristic such as proneness to default), which is achieved through the mechanism of *self-formation* of the groups.[218]

[215] This "putting pressure" can — undoubtedly — take the form of abuse of the dependent borrower.
[216] Coleman (1999: 107)
[217] Stiglitz (1990: 353, 362). Stiglitz also shows that the group-mechanism through interdependence provides incentives to the group members to refrain from risky projects. (ibid., 359)
[218] Stiglitz (1990: 361–2)

3.4.2 Joint liability and its Potential Social Costs

Joint liability[219] has the potential to avoid the pitfalls of *adverse selection* (through better screening) and of *moral hazard* (through peer monitoring) as we have seen. Furthermore, it "gives group members incentives to enforce the repayment of loans, and reduces the lender's audit costs for cases where some group members claim not to be able to repay".[220] Within the *principal-agent* literature the economist Hal Varian points, in his work on "monitoring agents with other agents", to the following incentive mechanisms in (*Grameen* style) group-based microfinance: (i) mutual monitoring, (ii) mutual insurance, (iii) group formation by members, (iv) mutual assistance, (v) sequential decisions.[221]

However, this peer pressure generated by *joint liability* also bares possible *social costs*. In case of the failure of a group — resulting in the denial of future credit to all group members — this can not only have very negative effects on the relations between these, often close, individuals and their families, but also have "far-reaching consequences for village life".[222]

The study of the potential negative social consequences of *joint liability* is — at least in the economic literature — highly underdeveloped. To the contrary, even invoking the fear of the "wrath of other group members" is uncritically referred to as a useful mechanism, as in the work of the economists Timothy Besley and Stephen Coate, who refer to this as "social collateral", which can be "harnessed" by banks.[223] Without being ironic they furthermore point to the "wider significance in contract design in situations where market and non-market institutions interact", of "drawing on the punishment capability of some agents to improve upon outcomes".[224] The authors conclude that "(i)f the group is formed from communities with a high degree of social connectedness, then this may constitute a powerful incentive device and hence may serve to mitigate any

[219] Sane and Thomas (2013: 59), states that disbursing credit through *joint liability groups* in India was innovated by NGOs, and later scaled up by MFIs — such as BASIX.
[220] Ghatak and Guinnane (1999: 225)
[221] Varian (1990: 155)
[222] Ghatak and Guinnane (1999: 225)
[223] Besley and Coate (1995: 16)
[224] Besley and Coate (1995: 16)

negative effects from group lending."[225] One feels urged to ask the question, "serve to mitigate any negative effects" — for whom?

In a nutshell, the group approach with *joint liability* and the Janus-faced, *peer-pressure* are core elements of microfinance in its current form. However, there is a trend towards individual microfinance drawing on collateral and enforceable contracts. For the majority of the (rural) poor in *less industrialised countries* (LICs) group-based microfinance appears to be the model for years to come. Hence a closer look at the functioning of the dominant *Grameen*-model (also predominant in Indian microfinance) is necessary.

3.5 Background: The Dominant *Grameen* Model of Microfinance

3.5.1 How Joint Liability Works in Practice in Grameen Groups

The *Grameen* Bank in Bangladesh is one of the pioneers of microfinance, the best-known *Microfinance Institution* (MFI) and provides the most widespread model for new MFIs. Also in India, most major MFIs use the "*Grameen* method". This *Grameen*-style microfinance refers to the *method of delivering* financial products through the formation and maintenance of small groups. These groups are often referred to as *joint-liability groups*.

Grameen style however does *not* refer to the *ownership and management structure* – for instance, the shares of *Grameen* Bank in Bangladesh are predominantly owned by its members. The more than eight million (mainly female) clients[226] who borrow from *Grameen Bank* hold nearly 80% of the shares while the remaining 20% of shares, are owned by the government of Bangladesh, *Sonali Bank* and *Bangladesh Krishi Bank*.[227]

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[225] Besley and Coate (1995: 16)
[226] More than 95% of *Grameen Bank´s* members are female. As of August 2014.
See Monthly Report in USD - 2014-08 Issue 416.
URL: www.grameen.com/index.php?option=com_content&task=view&id=453&Itemid=527; accessed 17th September 2014.
[227] This is as of 31. December 2013. See Audit Report 2013,
URL: www.grameen.com/index.php?option=com_content&task=view&id=1304&Itemid=1090;

The board of Grameen Bank consists of 13 members: the Managing Director, three members appointed by the government (including the Chairman) and nine members, which are elected by the borrower shareholders.[228] The mathematician and microfinance expert David Roodman sums up valid criticism of the *Grameen* governance structure, in that it "appears that the Board was ineffectual and that Muhammad Yunus ran the bank with a free hand. The highly touted female borrowers who constitute the board's majority could not be expected to understand the octopus-like complexity of the *Grameen* family of companies, assuming they were apprised of it. And they certainly could not be expected to perform appropriate oversight."[229] As will be shown later, Indian MFI founders did not opt for such a borrower-ownership structure. Interestingly, the global per cent of microfinance clients, who receive their loan from such a *non-profit institution,* is 33%.[230]

The *Grameen* method of *delivering microfinance* works as follows: *Grameen* staff members explain their products in the selected villages and encourage eligible women (that is women from households identified as poor) to form small *homogeneous* groups of usually 5 persons. In the words of *The New York Times*:

> "Although loans are made to individual entrepreneurs, each individual is in a group of four or five others who are in line for similar credits. Together they act as co-guarantors. If one individual is unable to make timely payments, credit for the entire group is jeopardized, which results in heavy peer-group pressure on the delinquent. (…) At first only two members of the group are allowed to apply for a loan. Depending on their repayments, the next two borrowers can apply, and then the fifth."[231]

These five members then gather once a week together with 40 or more, comparable members from other *joint-liability-groups* in their village. Led by the *Grameen* centre manager the women make payments in front of the group for their loan instalment, the

accessed 17th September 2014.
[228] Audit Report 2013,
URL: www.grameen.com/index.php?option=com_content&task=view&id=1304&Itemid=1090; accessed 17th September 2014.
[229] Roodman (2013)
[230] Convergences (2013: 3). The data is from *MIXMarket*, with 1400 institutions reporting in 2011.
[231] Farnsworth (1988)

interest rate as well as the mandatory saving. As pointed out by the microfinance practitioner and scholar Stuart Rutherford, women often do not distinguish these different elements of their "weekly bill'".[232]

3.5.2 Peer pressure, staff pressure and the Birth of Grameen II

In the case of women not showing up or not willing or able to pay, the Grameen centre manger would try to persuade the members,

> "by exerting moral pressure (reminding them of their promises to pay regularly, or appealing to their good nature by telling them that if they didn't pay he might have to pay out of his own pocket), by delaying the processing of requests for new loans, by hinting that he would reduce loan values, or simply by using his authority to keep the members sitting there for hours on end until full repayment collection had been made."[233]

Interestingly, Rutherford observes that with (the reformed model of) *Grameen* II in place, "the situation is little changed, except that the new energy that Grameen II has brought means that centre managers probably strive even harder than before to get every repayment made on time."[234]

However, the pressure does not only derive from the *Grameen* centre manager, but — as stated before — from the other group members. In the account of the development economics and BRAC advisor, Mahabub Hossain:

> "The individual is kept in line by a considerable amount of pressure from other members of the group. The existence of the group thus acts as the collateral for the bank loans. The credibility of the group as a whole and its future benefits in terms of new loans are in jeopardy if one member breaks the discipline and defaults on loan repayments. So groups sometimes decide to fine or to expel a member who fails to attend a meeting and wilfully defaults on payment of instalments. Other members of the group also extend financial support to a

[232] Rutherford (2006: 13)
[233] Rutherford (2006: 17)
[234] Rutherford (2006: 17)

> member in times of genuine difficulty when the member cannot pay the instalment. A member may leave the group when the loan is fully repaid; if a member leaves earlier, the responsibility for paying the balance falls to the remaining group members."[235]

In 1995 a conflict regarding the handling of "group funds" in the case of members leaving the group caused an uproar, which Yunus claims was arranged by "[h]usbands of the borrowers, inspired and supported by local politicians".[236] These "group funds" were comprised of mandatory savings of 5% of every loan at disbursement. They were officially managed by the group, for instance to issue a loan to a group member experiencing repayment problems. Rutherford[237] however shows that in reality most often the dominant figure of the *Grameen* staff member, who manages the group, decided on the loan's usage. These problems with repayment were multiplied when the once-in-a-century tide of 1998 submerged two-thirds of Bangladesh. To make things worse *Grameen*´s public perception deteriorated when its accounting practices and, as a consequence, its profitability and sustainability were questioned.[238] These multiple pressures gave birth to the *Grameen* II model. The refinement of *Grameen* II can best be described as, a "set of *new or modified financial products*, along with new or modified criteria determining their availability to clients".[239] The *Grameen* II method was formulated in 2000, tested and subsequently introduced in all branches of *Grameen Bank* by August 2002.[240] The *Grameen Bank* reacted with this new lending method to the troubles it encountered with group attendance and with repayment.

[235] Hossain (1988: 26)
[236] Yunus (n.d.)
[237] Rutherford (2006: 13)
[238] Rutherford (2006: 2)
[239] Rutherford (2006: 11)
[240] Yunus (n.d.)

3.6 Who Provides Microfinance, where and to whom?

3.6.1 Microfinance in South Asia in a Comparative Perspective

On the World map of microfinance, South Asia sticks out with more active borrowers than all other World regions combined. (See Table 7.) This has, among other things, to do with the population size and role of Bangladesh and India as pioneers and innovators in microfinance. In 2012 India had 27.7 million borrowers and Bangladesh, 17.9 million borrowers; followed by Vietnam (7.6 million) and Mexico (6.1 million).[241] Also regarding the number of MFIs, India (with 91 MFIs) is a leader in international microfinance, followed by Mexico (60), Peru (53), Ecuador (44) and China (41).

Given the small *average loan size* in South Asia (165 US$), in comparison to Latin America & the Caribbean (1072 US$) or Eastern Europe & Central Asia (with a more than ten-fold average loan size of 1807 US$) the global microfinance map looks quite different regarding the *Gross Loan Portfolio* by region. Here, Latin America and Eastern Europe clearly lead, with each close to 35 billion US$ *Gross Loan Portfolio*.

Table 7 Microfinance by Regions — Number of Clients, Loan Size and Portfolio 2012

	Active Borrowers (in million)	*Gross Loan Portfolio (billion US$)*	*Average Loan Size (US$)*
Latin America & the Caribbean	19.2	34.8	1 072
East Asia & the Pacific	12.8	34.7	396
South Asia	48.0	8.3	165
Africa	7.4	8.0	398
Eastern Europe & Central Asia	2.5	6.8	1 807
Middle East & North Africa	1.9	1.1	643

Source: MixMarket, 2012 data, http://reports.mixmarket.org/crossmarket#, accessed 21st March 2014.

241 All following data from: *MixMarket*, 2012 data, http://reports.mixmarket.org/crossmarket#, accessed 21st March 2014.

Is microfinance mainly aimed at female clients? On average, MFIs worldwide have 73% female clients — at least every 4th MFI focuses exclusively on women.[242] However, on a global level there are major differences between countries. In India 92% of the microfinance clients are women.[243] Countries with an even higher reported percentage of female borrowers are Turkey, Bangladesh, Thailand and Vietnam. (See Table 24 in the Appendix.) However, there are also (far smaller) microfinance markets, in which female borrowers are the exception and not the rule. (See also *Box 6 Are Women the Better Clients?*) In comparison to the high global percentage of women borrowers, the global percentage of rural borrowers is, at 38% rather low.[244]

Box 6 Are Women the Better Clients?

"Tying Odysseus to the Mast" is the title of an article reporting on the findings of a highly interesting *Randomized Control Trial* (RCT) of a commitment savings product in the Philippines. Using the hypothetical test question — along the lines of "Would you prefer *200 pesos now* or *300 pesos in one month*?" as well as "Would you prefer *200 pesos in six month*, or *300 pesos in seven month*?"[245], the researchers identified "individuals who exhibit impatience over near-term trade-offs but patience over future trade-offs".[246] This tension between how one manages money in the short run and the desire to do it differently in the long run[247] is a good *predictor* for signing up for a commitment saving product, especially — and that is most interesting — for women. The authors, Ashraf, Karlan and Yin, ascribe this (in the case of the Philippines) to the "tradition of women being responsible for household finances, and hence more in need of finding solutions to temptation or savings problems."[248] Hence those women who took up a commitment saving product not only "recognised their need for external discipline",[249] but acted on it due to the financial responsibility they hold within the household.

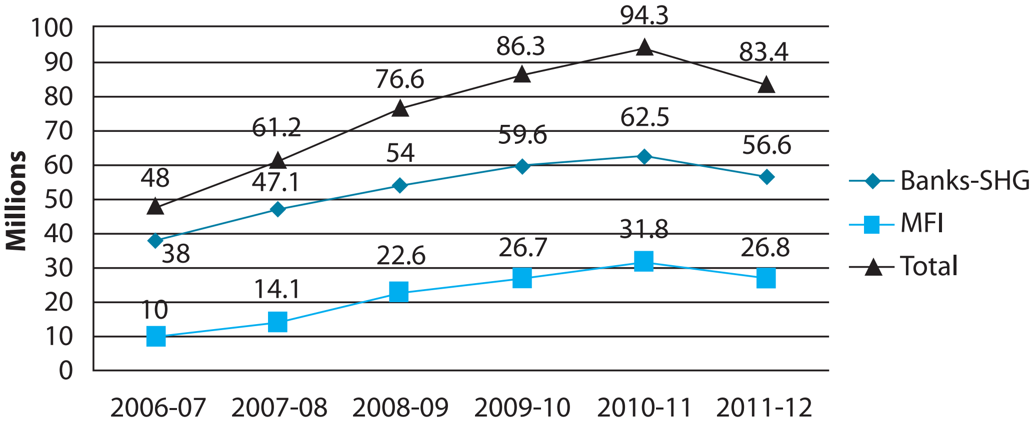
Another study analysing 350 MFIs from 70 countries, concludes that "MFIs with higher proportions of female borrowers have lower portfolio at risk and lower write-off rates".[250]

242 D'Espallier et al. (2011: 761) & Convergences (2013: 3). The data source is MIX Market with 1400 institutions reporting in 2011.
243 Aggarwal et al. (30)
244 Convergences (2013: 3). The data source is MIX Market with 1400 institutions reporting in 2011.
245 For the exact wording, see: Ashraf et al. (2006: 646–8).
246 Ashraf et al. (2006: 668)
247 Roodman (2012: 33)
248 Ashraf et al. (2006: 668)
249 Roodman (2012: 33)
250 D'Espallier et al. (2011: 769). D'Espallier also provides a good overview over studies claiming that female microfinance clients outperform male clients with regard to repayment.

3.6.2 State and Non-State Actors in Indian Microfinance

In India, unlike in many other countries, the state plays a major role in microfinance. Government-backed programs reached more clients than *Microfinance Institutions* (MFIs). The, by far, most important government initiative is called *Self-Help Group-Bank Linkage Programme (SHG-BLP)*. The *SHG-BLP* draws on the wide prevalence of *Self-help groups* (SHG) and provides credit to them by linking them with banks. Microfinance in India experienced a major setback after the crisis in 2010, which affected both MFIs and the *SHG-BLP.* The overall number of clients decreased by around 10% and went down to 83.4 million in 2011-12. (See Figure 12.)

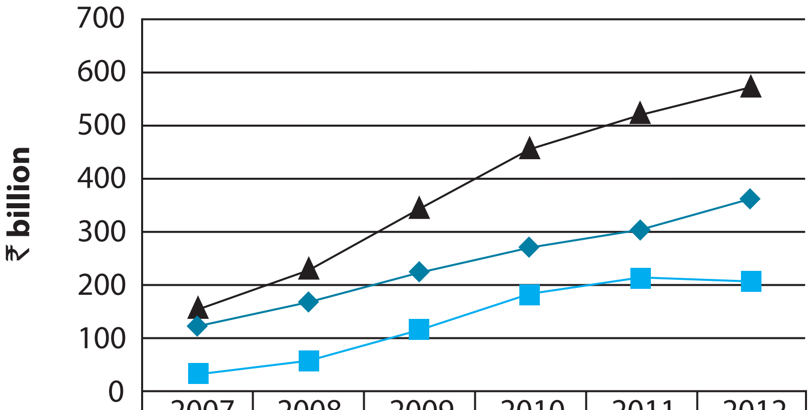
Figure 12 Growth of Indian Microfinance — SHG and MFI Outreach (in million clients)



Source: (Puhazhendhi 2013: 4)

While both the number of clients and the loan portfolio of *Microfinance Institutions* (MFIs) grew, for a while faster than that of the *SHG-BLP* — this changed in the aftermath of the 2010 crisis. (See Figure 13.) (The microfinance crisis of 2010 will be described and analysed in detail in the next chapter.)

Figure 13 Growth of Indian Microfinance — SHG and MFI Loan Portfolio (in billion Rupees)



	2007	2008	2009	2010	2011	2012
Banks-SHG	123.66	169.99	226.76	272.66	306.19	363.41
MFIs	34.56	59.54	117.34	183.44	215.56	209.13
Total	158.22	229.53	344.10	456.10	521.75	572.54

Source: (Puhazhendhi 2013: 4)

3.6.2.1 SHG-Bank Linkage Programme

The major driving force behind the *Self-help group-Bank Linkage Programme* (SHG-BLP) is the *National Bank for Agriculture and Rural Development* (NABARD). In its latest annual report of 2013-14 on, “sector-wise disbursement of refinance”, SHGs receive an 18% share (of Rs. 3,813.14 crore [251]) (down from 22% in 2012-13 and 20% in 2011-12) — it is still the second biggest share after the non-farm sector with a 38% share (up from 29% in 2012-13 and 23% in 2011-12).[252]

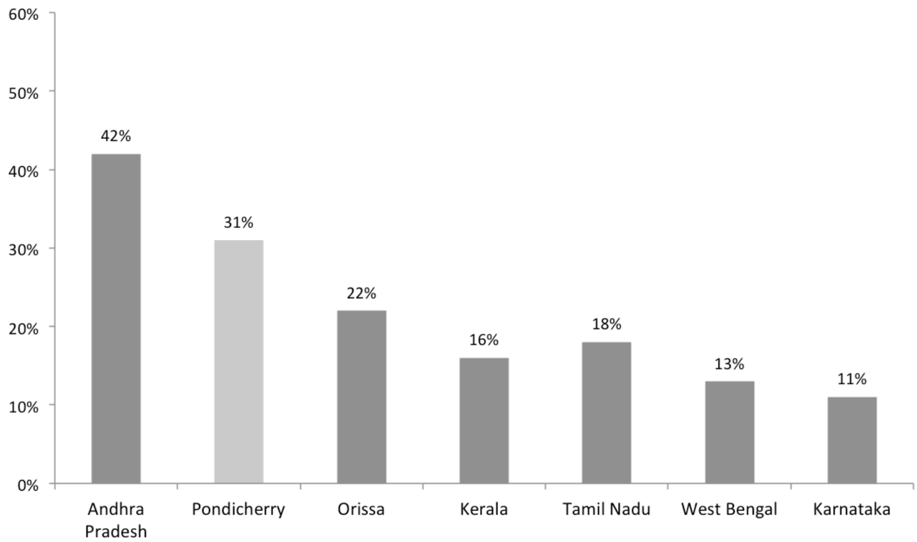
The SHG-BLP is very unequally spread out across the Indian states. Andhra Pradesh reaches nearly 17 million people (out of 85 million inhabitants) with its *SHG Bank Linkage Programme*. Since most of them are women, it theoretically means reaching 42% of the 42 million female inhabitants. (See Figure 14.) This again theoretically translates into nearly every household (96%). However, the problem with this kind of statistics is, that it does *not* take into account the number of loans per household. In

[251] *Crore* is the unit for *10 million* in the Indian numbering system, which is also used in other South Asian countries. It is equal to one hundred lakhs (one lakh standing for 100.000). Hence 3,813.14 ₹ crore are 38130 million (or 38 billion) India Rupees or as of January 1st 2014 (with an exchange rate of the Indian Rupee to the Euro of 0,0122): 436 million Euros.
[252] National Bank for Agriculture and Rural Development (NABARD) (2014: 90)

reality multiple loans by some borrowers, leaves many households without any such loan. Nevertheless, this outreach through the *SHG-Bank Linkage Programme* in Andhra Pradesh is a considerable achievement when compared to the second best performing state of Orissa where 22% of the female population was reached. The outreach of 31% in the *Union Territory* Pondicherry has to be considered as a special case, given its small population size of merely 1.2 million.

It is interesting that the outreach of the *SHG Bank Linkage Programme* (SHG-BLP) is strongest in the very same states in which the *Microfinance Institutions* also have their strongholds — with the big five (Andhra Pradesh, Karnataka, Tamil Nadu, Orissa, West Bengal) accompanied in the top seven by Kerala and Pondicherry (which is composed of enclaves in neighbouring Tamil Nadu, Andhra Pradesh and Kerala). Hence the dominance of Southern states (and to a lesser degree of Eastern states) with regard to MFI outreach is mirrored in the outreach of the SHG-BLP.

Figure 14 SHG-Bank Linkage Programme — State-wise Prevalence as Percent of Female Population, 2010



— Top Seven States

Source: (Champatiray et al. 2012: 34)

The state-wise outreach of MFIs and of the *SHG-Bank Linkage Programme* (SHG-BLP) is not correlated with the level of development in the state. With states in the top seven regarding SHG-BLP penetration, ranging from Kerala with one of the highest *human development index* (HDI), via the above average Tamil Nadu, West Bengal and Karnataka to the lowest HDI ranked state of Orissa. (See also tables with HDI ranking of Indian states in Chapter 5 on the Survey Design.) The bottom seven states regarding SHG-BLP outreach (all with less than 2% penetration rates) range from states with high HDI values such as Delhi and Punjab, via above average states like Haryana and Gujarat to those with a low HDI like Madhya Pradesh and Bihar (and the conflict ridden and hence exceptional case of Jammu & Kashmir). Hence the supply of microfinance state-wise does not correlate with high or low achievements in development. (The state-wise penetration rates of the SHG-BLP will be compared to those of MFIs in chapter 5, where the choice of Andhra Pradesh as a case study is explained.)

A comprehensive picture emerges from a 2011 survey of 1942 SHGs from 41 districts in eight states. The average SHG size in most states is 11 or 12 members — with the notable exception of Karnataka with an average of 14 members and with every third SHG having 16 or more members. (See Table 25 in the Appendix.) The meetings of SHGs are, in most of the states (namely Andhra Pradesh, Assam, Gujarat, Maharashtra and Rajasthan) conducted on a monthly basis — again with the notable exception of Karnataka with half of the SHGs holding weekly meetings, as well as West Bengal and Bihar with more diverse (and also irregular) meetings. (See Table 26.)

The state, in the form of regional government, is not always the main promoter of SHG. However, in the case of Andhra Pradesh the government promoted 73% of the SHGs — other states like Rajasthan (55%), Assam (38%) and Bihar (34%) follow at a large distance. NGOs as SHG promoters are — out of the sampled eight states — especially strong in Gujarat (83%), West Bengal (73%), Karnataka (69%) and Bihar (65%). (See Table 27.) Banks play only a marginal role in the promotion of SHGs. Communities and respectively SHGs themselves, function as SHG promoters mainly in Maharashtra (35%), Assam (20%) and Andhra Pradesh (14%).

Highly interesting is the question how long these SHGs already exist. By far the oldest SHGs are found in Andhra Pradesh (14% are older than 12 years, 24% are between 9 and 12 years old). (See Table 28.) The newest (up to three years old) SHGs are found in Bihar (61%), Gujarat (59%) and Rajasthan (53%).

The number of dropouts per SHG also varies substantially between the states. The lowest dropout rates were found in Rajasthan (75% of SHGs have no dropouts) Maharashtra (73%), Gujarat (69%) and Bihar (67%). (See Table 29.) Rather high dropout rates are experienced in Andhra Pradesh (43% of SHGs with no dropouts, 38% with one to two dropouts and 18% with three or more dropouts per SHG) and Karnataka.

The socio-economic background data of SHG members show the social category (e.g. in total 12% scheduled tribe, 21% scheduled caste, 35% other backward classes), the education level (with a total 62% being illiterate), the primary occupation (47% labourers, 40% in agriculture and allied), the landholdings (43% being landless and 49% having only marginal landholdings) and the poverty category (with 75% being categorized as *below the poverty line* — BPL). (See Table 30 to Table 36 in the Appendix.) Of course, the socio-economic background data has to be contextualised for each state. (For the case of Andhra Pradesh the findings in the empirical chapters will be put into context).

3.6.2.2 The Major Microfinance Institutions in India

Given that the focus of this thesis are *Microfinance Institutions* (MFIs) with regard to their perception by clients and non-clients as well as the empowerment levels of female MFI clients, some of these MFIs — namely *SKS*, *Spandana*, *Share* and *Asmitha* (marked with * in Table 8) — will play a central role in chapter 5 (on perception) and chapter 6 (on empowerment). The special model of livelihood promotion promoted by the microfinance pioneer, *BASIX*, which droped out from the top ten (between 2011 and 2014) has already been introduced before. *SKS* (and to a lesser extent *Spandana* and Share — all headquartered in Andhra Pradesh) will play a central role in the next chapter, which also deals with the microfinance crises in Andhra Pradesh. For now, it should suffice to introduce the major Indian MFIs with regard to their key data.

Table 8 Top Microfinance Institutions in India — End of 2014

	Nr. of active borrowers as of December 31th 2014	*Loans (in USD)*	*Average loan balance per borrower USD, 2013*
Bandhan	6,152,455	1,234,319,456	188.0
SKS *	5,227,910	521,301,785	104.4
SKDRDP	3,350,942	574,769,994	174.8
Spandana (SSFL) *	2,249,523	368,451,999	156.6
Equitas (EMFPL)	2,193,471	311,503,825	137.4
JFSPL	2,014,140	467,250,918	242.0
Ujjivan	1,905,163	453,614,315	207.6
Share (SML) *	1,535,889	262,468,845	143.8
SCNL (Satin)	953,028	220,806,395	219.8
Muthoot	857,283	155,077,344	189.5
Asmitha (AML) *	807,422	150,323,832	183.0

* Major MFIs in our sampling districts in Andhra Pradesh (See Chapter 5.)
Source: Mix Market, www.mixmarket.org, accessed May 13th 2015.

Bandhan is the biggest Indian MFI — both in terms of clients (more than 6.1 million), followed by SKS (with more than 5.2 million), and outstanding loan amount (more than 1.2 billion US$), followed by *SKDRDP* (with around 574 million US$). *Bandhan* is also the first Indian MFI, which secured an "in-principal"-approval for a banking licence by the *Reserve Bank of India* (RBI) — against the competition of big corporates like the *Aditya Birla Group* or the *Bajaj Group*.[253] *SKDRDP* from Karnataka is also an interesting case, given that it is the only major MFI, which legally is still a NGO — and *not* a *non-bank financial institution* (NBFI) like all its competitors. (See Table 9.) *SKDRDP* is also the only major Indian MFI, which draws on savings — its 1.4 million depositors saved 126.7 million USD.[254] What is also of interest is the average loan balance per borrower — from 104 USD (SKS) to 242 USD (JFSPL). (See Table 8.)

The founding years of the MFIs, confirm that the Indian microfinance boom started in the 1990s — with some notably successful late-comers in the 2000s like *Bandhan* (2001), *Asmitha* (2002), *Ujjivan* (2004) and *Equitas* (2007). (See Table 9.) In 2011 five out of the Top 10 Indian MFIs were headquartered in Andhra Pradesh, which reflects Andhra Pradesh´s exceptional role in Indian microfinance. This density of competitors

253 The Economic Times (April 2nd 2014)
254 These savings are as of December 31st 2014, www.mixmarket.org/mfi/country/India, May 10th 2015.

also plays a role in the story about the biggest crisis in the history of microfinance, which will be presented and analysed in chapter 4.

Many clients — especially in the major South Indian microfinance states —receive loans from both MFIs and the SHG-BLP. Even when dissatisfied with either or both loan channels, many clients opt for keeping both options "alive" — in order not to loose their seniority with regard to loan size and not having to wait for other drop-outs or having to build a new group if later wanting to re-join; in the words of the independent researcher and author of the first and seminal *State of the Sector Report* on Indian Microfinance, Prabhu Ghate: "the incentives are structured so as to keep membership alive".[255]

[255] Ghate (2007a: 1179)

Table 9 Top Ten Microfinance Institutions in India — Ranked by Number of Active Borrowers in 2011 [256]

Name	*Year establ.*	*Nr. of active borrowers 2011 in million*	*Gross Loan Portfolio 2011, in million US$*	*Average loan balance per borrower US$, 2011*	*Assets 2011, in million US$*	*Main Funding Sources* [257]			*Legal Status*	*Nr. of States & Union Territories (Source)*	*Nr. of Dis-tricts*	*Nr. of Bran-ches*	*Top Five States: Operations in…*				
						Grants	*Loans*	*Shareholder Capital*					*Andhra Pradesh*	*Tamil Nadu*	*Karnataka*	*Orissa*	*West Bengal*
SKS	1997	4.3	328.1	77	320.2	●	●	●	*NBFI*	19 (i)	378	2379	◙	●	●	●	●
Bandhan	2001	3.6	733.3	203	833.8	○	●	●	*NBFI*	18 (ii)	n/a	1683	○	○	○	●	◙
Spandana	1998	3.4	533.8	155	548.6	○	●	●	*NBFI*	12 (iii)	197	1674	◙	●	●	●	○
Share	1992	2.2	414.8	192	408.2	○	●	●	*NBFI*	19 (iv)	220	914	◙	●	●	●	●
Equitas	2007	1.2	142.3	119	155.6	○	●	●	*NBFI*	6 (v)	27	271	○	◙	○	○	○
Asmitha (AML)	2002	1.1	235.8	215	233.0	○	●	●	*NBFI*	14 (vi)	147	529	◙	●	●	●	●
SKDRDP	1982	1.0	322.0	317	364.4	●	○	●	NGO	1 (vii)	16	56	○	○	◙	○	○
Ujjivan	2004	0.8	138.3	169	174.6	○	●	●	NBFI	20 (viii)	n/a	302	○	●	◙	●	●
Grama Vidiyal	1993	0.8	102.2	125	96.4	○	●	○	NBFI	1 (ix)	n/a	n/a	○	◙	○	○	○
BASIX	1996	0.6	57.4	101	70.8	○	●	●	NBFI	17 (x)	223	n/a	◙	●	●	●	●
Top 10 Total		*19.0*	*3,008.0*														
India Total		*26.5*	*4,300.0*														

Legend: ◙ *MFI headquarter*
● *MFI Operations*
○ *No operations in this state*

Source: Mixmarket, wwwmixmarket.org/mfi. i See endnotes at the end of the Appendix

[256] 2011 is the year in which the empirical study for this thesis was conceptualized.
See also Table 36 Microfinance Institutions (MFIs) in India by Number of Active Borrowers in 2011 — Top 11 to 29; in the Appendix.
[257] None of the top 10 MFIs in India had — due to regulations — any depositors in 2011.

3.7 Why Do People Use Microfinance — at Interest Rates of 35%?

3.7.1 Formal and Informal Alternatives — Or How Indian Households Borrow?

Why do so many poor people opt for microfinance in the first place?

Given the last six decades of numerous attempts by the Indian state to encourage — or rather force — the banking sector to cater to the poor, not least through nationalization and the establishment of *Regional Rural Banks* (RRBs), it is surprising to see what a small role banks play as a credit source for the poor. It is in this contrast, that the achievement of both MFIs and the SHG-BLP — within a much shorter time period — are remarkable. The results of the largest Indian household survey, conducted by the *Centre for Monitoring Indian Economy* (CMIE), in the fiscal year before the outbreak of the Andhra Crisis in 2010 shows very clearly how different the sources of household borrowing are for the different income groups. Whereas banks are the primary source of borrowing for the *rich* and for *high middle income* groups; the inaccessibility of banks makes friends and family the primary loan source for the *poor*, the *low middle income* and the *middle income* groups. (See Figure 15.) The infamous moneylender hardly plays any role for the rich, whereas he or she is the second most important loan source for lower income groups.[258] In the last decades a trend towards SHGs and MFIs as credit sources can be witnessed. As shown before, the *SHG-Bank Linkage Program* took a lead in terms of number of clients, but — till the Andhra Crisis — MFIs were growing more rapidly.

[258] For a comprehensive study of moneylenders in Bihar, see Roth and Hans-Dieter (2007).

Figure 15 Sources of Household Borrowing by Income Group (in %), 2009-10

Category	HH Count (%)	Annual Income (Rs '000)	Source of Borrowing				
			Friends and Family	Money-lender	SHG/MFI	Bank	Any
Rich - I	0.3	1,367	0.4	0.2	0.1	18.0	20.1
Rich - II	0.6	834	3.3	2.8	0.6	16.8	20.1
High middle income - I	5.6	479	9.9	8.6	2.1	22.8	30.9
High middle income - II	8.8	292	10.4	8.2	1.9	20.0	32.7
High middle income - III	9.5	209	11.8	7.8	2.3	14.2	32.2
Middle income - I	16.3	148	16.5	10.2	4.1	12.9	36.5
Middle income - II	10.2	108	20.9	13.1	6.0	10.4	40.4
Low middle income - I	22.4	77	21.5	14.6	7.0	7.3	42.1
Low middle income - II	19.3	49	24.7	14.3	7.7	5.2	42.6
Poor - I	5.2	31	29.5	14.1	7.0	4.6	46.1
Poor - II	1.8	19	30.0	13.3	6.7	3.1	44.9
Overall	100.0		20.6	12.6	5.8	9.3	39.9

Source: (Sane and Thomas 2013: 61). The data are from the quarterly survey of 125.000 households called "Consumer Pyramids", conducted by the *Centre for Monitoring Indian Economy* (CMIE).

3.7.2 Interest Rates of Informal Sources and of Microfinance Institutions

The interest rates for loans from informal sources in developing countries and emerging markets tend to be very high. As the economists Esther Duflo and Abhijit Banerjee point out, "These high interest rates seem to occur not directly because of high rates of default, but as a result of the high costs of contract enforcement. While delay in repayment of informal loans is frequent, default is actually rare".[259]

Banerjee and Duflo find in their study in rural Udaipur, India the following average interest rates for credit from informal sources: 3.84% per month — which equals 57% per year — for people living on less than 99 cents a day, respectively 3.13% per month for those living on \$1 to \$2 a day per capita.[260] This difference can be explained with the facts that firstly, the "slightly less poor" borrow more from formal sources, which in comparison to informal sources are cheaper and secondly, that informal sources

[259] Banerjee and Duflo (2006: 14) and
[260] Banerjee and Duflo (2011: 160)

demand higher interest rates from the poor than from the less poor.[261] Banerjee and Duflo conclude that despite variation of interest rates in different countries and sectors, the "(y)early interest rates in the 40% to 200% range (or even higher) are the norm, and the poor pay more than the rich."[262]

Box 7 Glossary of Interest Rate Terminology

Annual Percentage Rate (APR) = "nominal APR"	… is the annualized interest rate *without compounding*. It is the standard in countries like the USA.[263]
Effective Annual Percentage Rate (EAPR)	… is the annualized interest rate *including compounding*. Depending on countries´ legislations it can include *fees*.[264]
Effective Interest Rate (EIR)	… is the annualized interest rate *including compounding*. It is the standard in countries like those in the EU.[265]
Flat interest rates	… are "very common in microfinance" and "mean that the interest each period is calculated on the original amount of the loan, rather than the current balance".[266]

A comprehensive assessment of interest rates in (four districts of) Andhra Pradesh was conducted by the financial inclusion consultancy *MicroSave* in 2011. The detailed analysis also includes usual loan amounts, loan terms, instalments and collateral requirements. (See Table 35 in the Appendix.) The findings are intriguing and help explain why loans from Microfinance Institutions (MFIs) are an attractive alternative[267]:

- *Moneylenders outside the local community* (in Telugu colloquially called "*Kangali*" banks, meaning "wretched/ miserable" banks) charge effective annual *interest rates* of 160% to 225%;
- *Local moneylenders* charge people with whom they have long-term credit relations 36% and 120%;
- *Daily finance corporations,* who target petty businesses charge 78% to 120%;
- *Middlemen*, who trade agricultural products and buy farmers´ harvests charge between 48% to 75% plus a commission.

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[261] Banerjee and Duflo (2011: 160)
[262] Banerjee and Duflo (2011: 160)
[263] MFTransparency: FAQs, available at http://www.mftransparency.org/faqs; accessed 23rd March 2013.
[264] Ibid.
[265] Ibid.
[266] MFTransparency (2011: 9)
[267] All of the following interest rates are taken from MicroSave (2011: 17–20).

The following lenders play in the same interest rate league as *Microfinance Institutions* (MFIs) — however they require gold as collateral:

- *Pawnbroker*, who are usually the local jewellers charge interest rates between 30% and 36%;
- *Gold Loan Companies* with interest rates between 12% and 30%.

Other informal loan sources show big variations with regard to interest rates, namely

- *Chit funds*, which are widespread in the business community and work by saving in a bigger group and then auctioning or drawing the total amount in the group, have interest rate between 0% and 60%;
- Friends and family as a source of credit come into the picture mainly in cases of emergencies and have effective annual *interest rates* of 0% to 100%.

Formal and state-sponsored credit finally has the following interest rates in Andhra Pradesh:

- *Banks*, which of course require collateral, e.g. in form of securities, guarantees from third parties or hypothecation of the harvest, charge interest rates between 7% and 13%;
- *Self-help groups* (SHG), which take part in the *Self-help group Bank Linkage Program* (SHG-BLP) have interest rates of 3% (state-subsidized if paid back on time), 12% (when the group takes a loan from the SHG federation) and 12% to 24% (for loans from group savings).

(All details are shown in Table 35 in the Appendix.)

Many, of the before mentioned *effective annual interest rates* (of up to 225%), demonstrate the real meaning of the word "usury". However, also the interest rates of *Microfinance Institutions* (MFIs) are often perceived as exploitative. It sounds like "profiteering" to charge 33% interest.[268] This is the average *Annual Percentage Rate* (APR) in India — including interest, fees and compulsory insurance and respectively compulsory deposits (for different calculation methods, see further down).[269]

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[268] For people living in the US or the EU this seems absurdly high. In comparison, the average APR for a credit card in the US at the beginning of 2013 is 15%. (See: Dilworth (2013).) But payday loans, used by more than 10 million mainly low income citizens in the US in 2009 with an upward trend, cost 25% for a two-week loan. That equals a 650% APR. (See: Carter (2012).)

[269] MFTransparency (2011: 28)

A regional comparison of microfinance interest rates reveals that South Asia has the lowest average rate; followed with a substantial distance by Eastern Europe & Central Asia and Sub-Saharan Africa. (See Table 10.) It is important to point out that this method is based on the "gross portfolio yield" of MFIs, adjusted downward for inflation (based on consumer prices) and adjusted upward for loan losses.[270] Most importantly, it does not take into account costs produced by compulsory savings and compulsory credit insurances.[271]

How significant these "hidden costs" are, can be seen in the Indian case. The difference between the average interest rate calculated for South Asia (in Table 10) of 15% and the average interest rate for India of 33% (see Table 12) can be explained by inflation and "hidden costs". The Indian inflation rate in 2009 was – with 10.9% – six percentage points higher than the South Asian average. The remaining difference is due to compulsory insurance and/ or to compulsory savings. Inferring from those countries, for which *MFTransparency* has published data on APR rates (which were on average 5.6 percentage points higher than those in Table 10), Roodman concludes that four out of five microloans worldwide have a price per year up to 35% — that is after accounting for inflation.[272]

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[270] Roodman (2012: 184)
[271] Roodman (2012: 185)
[272] See: Roodman (2012: 186). Rates are measured as "gross portfolio yield" (see: Glossary) and are adjusted for inflation (based on the consumer price index) as well as for loan losses. However Roodman (2012: 184-186) does not take into account costs of compulsory insurance as well as compulsory savings. Inflation in India for example varied in the last five years of available data (including 2011) between 6,1% in 2006 and 12,0% in 2010. See World Bank Database, http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG, last accessed 24th March 2013.

Table 10 Inflation-adjusted MFI Interest Rates without "Hidden Costs" by Region, 2009

	50th percentile	*95th percentile*	*Inflation rate* [273]
South Asia	15 %	44 %	4,9 %
Eastern Europe & Central Asia	23 %	48 %	3,5 %
Sub-Saharan Africa	24 %	67 %	7,3 %
Latin America & Caribbean	28 %	73 %	2,9 %
East Asia & Pacific	29 %	61 %	3,7 %
Middle East & North Africa	32 %	44 %	2,9 %

Source: (Roodman 2012: 185) and for inflation rates: World Bank Database, http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG, last accessed 24th March 2013.

South Asia is also the region with the lowest interest rate at the 95th percentile with 44% — that is the rate charged by those (5%) most expensive MFIs. In Latin America & the Caribbean the rates of the most expensive MFIs are worldwide the highest at 73%. This also shows that the infamous 85% interest rate per year (plus 15% value added tax) of the Mexican MFI *Compartamos*, which was the first MFI to be listed on the stock exchange, are also high in the already high interest prone regional context.[274] Nobel peace laureate, Muhammad Yunus expressed his opposition to *Compartamos'* "screwed priorities" in so many words, including: "When you discuss microcredit, don't bring *Compartamos* into it. (…) Microcredit was created to fight the money lender, not to become the money lender."[275]

[273] Inflation rates refer to 2009. Given the predominance of microfinance in developing countries, the inflation rates refer to the developing countries in each region, e.g. "Europe & Central Asia (developing only)" not "Europe & Central Asia (all income levels)". South Asia is the only region, which does not have this distinction between "developing only" and "all income levels".
[274] Rosenberg (2007: 5)
[275] Businessweek (2007)

Table 11 Annual Percentage Rate of Charge (APR) Calculation Methods

	Interest	*Fees*	*Insurance*	*Security Deposit*
APR	*X*	*X*	*X*	
"APR India"	*X*	*X*		*X*
APR — *Including Security Deposit*	*X*	*X*	*X*	*X*
Malegam Recommendation	*X*	*X**	*X*	

* The *Malegam Report* recommends limiting fees to one loan-processing-fee of 1% of the gross loan amount. See (Reserve Bank of India (RBI) 2011: 14).
Source: (MFTransparency 2011: 19)

Roodman points out that judging the fairness of credit costs has to be "relative and contextual".[276] When comparing the real costs of a credit, one has to be aware of the different methods of calculating the APR. (See Table 11.) (i) "APR" summing up *interest*, *fees* and mandatory *insurance* is the internationally most common definition. (ii) "APR India" includes *interest*, *fees* and mandatory *deposits*, and is the method, used by the *Indian Microfinance Institutions Network* (MFIN). (iii) "APR (Including Security Deposit)" finally, is the sum of *interest*, *fees*, mandatory *insurance* and mandatory *deposits*. *MFTransparency* advocates to use it additionally to the first two, since it includes all costs of microloans. (iv) The recommendation of the so called "Malegam Report", which is the result of a *Reserve Bank of India* (RBI) committee on the MFI sector, basically adopts the international common "APR" with a fee cap of 1% of the gross loan amount.[277]

Different institution types of microfinance — from co-operatives, NGOs to *Privately-owned For-Profit* and *Publicly-traded For-Profit* — tend to have different *Annual Percentage Rates of Charge* (APRs). In India the different MFI types have similar *average* (!) *annual percentage rates* of charge (APR) of 30% to 34%, when using the Indian way of including deposits but not insurances. (See Table 12.) However, the same way of calculating shows the wide spread of *annual percentage* rates of charge (APR) within the same institution type. Co-operatives charge an APR of 12% to 46%, NGOs of 17% to

[276] Roodman (2012: 186)
[277] MFTransparency (2011: 18–9)

51%, *privately-owned for profit* MFIs of 20% to 53% and *publicly-traded for profit* MFIs of 25% to 38%. Hence the lowest recorded APR was found to be with Co-operatives (12%) and the highest APR outliers were found with *privately-owned for profit* MFIs (53%).

Table 12 Annual Percentage Rate of Charge — "APR India" including Interest, Fees and Security Deposits — by Microfinance Institution Type

Type of Institution	*Minimum of APR India (Interest + Fees + Deposit)*	*Maximum of APR India (Interest + Fees + Deposit)*	*Average of APR India (Interest + Fees + Deposit)*
Co-op	12 %	46 %	31 %
NGO	17 %	51 %	34 %
Other	26 %	41 %	34 %
Privately-owned For-Profit	20 %	53 %	32 %
Publicly-traded For-Profit	25 %	38 %	30 %
Aggregate	12 %	53 %	33 %

Source: (MFTransparency 2011: 28); figures rounded.

The comparison of this "APR India" (including interest, fees and security deposits) to the general "APR" (including interest, fees and insurance) shows the relevance of mandatory security deposits in the Indian microfinance market. Especially the charges of co-operatives look much less favourable when including security deposits (instead of insurance): their *maximum* APR goes up from 30% to 46% — and their *average* APR goes up from 25% to 31%. (See Table 13 in comparison to Table 12.) The, for-profit MFIs on the other hand, have lower maximum APRs and slightly lower average APRs when including deposits and excluding insurance. Hence the suggestion of *MFTransparency* to report the "APR — including Security Deposits", which then includes all the charges by Microfinance Institutions.[278]

[278] Unfortunately MFTransparency does not show the "APR — including Security Deposits" results for India in this report.

Table 13 Annual Percentage Rate of Charge — "APR" including Interest, Fees and Insurance — by Microfinance Institution Type

Type of Institution	*Minimum of APR (Interest + Fees + Insurance)*	*Maximum of APR (Interest + Fees + Insurance)*	*Average of APR (Interest + Fees + Insurance)*
Co-op	10 %	30 %	25 %
NGO	17 %	45 %	34 %
Other	28 %	45 %	35 %
Privately-owned For-Profit	20 %	58 %	33 %
Publicly-traded For-Profit	25 %	43 %	33 %
Aggregate	10 %	58 %	33 %

Source: (MFTransparency 2011: 28); figures rounded.

Lending caps — an often and especially in the aftermath of microfinance crises raised policy cudgel — can of course also be abused for ruining new, unwelcome competitors. A good account of how, nation-wide successful loan funds in Ireland of the 19th century perished after the introduction of lending caps is provided by Roodman.[279] Then of course this would majorly depend on the fixed height of lending caps. However, lending caps are not necessary if transparency can be achieved, argues Mr. Vasudevan, the Founder and Managing Director of the Indian Microfinance Institution (MFI) *Equitas*. That is because transparency "pre-supposes a level of fairness. Only those who are fair and reasonable can afford to be transparent."[280] However, this argument holds only as long as there is a real willingness and action towards achieving transparency by the majority of the involved actors. In 2010 *MFTransparency* considered it the *responsibility* of MFIs to work towards fair pricing and transparency, a genuine evaluation of the financial needs of the individual client (before lending to her or him) as well as a sincere concern with clients in times of stress.[281] However, in March 2015 *MFTransparency* stopped its operations, stating that

[279] Roodman (2012: chapter 3)
[280] MFTransparency (2010)
[281] MFTransparency (2010)

> "pricing competition does not happen in large parts of the industry, even when this data is available. In contexts where prices are not affected by market pressures, it is meaningless to judge prices by comparison to other prices in the same market. […] we've seen clearly that an MFI doesn't have "one price"; a loan product doesn't even have "one price." Prices of responsible MFIs reflect the cost curve of delivering loans. And high profits come less from being efficient in a competitive market and more from pricing "off the curve," taking advantage of the confusing and opaque pricing environment many MFIs operate in."[282]

MFTransparency´s founder and CEO, Chuck Waterfield ends on a hopeful note, that microfinance "practitioners and stakeholders are now aware of the importance of ethical and transparent pricing."[283]

3.8 Conclusion: Microfinance as Capabilities Enhancing & Industry Building

This literature review chapter aimed at understanding the basics of microfinance. It started with scrutinizing definitions of microfinance in prominent handbooks, which — as has been shown — are too often misleading (like microfinance being aimed at people living in *extreme* poverty), make grand, unsubstantiated claims (like microfinance having raised living standards and improved population health "perceptibly" on the Indian subcontinent and Africa — sic!) or are plainly wrong (like actually describing the mechanisms of traditional *Rotating Savings and Credit Associations* or claiming that microfinance loans are interest-free or have very little interest). A definition of microfinance was developed by modifying and adding to a definition developed and used by the *Asian Development Bank*. The four necessary but not sufficient conditions include: (i) *range of financial services* — not only credit; (ii) *poor and low-income households* (including their microenterprises) as main target group; (iii) *semi-formalization* — hence a moneylender would *not* be considered as providing microfinance; and (iv) having a *double bottom line* — of financial sustainability/ profitability *and* positive social impact.

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282 Waterfield (March 31st, 2015)
283 Ibid.

This definition allows for the inclusion of semi-formal institutions like cooperatives and NGOs (which for example in the case of India have to register), but also for excluding moneylenders — who, as has been argued do not provide microfinance in the common meaning of the word. Of course a company like *Compartamos* with its interest rates of 85% (excluding tax) would also be considered a microfinance institution under this definition. However, the aim of identifying a clear definition was not to prescribe normative judgements but to provide a clear classification of what is typically referred to as a microfinance institution. The author is very much in favour of comprehensive *social performance measures* — as defined by the microfinance sector — to evaluate different aspects of *Microfinance Institutions* (MFIs) like poverty outreach, employment creation or social responsibility towards clients and employees.[284] However, including this in the proposed definition would rather make it a definition of "*good* microfinance" — along the lines of, and thus vulnerable to the polemics of what constitutes "*good"* governance.

Outreach, financial sustainability and impact are arguably the defining aspects of microfinance — as conceptualized in the triangle of microfinance. However, as has been posited in this chapter the emphasis on these main aims differs considerably. Given the range of actors in the microfinance sector — from small (and a few major) NGOs to large *Non-Banking Financial Companies* (NBFCs) and government programs — it is not surprising that the emphasis on the different objectives of microfinance vary significantly. Two "schools" of microfinance have been identified by different scholars: on the one hand the *financial system approach* (Otero/ Rhyne)[285] *or institutionist* approach (Woller et al.)[286] and, on the other hand the *poverty lending approach* or *welfarist approach*. The *welfarist approach* advocates — most prominently the *Grameen Bank* and *FINCA* — emphasize the depth of outreach and a positive socio-economic

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[284] *MIX Market* and the *Social Performance Task Force* (SPTF) have defined eleven indicators to evaluate the social performance of Microfinance Institutions (MFIs): 1. Mission and social goals, 2. Governance, 3. Range of products and services, 4. Social responsibility to clients, 5. Transparency of cost of services to clients, 6. Human resources and staff incentives, 7. Social responsibility to the environment, 8. Poverty outreach, 9. Client outreach by lending methodology, 10. Enterprises financed and employment creation, 11. Client retention rate. See: www.themix.org/social-performance/Indicators#ixzz3ZqWzdn4L, accessed May 11th 2015.
[285] Rhyne and Otero (1994: Chapter 1) provided the first account of the financial system approach. See also Clark (2006b: 1ff) and Robinson (2001: 22ff).
[286] Woller et al. (1999)

welfare impact. While financial sustainability of the microfinance institution is an aim, it should not be achieved at any cost.

Institutionists, or in other words, proponents of the "financial system" approach on the other hand prioritize financial sustainability and the breath of outreach. This (negatively termed) "quest for numbers" — which will play a central role in the next chapter on the Indian microfinance crisis — puts (presumably) less emphasis on socio-economic impact and uses *economies of scale* in order to tap into re-financing from major banks and mainstream financial markets. This of course requires a focus on outreach (number of clients), portfolio size (amount of loans disbursed), repayment rates and other financial fundamentals (like profitability). The convincing overall argument of the predominant *institutionalist approach* is that the demand for financial services by the not-yet-banked, poor people is so immense that it cannot be served by funding from donor agencies and governments alone — at least not when talking about a meaningful increase of outreach in a short period of time. It will be shown in the next chapter what the status quo with regard to international funding of financial inclusion is, and what role private funders play in comparison to public funders. Interestingly, advocacy for the financial system approach can go hand in hand with the declared aim of a comprehensive impact in the form of *livelihood promotion*, as has been discussed in the case of BASIX.

The argument is, in the first instance, convincing, that sustainable financial services for the poor on such a large scale will have to be viable for institutions and that scaling up is necessary to have a substantial impact on the availability of financial services to the poor, especially in a country as vast as India. However, the ownership structure (and subsequently the governance structure) — as discussed with regard to the *Grameen Bank* in Bangladesh, which is predominantly owned by its clients — has to be taken in to account and has arguably, on the long run, an important influence on the vision and operations of an MFI.[287] However, equity funding does not necessarily lead to a "quest

[287] The best account on the financing of Indian microfinance — both commercially (through *commercial banks* and equity investments by *venture capital funds*) and via developmental sources (through donors and *Apex Financing Institutions* — that is) is given by Ghate (2007b: chapter 7 and 8). An apex institution is a "second-tier or wholesale organization that channels funding (grants, loans, guarantees) to multiple

for numbers". That *venture capital funds* (VCFs) — funds that invest in promising start-ups at an early stage — are not necessarily merely interested in high returns is pointed out by Ghate for the Indian microfinance sector (in 2007) where all VCFs, "have social goals in addition (and therefore a 'double-bottom line'), and offer valuable CB [capacity building] inputs, whether through their own resources or by arrangement with institutions that have access to grant funding. Interestingly, in India, unlike the situation worldwide, most of the VC funding comes from private rather than public sources and it is individuals and not public institutional investors who are behind the funds with the largest endowments of socially motivated capital."[288]

Given that the promotion of entrepreneurship and, respectively the enhancement of existing sources of income is one of the core aims of microfinance, a short introduction to the Indian labour market was provided in this chapter. Given the vast population of India, of which one always needs to remind oneself when analysing Indian political, social and economic developments, the boom in the service sector did not change the overall context of "jobless growth". Especially small and medium enterprises, which were the job motors in the Asian tiger states and China, have not grown as notably as for example, the Indian IT and back-office sectors. Consequently, nearly every second Indian is still employed in the agricultural sector (down from 61% in 1994). It is furthermore, striking that the gender gap in employment, with 52% of rural and 64% of urban women attending to domestic duties, is growing at an increasing tendency. While there is a move out of agriculture — it leads mainly men into non-agricultural jobs.

The increase in non-agricultural jobs is overall good news for the security of household incomes. The core determinants of household income in India, as has been shown, speak in favour of salaried jobs and self-employment in business for providing a livelihood through more or less, year round work. Access to these salaried jobs and non-agricultural self-employment, again, mainly depends on the educational achievements, which in turn are unsurprisingly determined by socio-religious and economic background. Less educated men with agricultural land mainly depend on farm-size,

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microfinance institutions (MFIs) in a single country or region. Funding may be provided with or without supporting technical services." Consultative Group to Assist the Poor (CGAP) (2002: 1)
[288] Ghate (2007b: 175)

which is decreasing from generation to generation, and irrigation. Irrigation in rural areas – but also the availability of salaried jobs in urban areas – differs predictably from state to state, with clear advantages for farmers in states like Haryana and Punjab and for employed and self-employed people in states like Gujarat, Maharashtra, Himachal Pradesh or Haryana. This of course leads to an increased (temporary or permanent) migration into cities. Surely microfinance and even huge employment schemes for unskilled labour like the widely heralded *Mahatma Gandhi National Rural Employment Guarantee Act* (MGNREGA) will not induce in the medium term, the necessary, adjustment in the employment structure of the Indian economy

High transaction costs and high risks are the normal associations with lending money to poor people and more so, in remote, rural areas. Information asymmetry in this scenario then leads to *adverse selection* (e.g. clients with a high default risk) and *moral hazard* (that is clients taking risks conscious that in the case of default others have to face the consequences not they themselves, at least not directly). The group-lending approach — with self-formation of groups, joint liability and conditionality of loan provision based on the repayment of members in the small groups — is the answer to these problems offered by modern microfinance. Local moneylenders have their own mechanisms to deal with these problems, from knowing the people and their creditworthiness or being able to easily acquire this information, over monitoring to being able to put pressure on the clients and their families. Peer-monitoring and peer-pressure are the means of such forms of microfinance. The potential social costs in the case of group breakdowns and even, "far-reaching consequences for village life" (Ghatak 1999: 225) have been pointed out.

How pressure by MFI staff members can be exerted in the case of repayment difficulties or unwillingness has been showcased with regard to the dominant *Grameen* model of microfinance — from using moral pressure, delaying of loan requests, threats of reducing loan sizes and by keeping group members waiting in the group meeting till all repayments have been recovered. However, also the success of this model of joint liability groups has been elaborated as well as *Grameen*´s crisis in the late 1990s and its handling of it.

The exceptional role of South Asia with regard to numbers of microfinance clients, with major MFIs like Grameen, BRAC and ASA in Bangladesh as well as Bandhan or SKS in India, each of them with millions of clients, was outlined in an international comparison. The average loan size in South Asia (of 165 US$) is — not least due to the big differences in *purchasing power parity* (PPP) — small in comparison to Latin America (1072 US$) or the more than tenfold average loan size in Eastern Europe (of 1807 US$). This leads to a more than fourfold *gross loan portfolio* in Latin America of 35 billion US$ in 2012. India and Bangladesh on the other hand are leaders with regard to the percentage of female clients (more than 92%), which as studies suggest is associated with lower *portfolio at risk* and lower *write-off rates*.

India also differs from other countries with regard to the role of the state. The *Self-Help Group-Bank Linkage Programme (SHG-BLP)* reached nearly 4.2 million (sic!) *Self-Help Groups* (SHGs) and disbursed a total of 240 billion Rupees (or 3.1 billion Euros) in the year 2014.[289] The percentage of women groups in the SHG-BLP is high, with 81% in 2014; and the Southern states dominate just like in the MFI model, with a combined 53% share of the credit-linked SHGs.[290] The average loan size disbursed during 2014 was 175,768 Rupees (or 2270 Euros) *per group*[291] — with a group usually having around 12 members. Also the socio-economic background of SHG members was introduced — with the majority being illiterate, below the poverty line, landless or only possessing marginal plots and working as labourers or in agriculture. It has been shown that most SHG meetings occur on a monthly basis — other than the weekly MFI group meetings. Andhra Pradesh has by far the biggest outreach of the *SHG-bank-linkage-program*, the longest running SHGs (with 58% being older than six years) and 3 out of 4 SHGs have been promoted by the state.

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[289] The amount of 240 billion Indian Rupees equals 3.1 billion Euros (at the exchange rate of 0.01291 as of December 31st 2014) or 3.8 billion US Dollars (with the exchange rate of 0.01569 as of December 31st 2014). Calculated with the currency converter www.oanda.com. The data are taken from Nair and Tankha (2015: 81).

[290] With regard to the share of outstanding loans within the SHG-BLP the Southern region is followed by the Eastern region (23%), the Central region (10%), the Western region (6%) and the tail light of the Northern region (4%) and North-Eastern region (3%). See Nair and Tankha (2015: 81).

[291] The amount of 175,768 Indian Rupees equals around 2760 US Dollars or 2270 Euros (as of December 31st 2014).

The state-wise *supply* of credit-linked SHGs is not correlated with high or low human development achievements (nor for that matter, is the *demand* for financial services for the poor). However, it is clearly a function of state *policies* — with the state of Andhra Pradesh having been especially successful in securing financial support for the credit-linking of SHG by the World Bank, or in the words of Kirk (2005):

> "Between 1998 and 2004, among states deemed committed reformers by the [World] Bank, Andhra Pradesh (AP) — whose ruling *Telugu Desam Party* (TDP) provided key support to two successive coalition governments — enjoyed the widest and most lenient access to World Bank assistance, despite a ground reality of reform performance that fell short of its government's often grandiose rhetoric. The politicized allocation of Bank assistance reflects not the direct power of the central government in providing patronage to a state-level ally, but rather — ironically — the Bank's own fixation on retaining its relevance in India, and its belief that by favoring a flagship focus state with close ties to the central coalition, it could shore up New Delhi's critical support for its subnational lending strategy."[292]

The role of the government of Andhra Pradesh —versus that of major MFIs like SKS, Spandana and Share — will be analysed with regard to the microfinance crisis in detail, in the following chapter.

When analysing the sources of household borrowing by income groups and the respective average interest rates, it becomes apparent why poor and low-income households opt for loans from *Microfinance Institutions* (MFIs). In comparison to the charges of moneylenders a 33% interest rate — the average *annual percentage rate of charge* (APR) in Indian microfinance, which includes interest, fees and compulsory elements like deposits or insurances — seems reasonable. It has been pointed out, that despite delegating part of the group-formation, monitoring, book-keeping and repayment collection to the group level, it is labour (and hence cost-) intensive to provide loans and other financial services to poor people in (often remote) rural but also in urban areas.

[292] Kirk (2005: 287)

The lowest microfinance charges worldwide have been achieved by South Asian MFIs with their vast number of active borrowers (nearly 53 million in 2013).[293] When applying the distinct techniques of determining the *annual percentage rate of charge* (APR) one finds, that it is crucial to include mandatory deposits (as in the "Indian APR") in order to realize the real costs of loans from co-operatives, which are higher than perceived when using the international APR calculating method. However, it would be best to include all *mandatory* elements of charges (including both savings *and* insurance) to determine the real costs of microfinance loans as suggested by *MFTransparency*. Even though the *average* (!) "Indian APR" for Indian microfinance providers is quite similar — from co-operatives, NGOs to *privately-owned for profit* and *publicly-traded for profit* MFIs — (30% to 34%); the *spread* of the "Indian APR" as offered by different institutions *within* the same institution type is big: 12% to 46% for co-operatives, 17% to 51% for NGOs, 25% to 38% for *publicly-traded for profit* MFIs and 20% to 53% for *privately-owned for profit* MFIs.

Before contextualizing the boom, bust and recovery of Indian microfinance with regard to the overall aim of financial inclusion in India, the failure of subsidized credit and the agrarian crisis, a concluding question should be raised: What is microfinance good for, *at large*?

Converting frequent small payments into occasional large disbursements

Financial services can substitute each other "in providing the discipline to turn small, frequent pay-ins into large, occasionally payouts",[294] as argued by David Roodman, an authority on microfinance who worked at the *Centre for Global Development* before becoming Senior Economic Advisor at the *Bill & Melinda Gates Foundation*. These financial service, Roodman argues, can be small *savings*, which over time add up to a notable sum, or the *loan* taken, forcing one to cut down on temptation goods in order to make the down-payment or for that matter, the *insurance*, whose small regular

[293] The latest available data on *MixMarket* refer tot he year 2013 — as of May 10th 2015. See http://www.mixmarket.org
[294] Roodman (2012: 33)

payments translate — in case of emergency — into a large disbursement.[295] The problem however is, that most poor people in developing countries do not have the choice between different financial services, which are more or less suited for particular purposes. Roodman argues this with regard to the unavailability of health insurances (e.g. in Indian states). Furthermore these different financial services bear different risks, both for the client and the provider, and are hence very differently priced, with credits depending on the clients' (business) judgement or luck (e.g. weather unpredictability, in the form of flood or drought, as well as the ups and downs of the local, regional and national economy).[296] This gives rise to the often several-fold costs for credit services in comparison to saving services (in emerging markets).

Resisting the temptation to spend now — as a core function of financial services

The discipline to resist the pervasive "temptation to spend now" (one´s own as well as that of family members), if induced in an adequate dosage, can be seen as one of the core strengths of financial services.[297] These disciplining devices come in the form of saving accounts, mortgage down payments, the automatically diverted retirement savings from salaries — or for that matter, micro-loans. Roodman points in this context to the findings of the Hyderabad microfinance RCT-study that clients decreased their spending on "temptation goods" (including "alcohol, tobacco, *pan*, gambling, and food and tea outside the home") and increased their spending on durables (including "assets for household or business use").[298]

Consumption smoothing as a core function of financial serves — both for rich and poor

The categorisation of financial services into four purposes by Roodman is insightful: *transaction* (moving even large sums effortlessly), *investment* (not least in education or business), *asset building* (e.g. buying a house) and *consumption smoothing*.[299] Consumption smoothing means the freedom of not having to synchronise financial

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[295] Ibid.
[296] Roodman (2012: 34)
[297] Roodman (2012: 18)
[298] Banerjee et al. (2009: 31), referred to in Roodman (2012: 32).
[299] Roodman (2012: 17–8)

inflows and outflows but to spend before or after you actually earn the money, not least in the event of a major shock — achieved through savings account, retirement savings, credit cards, home loans and insurances.[300] When reflecting, which of these financial services one might consider the most essential, Roodman chooses the risk-coping devices, namely life and health insurance.[301]

In the empirical chapters to come it will be discussed and analysed more concretely what clients use their loans for. While the rhetoric of MFIs suggests that investment is the number one usage, it will be shown that often investment in business or education is *not* the main use of microfinance loans – in contrast it is rather consumption smoothing, health expenditures and debt repayment.

Microfinance as Industry Building and Capability Enhancing

Three different perspectives on microfinance, each standing for a distinctive definition of "development", are suggested by Roodman, including, microfinance as, (i) escape from poverty, (ii) as freedom and (iii) as industry building.[302] He argues that all should be taken into account for an overall assessment of microfinance, given that the impact of microfinance is not as clear-cut as suggested by some definitions or by its advocates. "If rigorous studies of the impact on poverty showed that microcredit was the financial equivalent of cigarettes (addictive and harmful) or vaccines (a veritable silver bullet), the discussion would end there. As it happened, studies do not show either (…)"[303] and hence alternative ways of assessing micro-credit and more generally microfinance need to be taken into account.

"Creative destruction" – coined by Joseph Schumpeter – as a core element in economic development (highlighting the vision and innovation of entrepreneurs who find new ways of producing and retailing goods and services) is what microfinance institutions have achieved with regard to financial services for the poor. Roodman points to the thousands who have been employed and the millions, served by microfinance

[300] Roodman (2012: 18)
[301] Roodman (2012: 18)
[302] Roodman (2012: 9)
[303] Roodman (2012: 9)

institutions.[304] Also Elisabeth Rhyne, managing director of the *Centre for Financial Inclusion* insists that it is, "far better to build the capacity of the financial system than to provide a substitute for its inadequacies."[305] In any case, achievements in industry building can only be judged in the long run — like the success of savings banks (*Sparkassen*) and co-operative banks (*Volks- und Raiffeisenbanken*) in Germany, which nowadays dominate the banking business with private clients.

Then again *ownership* matters. The German savings banks are owned by the local cities and counties, which are supposed to utilize their profits for the welfare of local communities. The German *cooperative banks* on the other hand are examples for the success of cooperatively owned borrowing and financing institutions that draw their inspiration from the Welsh social reformers Robert Owen and the German social reformer Victor Aimé Huber in the 19th century. The German pioneer of rural credit unions, Friedrich Wilhelm Raiffeisen, advocated self-help, self-governance and self-responsibility (*Selbsthilfe*, *Selbstverwaltung* & *Selbstverantwortung*) as the means to overcome dependence form loan-sharks.[306] Raiffeisen in turn had political and legal disputes with the other *Übervater* of German cooperative banking, the economist and pioneer of *co-operative societies,* Franz Hermann Schulze-Delitzsch. One of the contestations erupted on the question, whether "to accept interest-free loans from notables as a way of capitalizing their operations [as Raiffeisen cooperatives did] — an unbusinesslike approach of which Schulze-Delitzsch disapproved, considering it a compromising of self-help and autonomy. Raiffeisen also preferred cooperatives that had no paid leaders or management: Everything was to be done, if possible, by volunteer officers."[307]

So while the discussions about funding and ownership of financial service providers for the poor is not new, new times bring new challenges. While the *Grameen* bank adopted a cooperative model of funding and ownership by drawing on savings and equity of its

304 Roodman (2012)
305 Rhyne and Otero (1994: 106)
306 Hennis (2004: 152)
307 Adam (2004: 64)

clients — "new clients have to buy a 100 taka ($1.44) share in the Bank"[308] — this option of taking in savings from clients is not available for Indian NBFC microfinance institutions. In the next chapter it will be discussed how the state regulation of *priority sector lending* fuelled the boom of Indian microfinance, which so abruptly ended in the 2010 crisis with its epicentre in Andhra Pradesh. In how far microfinance enhances the *capabilities* (defined in the former chapter on the capability approach) of clients (with regards to their socio-economic situation and more specifically, to their empowerment levels) will be assessed in the following chapters, not least against the backdrop of this most severe crisis of microfinance.

[308] Roodman (2010). Roodman also points out that: "Grameen began paying dividends in 2006 and has paid 30 taka/share the last two years — a good return. On the other hand, if a lot of Grameen loans went bad, the share could lose all their value." Roodman (2012)

4 Contextualization — Microfinance in India: Boom, Bust & Recovery

> The politics of microfinance will become more intense during the next ten years. I don't think that people have realized the gravity of this problem. There has to be a coordinated concerted effort to address this issue.
>
> *Nimal Fernando, Asian Development Bank, without year* [309]

The main aim of this chapter is the contextualization of microfinance in India. This will be done within the overall aim of financial inclusion, the failure of subsidized credit and the agrarian crisis, including an explanation of three smaller crises as well as the major 2010 crisis that occurred in Andhra Pradesh. The conclusion will dwell on the essential – but often most underestimated – feature of microfinance, namely political risk. This will lead directly to the topic of perception in the subsequent chapter – the role that perception plays in microfinance, how it is perceived by the public, by politicians and, most crucially of all, by the clients themselves.

The structure of this chapter on microfinance in India will be the following:

- Financial Inclusion in India
- Failure of Subsidized Credit & the Agrarian Crisis
- Boom of Indian Microfinance
- Three Crises and an IPO (Initial Public Offering)
- The Biggest Crisis in the History of Microfinance
- Conclusion: Political Risk

[309] Quoted in Rhyne and Otero (2006: 58).

4.1 Financial Inclusion in India: A Comparative Perspective

4.1.1 Defining Financial Inclusion

Financial inclusion can be defined as the process of building sustainable institutions, which are able to provide financial services — such as savings, insurances, remittance facilities and credit — in a reasonable and accessible manner to all, especially those hitherto excluded.[310] Most definitions of financial inclusion[311] emphasise this – before mentioning aspects of availability and access to banking and financial services. After some severe microfinance crises, it is widely acknowledged that beside the numbers, (regarding for example loans disbursed, loan size and repayment rates) it is also client-orientation (in the form of providing appropriate and affordable services as well as appropriate procedures to deal with clients´ repayment problems) that are core to long-term success. However, it is argued that the availability and quality of financial services is only one of the three pillars of sustainable financial inclusion and have to accompanied by financial literacy and financial capability (See Figure 16.)

Financial literacy means the ability to understand how best to mange one's own financial resources, from earning money, to saving, investing, borrowing and spending it. This requires, besides basic numeracy, the knowledge and understanding of opportunities, dangers and the alternatives available. In the context of microcredit this involves knowing and understanding the real costs of different providers. The equivalent on the side of the financial institution is transparency regarding the real costs of credit, i.e. not disguising the real interest rate through "flat rates" (See Box 7 Glossary of Interest Rate Terminology.), mandatory savings or added service charges. The importance of financial education in order to achieve financial literacy has been highlighted by several studies. [312]

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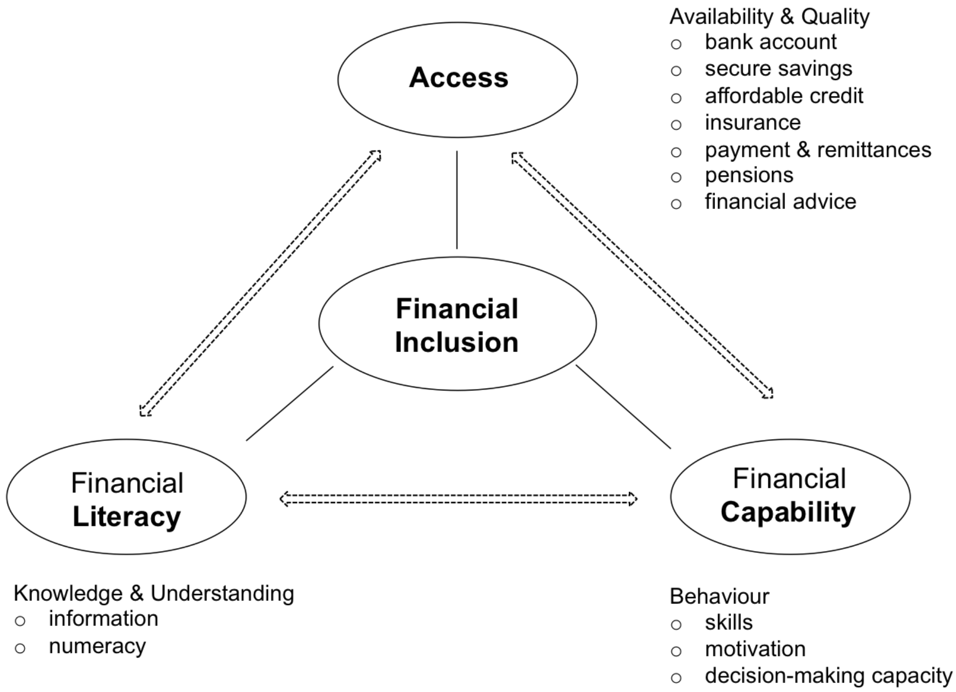
[310] Earlier versions of parts of this chapter have been presented at the *Annual Convention* of *The International Studies Association* (ISA) in New Orleans, United States in 2015. I am thankful for the financial support of the *South Asia Institute* at *Heidelberg University*.
[311] For an overview see Thingalaya et al. (2011: 28).
[312] For a review of studies about the relationship between financial inclusion/ exclusion and financial literacy as well as policy initiatives on financial education see: Atkinson, A. and F. Messy (2013), "Promoting Financial Inclusion through Financial Education: OECD/INFE Evidence, Policies and Practice", OECD Working Papers on Finance, Insurance and Private Pensions, No. 34, OECD Publishing. http://dx.doi.org/10.1787/5k3xz6m88smp-en

Figure 16 Dimensions of Financial Inclusion



Source: Drawn by author. Dimensions adopted from Aynsley (2010: 7–8).

Financial capability refers to the ability to translate financial literacy into action. This requires, in addition to the knowledge and understanding, also practical skills, the motivation and the decision-making capacity to actively manage one's financial resources. In the context of microfinance this might, more often than not, be catalysed through group-activities. Self-help groups and joint-liability groups are potentially good settings to address financial skills deficits, to achieve motivation and to enhance decision-making capacities (primarily within the group, but eventually also in the respective households and communities). However, building financial capabilities demands commitment and endurance. In the run-up to the most severe microfinance crisis in the Indian state of Andhra Pradesh too often the main, fast growing MFIs were not willing or able to commit enough time and money to building and nurturing groups.

Financial inclusion is high on the international developmental agenda. In 2010 the G20 representatives launched at their Summit in Seoul the *Global Partnership for Financial Inclusion* (GPFI). As part of the so called *Seoul (Development) Consensus (for Shared*

Growth)[313] the G20 endorsed a "financial inclusion action plan" with a focus on (i) *Small and medium-sized enterprise* (SME) finance; (ii) Financial consumer protection and financial literacy as well as (iii) Markets and payment systems.[314] Common to all actions promoted by the GPFI is an emphasis on outreach and promotion, innovation, data harmonization, private sector involvement as well as the economic empowerment of women.[315]

4.1.2 Financial Inclusion — India and its South Asian and BRICS Peers

The knowledge on where countries stand (and eventually how they progress) in comparison to their peers with regards to financial inclusion has been greatly enhanced with the release of the *Global Findex Database* in 2012 and the second release of data in 2015.[316]

In the following graphs the status of financial inclusion in India is compared to that of its peers in South Asia, namely Pakistan and Bangladesh, as well as the fellow BRICS states and the USA. In South Asia, India takes the lead with regard to accounts at financial institutions — with a major increase between 2011 (35%) and 2014 (53%). (See Figure

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[313] The G20 Seoul Summit identified nine pillars where "action and reform are most critical to ensure inclusive and sustainable economic growth and resilience in developing countries and LICs": (1) infrastructure, (2) private investment and job creation, (3) human resource development, (4) trade, (5) financial inclusion, (6) growth with resilience, (7) food security, (8) domestic resource mobilization and (9) knowledge sharing.
See Global Partnership for Financial Inclusion (GPFI), "Seoul Development Consensus for Shared Growth", URL: http://www.gpfi.org/about-gpfi

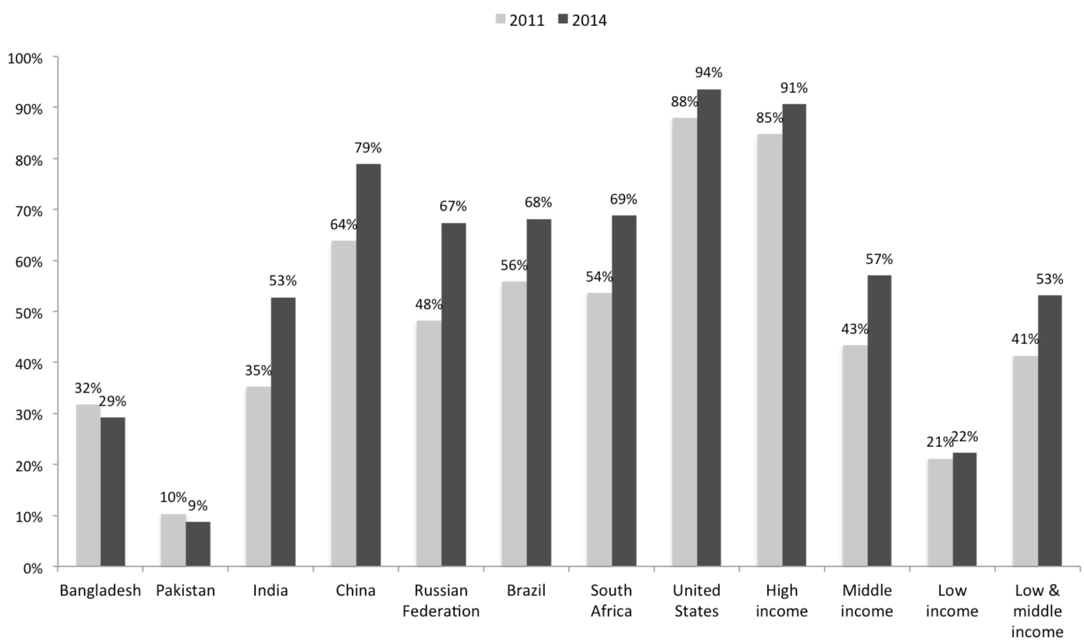
[314] The dimension "markets and payment systems" for example tackles beside innovative technologies for responsible financial inclusion, mainly the issue of remittances. Concretely the problem that new *Anti Money Laundering and Combatting the Financing of Terrorism* (AML-CFT) regulations led to the closure of bank account of money transfer operators (MTOs) at the end of 2014 — leading to an increase of costs for sending remittances. The three dimensions of the financial inclusion action plan — namely SME finance, consumer protection and markets — are operationalized in ten concrete action areas. See: Global Partnership for Financial Inclusion (GPFI), "Seoul Development Consensus for Shared Growth", URL: www.gpfi.org/about-gpfi

[315] See: Global Partnership for Financial Inclusion (GPFI), "Seoul Development Consensus for Shared Growth", URL: www.gpfi.org/about-gpfi

[316] The Global Findex database covers 148 countries representing over 97% of adults in the World and is based on more than 150.000 interviews from 2011. The second round of the *Global Findex Gallup Survey* was conducted in 2014 and was released in April 2015. See: World Bank, URL:
http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTFINRES/EXTGLOBALFIN/0,,contentMDK:23172730~pagePK:64168182~piPK:64168060~theSitePK:8519639,00.html

17.) Bangladesh (with its renowned *Microfinance Institutions* such as BRAC, ASA or *Grameen*) actually lost some percentage points in the same time (down to 29%). Pakistan is far behind with merely 9% of people over 15 years having an account. However, when comparing India to the other BRICS, it still has to catch up even more. Exactly this is the aim of the so-called *Pradhan Mantri Jan-Dhan Yojana* (PMJDY) program launched by Prime Minister Narendra Modi (from the BJP) and praised by World Bank chief Jim Yong Kim as an "extraordinary effort" at financial inclusion.[317]

Figure 17 Account at Financial Institution, 2011 and 2014 (% Age 15+)

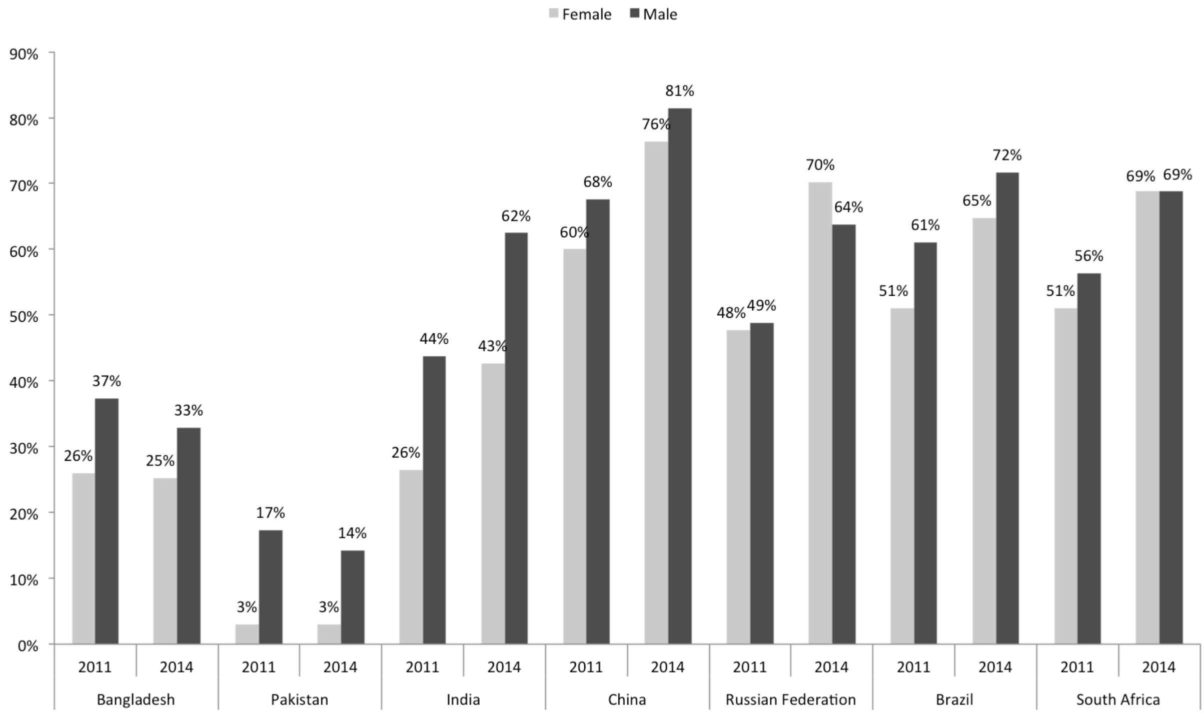


Data Source: Global Findex Database (2015).[318]

India has, both in comparison to Bangladesh and its BRICS peers, an especially wide open gender gap with regard to accounts at financial institutions. (See Figure 18.) Russia is the only country in this sample, where more women than men have an account.

[317] The PMJDY brought the Indian government an entry in the Guinness Book for opening the biggest number of banks accounts in the shortest time. See Ravi (2015).
[318] URL: http://datatopics.worldbank.org/financialinclusion; last accessed February 18th 2015.

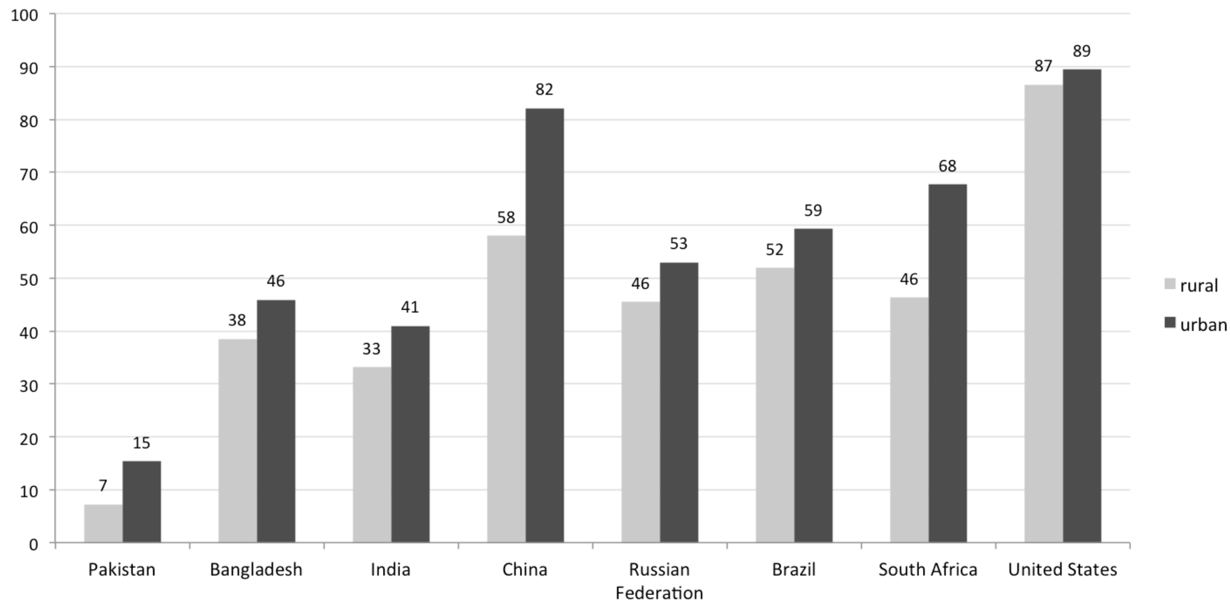
Figure 18 Account at Financial Institution, 2011, 2014, Female versus Male (% Age 15+)



Data Source: *Global Findex Database* (2015).

The gap between rural and urban prevalence of accounts at financial institutions is however widest in China, South Africa and (proportionally especially) in Pakistan. (See Figure 19.)

Figure 19 Account at a formal financial institution, rural versus urban (% age 15+)



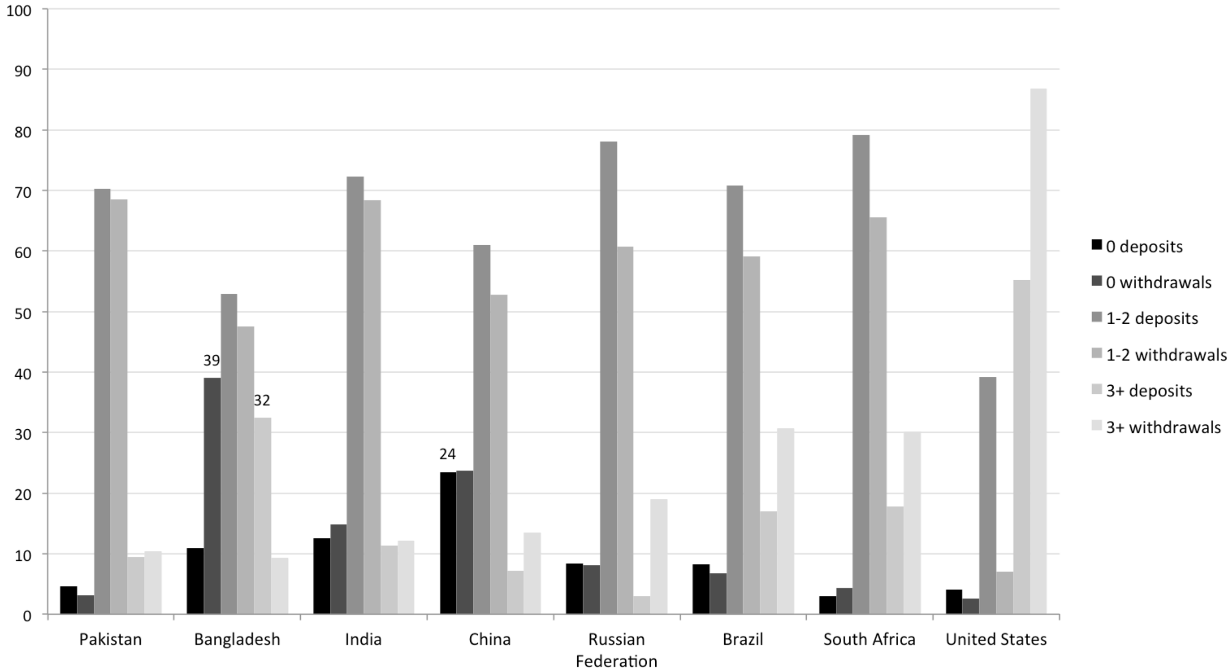
Data Source: *Global Findex Database* (2015), data referring to 2011.

However, the number of bank accounts only tells one part of the story. As will be shown, bank accounts might to a large extent be *dormant*. While both in the South Asian and the BRICS context, one to two deposits and one to two withdrawals are the norm (other than in the US with three or more deposits as well as withdrawals), there are startling differences. (See Figure 20.) Nearly every fourth account in China appears to be dormant, which clearly relativizes China´s assumed lead amongst the BRICS in Figure 17, Figure 18 and Figure 19. Noteworthy is also the comparison between India and Bangladesh. In the birthplace of *Grameen* and BRAC (with their predominant weekly saving schemes) every third person with an account deposits three or more times per month money, while nearly 40 per cent refrain from withdrawing each month.

Where all major South Asian countries are clearly lagging behind is the usage of their accounts for receiving and sending remittances. (See Figure 21.) Among the BRICS it is clearly South Africa that is at the forefront of remittances. Nearly every fifth account is used to receive remittances. While India is by far receiving the most remittances globally (nearly US$ 70 billion in 2013, followed by China with close to US$ 39 billion in the same year)[319] accounts at financial institutions do not play any significant role in receiving them.

[319] World Bank data referring to 2013 indicate the subsequent countries as following India and China as the top remittances receiving states: Philippines (27 billion current US$), France and Mexico (both 23 billion US$), Germany (16), Pakistan (15) and Bangladesh (14). See World Development Indicators at http://databank.worldbank.org/data.

Figure 20 Deposits & Withdrawals in a Typical Month (% with an Account, Age 15+)

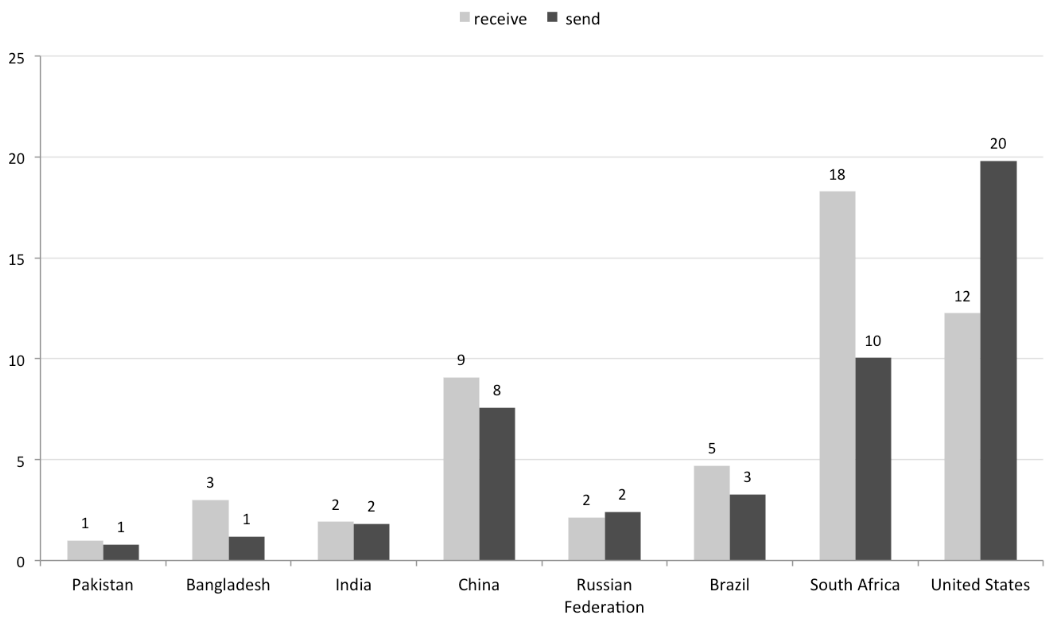


Data Source: *Global Findex Database* (2015), data referring to 2011.

While there was much talk about mobile banking — using mobile phones for banking services such as savings, payment and even loans. It only seems to have taken off so far in Africa, with Kenya being the home of the 2007 launched mobile payment service *M-Pesa*, now being used by ¾ of adults in Kenya.[320] In our country sample people are using mobile phones for receiving money only in South Africa on a noteworthy scale (9%). (See Figure 65 in the appendix.) Also with regard to agricultural insurances it is South Africa with a major achievement (43% of people working in agriculture); while China leads far ahead of the rest of the country sample with regard to personally paid health insurances (47%). (See Figure 66 and Figure 67.) Given that the legal environment is a core determent for sustainable business operations, it is noteworthy that on the legal right index (ranging from 0=weak to 10=strong) South Africa achieves 10 points before the USA (9), India (8), Bangladesh (7), Pakistan and China (6) and the tail-lights Russian Federation and Brazil (3). (See Figure 68.)

[320] The Economist (May 9th 2015)

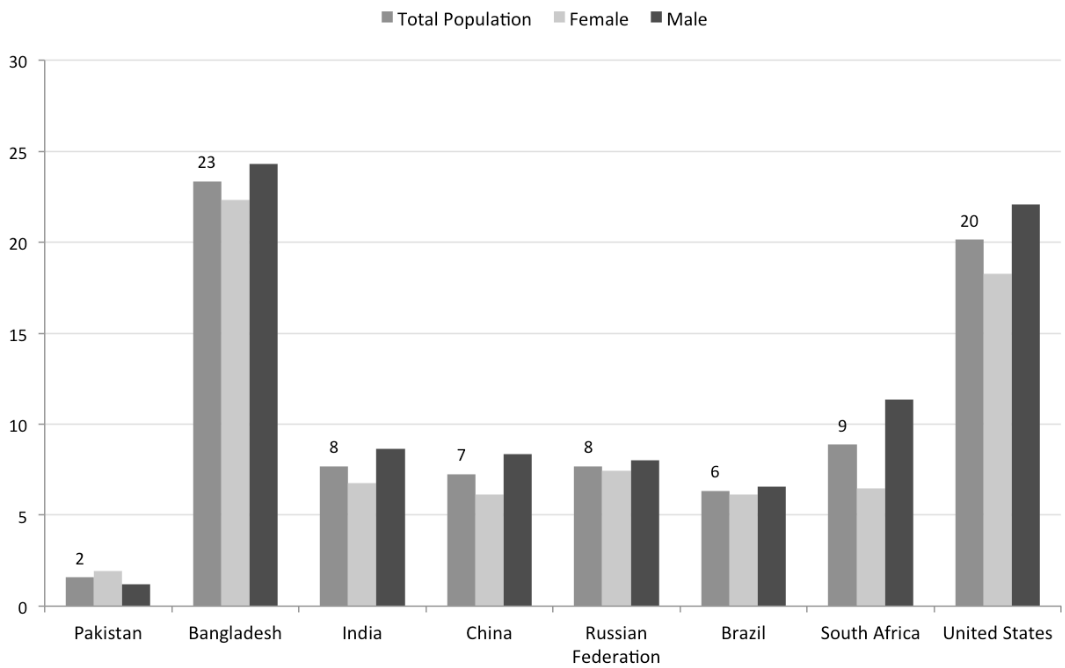
Figure 21 Account Used to Receive and Send Remittances (% Age 15+)



Data Source: *Global Findex Database* (2015), data referring to 2011.

The exceptional role of Bangladesh in the context of financial inclusion really becomes visible when comparing the *loans* received from financial institutions. In Bangladesh every 4th person has received a loan from a financial institution in the last year — more than in the USA and far more than in all other BRICS states. (See Figure 22.)

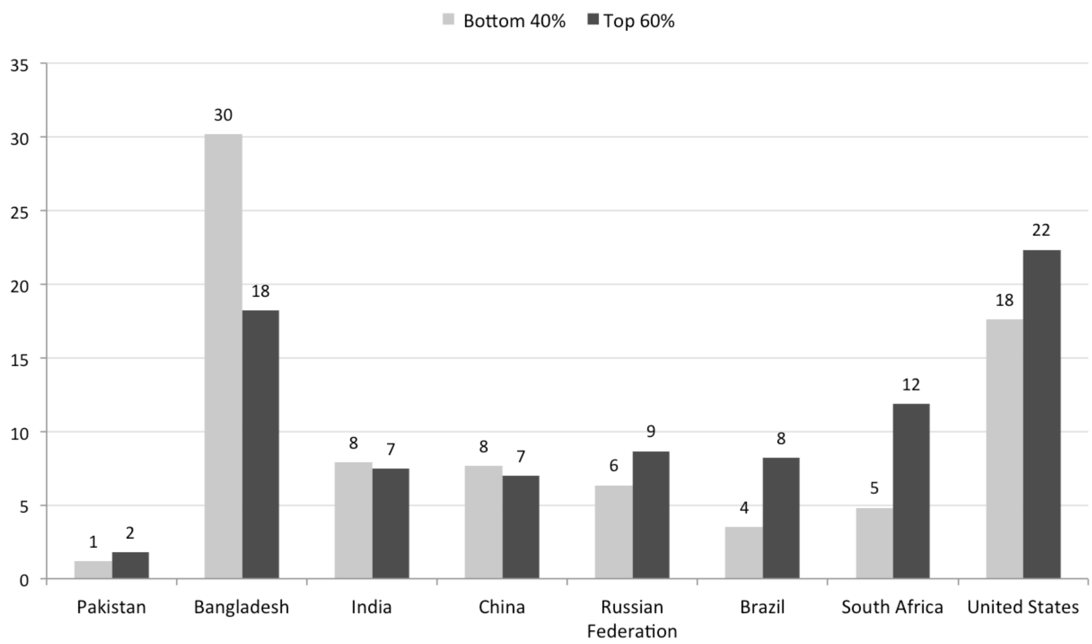
Figure 22 Loan from a financial institution in past year, female versus male (%, age 15+)



Data Source: *Global Findex Database* (2015), data referring to 2011.

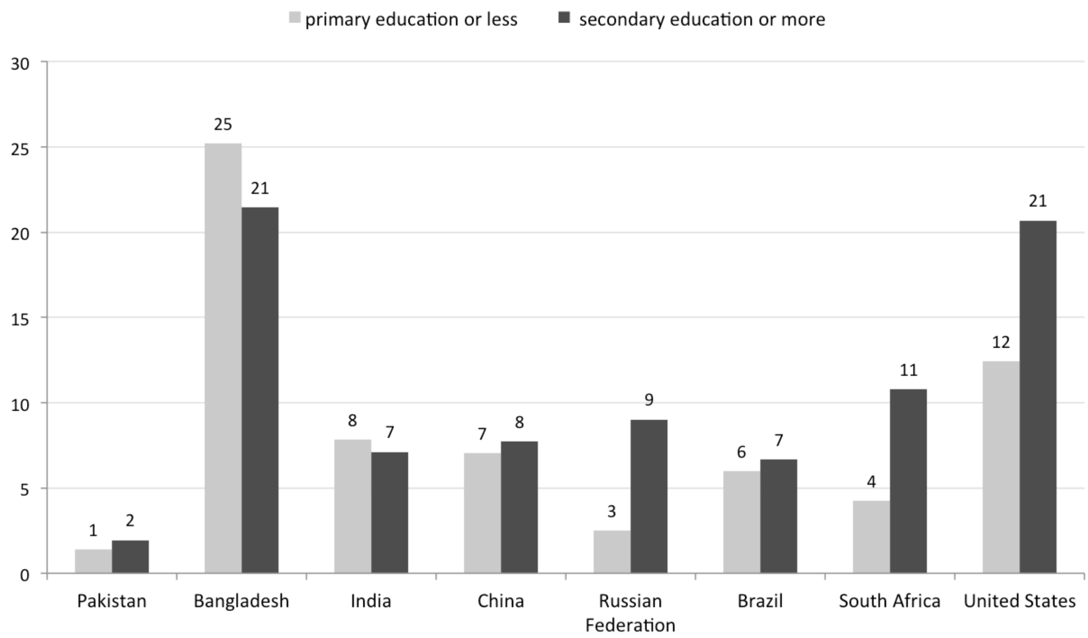
While there is no remarkable gender gap in the sample with regard to loans received from financial institutions, the difference between the economic bottom 40% and the top 60% is startling — especially in Bangladesh, where proportionally more "poor" people have received loans. This is in contrast to all other countries, especially South Africa, Brazil and the USA, where the income top 60% have received considerably more loans from financial institutions. (See Figure 23.) In Bangladesh more people with primary education or less have received loans from financial institutions than their better educated fellow citizens — this is in sharp contrast to the USA, South Africa or Russia, where lower education is clearly associated with fewer loans from financial institutions. (See Figure 24.)

Figure 23 Loan from a financial institution in the past year, income, bottom 40%, top 60%



Data Source: *Global Findex Database* (2015), data referring to 2011.

Figure 24 Loan from a financial institution in the past year, primary education or less



Data Source: *Global Findex Database* (2015), data referring to 2011.

Financial inclusion, as has been shown, has many different dimensions — from accounts with financial institutions and their actual usage for deposits, withdrawals and remittances to loans from financial institutions. Bangladesh takes the global lead — thanks to its microfinance institutions — in the access to loans, especially for the normally excluded income bottom 40% and those clients with primary education or less. This alone is a remarkable achievement of microfinance with regard to institution building as discussed in chapter 2. It is noteworthy that this success in building sustainable institutions, which provide financial and non-financial services to millions of people has been achieved by *non-governmental organisations* (NGOs), namely BRAC (founded in 1972) which is probably the biggest NGO in the World with more than 100,000 employees and an estimated 135 million people reached[321] (sic!); the *Association for Social Advancement* (ASA) (founded in 1978 and no 1 on the Forbes 50 Top Microfinance Institutions List of 2007)[322] and Grameen Bank (founded in 1983). This success of dedicated NGOs stands in stark contrast to the failure of state-sponsored subsidized credit, which will be assessed next, in the case of India.

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[321] See www.brac.net/content/who-we-are#.VVZHgWBBlpw, accessed May 15th 2015.

[322] Forbes based its ranking on scale, efficiency, risk and returns. See www.forbes.com/2007/12/20/microfinance-philanthropy-credit-biz-cz_ms_1220microfinance_table.html, accessed May 15th 2015.

4.2 Failure of Subsidized Credit and the Agrarian Crisis

4.2.1 The Failure of Government Sponsored Rural Credit in India

To understand the reasons for the biggest crisis the microfinance sector has experienced — namely the Indian microfinance crisis — it is important to understand how credit for the poor and rural population was provided before the boom of microfinance.

Rural credit has been high on the agenda of policy makers in India for decades. Since independence in 1947 three major phases can be distinguished. Beginning with a focus on the co-operative movement (1951-52 till 1968-69); there was then a shift to a multi-agency approach including nationalized banks (1968-69 till 1991) and finally reforms of the financial sector (since 1991).[323] The words of Dandekar — coined regarding the establishment of *Farmer´s Service Societies* — can be used to pinpoint policy-making with regard to rural credit: "the policy makers were afflicted by populism and an irrepressible desire to create new institutions."[324]

Since India following Independence in 1947, chose to adopt central planning[325] for its economic development, it is no surprise that this statism also prevailed in the field of rural credit. The co-operative movement, which was the dominant approach for providing agricultural credit till the end of the 1960s, was "both state sponsored and state patronised."[326] Dandekar claims that,

> "the unhealthy results of politicisation are interference in the recovery of co-operative dues or promise to write off the dues if elected to power, and determination of interest rates on considerations other than financial returns, i.e. with an eye on populist appeal. Such actions generate a general psychology of

[323] Dandekar (1993: 88, 91)
[324] Dandekar (1993: 88)
[325] For an in-depth analysis of the establishment of the Planning Commission in 1950, see Schoettli (2011: Chapter 5)
[326] Dandekar (1993: 90)

> non-repayment, vitiating the recovery climate and jeopardising the financial interest of credit agencies."[327]

This led to low recovery rates and hence to huge amounts of credit loss. The declared aim of nourishing the co-operative groups also failed, due to "ever-increasing state control over co-operatives, culminating in virtually depriving the co-operatives of their democratic and autonomous character. Effective non-official leadership along with democratic management has disappeared altogether."[328]

This failure of the co-operative movement was one of the reasons for the nationalization of the country's fourteen largest commercial banks in 1969. The intention was to better serve the so called "priority sector", prominently including agriculture and especially farmers with small land-holdings. For each district a "lead-bank" was allocated to better understand and address the local challenges of financial inclusion. In addition to the above mentioned problems of political interference, also the lack of motivation of bank staff – having to work in rural branch offices for a period of their career – had adverse consequences. First and foremost there was a neglect of appropriate supervision, leading to low recovery rates and writing off of credits on a big scale, just as in the case of co-operatives.[329] In 1975 the Indian state intensified its effort by setting up *Regional Rural Banks* (RRBs) with the objective to combine "the local feel and familiarity with the rural problems which the co-operatives possessed and the degree of business organisation and modernised outlook which the commercial banks had".[330] However, also the RRBs produced low repayment rates and subsequently huge losses. These failures led the *Khusro Committee* to conclude in 1989 that "the experience of commercial banks and RRBs has shown the weaknesses which were earlier considered as those peculiar to the co-operative system in fact arise from such deficiencies as relate to the structure of agricultural production itself."[331]

The overall aim of these development credit policies was to "forge a link between technological upgrading in agriculture and small industry and the availability of finance

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327 Dandekar (1993: 90)
328 Dandekar (1993: 90–1)
329 Dandekar (1993: 90)
330 Equity was provided by the Government of India, the respective state government and a sponsor bank in the ratio 50:15:35. Dandekar (1993: 90)
331 Reserve Bank of India (RBI) (1989: 166, paragraph 5.10), quoted in Dandekar (1993: 89)

to enable such technological upgrading."[332] As Dandekar argues, this led to "the emphasis of purpose-oriented credit as distinct from the earlier security orientation [... and hence] to blurring of the distinction between the concepts of credit need and credit-worthiness."[333] Dandekar furthermore is convinced that the state subsidies provided (and the loan default accepted) arise from "the misconception that socially oriented credit should also be low cost credit. Subsidisation of credit is clearly a case of misplaced emphasis; timely and adequate access to credit is more important than its cost."[334]

4.2.2 The Agrarian Crisis as a Backdrop to Indian Microfinance

Without the context of the Indian agrarian crisis, it is not possible to understand the Indian microfinance crises. In his excellent historical analysis, Dandekar, emphasizes that the underlying problem of decades of rural credit failures, lies in the structure of agricultural production itself.[335] As formulated in the 1989 report of the *Agricultural Credit Review Committee*, established by the *Reserve Bank of India* (RBI): "The vitality of the rural financial institutions depend on the vitality of the economy and the activities pursued by the borrowers."[336] From today's perspective this seemingly evident connection was not always taken into account, in the numerous policy attempts, which too often considered credit as "a panacea for all problems and ills of agriculture and weaker sections".[337] As argued by many, agriculture over the decades has become more and more of an unprofitable occupation[338] and this is not only in the rain-fed areas, which – it is often pointed out – are much more poverty prone than irrigated areas.[339] Data from the 50th *National Sample Survey* (conducted in 2003) show that 40% of

332 Dandekar (1993: 91)
333 Dandekar (1993: 91)
334 Dandekar (1993: 91)
335 Dandekar (1993: 86)
336 Reserve Bank of India (RBI) (1989: 1.50 – 1.52), quoted in Dandekar (1993: 92)
337 Dandekar (1993: 93)
338 Reddy and Galab (2006: 1838)
339 The negative correlation between irrigation and poverty can be astonishing. The World Bank found in 1991 that in India "in non-irrigated districts, 69 percent of people are poor, while in irrigated districts, only 26 percent are poor". United Nations (2003: 213)

Indian farmers would leave farming if given a choice - nearly all of those stating "not profitable" and "risky" as reasons for quitting farming if they could.[340]

There are many factors, which contribute to the unprofitability of the agrarian sector and the rural distress. Reddy and Galab[341] categorize them under technological, ecological, socio-cultural and policy-related:

(1) Technology — The first advances in productivity in irrigated areas, a result of the "green revolution" in the late 1960s became saturated by the 1990s - not least through related environmental problems. Second, the challenge of irrigation has not been solved. Third, the increase of input costs is faster than the increase of output value; and:

> "some of the recent innovations in biotechnology are proved to be neither land saving nor cost saving. On the contrary, some of them are found to be cost escalating. As a result, farmers are experimenting with crops and inputs in order to maintain or improve their disposable incomes that are falling short of ever increasing costs of living. The pressure to take risk is driving them to invest, even at high cost of borrowing. In the absence of a proven technology, agriculture now has become a high risk and high stake gambling".[342]

(2) Ecology — Reddy and Galab argue that these are "mostly human induced rather than natural",[343] referring to rainfall analysis that apparently show only minor variations in pattern and quantity. The central, man-made, ecological problems of deterioration is in the quality of land and water. The authors acknowledge the role of chemical fertilizer in increasing productivity during the 1970s and 80s, but see its overuse – especially on already degraded soil – as the reason for further land deterioration. Furthermore, the lavish use of pesticides and over-exploitation of groundwater are seen as fundamental responsible for these ecological challenges.

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340 An astonishing exception in this perception data is, that of all states, Andhra Pradesh has a total of 76% "liking farming" and only a minority perceiving it as "not profitable" (17%) and "risky" (5%). An explanation for Andhra Pradesh being a special case is not provided by the NSS. National Sample Survey Organisation (NSS) (2005: 11)
341 Reddy and Galab (2006)
342 Reddy and Galab (2006: 1839)
343 Reddy and Galab (2006: 1839)

(3) Socio-cultural — "On the whole, the cost of survival has gone up substantially."[344] Beyond the usual lifecycle events (such as marriage and death) and food consumption, especially the costs for (acceptable quality) education and health have increased over the years.

(4) Policy — The authors see "an apparent policy bias against agriculture in general and rain-fed agriculture in particular".[345] First, there is the decline of public investment in agriculture out of which the biggest part goes into irrigation and fertilizer subsidies in selected regions. Second, a price bias can be seen in favour of wheat and paddy at the expense of dry land crops (groundnut) and other wheat. Third, inefficiencies and ecological problems are intensified due to power and water subsidies. Finally, Reddy and Galab state that there is a decline in *extension services* to farmers. *Extension services* comprise an "informal educational process directed toward the rural population" aimed at an increase in production, living standards and awareness of challenges and possible solutions, as the *Food and Agriculture Organization* of the *United Nations* (FAO) defines it.

This unprofitability of the agrarian sector and a long history of failure regarding the provision of rural credit through government channels is a crucial backdrop to the microfinance boom that began in the 2000s.

4.3 The Boom of Microfinance

4.3.1 Indian Microfinance Fuelled by Priority Sector Requirements

The Indian microfinance sector is unusual in that it has two major channels – the worldwide prevalent realm of *Microfinance Institutions* (MFIs) as well as the Indian specific *Self-Help-Group-Bank Linkage Programme* (SHG-BLP). The later builds, as has been shown, on the widespread system of SHGs and the idea of linking them to banks for the provision of loans.

[344] Reddy and Galab (2006: 1839)
[345] Reddy and Galab (2006: 1840)

As has been argued, the three defining aspects of microfinance are impact, outreach and financial sustainability.[346] The Indian microfinance story till 2010 is one of impressive growth both regarding number of clients as well as the loan portfolio of MFIs as well as of the SBLP. This "quest for numbers"[347] was arguably not always in favour of the third corner of the triangle – the "double bottom line" aim of positive socio-economic impact.

The Indian microfinance boom was heavily based on debt funding – the debt/ equity ratios are "high relative to other regions of the world and equity only covers 10 – 20 per cent of total assets at most MFIs."[348] Debt as the main funding source, in turn, is provided overwhelmingly (3/4) by financial institutions.[349] On the one hand multinational and bilateral funders as well as *development finance institutions* (DFIs) were a major source of funding in 2013, on the other hand international *investors* (sic) play – other than in most parts of the World – no significant role (3%).

India´s so called "priority sector requirements" require commercial and foreign banks to invest a certain percentage (40%) of their loan portfolio in sectors, which have been defined by the government as "priority sectors", including agricultural credit and microfinance to *self-help groups* (SHGs) or *joint-liability-groups* (JLGs). These "priority sector requirements" made commercial banks, like *ICICI* and *HDFC* – in addition to public banks, like the *State Bank of India* – into dominant players in Indian microfinance.[350] A major part of debt funding comes from development banks, like *SIDBI*, and regulators.[351]

But how does the funding of Indian microfinance compare to other microfinance markets?

[346] Zeller (ed. 2003)
[347] Ghate (2007a: 1178)
[348] MIX Market (2010)
[349] MIX Market (2010)
[350] MIX Market (2010)
[351] MIX Market (2010)

4.3.2 Background: How are Microfinance Institutions Funded?

International funding for financial inclusion, as the broader aim of microfinance, is best captured by the yearly *CGAP Cross-Border Funder Survey*. The estimate of at least US$ 31 billion in 2013 means an average annual increase of 7% since 2011.[352] Public funders provided the biggest contribution of 76% of overall funding (US$ 23.5 billion) – in comparison to an estimated US$ 7.7 billion from private funders.[353]

This means an increase of 11% for international public funding and a decrease of 2% for private funding since 2011.[354] Public funders include bilateral agencies (like DFID, GIZ, USAID), multilateral agencies (like *World Bank*, *Asian Development Bank*) as well as *development finance institutions* (DFIs) (like KfW). Private funders include foundations (like the Bill & Melinda Gates Foundation and the Citi, Ford or Grameen Foundation) as well as *institutional investors* (e.g. ING, ABP).[355] The biggest share of international funding in 2013 was received by *Eastern Europe and Central Asia* (ECA) (with US$ 6.2 billion), followed by Sub-Saharan Africa (SSA) (with US$ 3.7 billion), South Asia (SA) (with US$ 3.5 billion), and Latin America and the Caribbean (LAC) (with US$ 2.8 billion).[356] (See Table 14.)

It is insightful to decompose the funds by funder types: *Development finance institutions* (DFIs) – which provide by far the largest share of funds with around US$ 12.1 billion – mainly fund financial inclusion in *Eastern Europe and Central Asia* (ECA) (with US$ 5.5 billion) followed with a long distance by Latin America and the Caribbean (LAC) (with US$ 2.3 billion). (See Table 14.) By far the biggest share from *multilateral* funders goes to South Asia (SA) (US$ 1.9 billion), followed with a distance by the Middle East and North Africa (MENA) (US$ 0.9 billion). Commitments from *bilateral* funders go mainly to South Asia (SA) (US$ 0.7 billion) and Sub-Saharan Africa (SSA) as well as East Asia

[352] Consultative Group to Assist the Poor (CGAP) (2014)
[353] Consultative Group to Assist the Poor (CGAP) (2014)
[354] Consultative Group to Assist the Poor (CGAP) (2014)
[355] The 2014 data refer to 56 funders that account for approximately ¾ of the global funding. Consultative Group to Assist the Poor (CGAP) (2014)
[356] East Asia and the Pacific (EAP) attract US$ 2.2 billion and the Middle East and North Africa (MENA) US$ 1.8 billion. See Consultative Group to Assist the Poor (CGAP) (2014)

and the Pacific (EAP) (each US$ 0.6 billion). *Foundations* on the other hand nearly exclusively focus on Sub-Saharan Africa (SSA) (with US$ 0.4 billion).

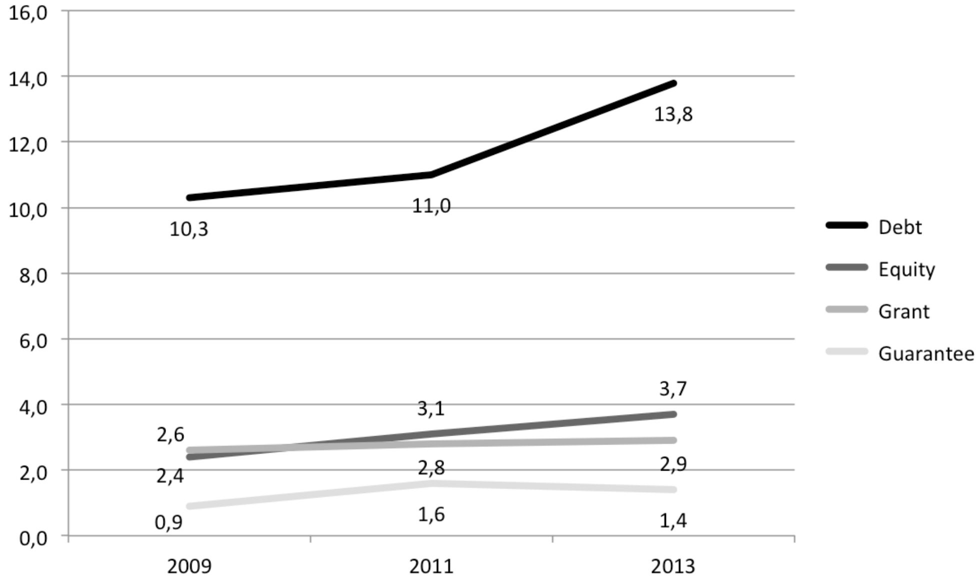
Table 14 International Funding of Financial Inclusion 2013 — by Funder and Region (in US$ billion)

Funder Type	*Eastern Europe and Central Asia (ECA)*	*Sub-Saharan Africa (SSA)*	*South Asia (SA)*	*Latin America and the Caribbean (LAC)*	*East Asia and the Pacific (EAP)*	*Middle East and North Africa (MENA)*	*Total US$*
Development Finance Institution (DFI)	**5.5**	**1.6**	1.0	**2.3**	1.0	0.7	**12.1**
Multilateral	0.5	0.8	**1.9**	0.3	0.5	0.9	**4.9**
Bilateral	0.1	0.6	0.7	0.0	0.6	0.1	**2.1**
Foundation	0.0	0.4	0.1	0.1	0.0	0.0	**0.6**
Other Donor	0.0	0.03	0.02	0.04	0.02	0.0	**0.11**
Other Investor	0.04	0.0	0.06	0.0	-	-	**0.10**
Total US$	**6.2**	**3.7**	**3.5**	**2.8**	**2.2**	**1.8**	**20.2**

Totals might not add up due to rounding errors.
Source: CGAP, www.cgap.org/data/international-funding-financial-inclusion-2014, May 13th 2015.

The vast amount of international funding comes in the form of debt (US$ 13.8 billion in 2013); followed with a distance by equity investments (US$ 3.7 billion), grants (US$ 2.9 billion) and guarantees (US$ 1.4 billion). (See Figure 25.)

Figure 25 International Funding of Financial Inclusion — Trends 2009 to 2013, (in US$ billion)[357]



Source: CGAP, www.cgap.org/data/international-funding-financial-inclusion-2014, May 13th 2015.

The biggest part of international funding went directly to *financial service providers* (FSPs) like *Microfinance Institutions* (US$ 8.3 billion), followed by governments (US$ 5.4 billion) and specialized *microfinance investment intermediaries* (MIIs) (US$ 4.2 billion).[358] (See Table 15.) The funder types differ not only with regard to the financial instruments they employ but also with regard to whom they are funding. *Development finance institutions* (DFIs) mainly provide debt funding (US$ 9.6 billion) and equity (US$ 3.1 billion) directly to *financial service providers* (FSPs) like *Microfinance Institutions* (US$ 7.8 billion) but also through specialized *Microfinance Investment Intermediaries* (MII) (US$ 3.7 billion) – governments hardly receive this main source of international funding. Government financial inclusion programs get their international funding mainly from multilateral funders in the form of debt (US$ 4.1 billion) and from bilateral funders in the form of grants (US$ 0.9 billion). International funding in the form of equity is mainly provided by DFIs, other donors and investors.

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[357] The difference between the total amount reported in this graph and in Table 15 of US$ 21.8 billion and the above mentioned total estimated international funding of at least US$ 31 billion in 2013 is the difference between reported data by 56 funders and the global *estimate*.

[358] In addition international funds went to other direct channels (US$ 2.2 billion), other indirect channels (US$ 1.3 billion) and lastly other intermediaries (like apex institutions and banks) (US$ 1.0 billion). Consultative Group to Assist the Poor (CGAP) (2013)

Table 15 International Funding of Financial Inclusion 2013 — by Funder and Recipient Type and Instrument (in US$ billion)

		Instrument				*Recipient Type*					
Funder Type	*Total US$*	*Debt*	*Equity*	*Grand*	*Guara ntee*	*Financial Service Provider (FSP)*	*Govern ment*	*Micro-finance Invest-ment Inter-mediary (MII)*	*Other inter-mediary (apex, bank)*	*Country Facili-tator*	*Others*
Development Finance Institution (DFI)	**14.0**	**9.6**	3.1	0.4	0.9	**7.8**	0.3	**3.7**	1.6	0.0	0.9
Multilateral	**5.0**	**3.6**	0.0	1.0	0.4	0.1	**4.1**	0.0	0.1	-	0.8
Bilateral	1.2	0.4	0.0	0.8	0.0	0.0	0.9	0.0	0.3	0.1	1.1
Foundation	1.0	0.1	0.1	0.6	0.2	0.2	-	0.1	0.0	0.0	0.6
Other Donor	0.15	0.05	0.10	0.0	0.0	0.05	0.0	0.06	0.0	-	0.05
Other Investor	0.5	0.1	0.4	-	-	0.1	-	0.4	-	-	0.0
Total US$	**21.8**	**13.8**	**3.7**	2.9	1.4	**8.3**	**5.4**	**4.2**	2.0	0.1	3.4

Source: CGAP, www.cgap.org/data/international-funding-financial-inclusion-2014, May 13th 2015.

Interestingly, funders do not regard the lack of funding as the main obstacle to financial inclusion but the "limited capacity" of *financial service providers* (FSPs) like *Microfinance Institutions* and their "limited range of suitable and appropriate products".[359] As a consequence they tend to spend around 10% of their funding on capacity building.[360]

As has been shown, the three main sources of microfinance funding are debt, equity and deposits. *Deposit* taking however is regulated differently in different countries. *Deposits* are often obtained as forced savings inherent to microloans. Deposits can be a major source of funding for MFIs. However, taking deposits is not allowed for all MFIs, and is dependent on their legal status as *Non-Governmental Organization* (NGO), *Non Banking Financial Company* (NBFC) or *Bank*. (See chapter 3 for the legal status of the major Indian MFIs, of which all but one are NBFCs; one is an NGO, which is the only one taking in savings.) In India savings play – due to regulations – no significant role for refinancing

[359] Consultative Group to Assist the Poor (CGAP) (2013)
[360] Consultative Group to Assist the Poor (CGAP) (2013) & Consultative Group to Assist the Poor (CGAP) (2014)

microfinance. (See Table 16.) Those marginal deposits, which exist in India are most often “compulsory savings and are thus tied directly to the loan portfolio”.[361]

Table 16 Microfinance Deposits, Countries with above one billion US$ — plus India, 2011

Global Ranking reg. Deposits	*Country*	*No of MFIs that reported to Mix Market*	*Sum of MFI Deposits in Billion US$*
1	Peru	37	7.9
2	Colombia	17	5.3
3	Bolivia	18	3.7
4	Ecuador	45	3.0
5	Bangladesh	16	2.9
6	Kenya	14	2.7
7	Mongolia	7	2.3
8	Tanzania	10	1.9
9	Cambodia	14	1.9
10	Paraguay	5	1.4
11	Vietnam	23	1.2
49 (out of 66)	India	35	0.06

Source: MixMarket, 2012 data, http://reports.mixmarket.org/crossmarket#, access. March 21st 2014.

MixMarket concludes that the fast growth of Indian MFIs was facilitated first and foremost by an “environment with easily available commercial financing” thanks to the “priority sector requirements”; as well as the fast increases in equity investment and, through the increase of MFI funding used to lend to its clients from 80% (2005) to almost 90% (2009).[362] How problematic this fast growth was, will be shown in the next sections.

361 MIX Market (2010)
362 MIX Market (2010)

4.4 Three Crises and an IPO

4.4.1 Andhra Crisis I: The Krishna Crisis of 2006 – "Worse than moneylenders".

Three local microfinance crises in Krishna (Andhra Pradesh), Kanpur (Uttar Pradesh) and Kolar (Karnataka) – also referred to as the "three Ks"[363] – can be seen as precursors to the full-fledged "Andhra Pradesh Crisis" of 2010, which shook up the microfinance sector well beyond India. The focus of this section is on the major Indian crisis originating in Andhra Pradesh, namely the Krishna district (Andhra Pradesh) crisis of 2006 and the Andhra crisis of 2010 – synonymous with the Indian microfinance crisis.

The microfinance crisis in Krishna district in Andhra Pradesh in March 2006 started with complaints by clients, leading to politically fuelled demonstrations and negative media reports and culminated in the shut-down of most MFI branches in the district by the authorities. "Usurious interest rates" and "forced loan recovery" were the allegations launched against MFIs in a formal complaint by some clients.[364] A series of articles in local newspapers critical of Microfinance Institutions[365] as well as some protests[366] followed. On March 8th a borrowers´ demonstration led by a local politician culminated in stone-throwing in front of a branch office from the MFI *Share*, demanding the return of house titles retained as security for housing loans.[367] The same night the *district collector*[368] of Krishna district shut down more than fifty branches of MFIs including *Spandana*, *Share* and *Asmita* and "instructed clients not to repay their

[363] Wright and Sharma (2010: 1)
[364] Shylendra (2006: 1959).
[365] Ghate (2007a: 1177)
[366] Some of which were said to be "instigated" by political parties, as Shylendra (2006: 1960) states.
[367] Ghate (2007a: 1177)
[368] A *(district) collector*, also known as *district magistrate* or *deputy commissioner*, holds the highest administrative position in the district. He (still very seldom: she) belongs to the *Indian Administrative Service* (IAS) and is appointed by the respective state government. Regarding his central rule in development, Reddy and Haragopal Reddy and Haragopal (1985: 1158) state, that "in the rural areas there is no institution other than the district collector with the necessary authority to secure cooperation among the various development agencies."
But this authority of the *district collector*, Bandyopadhyay (2006: 4851) constitutes, "a dichotomy between the district administration and various self-government institutions at the village and district levels" (such as the village and district *panchayats* and the *gram sabhas*). For him the second "dichotomy between a vibrant democratic system at the centre and the state headquarters and the non-accountable and non-responsive autocratic district administration still continues to be an unsolved conundrum in the Indian polity and governance." Bandyopadhyay (2006: 4852)

loans".[369] Beside the allegations regarding usurious interest rates and coercive collection methods, the two main additional charges against MFIs were that they make "super-profits on the backs of the poor" and that they "co-opt" government self help groups.[370] The Krishna crisis was based on real concerns and problems of clients, not least about abrasive recovery methods and high interest rates, and was catalysed by local politicians as well as the vernacular media, which helped to add the dimensions of high profits and "co-option" of government SHGs.

What were the Political Reactions?

In the reactions to the Krishna crisis, the *Reserve Bank of India* (RBI) stands out in its supportive role of the MFIs just as the Andhra government led by then Chief Minister, Mr Y. S. Rajasekhara Reddy clearly stated its distrust towards MFIs. The *Reserve Bank of India* (RBI) was aware of the potential disastrous impact on repayment and hence large-scale loan losses for MFIs and their refinancing banks throughout the state[371] and thus intervened in support of the MFIs and prevented a longer closure of these branch offices.[372] That did not prevent the repayments from going down to a mere 10 to 20 per cent for some months due to the reluctance of MFI staff to operate in a "hostile atmosphere created by a frenzy of negative stories in the press."[373] Also the political reaction on the state level came fast and clear. *The Hindu* documents that Andhra Pradesh´s Chief Minister, Y. S. Rajasekhara Reddy, at a meeting of the *State Level Bankers´ Committee* on March 17th 2006, "expressed concern that the MFIs were turning out to be worse than moneylenders by charging interest rates in excess of 20 per cent."[374] Thus the intervention by the *Reserve Bank of India* (RBI) stopping the Andhra government from keeping the MFI branches in Krishna district closed could not

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[369] Wright and Sharma (2010: 1) Whereas Ghate does not talk about clients having been "instructed", but "were given the impression by government staff that they need not repay MFIs loans (...) and that their loans would be taken over by the government at a much lower rate of interest." Ghate (2007a: 1176)
[370] Wright and Sharma (2010: 1)
[371] An estimated Rs 680 crore (= Rs 6.8 billion) (= Euro 128 million as of 15th March 2006) of outstanding loans taken by MFIs from banks in Andhra Pradesh would have been jeopardized by a state-wide repayment crisis Ghate (2007a: 1177).
[372] Wright and Sharma (2010: 1)
[373] Ghate (2007a: 1176)
[374] The Hindu (2006)

diminish the "hostile atmosphere" triggered by the strong political reaction, nor could it prevent the massive decline in repayments.

What were the Consequences?

Consequences of the Krishna crisis included a self-imposed *code of conduct* for MFIs and postulated interest rate cuts. There was much talk about a change in the direction of a "client led micro-finance".[375] The most important network of Indian MFIs, Sa-Dhan, introduced a code of conduct on March 20th 2006.[376] In the specification of agreed core values and practices the imprint of the Krishna crisis can be seen clearly, for example in committing to "appropriate interaction and collection practices", "fair practices" and "avoiding over-indebtedness" under the heading of "client protection".[377] Another consequence of the Krishna crisis was the "coordination forum", initiated by the RBI for stakeholders to discuss solutions to current problems.[378] At one of these meetings on April 20th 2006, *Spandana* and *Share* apparently announced the implementation of an interest rate of 15%, but were faced with objection from a leading MFI head, criticizing that such a rate was "not sustainable" for other Sa-Dhan members.[379] Wright and Sharma from the financial inclusion consultancy "MicroSave" concluded that both responses of the MFIs to the Krishna district crisis, namely the pledge to reduce interest rates and to institute a *code of conduct*, remained hallow and that "as soon as the controversy died down, effective interest rates soon began to rise… and the code of conduct largely remained on paper."[380] This perception that both the *code of conduct* as well as the proposed interest rate cuts were not honoured, mirrors the perception that was widespread in the media after the Krishna crisis. There are no accounts of a perceived turn-around in the practices of MFIs.

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[375] Arunachalam (2010)
[376] Ghate (2007a)
[377] The Code of Conduct identifies (1) integrity (& ethical behaviour), (2) quality of service, (3) transparency, (4) fair practices, (5) privacy of client information, (6) integrating social values into operations as well as (7) feedback mechanism as core values in microfinance. See Sa-Dhan .
[378] Ghate (2007a: 1177)
[379] Ghate (2007a: 1177)
[380] Wright and Sharma (2010: 1)

The main structural impact of the Krishna crisis on the Indian microfinance sector was a discontinuation of the "partnership model". Developed by the ICICI Bank, the "partnership model" meant that MFIs were to function as agents for banks. This way the loans stayed on the balance sheet of the bank, which avoided the necessity of providing the larger equity base within the MFI.[381] However, as a reaction to the Krishna district crisis the *Reserve Bank of India* (RBI) forbid the "partnership model", arguing that the necessary "know your customer" (KYC) requirements would not be fulfilled.[382] Wright and Sharma argue that this prohibition "accelerated MFIs' search for equity that would allow them to leverage the massive term loan debt available as a result of the *priority sector lending*[383] requirements mandated by the RBI".[384] This in turn led to the appearance of private equity investors, in the Indian microfinance sector.[385] Also Arunachalam pinpoints the rise of equity financing of MFIs; first in form of social equity investors, including donors and then also followed by commercial investors – that is after a phase of reluctance by commercial banks to lend to MFIs, especially to those with a strong portfolio exposure in Andhra Pradesh like Share and Spandana.[386]

What were the Causes?

In his profound analysis of the 2006 Krishna crisis, Ghate distinguishes between underlying causes and enabling (or contextual) causes.[387] As the main underlying (or longer term causes) Ghate identifies: (1) The "quest for numbers" regarding outreach and profitability.[388] This "rush to grow at all cost" led to, (2) intransparent interest rates, which disguised additional costs due to membership fees, compulsory security deposits, mandatory life insurances or the widespread "flat rates" (see glossary).[389] Also other operational practices such as, (3) coercive collection practices, (4) over lending, (5) unattractive features of the SHG model for the borrowers as well as, (6) the lack of contact and communication with "powerful players in the local political economy" are

[381] Wright and Sharma (2010: 1)
[382] Wright and Sharma (2010: 1)
[383] See Glossary.
[384] Wright and Sharma (2010: 1)
[385] Wright and Sharma (2010: 1)
[386] Arunachalam (2010)
[387] Ghate (2007a)
[388] Ghate (2007a: 1178)
[389] Ghate (2007a: 1178)

pinpointed by Ghate as underlying causes, rooted in the all-dominant focus on growth and profitability.[390] This "quest for numbers" is seen as one of the core underlying causes – not only for the Krishna crisis, but also for the much more severe 2010 Andhra crisis.

The four enabling or contextual causes identified by Ghate are the near-saturation with microfinance, the expansion of microfinance both via MFIs due to the "partnership-model" and via SHGs due to the *Pavla Vaddi* scheme, and finally the lack of awareness about microfinance in the public. As the core enabling cause Ghate regards (1) the "near-saturation of coastal Andhra with microfinance".[391] The coverage of more than ninety per cent of poor households in Andhra Pradesh (AP) by March 2005 through the *Self-help group bank linkage program* (SBLP) – in AP implemented under the so called "Velugu" program – as well as the wide coverage by MFIs, led to multiple membership in Velugu as well as the two MFIs, *Spandana* and *Share*, of up to 82%.[392] This regional near-saturation – regarding microcredits disbursed by MFIs – was not least due to (2) the partnership-model introduced by ICICI, which was rapidly expanding bank lending to MFIs at the time. Regarding the expansion of microcredits disbursed by SHGs the central contextual reason was (3) the "political investment" of the government in the form of "cheap credit for the poor as an important part of its election platform, through the *Pavla Vaddi* or literally "quarter interest" rate scheme".[393] *Pavla Vaddi* refers to the promise of the AP government "to subsidize any amount above 3 per cent that the SHGs may have to pay the banks for linkage loans" – with the usual rate being 12 per cent in 2007.[394]

Last but not least and especially important for the part of the thesis referring to the perception of microfinance, Ghate pinpoints the (4) "widespread lack of public awareness of features of MFI microfinance such as doorstep disbursement and collection in weekly instalments, which lead to the seemingly "usurious" interest rates

[390] Ghate (2007a: 1178)
[391] Ghate (2007a: 1177)
[392] Ghate (2007a: 1177)
[393] Ghate (2007a: 1178)
[394] Ghate (2007a: 1178)

they have to charge".[395] Even though one can argue about the level of interest rates that MFIs "have to charge", it is a point well taken that higher interest rates for small loans without collateral – often in rural areas – are necessary if the institutions are meant to be financially self-sustainable (see section on interest rates in chapter 2) and that this is often (conveniently) ignored not only in public, but also by the media and politicians. In the end the lack of public awareness might have been more of a problem in how the crisis was dealt with, and the contextual causes hence are mainly to be seen in the high saturation with microfinance due to a rapid expansion of MFIs as well as the state-led expansion of "cheap credit" via the SHGs.

State versus MFIs?

An undoubtedly core underlying cause of the Krishna crisis, the massive growth of microfinance (and its consequences) as well as the major contextual cause of near-saturation in coastal Andhra were intensified by a conflict between MFIs and state-actors in support of the *self-help group- bank linkage program* (SHG-BLP). In the literature the extent and importance of this "state versus market" conflict is disputed; for example the question, in how far the arguably strong reaction in the Krishna crisis by the local and state authorities reflects an underlying "state versus market" conflict. Ghate regards the political (re-)action in Krishna district as „an inappropriate and irresponsible use of state power, (…) motivated primarily by the desire to meet the competition to the state-sponsored self-help group model".[396] Ghate[397] furthermore states that at one of the meetings of the RBI-initiated "coordination forums" the government representatives complained that "the MFIs were 'eating into the SHG movement', and that their practices were 'barbaric' and posed a serious law and order problem." Consequently, Ghate comes to the conclusion that the crisis in 2006 was essentially caused by this conflict between state and MFIs, with the state an "active promoter of microfinance through a politically-attractive and high visibility" program

[395] Ghate (2007a: 1178)
[396] Ghate (2007a: 1176)
[397] Ghate (2007a: 1177)

(*Velugu*), and faced with the MFI competition was losing ground and hence required protection via the severe intervention of the state.[398]

4.4.2 Kanpur and Kolar Crisis in 2009

After the Krishna crisis of 2006 there were two other "limited" crises in India, before the major Andhra Pradesh crisis of 2010 took place. The first occurred in 2009 in the economic and industrial centre of Uttar Pradesh, in the city of Kanpur. One of the local MFIs, called Nirman Bharti experienced major problems with its portfolio and as a result had to default on loans taken from several banks.[399] The financial inclusion consultancy MicroSave, sees the lack of "processes, systems of internal control and MIS [*Management Information System*; note from the author] to manage the rapid growth driven by the priority sector lending-based flood of debt financing" as the fundamental reason for this default crisis.[400] A key lesson from the Kanpur crisis is the central importance of MFI capacity to actually manage their rapid growth. Both in terms of adequate procedures as well as management and control systems, and in terms of knowing the true condition of the portfolio – unmasking how much of the official portfolio at risk (PAR) is actually due to "multiple/ rollover financing and/ or disguised by the rapid growth of the denominator".[401]

The second crisis arose in Karnataka in 2009/ 2010, namely in Kolar district. In its detailed study of the crisis for the *Association of Karnataka Microfinance Institutions*, the consultancy EDA Rural Systems pinpoints the "fall-out from rapid growth and competition of MFIs in the more developed southern regions of the State: with multiple lending, use of agents and 'zero tolerance of default' creating social and economic strains, within communities and within microfinance groups."[402] With a 64% growth in MFI clients in Karnataka in 2008/ 2009[403], the competition and multiple lending

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[398] Ghate (2007a: 1180)
[399] Wright and Sharma (2010: 1)
[400] Wright and Sharma (2010: 1)
[401] Wright and Sharma (2010: 1)
[402] EDA Rural Systems, summary of study, available at: http://www.edarural.com/content/competition-role-external-agents-2009-delinquency-crisis-southern-karnataka.
[403] EDA Rural Systems (2010: iii)

especially in the southern parts of the state intensified. Kolar, a city of less than 140 000 inhabitants (Census 2011) experienced competition of 8 to 10 MFIs[404], leading to an average of three loans per borrower and overall sums per person higher than the then per capita state domestic product of around Rs 41 000 (around 650 Euro at that time)[405].

Against this background a worsening situation in the locally important silk industry led to repayment problems for a substantial number of clients.[406] The final spark, which led to the eruption of the delinquency crisis was the attempted suicide of Mr. Sardar Khan, who was highly indebted to moneylenders and used the "MFI loans of his wife and several group members – to the extent of Rs 7 lakhs[407] – to pay off his debts", according to the analysis of EDA Rural Services.[408] This attempted suicide of a community member, led the Muslim authorities, the local *Anjuman Committee* to prohibit interactions between Muslims and MFIs through a religious edict.[409] In the words of the EDA analysts they had been "irked by months of complaints about women 'neglecting' family duties, families led into crippling debt by the culture of 'easy money' that had developed in the town and oath taking at meetings invoking hindu goddesses".[410] This ban was apparently announced in the Friday prayers on 30th January 2009 in several mosques and led to the mass default of Muslim clients from 2 February onwards.[411] In due course the default spread to other Muslim clients in the towns of Sidlaghatta, Ramanagaram and Mysore.[412]

Key lessons from the 2009/ 2010 default crisis in Kolar can be drawn in the areas of (1) "know your customer" (KYC) – and maybe even more importantly, the need to use this information to prevent over-indebtedness despite short-term growth targets, (2) rethinking a "zero tolerance" approach in order to appropriately deal with genuine repayment problems by rescheduling loans and (3) the quality of relationship with

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[404] EDA Rural Systems (2010: 29)
[405] EDA Rural Systems (2010: iii–iv)
[406] Wright and Sharma (2010: 2)
[407] Lakh means „100 000" in several South Asian languages.
[408] EDA Rural Systems (2010: 7)
[409] EDA Rural Systems (2010: iv)
[410] EDA Rural Systems (2010: iv)
[411] EDA Rural Systems (2010: 6–7)
[412] EDA Rural Systems (2010: 8)

clients, communities and other stakeholders. Regarding the "know your customer" dictum many analysts have suggested to establish a credit bureau. This was also one of the core mission statements of the *Microfinance Institutions Network* (MFIN), an association of *Non-Bank Finance Company* (NBFC) *Micro Finance Institutions* (MFIs), which was set up in October 2009 by 43 NBFC-MFIs – arguably not least in response to the Kolar crisis.[413] MFIN states that at the end of 2012, all its members were sharing their client data with at least two credit bureaus in order to prevent multiple-lending and over-borrowing.[414] Another "know your customer" issue regards the proper assessment of the financial situation of a new potential client (including a sound cash flow analysis), in order to assure the appropriate level of credit.[415] In addition to the KYC issues, the recommendation of "a more flexible approach to delinquency"[416] and a more careful assessment and management of the "political and reputational risks"[417] have been prescribed by analysts. Observers agree in identifying the exceptional fast growth of the microfinance sector as the underlying cause for the three crises in Krishna, Kanpur and Kolar.

India is, insofar a special case, as it constitutes the biggest microfinance market in the world. However, it is not an exception regarding its microfinance crises and their underlying problems. The *Consultative Group to Assist the Poor* (CGAP) pinpoints in their analysis of four regional and national loan delinquencies (namely in Pakistan, Nicaragua, Morocco, Bosnia and Herzegovina) that growth and vulnerabilities – in the form of (1) concentrated market competition and multiple borrowing, (2) overstretched MFI systems and controls as well as, (3) the erosion of MFI lending discipline often go hand in hand.[418]

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413 Wright and Sharma (2010: 2)
414 See: Microfinance Institutions Network (MFIN), Credit Bureaus, available at http://mfinindia.org/development/credit-bureau, last accessed on 18 June 2013.
415 EDA Rural Systems (2010: vi) argue in this context also in favor of developing more individual lending capabilities in order to provide those with appropriate higher loan needs directly and not via multiple borrowing from different MFIs.
416 EDA Rural Systems (2010: vi)
417 Wright and Sharma (2010: 2)
418 Chen et al. (2010: 2)

4.4.3 The Initial Public Offering of SKS

While the afore described three smaller crises happened below the radar of general public awareness, one event in particular draw major media attention to the microfinance sector. This was the listing of the *Microfinance Institutions* (MFI) SKS on the Bombay Stock Exchange on July 28th 2010. It drew so much attention, not least because doubts were raised whether a *Microfinance Institutions* (MFI), which after all claims to help the poor, should get listed on the stock exchange to draw investors in. The *initial public offering* (IPO) gained further negative publicity when it became apparent that the founder of SKS, Vikram Akula, had "sold all of his SKS shares, worth about $13 million, in a private sale" a few months before the IPO, as *The New York Times* reported.[419] It did not help the image of Mr Akula (nor that of microfinance) that he stepped down as executive chairman of SKS, one and a half years after the IPO amidst a deep crisis of SKS in the aftermath of 2010 Andhra crisis, when SKS was unable to collect repayments from 90% of its clients.[420] (See Figure 69 in the Appendix for the shares price of SKS over time.)

The negative public reception of the IPO could not have come as a complete surprise to the stakeholders, given that the very first stock-listing of an MFI took place more than three years earlier in Mexico and had provoked many negative headlines. When the Mexican MFI *Compartamos* went public on April 20th 2007, the shares, which represented 30% ownership in the bank, were 13 times over-subscribed, sold for $450 million and increased 22% on the first trading day.[421] This commercial success raised critical questions about the extraordinarily high profits that were based on interest rates as high as 85% plus 15% VAT.[422]

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[419] Bajaj (2011)
[420] ibid.
[421] Rosenberg (2007: 1,3,5)
[422] Latest Data: *Return on assets* was 16.2%, *return on equity* was 42.8% as of 31st December 2014. As a rough measure for interest rates the *gross portfolio yield* was 75% (nominal), respectively 69% (real) as adjusted for inflation. See: Mix Market Data, www.mixmarket.org/mfi/compartamos-banco/report, lase accessed May 21st 2015.

Inclined towards the funding of microfinance also through financial markets, the *Consultative Group to Assist the Poor* (CGAP) had the following to say on the first Indian IPO of SKS:

> "By market standards, the SKS IPO is a great success. Institutional investors have over-subscribed their allocations by 13 times, and the company's valuation of USD 1.5 billion came in at the top end of the offer band price. This sky high valuation represents 6.7 times the company's post issue book value, and about 40 times the company's fiscal year 2010 earnings. Such multiples are not in line with market peers. In emerging markets, banks are valued at 3 times the book value, while finance institutions serving low-income customers are trading at 2.6 times the book value. The SKS valuation is even higher – by a margin — than Compartamos' valuation in its landmark 2007 IPO. At listing, Compartamos was valued at 27 times the company's historical earnings although its 2006 return on equity (ROE) at 55% was more than double the ROE of SKS today."[423]

Nonetheless, the CGAP had already spotted "clouds on the horizon. Portfolio yield might stagnate as increased competition and political scrutiny put pressure on interest rates."[424] However, this cautious warning about "political scrutiny" referred to the business side of interest rates and their influence on profits. What nobody could foresee was what actually loomed ahead for microfinance in the home state of SKS – the biggest crisis in the history of microfinance.

[423] Reille (2010)
[424] Reille (2010)

4.5 The Biggest Crisis of Microfinance — Andhra Crisis II

The most severe of the Indian microfinance crises with far-reaching consequences was the Andhra Pradesh crisis in 2010. It was very much a sequel to the Krishna crisis of 2006, involving the same allegations like, "charging opaque and usurious interest rates [...] using strong arm techniques for collections […and hence] profiteering at the cost of poor women".[425] This time, the crisis was triggered through reports of clients´ suicides.[426] While the *Initial Public Offering* (IPO) of SKS in July 2010 brought a lot of media attention to the microfinance sector, some of the articles published that summer drew links between suicides and the indebtedness to MFIs and the repayment pressure exerted by them. This again underlines the importance of public perception – especially for a sector, which over and over reinforced its high claims about the good it brings to its clients.

4.5.1 Political Risk — State Intervention…

If someone still doubted the significance of "political risk" for the microfinance sector after the Krishna crisis of 2006, he was proven wrong by the "Ordinance to protect the women Self Help Groups from exploitation by the Micro Finance Institutions in the State of Andhra Pradesh" enacted in October 2010.[427] This ordinance – the *Andhra Pradesh Micro Finance Institutions* (*Regulation of Money Lending) Ordinance 2010 (thereafter referred to as Andhra Act*) – speaks a clear language.[428] It claims that, "SHGs are being exploited by private Micro Finance Institutions (MFIs) through usurious interest rates and coercive means of recovery resulting in their impoverishment & in some cases leading to suicides".[429]

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425 Wright and Sharma (2010: 2)

426 The Minister for Women Development and Self-Help Groups, Sunitha Lakshma Reddy, refered to 75 suicides of MFI borrowers. See Infochange Microfinance (2010).

427 For the full text of the Ordinance see: Government of Andhra Pradesh (2010)

428 An Ordinance is a legal order enacted by the Government of a State or the (Indian) Union Government in case of urgency, when the Parliament is not in session. The *Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Ordinance 2010* was made into an Act under the same name and was passed without any changes by the assembly of Andhra Pradesh on December 14, 2010. See Infochange Microfinance (2010).

429 Government of Andhra Pradesh (2010: 1)

The core obligations for MFIs included the following:[430] (1) Registration — MFIs have to register with the *Registering Authority* of the district – listing the places of operations, the interest rates charged, the systems regarding due diligence and recovery as well as the employees. This registration has to be renewed yearly and can be objected to, if the MFI has been found guilty of violating "any of the provisions" of the ordinance. (2) Repayment — All paying back of instalments are to be made by the group at the local governance *(Gram Panchayat)* office. (3) Securities — MFIs are not allowed to take any guarantees in any form (e.g. pawn or pledge). (4) Transparency — Interest rates have to be publicly displayed and no additional costs other than stated in the loan application are allowed. (5) Agents — For recovering loans the MFIs cannot use any person other than those registered as their employees. (6) Multiple SHG membership — No SHG member is allowed to join another SHG, those who had multiple SHGs are supposed to choose one and repay and quit the others. Even though it is not clear how this could be enforced, not to mention its feasibility, given the high number of multiple lending. (7) Documentation — MFIs are obliged to keep detailed records and submit monthly reports to the Registering Authority, whose officers get far-reaching authorizations to "search the premises and seize any record" in order to "verify whether the business of the MFI is being carried out in accordance with the provisions of this Ordinance".[431] (8) Complaints — So called Fast-Track Courts are to be established in every district to hear complaints by individuals or groups against MFIs brought before the Registering Authority and to settle disputes. (9) Penalties — Coercive actions, business operations without registration as well as infringements against the ordinance are to be punished.

However, there is a controversy if MFIs actually fall under the regulations for moneylenders, as claimed by the Principal Secretary of Rural Development in Andhra Pradesh, R Subrahmanyam, who is the chief architect of the Andhra Act.[432] Arunachalam as most scholars on the other hand emphasizes, that micro-finance has to be regarded as micro-banking and thus has to be regulated and supervised on the level of the *Government of India* and the *Reserve Bank of India* (RBI) – and not by ordinances and

[430] Government of Andhra Pradesh (2010)
[431] Government of Andhra Pradesh (2010: 6)
[432] NDTV (2012)

bills on a state level as in the case of Andhra Pradesh.[433] Nevertheless, in his perception the ordinance enacted by the Government of Andhra Pradesh was "sufficient to stem the rot" of excessive growth, given the subsequent liquidity crunch.[434]

4.5.2 … versus Prudent Regulation

Much has been said about the shortcomings of MFIs and their disproportionate focus on growth, but also the regulatory environment was decisive in how the sector developed. Elisabeth Rhyne, the managing director of the *Center for Financial Inclusion* of the non-profit organization *ACCION International*, identifies five core flaws in the regulatory policies of the state: (1) the high obstacles for MFIs to take deposits, (2) the prohibition of NGOs to become shareholders of MFIs, (3) on the one hand the perceived preference for the SHG model over the MFI model, (4) but on the other hand the effects of the "priority sector lending" and last but not least, (5) the indecisiveness regarding the height of interest rates and debt relief.[435]

Rhyne perceives those regulations, which effectively prevent MFIs from taking deposits – even those that transformed themselves into commercial institutions – as partly in place to prevent competition with public sector banks. She argues that this forced MFIs, deprived of funds from clients and others in the locality, into the predominant mono-culture of micro-loans.[436] The banning of NGOs to become MFI shareholders, in the words of Rhyne due to a "romantic notion that client ownership would create grassroots accountability",[437] led to a governance vacuum. The dominance of founders, typical for most of the major Indian MFIs, can be seen as a result of this. This absence of appropriate checks and balances is also not corrected through international social investors, given the foreign investment rules, which make it difficult for them to get involved in governance and ownership.[438] The Indian regulatory environment, which led to a micro-loan mono-culture (while neglecting savings), a founder domination (at

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433 Arunachalam (2010)
434 Arunachalam (2010)
435 Rhyne (2007)
436 Rhyne (2007)
437 Rhyne (2007)
438 Rhyne (2007)

the expense of checks) as well as an ambiguous policy towards MFIs (boosting – and distorting – through "priority sector lending" while competing through the SHG model) is regarded by Rhyne as, "much influenced by India´s socialist history and popular politics".[439]

4.5.3 Fast Growth and Wrong Incentives

The accomplishments in the microfinance sector in terms of growth in outreach, efficiency as well as productivity of field workers, was often accompanied by shortcomings regarding both the clients and the employees.[440] It became widespread to cut corners in client selection, group building, and in determining the appropriate loan size. Also the lack of training and awareness-raising for field workers, the incentives in place for them (with a focus on growth indicators) and the pressure on them led to drawbacks in consumer protection and client satisfaction, as argued by many scholars.[441]

The previous governor of the *Reserve Bank of India* (2003 till 2008), Mr Yaga Venugopal Reddy, stated in an interview a month after the severe intervention by the Andhra Pradesh government: "Ultimately, it's [Indian microfinance] something like subprime lending [...] The same incentives are operating here... it was securitisation and derivatives that operated in the US. Here it is the priority sector lending by banks."[442] Subprime lending refers to less secure – "second rate" - lending to people with lower repaying capability. The so-called subprime mortgage crisis in the USA in 2007-2008 led up to the Global Financial Crisis 2008, which constituted the "worst economic crisis since the 1930s".[443] Also one of the main figures in Indian microfinance, the founder and CEO of the MFI Basix and president of the MicroFinance Institutions Network (MFIN),

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[439] Rhyne (2007)
[440] Arunachalam (2010)
[441] Arunachalam (2010)
[442] Nayak (2010) Reddy stated further in this interview: "Also, if you look at it, the resource is leveraged, it's not just moneylending business. The moneylender normally lends out his own money, whereas here the MFI is actually borrowing money from depositors and lending the money. So essentially, he is a moneylender, but a leveraged moneylender."
[443] Foote and Willen (2008)

Vijay Mahajan, agreed with Mr Reddy, that "a lot of perverse incentives got aligned [...] and in two years the sector went from helping the poor to preying on the poor."[444]

4.6 Conclusion: Political Risk and Perception Matter

Financial inclusion is, as has been shown, high on the international agenda. The aim of financial inclusion is to build sustainable institutions for the provision of financial services – such as savings, loans, insurances and payment services – to those hitherto excluded. It has been argued that, beyond the availability and quality of financial services, also financial literacy and financial capability are essential for inclusion. Financial capability is the ability to translate financial literacy (numeracy and information) into action, based on skills, decision-making capacity and the motivation to do something about one's financial situation. It was furthermore maintained that group approaches, as in the form of self-help-groups, could provide a good setting for enhancing financial capabilities and improving the access to, and flow of financial information. However, this requires commitment to nurturing such groups – an element that has often been missing in the context of Indian microfinance especially, during the build up to the crisis.

The situation of financial inclusion and its transformation (usually for the better) over the last years was illustrated in this chapter with regard to India and its South Asian and BRICS peers. While India made great progress in the prevalence of accounts at formal institutions (from 35% in 2011 up to 53% in 2014), the situation worsened slightly over the same period of time both in Bangladesh (down to 29%) and Pakistan (down to 9%). Nonetheless, India not only has to catch up in general with its BRICS peers, but must make an especially strong effort to close the gender gap (of 19 percentage points) regarding accounts held at financial institutions. India however, has a much lower rural-urban divide with regard to accounts (even though on a lower level) – in comparison with China or South Africa, where the urban access to bank accounts is far more prevalent than in the country-side. Yet, even in urban accounts, the generally better

[444] Nayak (2010)

performance of China has to be relativized given that every fourth accounts has not registered a single deposit or a single withdrawal over the last month and hence appears to be dormant.

The highest amount of remittances worldwide, are transferred to India but in the receiving of remittances, accounts at formal institutions play virtually no role (2%).[445] This is in stark contrast to South Africa, where nearly every fifth account is used for receiving remittances. South Africa is also the only country in the BRICS and in comparison with South Asia, where mobile phones play a significant role in receiving money (9% of the population over 15 years used this service) and where a major part of the population working in agriculture purchased an agricultural insurance (43%). China on the other hand is the only country in this sample with a substantial part of the population having personally paid for a health insurance (47%). The indicator on which South Africa and India outperform their BRICS peers, is in the strength of legal rights (10 out of 10 for South Africa, 8 for India, 6 for China and merely 3 for Russia and Brazil – in comparison to 9 in the USA.)

The success in building a sustainable financial service industry in Bangladesh is unprecedented. *Nota bene* this is not primarily the success of the government of Bangladesh but of its civil society in the form of *non-governmental organizations* (NGOs) such as BRAC, ASA and Grameen.[446] In the BRICS, South Asia and USA sample, Bangladesh outperforms all other countries with regard to the percentage of people who took a loan from a financial institution in the last year. Furthermore, in Bangladesh more people with lower income levels (the bottom 40%) and with lower educational achievements (primary or less) received a loan (from a formal institution) than their better off and better educated peers. The opposite is true for countries like the USA and South Africa, where it is relatively more difficult for the poorer and less educated to obtain loans from financial institutions.

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[445] All values in this paragraph have been introduced with their sources in this chapter in the section on „Financial Inclusion — India and its South Asian and BRICS peers".

[446] See Mahmud et al. (2013) for an analysis of the role of NGOs, the state and low-cost solutions for the remarkable achievements of Bangladesh.

The chapter also provided a historical analysis of the failure of government-sponsored rural credit in India, tracing the changing policy strategy from a focus on co-operatives (in the 1950s and 60s), the multiagency approach including an important role for nationalized banks (end of the 1960s to 1991) and finally the reforms of the financial sector after 1991. Populism was a central feature of rural credit policies at least till the early 90s, as has been argued. The economic doctrine of central planning led the state not only to become a sponsor of but also, to develop a politics of patronage vis-à-vis co-operatives. This enabled the state to wield great political interference, for example in the use of loan waivers as election promises and the determination of interest rates, which contributed to a "psychology of non-repayment", as explicated by Dandekar (1993).

The resulting low loan recovery rates and huge losses overall, led inter alia to the nationalization of banks and the "priority sector lending" idea of channelling loans to farmers, especially those with small or marginal landholdings. However, the establishment of *Regional Rural Banks* (RRBs), which were supposed to combine local expertise with professionalism, also did not manage to reverse the low loan recovery rates. Dandekar (1993) bemoans especially the blurring of the concepts of credit need and credit worthiness and the underlying "misconception that socially oriented credit should also be low cost credit", arguing instead that timely and adequate credit [on a sustainable basis] is more crucial than the cost of credit. Arguably this is also the reason for the success of microfinance with it is readily available and the fast disbursement of adequate loan sizes, despite its – in comparison to subsidized government loans – high costs.

The structural problems of agriculture in India were – after the additional failure of the government-sponsored and government-engrossed multi-agency approach – identified as the underlying reasons for a continuation of high loan losses. This is affirmed by the high percentage of farmers, who if given a choice, would change their occupation due to its unprofitability and the high risks involved. As main challenges leading to rural distress the following have been identified by Reddy and Galab (2006): (i) *technological* — the saturation of productivity advances after the initial success of the *Green Revolution*, the challenge of providing irrigation on a large scale and the increase in input costs not matched by the associated output value; (ii) *ecological* — the degradation of soil and water not least due to (over-) use of fertilizers and pesticides, (iii) *socio-cultural* — the increased costs of living from basic goods, over life cycle events like funerals and marriages to services like adequate education and health; and (iv) *policy-related* — the authors criticise a policy bias against agriculture and especially against rain-fed agriculture. However, given that more irrigation in districts is associated with lower poverty rates, this "policy bias" against rain-fed agriculture is very understandable as is the focus on non-agricultural jobs, in order to provide alternative job opportunities *outside* agriculture.

This agrarian distress in India and the failure of government-sponsored rural credit schemes was the backdrop to the boom in Indian microfinance, which began in the 2000s. When talking about microfinance in India one draw a distinction between two different types of actors, at least in certain states like Andhra Pradesh (see chapter 2) where there are both government-led *self-help group bank linkage program* (SHG-BLP) and *Microfinance Institutions* (MFIs). Indian MFIs majorly rely on debt funding from financial institutions. These financial institutions include commercial banks like ICICI of HDFC and public banks like the *State Bank of India (SBI).* Domestic commercial banks and foreign banks fall under *priority sector lending requirements*.[447] The overall target – as a percentage of the *Adjusted Net Bank Credit* (ANBC)[448] – are 40% for domestic commercial banks and for foreign banks with 20 or more branches.[449] Not least, in order to fulfil these high targets, banks were giving major loans to *Microfinance Institutions* (MFIs). At the same time, international funding in the form of debt went into the Indian microfinance sector – mainly by multilateral and bilateral funders and

[447] The *Reserve Bank of India* (RBI) defined the *priority sector — as of February 1st 214 — as* "those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. (…)Priority Sector includes the following categories: (i) Agriculture (ii) Micro and Small Enterprises (iii) Education (iv) Housing (v) Export Credit (vi) Others". It is further explicated what is understood as 'direct finance for agricultural purposes: inter alia loans "to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers]". See Reserve Bank of India (RBI) (2014).
[448] If the *Adjusted Net Bank Credit* (ANBC) is lower than the *Credit Equivalent amount of Off-Balance Sheet Exposures* (OBE) as of 31th March of the previous year, than the percentage level of the *priority sector lending requirements* refers to the later. For definitions of the ANBC and the OBE and further details on the *priority sector lending requirements*, see Indian Institute of Banking and Finance (2014).
[449] For foreign banks with *less* than 20 branches 32% is the total priority sector requirement. See Reserve Bank of India (RBI) (2014).

Development Finance Institutions (DFIs) like the German *Kreditanstalt für Wiederaufbau* (KfW).[450] Most of this debt funding by multilateral and bilateral funders was received by the Government of India, while some funders also directly funded the balance sheet of MFIs through loans.[451]

It has been shown that *public* funders provide the major part of the international funding for financial inclusion (76% or US$ 23.5 billion in 2013), with an increasing tendency. *Development Finance Institutions* (DFIs) provide the biggest share (US$ 12.1 billion) and focus their funding mainly in the form of debt on Eastern Europe & Central Asia (ECA), followed by Latin America & the Caribbean (LAC) and Sub-Saharan-Africa (SSA). Whereas *multilateral* and *bilateral* funders provide the biggest share of their combined funding to South Asia (SA) – mainly to governments. It has been shown that, by far the biggest share of international funding is provided in the form of debt – followed at a distance by equity, grants and guarantees. In India, the equity funding is from domestic financial institutions and accounted for not more than 10% to 20% of total assets of most MFIs, pre-crisis (MixMarket 2010). The third major funding source, deposits by clients, does *not* play any significant role in Indian microfinance due to regulations – in contrast with many Latin American countries or for example Kenya, Mongolia or Cambodia, but also in comparison with Bangladesh.

The first of the three smaller crises in Indian microfinance and the Krishna district (Andhra Pradesh) crisis of 2006 was, as has been discussed in the chapter, triggered by complaints about the rough handed recovery practices of some MFIs. However, it has been argued that these issues were taken up by politicians who felt that MFIs were "eating into" the government-run, high profile *self-help group bank linkage program* (SHG-BLP) in Andhra Pradesh called "Velugu" and that the bustling MFIs were co-opting government SHGs. While the *Reserve Bank of India* (RBI), realizing the potential danger of mass default. intervened in support of the MFIs, the government under Chief Minister Y. S. Rajasekhara Reddy fuelled the conflict with the MFIs, which he believed "turned

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[450] For a list of the top funders by number of financial inclusion projects in India in 2013 see: www.cgap.org/data/international-funding-financial-inclusion-2014, accessed May 17th 2015.

[451] As an example see the funding of the Bengaluru-based MFI *Janalakshmi Financial Service Private Limited* (JFS) by the Dutch *Netherlands Development Finance Company* (FMO). See https://www.fmo.nl/project-details/33147, accessed May 17th 2015.

out to be worse than moneylenders." (The Hindu March 18th 2006) The consequences of the Krishna crisis were (i) the termination of the "partnership model" developed by the ICICI Bank, which allowed MFIs to operate as agents for banks with the loans staying on the balance sheets of the banks and hence reducing the need of MFIs to attract equity funding in order to leverage, what was a *priority sector lending requirement*, a large scale available debt funding; (ii) as a result, there was an increase in equity investment from social investors, donors and commercial investors; (iii) and overall only paying lip service to introducing changes in the practices and interest rates of the microfinance sector.

As main underlying causes of the crisis, Ghate (2007) identified: (i) the "quest for numbers" in a "rush to grow at all costs", (ii) in-transparency regarding the real costs of loans (and the lack of communication why higher interest rates might be necessary and justified for delivering timely, adequate and reliable financial services to poor people), (iii) coercive collection practices, (iv) over-lending leading to chain-loans and potentially to over-indebtedness, (v) unappealing SHG model features, leading people to (often in addition) opt for MFI loans and (vi) a lack of communication with "powerful players in the local political economy". So the underlying causes can be categorized into shortcomings of the Indian *microfinance institutions* (MFIs) themselves and a conflict with state actors. The MFI shortcoming were due to strategic decisions like the "quest for numbers", in-transparency, wrong incentives leading to coercive collection practices and over-lending due to a lack of coordination among the MFIs; as well as an underestimation of the political risks and the need to bring core local, regional and national stakeholders / actors on board. Microfinance interest groups like Sa-Dhan (the association of *Community Development Finance Institutions*, CDFIs, already founded in 1999) or the *Microfinance Institutions Network (MFIN)* (founded as a representation of NBFCs in October 2009) are nowadays much more aware of the need for political representation of their interests and good media relations.

Contextual reasons fed into the emergence of this major microfinance crisis in India, as Ghate argued. On the one hand, there was a near saturation of microfinance in coastal Andhra due to the wide distribution of loans to self-help groups through the Andhra state-government-sponsored SHG-BLP named "Velugu". On the other hand, the fast expansion of MFIs, not least due to the partnership model of ICICI, was ultimately perceived by politicians as endangering their "political investment" in populist election promises for example, regarding the subsidizing of SHG loans – covering the costs of loans with more than 3% interest rate. Ultimately, as has been posited, politics played a core role in the outbreak of the Krishna crisis. While the arguably over-emphasis on fast growth, led to wrong incentives and misconduct of the MFIs, it was in the end a political conflict between MFIs and the Andhra government. The latter felt its interests were under threat due to the fast expansion in MFIs, endangering their success-model of credit-linked SHGs, which in the past had also been utilized for political purposes.

Other crises across the country were also examined in this chapter and the contextual as well as structural reasons, explored. The lack of an adequate *Management Information System* (MIS) and appropriate processes and internal controls to manage the fast growth was seen to be the reason for the Kanpur crisis in Uttar Pradesh of 2009. Rapid growth and intensive competition in southern Karnataka, leading to multiple loans, outsourcing to agents and combined with a "zero tolerance for default" were identified as the underlying reasons for the Kolar crisis in 2009/2010. The Kolar microfinance crisis was embedded in a crisis of the local silk industry, which led to the repayment problems for many clients. After months of complaints about a culture of "easy money", about women neglecting their family duties and about the invoking of Hindu goddesses during oath takings at MFI meetings, the attempted suicide of an indebted husband who used his wife´s MFI loan for repaying his debt with moneylenders, prompted local Muslim authorities to ban interactions between Muslims and MFIs. The lessons learned of such crises have been outlined as: (i) better "know your customer" (KYC) procedures to prevent over-indebtedness — as implemented by the members of the *Microfinance Institutions Network (MFIN)* by sharing client data amongst each other; (ii) reconsideration of the "zero tolerance" practice to better deal with real repayment difficulties e.g. through the rescheduling of loans; and (iii) again more awareness of the "political and reputational risks" and the need for better and closer cooperation with local communities and all the stakeholders.

The Andhra Pradesh crisis in 2010 has been portrayed as a sequel to the Krishna crisis of 2006 with the same allegations of heavy-handed repayment collection methods and usurious interest rates. The reality of political risk manifested itself in the from of the *Microfinance Institutions Ordinance* of 2010, which prescribed the following rules: MFI have (i) to register (and disclose their fundamentals) and renew this registration on a yearly basis, (ii) to conduct their repayments at the local government office, (iii) to not use any king of guarantee from clients, be it pledges or pawn, (iv) to publicly display their interest rates and add no other than those stated in the loan application, (v) to not use agents for loan recovery but only their own employees, and (vi) to submit monthly reports to the Registering Authority. The Ordinance also urged for the introduction of fast-track courts for dealing with clients´ complaints and penalties for MFIs not complying. Also multiple SHG membership was to be prevented by forcing clients, with more than one SHG membership, to quit all but one.

The effects of the *Andhra Pradesh Microfinance Institutions Act* (APMFI) from 2010 were severe. Within one year the operations of MFIs went down to 10% of the pre-crisis volume, leading to a loss of Rs 6,500 crore[452] for the MFIs and the laying off of 30,000 MFI staff members. While SKS shifted its headquarters altogether to Mumbai, other big MFIs from Andhra Pradesh like *Spandana*, *Share*, *Asmitha* or *Basix* shifted their focus to other Indian states as well as going abroad.[453] This led to a reduction in the exposure of the Indian MFI´s loan portfolio to Andhra Pradesh from the 45% pre-crisis level in 2010 to a mere 14% in 2014.[454] While the *Andhra Pradesh Microfinance Institutions Act* (APMFI) is still in place, the federal government continues to work on a Microfinance Bill. The one drafted by the Congress-led government in 2012 was meant to take MFIs out of the regulatory realm of states. However, the BJP-led government is reported to be working on a different *Microfinance Bill*, which would not overrule the *Andhra Act* with a nationwide regulation. The *Reserve Bank of India* (RBI) regulates all MFIs constituted as *Non-Bank Financial Companies* (NBFCs), which make up around 90% of the Indian microfinance sector, and seems to have the position that new legislation is not needed.

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[452] One crore equals 10 million. 65 billion Rupees equals more than US$ 1 billion (with an exchange rate of 0.01615 as of December 31st 2013). See www.oanda.com/lang/de/currency/converter/, accessed May 18th 2015.
[453] Reddem (September 30th 2013)
[454] Nair (September 22nd 2014)

It is anyhow likely that the government first awaits the ruling of the Supreme Court, where an appeal against the legitimacy of the *Andhra Act* is pending.[455]

It has been argued that an overall strategy with regard to microfinance in India is still missing. The major obstacles for MFIs to take savings from their clients are still in place. What is more, the state seems to be undecided whether to foster MFIs (e.g. via the inclusion of microfinance into the *priority sector requirements*) or to halt them (e.g. the federal government's long awaited regulation of the sector and the decision to let the Andhra state government have its way). In comparison to other countries, this has ultimately led to a micro-*loan* mono-culture (and the neglect of savings, but also of insurance or remittance services) and a domination of MFIs by their founder-CEOs at the expense of internal checks and balances. This has been explained as being in part the legacy of India´s socialist history and popular politics (Rhyne 2007).

The achievements of the *Microfinance Institutions* (MFI) model are impressive. However, the focus on growth had its major downside by pushing MFIs into cutting corners with regards group building, due diligence towards clients' capacities and appropriate loan sizes, staff training. These ultimately led to a reduction in consumer protection and customer satisfaction. In the next chapter, on the perception of MFIs, it will be analysed how far microfinance clients turned their backs on MFIs, post-crisis, and whether their perception of microfinance in general and towards specific MFIs is as negative as one might expect from media reports and accounts of the 2010 Andhra crisis.

[455] Nair (September 22nd 2014)

5 Empirical Study Part One — Survey Design and Findings on the Perception of Microfinance

In the literature review two central gaps in the research on microfinance have been identified. The first research gap refers to the perception of microfinance in general, of specific microfinance institutions (MFIs) and of the positive as well as negative impacts of their outreach programmes. The study to be presented here is the first of its kind because, so far, there has been no major quantitative survey on the perception of microfinance institutions by clients in the core microfinance state of Andhra Pradesh. Further limitations of empirical studies in the field of microfinance are the lack of *multi-dimensional* assessments of the empowerment status of clients versus non-clients. The empirical work outlined in this chapter introduces measurements for perception and a multidimensional measure of empowerment, both of which have so far not been utilized in the context of microfinance.

A doctoral project must necessarily work under severe constraints of time and resources. As such, the work has been conducted under the following constraints, which, however do not detract from its scientific value. The research design implemented does not allow for conclusions to be drawn on the general impact of microfinance. It is a one-off assessment and has no baseline and end-line design, which would permits one to examine changes over time. Nor can one draw conclusions regarding the effect of microfinance based on a comparison between clients and non-clients due to the self-selection of microfinance clients. (See also the discussion on randomized control trials.)

However, what this empirical research is able to assess is *whether* there are differences in the *multidimensional* empowerment levels of female clients and female non-clients. This kind of comprehensive *multidimensional* empowerment measurement is for the first time implemented in micro-finance research. It allows for recommendations what kind of empowerment dimensions and which specific indicators are worth implementing in future time- and cost-intensive *randomized control trials* (RCTs), in order to assess the empowerment impact.

Furthermore, this empirical study provides, for the first time, a quantitative appraisal of the perception of microfinance as well as of specific microfinance institutions by clients and non-clients in the crisis-ridden state of Andhra Pradesh – after the 2010 crisis.

The structure of this empirical chapter will be the following:

<u>Survey Design</u>

- Research Aims
- Selection of Andhra Pradesh as a case study
- Selection of districts in Andhra Pradesh
- Sampling
- Questionnaire Design

<u>Perception of Microfinance</u>

- Loan Utilization by Clients
- Perception of Microfinance Institutions (MFIs)
- Positive and Negative Aspects of MFIs
- MFI Perception Index

<u>Conclusion</u>

5.1 Survey Design

5.1.1 Research Aims

The aims of this empirical research are twofold: to analyse rural clients' and non-clients' multidimensional empowerment status as well as their perception of microfinance.

As has been argued, perception matters — and is particularly important for financial institutions since their very existence is based on trust. Trust is core to the success of any financial institution. Trust by its clients, its donors, its investors, politicians and the public. Microfinance institutions bear an especially high political risk. They often operate in an immature and non-transparent market, with an only nascent regulatory framework. What is more the regulators and governments are not seldom themselves (directly or indirectly) actors in the market. Furthermore, the vulnerability of microfinance clients due to their socio-economic situation demands an obligation to exercise due care by governments, regulators and the media.

Microfinance is, more often than not, associated with empowerment and furthermore, with the empowerment of women who, especially in a country like India, form the overwhelming majority of clients. Empowerment is a complex and difficult to grasp concept. One of the most comprehensive and, in the context of rural India, most adequate conceptualization and operationalization is arguably the *Women´s Empowerment in Agriculture Index* (WEAI). This index goes well beyond the common operationalization of empowerment measured merely as decision-making. The WEAI consists of two sub-indexes. The *Five Domains of Empowerment* (5DE) sub-index assesses whether women are "sufficiently" empowered in the areas of production, resources, income, leadership and time. The *Gender Parity Index* (GPI) measures the "percentage of women who are as empowered as the men in their household".[456]

[456] IFPRI et al. (2012: 2)

This empirical study applies and puts into practice for the very first time, the *Five Domains of Empowerment* (5DE) index in Indian states.[457] The reasons for not implementing the *Women´s Empowerment in Agriculture Index* (WEAI) in its entirety – which would mean including the *Gender Parity Index* (GPI) – is that this would have required interviewing in each of the sample households, both a man and a women. This was not possible to carry out due to financial constraints as well as the other objectives of this survey, namely to assess the perception of microfinance institutions by clients and non-clients in general (and not within the same household) as well as the quantification of clients´ poverty levels. The application of the 5DE index introduces a further level of comprehensive conceptualization and elaborate operationalization – 35 questions were asked in order to capture its five domains – to the realm of microfinance assessment.

Table 17 Women´s Empowerment in Agriculture Index – Domains, Indicators and Weights

Domain	*Indicator*	*Weight*
Production	Input in productive decisions	1/10
	Autonomy in production	1/10
Resources	Ownership of assets	1/10
	Purchase, sale, or transfer of assets	1/10
	Access to and decisions on credit	1/10
Income	Control over use of income	1/10
Leadership	Group member	1/10
	Speaking in public	1/10
Time	Workload	1/10
	Leisure	1/10

Source: (IFPRI et al. 2012: 3)

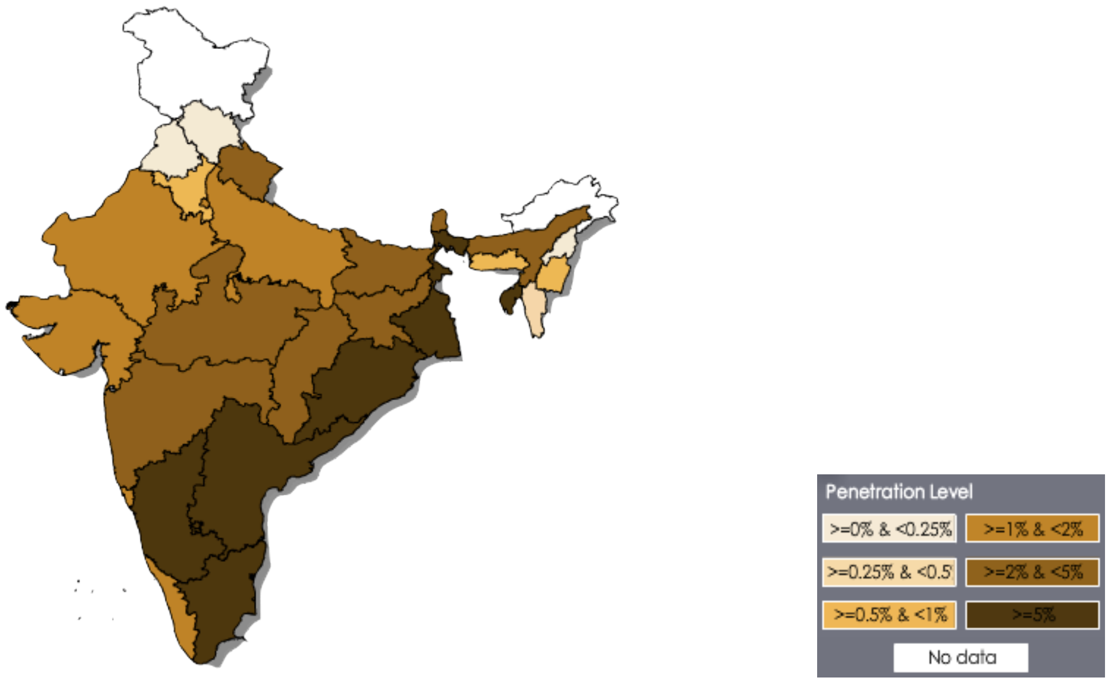
[457] The WEAI – with its two sub-indexes 5DE and GPI – has so far only been implemented in Bangladesh, Guatemala and Uganda; as of 25th March 2015. For updated information see the homepage of the *International Food Policy Research Institute* (IFPRI): http://www.ifpri.org/publication/womens-empowerment-agriculture-index

5.1.2 Andhra Pradesh as a Case Study

There are two main reasons for selecting Andhra Pradesh as a case study for this thesis. First and foremost, because of the described major microfinance crisis, which took place in Andhra Pradesh in 2010 and unsettled the microfinance sector worldwide. And in addition, Andhra Pradesh´s leading role in Indian and global microfinance; not only due to outreach, but also with regard to its innovations and new approaches (as for example described in the case of *BASIX*).

Indian Microfinance – in from of microfinance institutions (MFIs) – is dominated by three Southern states, namely Andhra Pradesh, Karnataka and Tamil Nadu. They account for the majority of microfinance clients as well as of outstanding loans. Regarding penetration rates of MFIs they are followed by the states of Orissa and West Bengal. (See Map 1 and Table 18.)

Map 1 Microfinance Penetration in India 2010



Source: (Centre for Microfinance (CMF) 2011)

A slightly different picture emerges when the penetration rates of credit-linked self-help-groups (SHGs) are considered. With a clear gap Andhra Pradesh is also the leader here, followed by Orissa and Tamil Nadu. Karnataka, which is number two regarding MFI penetration is not present under the top five regarding the penetration of credit linked SHGs. (See Table 18.)

Table 18 Microfinance Penetration in India 2010 – Percentage of Women Population (2010)

	Microfinance Institutions	*Self-Help Groups - Credit Linked*	*Self-Help Groups*
Andhra Pradesh	**13.9**	**36.8**	39.0
Karnataka	**10.2**	9.2	15.7
Tamil Nadu	**8.1**	**15.8**	24.5
Orissa	7.2	**18.9**	26.0
West Bengal	5.8	11.1	13.4
Kerala	*1.9	14.7	21.4

*Kerala is not number 6 in the overall ranking of Indian states regarding the MFI penetration rate; listed for completeness of table.

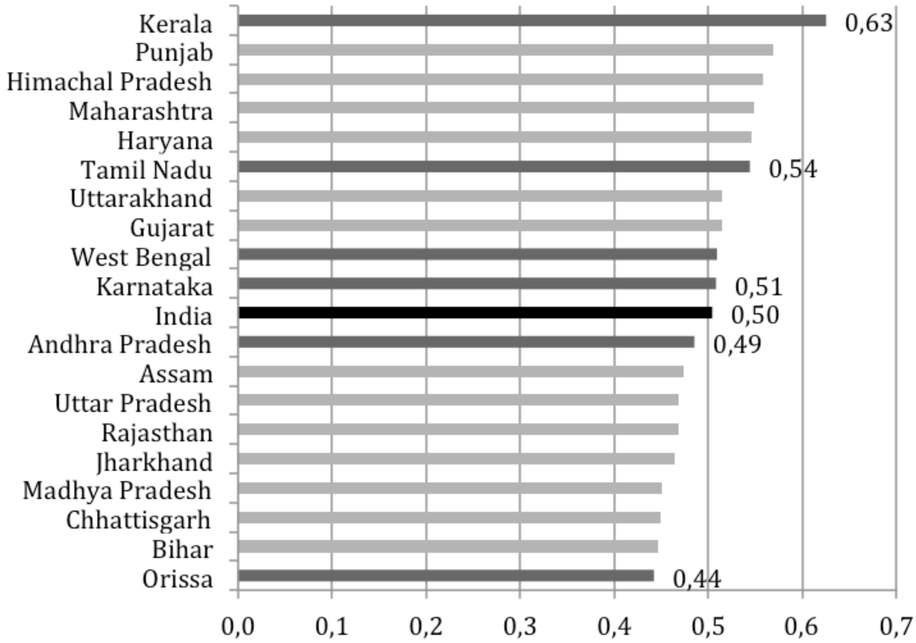
Source: (Centre for Microfinance (CMF) 2011)

Andhra Pradesh´s dominance in the Indian microfinance sector – both regarding MFIs as well as credit linked SHGs – as well as being at the epicentre of the globally most severe microfinance crisis, makes it a central case for a study on the experience with, and perception of, microfinance. It is also the state with the most pronounced contention and contest between state institutions and private actors over clients as well as over the rules and regulations in the sector.

Human Development

Since microfinance has to be assessed in the wider context of development, the level of human development in the different states is a good criterion to take into account to gain an insight into the environment in which the MFIs operate. However, the level of human development in Indian states is not a good explanatory variable for the prevalence or success of microfinance in that particular state. This becomes clear when looking at the ranking of the six most important microfinance states in the Indian human development index. Their ranks are spread over the whole spectrum: from the first position (*Kerala*) over upper (*Tamil Nadu*) and middle positions (*West Bengal,* *Karnataka, Andhra Pradesh) to the lowest position (Orissa*). The figure shows the ranking of the twenty most populous Indian states[458] – and leaves aside the special case of Delhi as National Capital Territory.[459]

Figure 26 Human Development Index – The 20 most populous Indian states [460]



Data Source: (United Nations Development Programme (UNDP) India 2011: 18).

5.1.3 Selection of Districts in Andhra Pradesh

The selection of districts was not randomized. This is due to the following reasons. First, the empirical study sought to compare most similar cases within Andhra Pradesh. High penetration rates led to competition, which is positively associated with more efficiency, lower prices and better customers´ service and which is negatively implicated with chain loans and hence (uncharted) over-indebtedness. Higher competition might also lead to attempts to reach out to less obvious groups of potential

[458] The smallest of these twenty most populous Indian states are (19th) Uttarakhand with more than 10 million inhabitants and (20th) Himachal Pradesh with nearly 6.9 million (Census 2011). After a wide gap the next state concerning the population is Tripura with nearly 3.7 million.
[459] Delhi has *nearly 18.8 million inhabitants* (Census 2011).
[460] Except Jammu & Kashmir - for which the data are missing.

clients. To factor in these issues, it was desirable for the survey to select those districts with high MFI penetration rates. Second, in order to have big enough observation numbers for the analysis (e.g. for the perception of the positive and negative experiences with particular MFIs) it was central for this study to oversample clients, that is female clients - given that they form the vast majority of MFI clients. If female clients had not been oversampled (with the aim to have a 50% share of them in the sample - that is 291 observations out of 562) one would have had to interview more than 2000 women in order to achieve the same size of 291 female clients in the sample. This is due to the overall low penetration rate of microfinance clients among women – which, in the case of Andhra Pradesh is around 14% (see section before with the microfinance penetration rate map). In other words, given that only every seventh women in Andhra Pradesh is a microfinance client (note: the latest available data refer to 2010) and if one would have had to interview each women – determined by a random walk in the village - one would have had to conduct the (up to one and a half hour interview) with seven times the number of women. In the case of Andhra Pradesh that would have meant,

$$\underset{\text{(every 7th women being a MFI client)}}{7} \times \underset{\text{(intended female clients in sample)}}{291} = 2037.$$

Instead it was decided to oversample female clients first by establishing with an initial survey question if the respondent had taken a loan from an MFI in the last five years and hence could be regarded as a client. Those individuals approached, who – after the two initial questions about the awareness of microfinance and whether MFI credits have been taken – were identified as female non-clients were dropped from the sample if (and only if) the quota for this sub-group (female non-clients) was already filled in the specific location. Given that one had to ask these two initial questions to a much larger number of people than those ending up in the sample, and taking into account, time and cost restrictions, it was all the more reason to focus on those districts with high penetration rates.

This twin reasoning of research aim and feasibility leads to the fact that this survey is not representative for all states in Andhra Pradesh. It is however – given the random multistage-sampling – representative for each subgroup (e.g. female clients and female non-clients) in the (not randomly) selected districts. This allows for comparisons between the sub-groups, e.g. between female clients and female non-clients. It is however, not possible to give percentage values, e.g. regarding the perception of specific MFIs, for the whole population of Andhra Pradesh. This is due to two reasons: (1) the non-random selection of districts. The districts chosen were those with high microfinance penetration rates, most similar socio-economic levels and first and foremost a regional spread, as well as (2) the "known unknown"[461] (to use a famous saying by former *US Secretary of Defense* Donald Rumsfeld) of the exact percentage of women (or for that matter men) who received a MFI loan in a particular village, Mandal/ Tehsil or district. Therefore it is not possible to weight down the oversampled female clients (or the other way round to allocate higher weights for the under-sampled male non-clients) in order to arrive at a weight for each sub-groups that reflects its real proportion to the overall population.[462]

Districts were selected according to the following four selection criteria:

(1) Geographic-cultural regions

Given the geographic, cultural and socio-economic diversity of the different regions within Andhra Pradesh, the first objective of the selection process was to choose one district per region. Therefore, the districts have been sorted by regions within Andhra Pradesh (Coastal Andhra, Rayalaseema and Telangana), which in the year of the survey (2013) was undivided. Telangana separated from Andhra Pradesh on June 2nd 2014.

(2) Microfinance Penetration – highest level

Data on microfinance penetration rates are available for the district level. This penetration rate of MFIs is likely to reflect common selection criteria for the expansion of these institutions – first and foremost according to accessibility (due to geographical features and infrastructure) and demand (taking into account presence of other MFIs, government banks, government schemes etc.). The penetration rate also reflects competition and therefore known problems like chain loans.

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461 Source: http://www.defense.gov/transcripts/transcript.aspx?transcriptid=2636
462 The microfinance penetration rates are rough estimates based on projections.

In this study, it was used as the single most important criteria within the regions. The aim was not to compare the perception of MFIs in districts with high and low penetration rates, but rather in those with high penetration rates (most similar cases – with the exception of Krishna district in Andhra Pradesh due to the major microfinance crisis, which originated there). Therefore, within each region the district with the highest MFI penetration rate was chosen.

(3) No neighbouring districts

It was intentional that the selected districts should not neighbour each other. In such cases the district with the second highest MFI penetration rate was chosen.

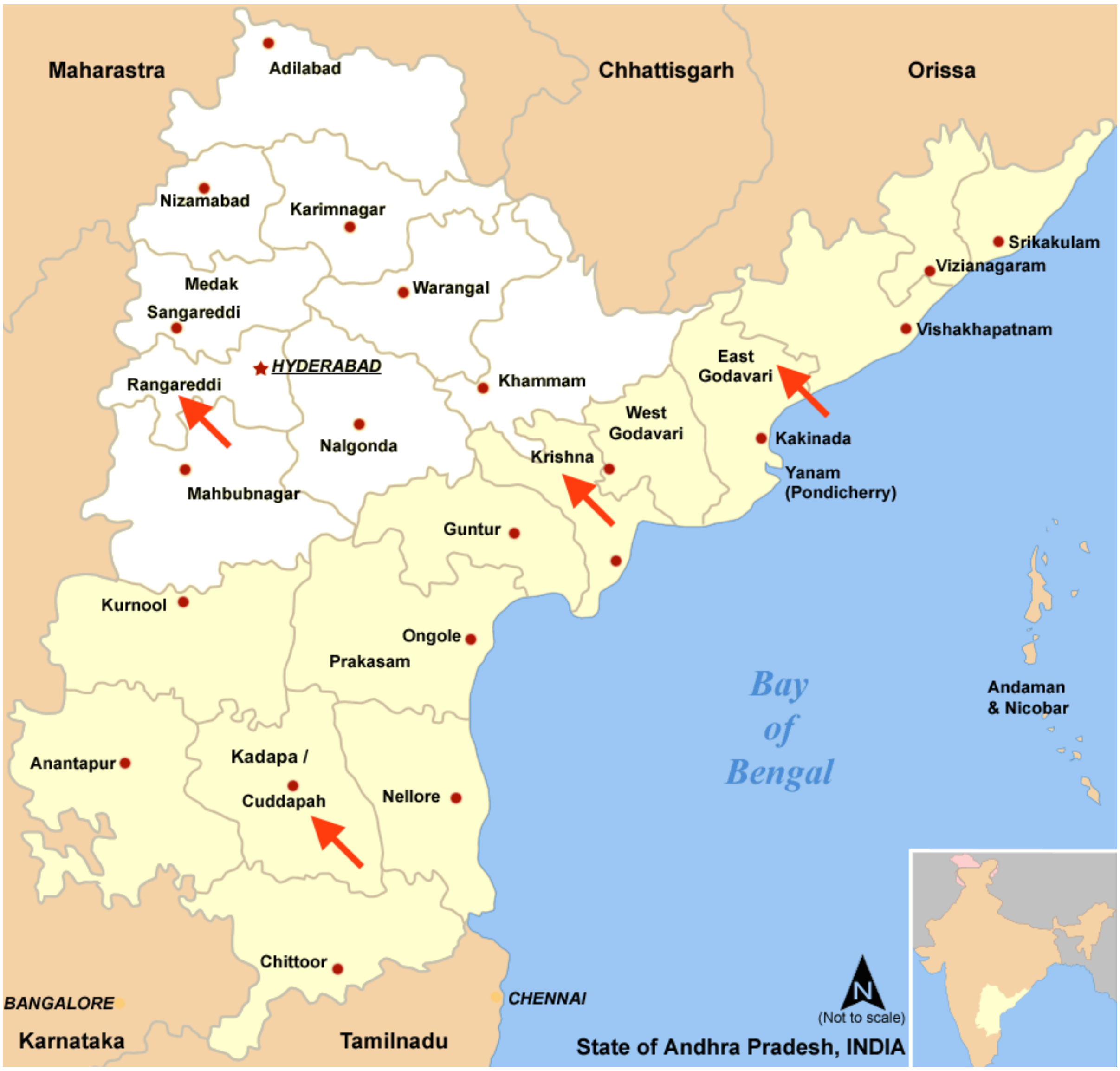
(4) District closest to state capital city

In the region with the state capital city one of the districts surrounding it was included in the sample, in order to account for the influence of the capital on the MFI sector in the state.

Accordingly, all districts in Andhra Pradesh were ranked within their region, regarding their level of MFI penetration among the female population. The three regions are Rayalaseema, Coastal Andhra and Telangana. In Rayalaseema the district with the highest MFI penetration level is Kadapa.

In Coastal Andhra, the Krishna district as the eye of the storm during the Indian microfinance crisis (maybe some details here on the Krishna district and the crisis) has been pre-selected. Nellore is the district with the highest MFI penetration in Coastal Andhra, but due to two reasons East Godavari has been selected instead. Nellore is neighbouring Kadapa (see selection criteria 3). This could have been avoided by first selecting the district from Coastal Andhra – namely Nellore, and then due to the not-neighbouring criteria taking Kurnool as second highest instead of Kadapa. However, since Krishna district is an exceptional case, it seemed plausible to prefer East Godavari with its proximity (without being a direct neighbour) as a comparative case over the further away Nellore – also keeping in mind the nearly identical MFI penetration rates (of 7,9% and 7,6% respectively). Finally, in the Telangana region the criterion (4) "district closest to state capital city" applies.

Map 2 Selected districts in Andhra Pradesh



Source: Wikimedia Commons, http://commons.wikimedia.org/wiki/File:Telengana.PNG, April 21st 2015.

Hence the selected districts are Kadapa (with an MFI penetration rate among the female population of estimated 9,7%) in Rayalaseema, Krishna (est. 4%) and East Godavari (est. 7,6%) in Coastal Andhra as well as Rangareddi (est. 6,8%) in Telangana. (See Map 2 and Figure 70 - 72 in the Appendix.)

The latest figures regarding the outreach of microfinance in India are from the *Financial Inclusion Lab* and are available for the district level.[463] The four selected districts are today situated within Andhra Pradesh at the very top with regard to gross loan portfolio and number of accounts (East Godavari and Rangareddy) in the middle (YSR Kadapa) and at the very bottom (the 2006 crisis district Krishna). (See Table 37 in the Appendix.)

5.1.4 Sampling

The obtained sample size is 562. The *multistage sampling* process applied on the level of the individual a *disproportional allocation* – in order to raise the representation of microfinance clients, which in India are predominantly female.[464] In the last sampling stage, at which individuals were randomly approached (see paragraph further down about the technique of random walk) as many people for each of the three predetermined groups of (1) female clients, (2) female non-clients and (3) men were interviewed till the predetermined quota were reached.

Figure 27 Sample Distribution

Group	*Percentage Aim*	*Percentage Obtained*	*Total Observations*
Female clients of MFIs	50 %	52 %	291
Female non-clients	25 %	25 %	139
Men	25 %	23%	132
			562

Source: Author´s Calculations.

The sampling process had four stages: (1) The district level, (2) the administrative level of tehsils (also known as taluk(a)s or mandals), (3) the village level and finally the level

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[463] The year of data collection with regard to MFIs is not stated, given that the data source is *MixMarket* the data refers likely to 2013, the last year of comprehensive available data on their homepage (as of May 23rd 2015).
See http://finclusionlab.org/country/India, last accessed May 23rd 2015.
[464] de Leeuw, Edith D. (ed. 2008: 110)

of individuals. (See Figure Sampling Process.) The selection process for the district level follows mainly the criteria of geographical-cultural regions and presence of microfinance institutions and is explained in detail further down. The remaining three levels were randomized. Official lists were used for the random selection of the administrative divisions called *tehsils* (or *mandals*) as well as for the villages.

Figure 28 Sampling Process

		Andhra Pradesh
Districts		4
Mandal/ Tehsil	*(random)*	4 * 6 = 24
Villages	*(random)*	24 * 1 = 24
Individuals	*(random)*	24 * 24 = 576

Source: Author´s Drawing.

At the individual level the decision was made not to use lists for the microfinance clients, since these would only be available from the local microfinance institutions. This was done intentionally in order to avoid basing the sample on a couple of lists which, even if available from all the different local MFIs might not have been complete or may have contained only a certain section of all current borrowers, e.g. excluding those with repayment problems. This empirical study is also interested in former clients, especially since these might be people who, for a variety of reasons, “dropped out” or chose not to take another loan from a particular institution after one has been repaid completely. In Andhra Pradesh and especially in the Krishna district many MFIs reduced their operations significantly after the crisis or even closed their operation in certain districts altogether, writing off thousands of loans and with them, their former clients. Hence it was crucial not to base the sample selection of this survey on client lists. An additional reason for not using lists provided by MFIs was the fact that multiple-borrowing from different MFIs at the same time is widespread – especially in the South Indian states under investigation.

The individual respondents were selected randomly, while keeping track of reaching the overall percentage targets (for female clients, female non-clients and male).

After approaching potential respondents, the background, purpose and terms of this survey were explained to them. The first question (Q1) started with the clarification of what a microfinance institution is ("provides small loans") and by giving examples of some of the biggest and most well-known MFIs (such as *SKS*, *Spandana* and *Share*) as well as of the most widespread three MFIs in that particular village. Only then was it inquired if the respondent was aware of any such kind of microfinance institutions. If this was affirmed, question Q2 establishes whether the respondent had "borrowed any money from a microfinance institution" in the last five years. In this way it was determined whether the respondent is a client or a non-client.

In the case of male respondents this did not affect the decision whether to continue the interview or to dis-continue it at that point, given that there are far less male MFI clients, only the overall target of including 25% of males in the sample applies. In the case of female respondents, it was essential to identify through these two initial questions, which of those women are or have been MFI clients in the last five years and to over-proportionally select such female clients for the sample (with the overall target of 50% female clients). Since there are more female non-clients then female clients, in several cases the interview with female non-clients were discontinued at this point.

5.1.5 Questionnaire Design

The majority of questions used in this primary data collection were carefully chosen from established survey batteries, which have been successfully implemented in India and/or in other emerging markets. For topics on which no established survey questions could be found – especially regarding the perception of microfinance – new questions were developed. Like with all questionnaire designs a balance had to be found regarding the number of questions, in order not to cause "answering fatigue" on the side of the respondent, whilst not compromising the required width and depth of the collected data. In order to achieve comparability with the data gained from the surveys, from which certain questions were taken, the wording as well as the answer categories have been changed as little as possible.

The questionnaire can be divided into four sections:

Table 19 Questionnaire – Dimensions, Core Concepts and Research Aims

	Dimension	*Core Concepts*	*Number*	*Aim*
1	Capabilities	Opportunities & challenges, agency, change.	Q3-13	Assessing the status quo with regard to development issues as well as perceived changes and reasons for them.
2	Empowerment	*Women's Empowerment in Agriculture Index (WEAI)*	Q14-48	Measuring the level of empowerment of female clients versus female non-clients.
3	Microfinance	Positive & negative aspects of MFIs, interest rates, chain loans, indebtedness.	C1-12, N1-7, Q49-62	Evaluating the experience with and perception of MFIs – taking into account the debt situation and the experience with other institutions.
4	Poverty	*Multidimensional Poverty Index (MPI); Progress out of Poverty Index (PPI);*	Z1-Z31	Comparing the multidimensional poverty levels of clients and non-clients. Testing different poverty measurements in the context of microfinance.

Source: Author.

Capabilities

The first section (Q3-13) investigates the perception of opportunities, changes and major problems. The opening inquiry into what is perceived as the "most important opportunities a person should have during his/ her life", links the theoretical debates on core capabilities to the priorities of individuals. Answer categories were not read out in order to retrieve un-channeled associations. Agency in the form of "free choice and control over the way (peoples´) lives turn out" was captured using a ten-step ladder – ranging from "completely without free choice" to "those with the most free choice". (See Questionnaire in the Appendix for the Show Card depicting a ladder, which was used to illustrate the ladder in the interview.) The dimension of time (past, present, future) and relativity (comparison with neighbours) are thus incorporated.

Going from general agency to specific "freedom of choice and control" the same ten-step ladder was applied to core aspects of life such as health or education. Also inquiring areas, which are supposed to be directly influenced by microfinance, such as access to reasonably priced loans and income generation; as well as those indirectly influenced such as participation, social relations, work situation or "being in a pleasant environment". The status quo in these areas was compared to the perceived situation five years ago. Given the claims of MFIs but also the anecdotal evidence from clients interviews one would expect to find a difference in the perception of change between (longer term) clients and non-clients – at least in the areas directly influenced by MFI credits.

In order to cross check if these (expected) perceived changes are also attributed to MFIs by the clients, the reasons for the change to the better are prompted. Given the accusations regarding MFIs – not least in the context of the crisis in Andhra Pradesh – the reasons for the changes to the worse were also probed. In both cases, answer categories were not read out, and since MFIs and microfinance have not been mentioned in the survey yet, it has to be seen whether microfinance is perceived as one of the top three reasons for changes to the better (in the case of well-functioning MFI operations) respectively as one of the core negative influences (e.g. in Krishna district in connection with malpractices).

The financial situation as one of the core indicators of the perceived impact of microfinance is measured in a way consistent with the "index of financial satisfaction" implemented by Subrata K. Mitra taking into account the past, present and future.[465] To contrast the perceived opportunities, the "most important problems" were assessed too. Given the focus of this survey on the level of the individual, this question refers to "people like yourself" in contrast to the more often inquired problems "within your community." Since no answer categories are suggested to the respondent, the

[465] Mitra and Singh (2009: 82ff)

significance of financial-economic issues such as unemployment or price rises in comparison to issues like drinking water or access and quality of health and education can be evaluated. Last, but not least, the issue of farmer suicides – which especially in Andhra Pradesh became associated with microfinance operations – is investigated for its perceived causes, without suggesting any answer categories.

Empowerment

The second section (Q14-48) implements the *Five Domains of Empowerment* (5DE) sub-index of the *Women´s Empowerment in Agriculture Index* (WEAI) for the first time in India and for the first time in the context of microfinance. The five domains captured are decisions in the realm of ***production***, ***resources*** and ***income*** as well as ***leadership*** and ***time*** allocation.

The ***production*** domain has two indicators: (A) Input in productive decisions – operationalized as perceived own input regarding food crop farming, cash crop farming, livestock raising and fishing or fishpond culture (Q14-15, a-f) as well as perceived scope of personal decisions regarding agricultural production in general, choice of agricultural inputs and crops, bringing products to the market as well as raising of livestock (36-37, a-e). Given the claims of MFIs to stipulate entrepreneurial activities not least outside the agricultural sector a special focus lies on the decision-making regarding non-farm business activities – especially by clients if stimulated by microfinance loans (36-37 f). (B) Autonomy in production – collected as own reasons for the specific decisions in the above mentioned areas (from agricultural production, selection of inputs, crops, time and person to bring product to market as well as raising of livestock to non-farm activities). It was inquired whether the reasons are to not "get in trouble with someone" by acting differently (Q38), to not be thought of poorly by others (Q39) or to act out of the personal conviction that it is the right thing to do.

The ***resources*** domain is constituted by three indicators: (A) Ownership of assets – which captures both the possessions of the household as well as the intra-household ownership (Q17-18, a-s). The inquired assets range from agricultural and non-agricultural land, small and large livestock, poultry, fish ponds or fishing equipment to non-mechanized and mechanized farm equipment as well as nonfarm business equipment, the house, small and large consumer goods, means of transportation and cell phone(s). (B) Purchase, sale, or transfer of assets – for those assets which can be used for agricultural production (as well as the nonfarm business equipment) it was probed who is perceived as being able to decide whether to sell respectively mortgage or rent out respectively purchasing a new item of that type (Q17, 19-21, a-h). (C) Access to and decisions on credit – assesses if household members have taken a loan in the past year from an MFI, NGO, formal lender like a bank, an informal lender like a money-lender or friends and relatives (Q22). It was further investigated who made the decision to borrow and who determines what to do with the borrowed money (Q23-24). This might be a particularly insightful indicator regarding the difference between clients and non-clients.

Going beyond the core indicators of the *Five Domains of Empowerment* (5DE) this survey also includes additional indicators on ***credit*** as suggested by (International Food Policy Research Institute (IFPRI) 2012). It asks if the respondent would have taken more credit from the respective sources if it would have been available (Q25). If the answer is no, the reasons for not wanting to borrow more from each specified source were requested (Q26). Furthermore, the question was raised if the person wanted to borrow from one of the above mentioned sources in the last 12 month, but did not – and if so, what the reasons were (Q27). These questions will draw light on the financial needs and wants as well as the faced obstacles.

The ***income*** domain is captured by one indicator: Control over use of income. It is inquired how much of a say the respondent has regarding the use of income generated from activities such as food or cash crop farming, livestock raising, fishing or fishpond culture as well as non-farm economic activities (Q16). One research question was whether income generated from non-farm activities triggered by microfinance shows a different pattern of decision making. Furthermore, it is explored to what extent the respondent feels able to make her/his own decisions regarding her/his employment as well as minor and major household expenditures (Q37, g,i,k).

The ***leadership*** domain is composed by two indicators: (A) Group membership – referring to a broad range of groups for agricultural producers, water users, forest users, trade and business associations, credit, mutual help or insurance groups, civic or charitable groups as well as religious groups, women´s groups and local government (Q33). (B) Speaking in public – measured as how comfortable one feels speaking up in public regarding small infrastructure projects in the community, proper payment of wages for public work respectively to protest the misbehaviour of authorities and elected officials (29-31). For the constitution of empowerment in this domain it might seem demanding to ask if the respondent felt at least "with a great deal of difficulty" comfortable to speak up in public, especially on major issues like the "misbehaviour of authorities". However, as will be seen in the analysis of the data, the chosen cut-off points are decisive. –In this case a person experiences "sufficient" or "adequate" empowerment if she/he feels at least in one of the three situations comfortable "but with a great deal of difficulty".

Last but not least, the ***time*** domain made up of two indicators: (A) Workload – measured as the number of hours worked during the last day. If the person worked more than 10.5 hours she/he does not have adequate empowerment in this indicator. To get an appropriate picture of the real time spent on economic as well as household work, this survey module went to great lengths of asking the respondent to recapitulate the previous day in detail and to log the activities by the quarter of an hour (Q46). This objective measure was complemented by the subjective measure of (B) Leisure – captured as the satisfaction with one´s available time for leisure activities like visiting neighbours, watching TV, listening to the radio, seeing movies or doing sports (Q48).

Microfinance

The third section on microfinance has three sub-sections, one for microfinance ***clients*** only (C1-27), one for ***non-clients*** only (N1-N8) and one for ***all respondents*** (Q49-Q62).

The section for ***clients*** of microfinance institutions (MFIs), who are in the overwhelming case women, assesses their experience with MFIs and their perception of MFIs. It starts with the number of MFI loans the respondent currently has, to inquire the extent of multiple loans. Thereafter those MFIs, from which the client took the last loans (C2-C5), are illuminated regarding the total number of loans taken from this institution (in order to know if it is a new client or one with a longer credit history), the highest loan amount received and whether this MFI is perceived as very good, good, bad or very bad. The same questions were raised for the top 3 nationwide MFIs, also operating in Andhra Pradesh– namely SKS, Spandana and Share (3S) – as well as for the top 3 MFIs in the village. Next the use of the last MFI credits was surveyed, not least to evaluate how often "productive" usage is among the top two expenditures.

Regarding the overall perception of MFIs two separate questions investigated what the person thought was "good" respectively and "bad about these Microfinance Institutions for people like you". Answer categories were not read out, in order not to influence the ranking of the five most important good and respectively five most important bad aspects of MFIs. In order to gain a further understanding of the perception of the (nationwide and if not applicable locally) dominant MFIs their clients were asked to rate aspects like costs, time to proceed application, explanation and clarity of rules, staff behaviour and help with problems on a ten-point-scale from "very bad" to "very good". Given the bad press about some MFIs especially in Andhra Pradesh, clients were asked if any MFI was particularly "bad" or "good". If a MFI was identified by the client as especially "bad", further questions about the loan amount, duration, repayment conditions as well as additional costs were asked. This enables the calculation of the *Annual Percentage Rate* (APR) of interest and investigates if these perceived "bad" MFIs stick out through high interest rates. To understand the problems of perceived "bad" MFIs, better clients were also in their case required to rate their performance regarding costs, proceeding time, rules explanation and clarity, staff behaviour and help with problems on a ten-point-scale.

To get a thicker description of particularly good or bad experiences with concrete MFIs the respondents were asked to describe such an experience or event in their own words. These descriptions were then coded by the investigators according to the type of experience, ranging from very negative, negative, positive to very positive, and the concrete issue involved (like treatment by staff, help with repayment, etc.). This enabled the selection of particularly negative or positive experiences in order to illustrate the data. In order to put these impressions into context, clients were asked how their MFIs perception compared to their experiences with state run programmes, such as the widespread loan programmes by the government-sponsored *Society for Elimination of Rural Poverty* (SERP) in Andhra Pradesh.

For a subjective impact evaluation, clients were confronted with a number of statements regarding MFIs. These ranged from “Microcredit enabled me to earn more money”, “start a new business”, “improve my existing business” or “save more money”. Agreement or disagreement was also prompted concerning the question whether microcredit enabled them to work in a group, which they enjoy, to feel more self-confident, to collectively raise village problems, to get more respect in the village respectively at home and to overall improve their family´ life. These were all issues which one comes across in direct conversations with clients and MFI staff as well as in the literature.

The section for ***non-clients*** is comprised of only eight questions. It starts with a retrieval of the MFIs known to the respondent – first those which he or she came up with on his/ her own, in a next step by asking about SKS, Spandana, Share, and the additional local top 3. The non-client was then asked to tell whether these MFIs known to him/ her are “very good”, “good”, “bad” or “very bad”. Also the non-clients were requested in two separate questions to concretize what is “good” respectively bad about these MFIs. Finally, it was checked if the non-clients´ perception of MFIs might be influenced by a relatives’ experience with MFIs. Therefore, it is retrieved if the spouse, mother, a daughter or another household member had taken one or more MFI loans and how satisfied the person had been with it.

The final section on microfinance is for ***all respondents*** and also brings in aspects about other types of financial institutions. To measure the known prevalence of multiple loans, the number, sources and amounts of loans taken by the respondent at this moment were surveyed. The issue of chain loans was raised by establishing how often the respondent had taken a loan to repay another loan. The debate between those advocating “credit only” versus those endorsing “microfinance plus” was brought before the clients and non-clients by asking if they thought that additional services were needed, and if yes, which are these additional services? Answer categories were not read out, in order not to overreach any established additional services.

The perception of the necessity to use a loan mainly for productive purposes was also inquired. Thereafter the perception of the overall impact of microcredit was measured by requesting Yes-No-Answers to statements such as “microcredit helps poor people to get richer”, “empowers women”, “helps poor people to start a business”, “leads into over-indebtedness” or “benefits only the microfinance institutions”. Also the normative statement “microcredit should be given to men not women” was put to the vote. To contextualize the perception of MFIs, people were asked to rate how much these microfinance institutions “care for the poor” on a ten-point-scale – in comparison to the government of India, the government of the state (Andhra Pradesh respectively Tamil Nadu), the local government (Panchayati Raj), NGOs as well as rural banks, cooperatives and SHGs.

Finally, the experience with and perception of Microfinance Institutions was directly contrasted with that of government sources. The problems encountered in getting that loan were investigated. Special attention was given to the widespread loan programme of the *Society for Elimination of Rural Poverty* (SERP). Like those clients who were asked in regard to the top MFIs and the particularly “bad” respectively “good” MFIs, respondents were also asked to rate specific aspects of SERP – from costs, proceeding time and rules´ clarity and explanation to staff behaviour and help with problems on a ten point scale. Last but not least as an element to measure the overall financial inclusion of individuals, the possession of a savings account at a bank was also inquired into.

Poverty

The final section on the socio-economic background of the respondents is core for assessing the multidimensional poverty level of clients versus non-clients and to analyse the other sections along criteria such as poverty status, education, caste, age, occupation or religion. The included indicators also allow for the calculating of certain widespread poverty measurements such as the *Progress out of Poverty Index* (PPI) by

Grameen or more complex but also more time- and cost-intensive measurements like the Multidimensional Poverty Index (MPI). Background data include age, marital status, relation to the head of the household, caste, religion and the number of adult and minor household members. The education levels were collected from the respondent, the household member with the longest education and from the male head. The main, as well as (if applicable), second occupation was inquired from the respondent and the main earner of the household. Also the household type – labour or self-employed – was requested.

Regarding agricultural land, the total size for production, the amount owned as well as the amount irrigated was determined. Household assets relevant for the applied indices included (in addition to those already established in the empowerment question Q17) landline telephone, radio, TV, VCR/ VCD or DVD player, refrigerator, sewing machine, almirah/dressing table, casserole/ thermo or thermoware and tractor. The relevance and usefulness of some of these assets used in poverty indices has to be seen. Assets in the form of livestock (goat/ sheep and cow/ oxen/ buffalo/ camel as well as chicken/ paltry birds) were enumerated. The most important source for drinking water (and if applicable the time to fetch it) as well as for energy used for cooking was determined. Furthermore, the hours of access to electricity in the household and the kind of toilet (it was also relevant to know if this facility was shared with other households) were investigated. In addition to the material of the flooring in the house also the fact if any own child has left school before finishing year 8 and if any own child has died have to be established in order to apply established poverty measurements.

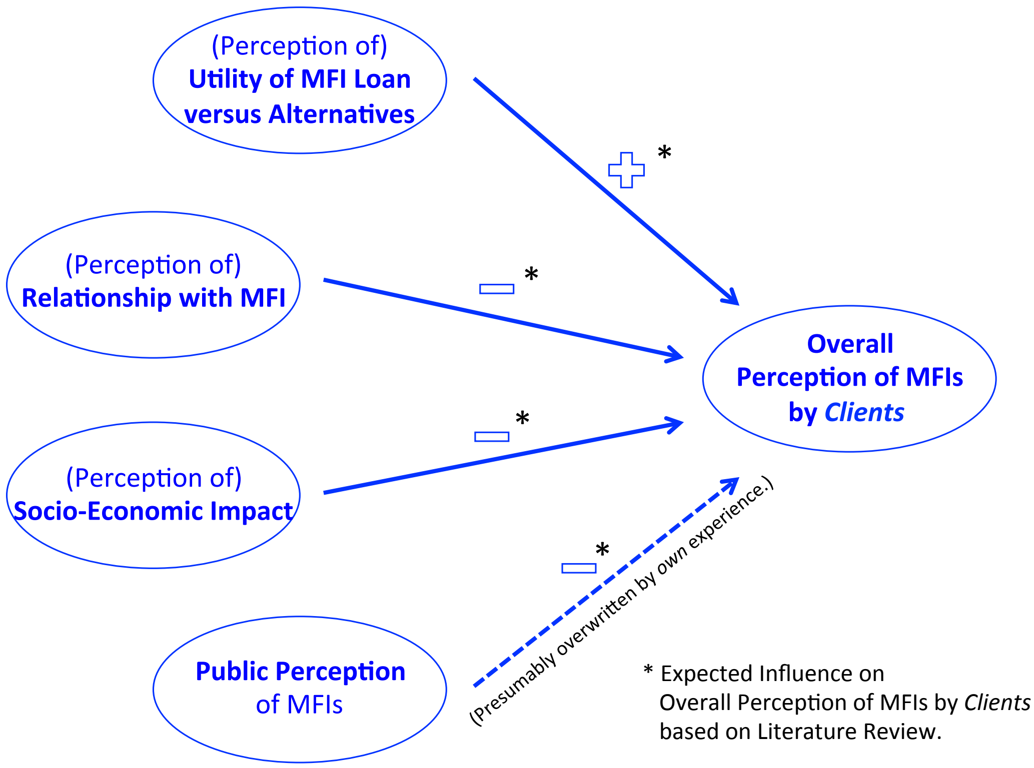
After completing the questionnaire, the investigator was required to record which other people were immediately present who might have been listening, how often the respondent checked with them to answer questions and if, overall, the respondent was influenced by others during the interview. To identify potentially problematic variables and for the future improvement of the questionnaire those questions that the respondent had problems answering, were also captured. Finally, the respondent´s attitude during the interview was noted regarding the person's cooperativeness and interest.

Following this detailed description of the empirical design, the next section - presents findings of the study on perception of Microfinance Institutions (MFIs) by female clients compared with their counterparts of female non-clients and men.

5.2 Perception of Microfinance

It is argued that the overall perception of Microfinance Institutions (MFIs) is a function of (1) the perceived utility of MFI loans, (2) the perceived socio-economic impact of MFI loans and (3) the perceived relationship with the MFI(s). Even in a severely (microfinance) crisis ridden state like Andhra Pradesh, with an overall highly negative public perception of MFIs, the overall perception of MFIs by clients, it is argued, can be positive, depending on the perception in its three dimensions. (See Figure 29.)

Figure 29 Model of Overall Perception of Microfinance Institutions by Clients



Source: Drawn by Author.

In the following pages, the core aspect of public perception and political risk is focused on. The findings are drawn from an analysis of primary data collected using the above explained survey of 562 respondents in Andhra Pradesh regarding their perception of microfinance in general, experience with *Microfinance Institutions* (MFIs) as well as the perceived impact of these microloans.

The distribution of clients and non-clients by gender in the sample is shown in the following Table.

Table 20 Sample Distribution - Cross tabulation Clients/ Non-Clients & Gender (N=562)

	Women	*Men*	*Total*
Clients	**291**	**76**	**367**
	52 %	14 %	65 %
Non-Clients	**139**	**56**	**195**
	25 %	10 %	35 %
Total	**430**	**132**	**562**
	77 %	24 %	100 %

Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

This is in accordance with the formulated sample targets for all men (25%) and female non-clients (25%). Hence female clients constitute – in line with the study design – around 50% of the observations. This deliberate oversampling of women (especially female clients) provides the scope to analyse their perceptions, behaviour and socio-economic background in greater detail.

As explained in the above method section, there are no credible comprehensive datasets available on the number of MFI clients in India, or for that matter in Andhra Pradesh.[466] Since the ratio of clients and non-clients in the population is unknown, it is not possible to apply weights to the sample accordingly and calculate statistics for all (female or male) clients and respectively, the non-clients. Hence, the analysis provides a comparison between different groups, e.g. female and male non-clients.

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466 The most comprehensive available data are provided by *MixMarket*. In the case of Andhra Pradesh data is available for 17 MFIs, representing around 65% of the market in terms of *Gross Loan Portfolio*. See: http://www.themix.org/publications/mix-microfinance-world/2011/11/india-microfinance-post-crisis-results, accessed January 22nd 2014.

The awareness of microfinance institutions (MFIs)[467] is high among non-clients[468] in Andhra Pradesh. 72% of the female non-clients and 75% of male non-clients claim to be aware of MFIs.

Most of the non-clients with a stated awareness of MFIs [469] were also able to name at least one MFI they know. [470] From the 82 MFIs operating [471] in Andhra Pradesh only five are named more than once.

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[467] In order to insure that the respondent was clear about what was meant by „microfinance institution" the right association was prompted in the survey's first question. The aim was to do this in a non-technical way using examples. Hence the formulation: „A microfinance institution is an organisation that provides small loans such as SKS, Spandana, Share, ___, ___, or ___. (Add the three major microfinance institutions from village questionnaire.) Are you aware of any microfinance institutions?" (Question Q1.)

[468] Non-clients, are for the purpose of this study, defined as those, who have not „borrowed any money from a microfinance institution" in the last 5 years. (See Question Q2.)

This time frame was chosen in order to focus on „recent" clients, who face less recall problems. This time frame (data collection: 2013) includes on purpose the so called „Andhra crisis" of 2010 and excludes the „Krishna crisis" of 2006 - in order to focus on the most recent and most severe crisis of microfinance in India.

Furthermore, if no time frame were given for this question, the danger might be that respondents „perceive" certain credit schemes they participated in - e.g. 10 or 20 years ago - as Microfinance Institutions, but which were actually government schemes, NGOs with a credit programme, etc.

[469] At first sight there is an inconsistency in the data. There are 50 cases (36 ♀, 14 ♂) of respondents who first stated not be aware of MFIs but who later in the interview named at least one MFI, when asked „which Microfinance Institutions do you know? Please tell us their names." (Question N1.) One explanation could be that the question was unintentionally understood as „which MFI *names* have you heard" rather than „which MFIs do you know" (in the sense of having heard *about* this MFI from other people or even having had contact with this MFI). Hence the MFI names stated in the first question about the awareness of MFIs - in order to explain what we mean with microfinance institution - such as SKS, Spandana and Share (plus the three major local MFIs) might have been recalled.

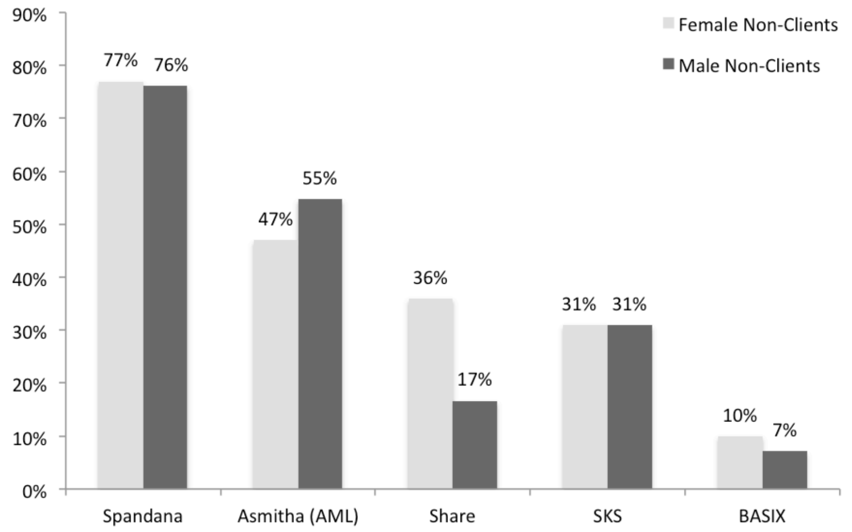
To take a „conservative" approach to data validity the decision was made to only include those respondents into the analysis of non-clients´ knowledge and perception of specific MFIs (questions N1 to N4), who stated their awareness of MFIs from the beginning (in Q1).

However, it also has to be stated that if these 50 cases would be included, the data pattern remains unchanged (e.g. the order of „Known MFIs"). Here the results for „Known MFIs" (in percent) *including* the additional 50 cases (and in brackets *excluding* them): Spandana ♀ 69% (72), ♂ 66% (71); Asmitha ♀ 35% (44), ♂ 49% (51); Share ♀ 32% (34), ♂ 20% (16); SKS ♀ 27% (29), ♂ 32% (29); BASIX ♀ 9% (9), ♂ 5% (7).

[470] Out of 107 female non-clients with a stated awareness of MFIs, 100 were able to name at least one MFI; respectively 40 out of 45 male non-clients with MFI awareness.

[471] As registered with NABARD at the time of finalisation of the code book in November 2012. NABARD (2007)

Figure 30 MFIs Known by Non-Clients with Awareness of MFIs, by Gender (N=142)

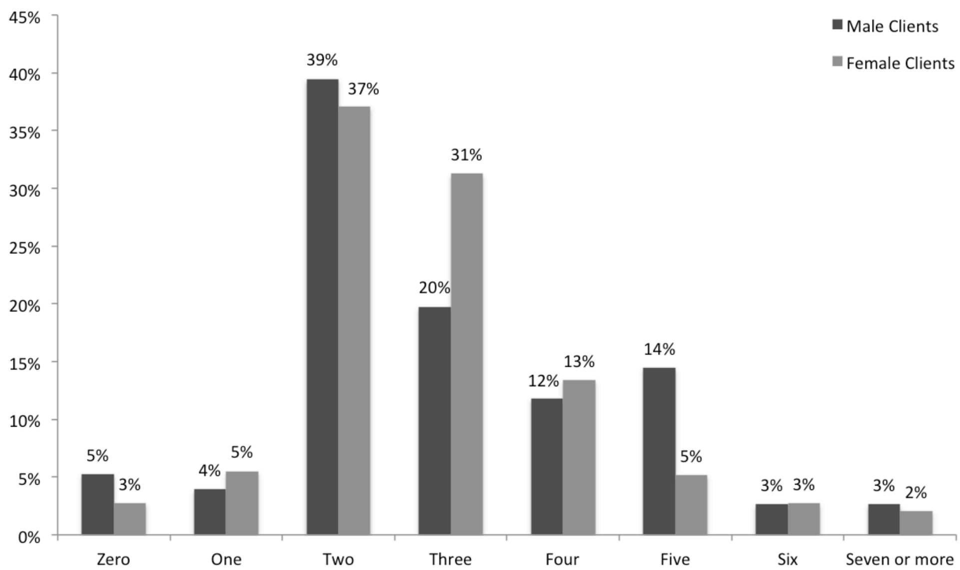


Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

5.1.6 Loan Utilization by Clients

In accordance with the literature, most MFI clients do not only have one MFI loan at a time, but several. More than two-thirds of the clients (68%) have either two or three concurrent loans from microfinance institutions right now. (See Figure 31.) Another 23% report four or more current MFI loans. Only 3% of those who have taken a MFI loan in the last 5 years (defined for the purpose of the survey, as clients) do not have a MFI loan at the time of the interview.

Figure 31 Number of Current MFI Loans taken by Female and Male Clients

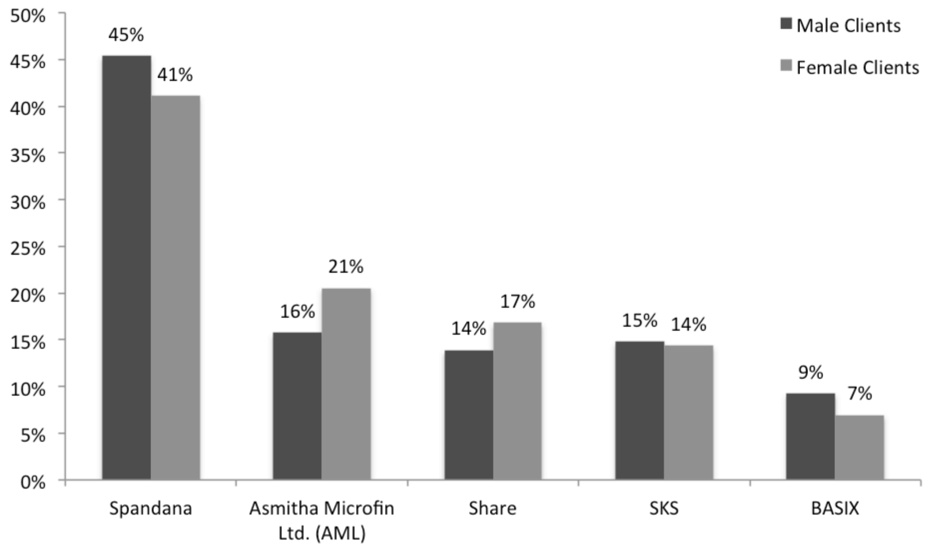


Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Respondents were asked to name up to four MFIs from which they had taken loans – starting with the most recent MFI loan. To establish which were the most popular MFIs in terms of loans to the clients in the sample, at first it was not taken into account how many loans these clients had taken from each of these MFIs. The 291 female clients reported the names of 404 MFIs from which they had taken the most recent loans – which amounts to 1,4 *different* MFIs per woman. The 76 male clients in the sample respectively reported the names of 108 MFIs – which equally amounts to 1,4 *different* MFIs per man.

The MFI with the broadest client base in the Andhra Pradesh sample is clearly the MFI Spandana. Female clients mentioned Spandana in 41% of the cases, when listing the MFIs from which they took their most recent loans. (See Figure 32.) This was followed by Asmitha (21%), Share (17%), SKS (14%) and at a distance, BASIX (7%). The figures for the male clients are very similar. This once again confirms that men who reported to have taken a microfinance loan from the mentioned MFIs in the last years (and are hence defined as male clients) actually refer to a loan officially taken by their wife (or less likely, another female relative).

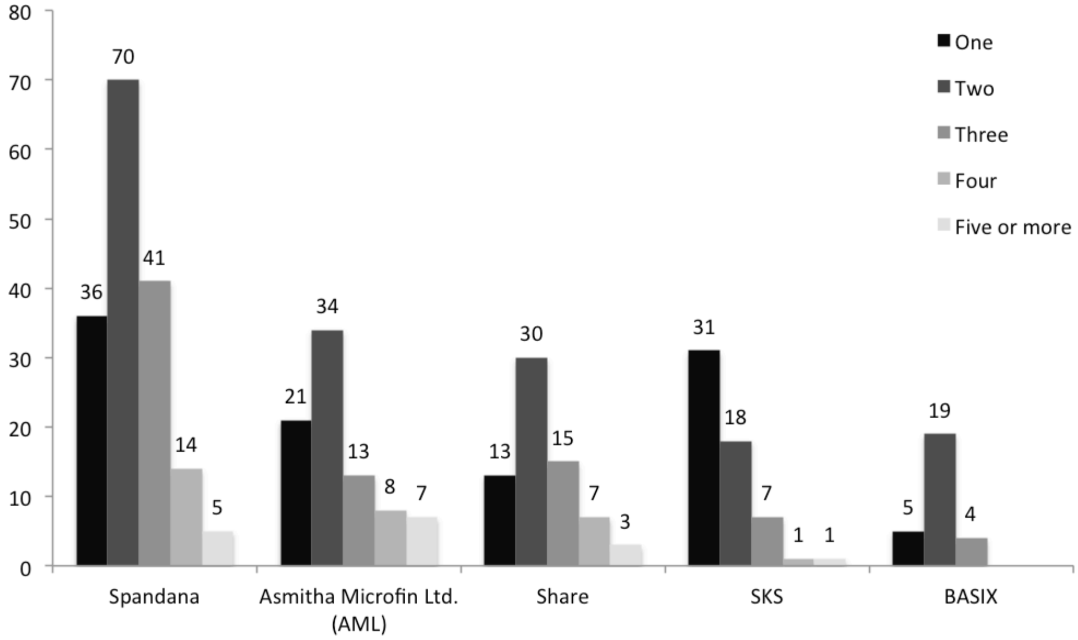
Figure 32 MFIs for Recent Loans - Female and Male Clients



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The next feature of interest is the *number* of loans that clients have taken from these MFIs. This establishes how many old and new clients are in the sample and what is more, to which MFIs these long-term clients flock towards. In the following figure the absolute number of loans provided by different MFIs to the female clients in the sample were used, in order not to lose sight of the role that the respective MFIs plays with regard to loan distribution. The three main MFIs, Spandana, Asmitha and Share, show a bell shaped curve with a positive skew – as one might expect – with fewer clients with only one loan rather than with two; and with less clients the longer one goes back in history (or in other words with less clients with three or even four loans from them). (See Figure 33.) A noteworthy exception to this pattern however, is the MFI, SKS. The data confirm media reports about the re-entry of SKS into the Andhra Pradesh market after the devastating crisis year of 2010. Interestingly, their new loans do not seem necessarily, to be given to clients known to them from before the crisis and with whom the relationship was likely halted in the aftermath of the crisis. However, to draw any conclusions from this pattern would require a follow up study into the reasons for this pattern.

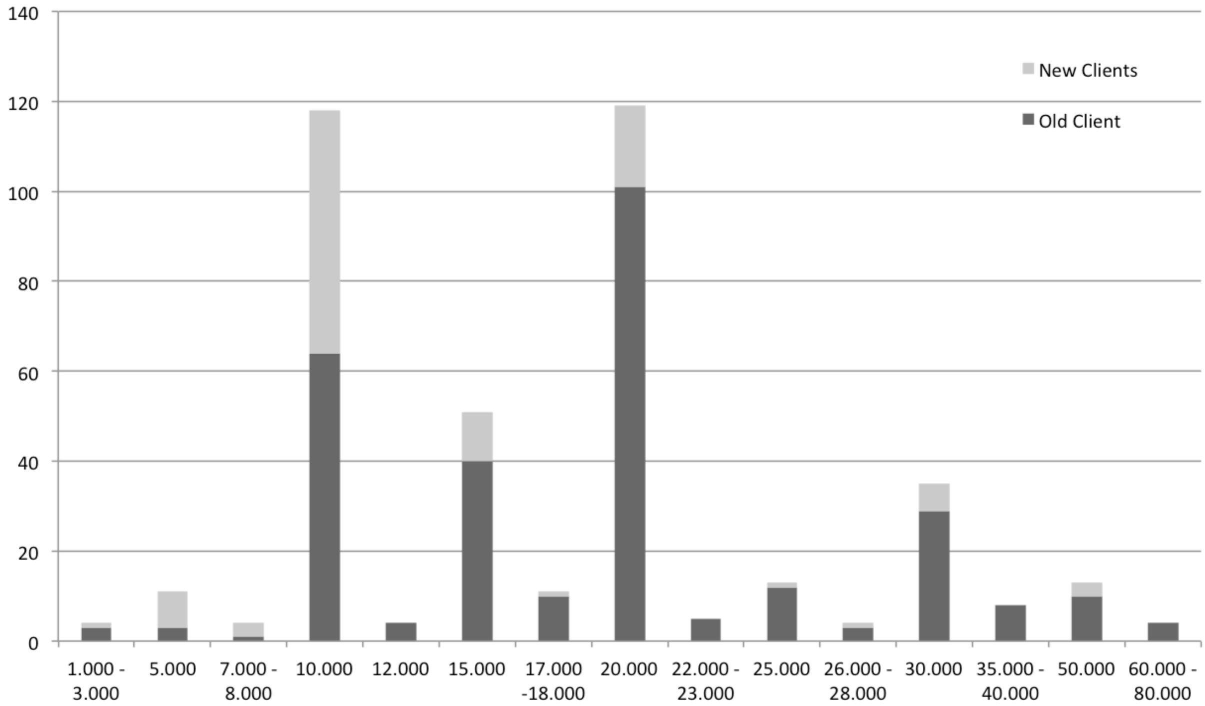
Figure 33 Old and New Clients - Total Number of Loans Taken from Specific MFIs by Current Female Clients (N=283)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Given this insight into who are the new and old clients, one is also able to see if there is a pattern regarding the loan size. It can now not only be answered what the most common loan sizes for microfinance loans in our sample areas, are but also if new clients get similarly high loans like older clients. Out of 291 current female clients, 283 reported loan amounts of up to four MFI loans they had received most recently – all in all 404 loans were reported. Clearly the most common loan amount to be disbursed in the Andhra sample are 10.000 and 20.000 Rupees and to a far lesser extent, 15.000 and 30.000 Rupees. (See Figure 34.) The existence of loans as high as 30.000 or even 50.000 Rupees to new clients suggests – if assuming a minimum of due diligence – that these MFIs do not only target the very poor, but try to diversify their client base to include the better-off.

Figure 34 Highest Loan Amount Received by Current Female Clients



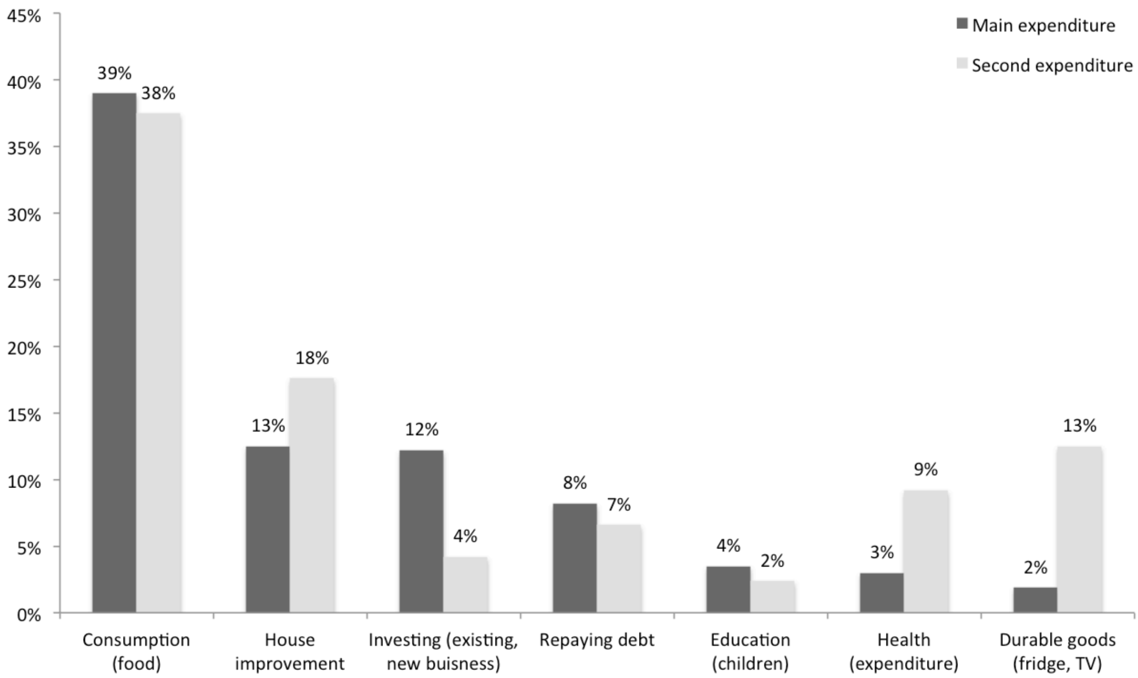
Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

One of the most fundamental claims of MFIs is that their clients mainly use their loans to start a new business or to invest in an existing business. Figure 35 shows the utilisation of the most recent MFI loan by female clients. It captures both the main expenditure (in dark grey) as well as the second main expenditure (in light grey).

Interestingly – but not entirely surprisingly – the main usage of MFI loans in the sample is for consumption smoothing (39%), that is money spent on food and other short-term consumption. Interestingly business investment (12%) competes head to head with house improvement (13%) for the second position in main expenditure. It is noteworthy that out of the 12% who use their loan mainly for investing into a business, 2/3 do that with regard to an existing business and 1/3 actually start a new business.

Repaying debt is the next main expenditure of female MFI clients (8%). Given the cost of loans from some informal sources it is surely a rational usage of more reasonably priced microcredit. Hence, unsurprisingly the 8 percent are mainly composed of repayment to informal sources such as moneylender, shopkeeper and friends (5%), as well as repayment to other MFIs (2%) and institutional sources such as banks and government schemes (1%). Expenditure for education does not play a central role in our primary data (4%). Health expenditures and the buying of durable goods such as a fridge or TV however, feature prominently as a secondary usage of MFI loans (9% and 13%).

Figure 35 Main Use of Last MFI Loan - Female Clients [472]



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

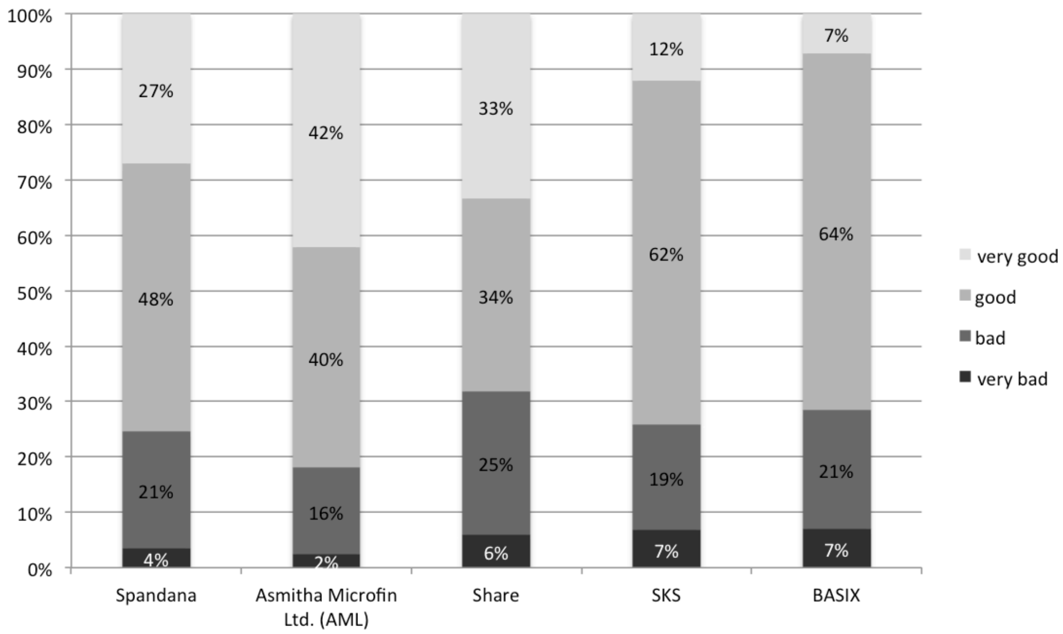
5.1.7 Perception of Microfinance Institutions (MFIs)

The best-known MFI in Andhra Pradesh is – to a certain extent surprisingly – not SKS. This is despite (i) its long lasting leading role as India´s biggest MFI with respect both to number of clients and size of loan portfolio, (ii) Hyderabad in Andhra Pradesh being both its place of origin and the location of its headquarters, (iii) the major media attention drawn by its IPO in July 2010, the trouble got into through accusations in the context of farmer suicides (in late 2010) and its dramatic loss of clients and ultimately a major loss of value at the stock exchange. Better known among non-clients are

[472] The data reflects the use of the last MFI loan of 283 (out of 291) female clients for the main expenditure, respectively 257 female clients for the second expenditure. The given percentages do not add up to 100%, due to the category „other". The answers of male clients show a similar pattern (72 answered regarding the main expenditure, 70 regarding the second expenditure).

Spandana (♀ 77%, ♂ 76%) and Asmitha (♀ 47%, ♂ 55%)with Share and Basix also among the 5 best known MFIs in Andhra Pradesh.

Figure 36 Perception of MFIs by Female Clients [473]



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Given media reports in the English press in India about the negative role of MFIs especially in the state of Andhra Pradesh, not least in the aftermath of the Andhra microfinance crisis - one would expect that most clients had negative experiences with these MFIs and hence an overwhelmingly negative perception of them. The primary data however, suggest quite a different picture. Each of the big five MFIs in Andhra Pradesh is perceived by more than two out of three female clients as either good or very good. (See Figure 36.) The most positively viewed MFI, namely Asmitha, is perceived by 42% of female clients as very good and by 40% as good. Nevertheless, the exceptions of up to 7% of female clients, who view these MFIs as very bad should not be dismissed

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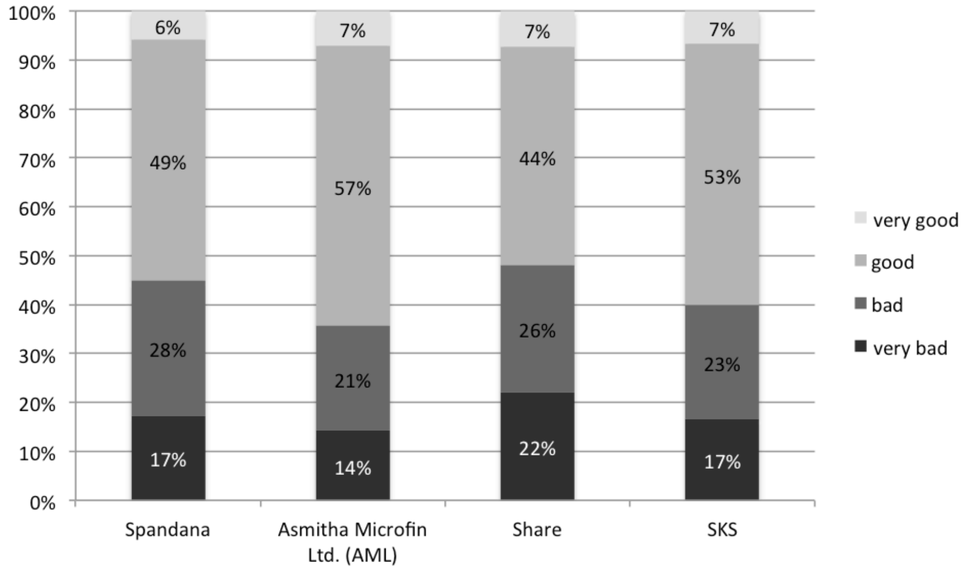
473 The data reflects the perception of 283 (out of 291) female clients and their rating of up to four self-named MFIs. (See questions C2 & C4.) The absolute number of ratings given for each MFI are: Spandana (215), Asmitha (100), Share (82), SKS (74) and Basix (38).
For male clients there are 72 (out of 76) respondents who expressed their perception of at least one MFI they named. Hence the observations for the individual MFIs are small (10 for Basix, 15 for Share, 16 for SKS, 17 for Asmitha and 49 for Spandana). The male clients´ perception of Spandana - the only MFI with arguably enough observations - is similar to that of female clients: 33% (very good), 51% (good), 10% (bad) and 6% (very bad).

and require further research to understand what went so fundamentally wrong in these cases.

A further point of interest is the comparison with the perception of female non-clients. [474] Female non-clients overall tend to hold a positive view of MFIs (51% to 64% have a good or very good perception depending on the respective MFIs). However, among those with a negative perception, many express a strongly negative answer (14% to 22% perceiving these institutions as „very bad“). Those with a positive perception are less affirmative (with only 6% or 7% appreciating the named MFIs as „very good“).

Figure 37 Perception of MFIs by Female Non-Clients [475] of MFIs [476]



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

In contrast, those women who actually took a loan in the last 5 years (defined as “female clients”) are far more assertive in their (generally more often) positive view - with up to

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[474] That is those with a stated awareness of MFIs. See explanation above.
[475] Non-clients are those with „MFI Awareness“. See *Footnote* 469 on page 26 for a detailed explanation.
[476] The data reflects the perception of 88 (out of 107) female non-clients with MFI awareness and their rating of up to three self-named MFIs. (See questions N1 & N2.) The absolute number of ratings given for each MFI are: Spandana (69), Asmitha (42), Share (27) and SKS (30). Basix was left out, given that only 10 respondents have reported their perception of this MFI.
For male clients with MFI awareness there are only 40 (out of 45) respondents who expressed their perception on the MFIs they named. Hence the observations for the individual MFIs are small (6 for Share, 13 for SKS, 23 for Asmitha and 32 for Spandana). Given the role of thumb of at least 25 observations in each subgroup, only the ratings for Spandana by male non-clients are reported and are as followed: Perception of Spandana by Male Non-Clients with Awareness of MFIs (in %) - 6% very good - 63% good - 25% bad - 6% very bad.

42% perceiving individual MFIs as „very good“. (See Figure 36.) Even those female clients who perceive MFIs negatively are far less likely to say „very bad“ (2% to 7%) than female non-clients (14% to 22%). (See Figure 37.) In conclusion, women with no personal experience of microfinance, tended to perceive MFIs less positively (than clients) and to express - if opposed to MFIs - far more negative views. The good news for MFIs is that women become much more positively inclined towards them once they took a loan from them - and that is, even in the microfinance-crisis ridden state of Andhra Pradesh.

5.1.8 Positive and Negative Aspects of MFIs

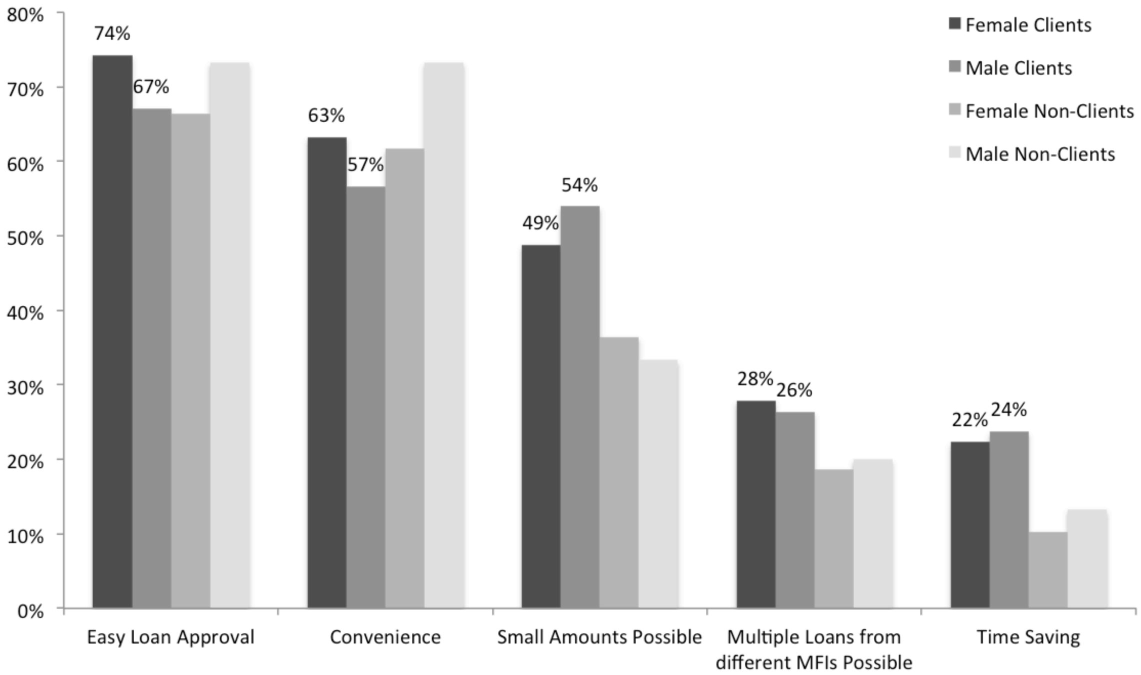
To understand why the overall image of the main MFIs operating in Andhra Pradesh is not unambiguous it is essential to understand what exactly client and non-clients perceive as positive and negative. To begin with the positive side, one needs to consider the reasons why non-clients might also contemplate taking a microcredit from one of these institutions. Two reasons stick out in the perception of both clients and non-clients: (See Figure 38.) First, the ease with which loans are approved by MFIs. This refers to the very essence of microfinance; the fact that once one is part of a microfinance group few questions are asked to approve a loan.[477] No collateral is required, no longish, bureaucratic proof of the financial situation or a plan how to utilise the credit is, as a general rule, necessary. Second, is the convenience factor of having the credit „delivered to” your doorstep – respectively the group´s meeting point in the local community.

Reasons three and four refer to the loan amount. (See Figure 38.) Around half of the clients (both female and male) mention potentially small loan amounts as a positive aspect of MFIs. At the same time, more than every fourth female and male client mentions the possibility of getting multiple loans from different MFIs as a positive feature of microfinance. Both aspects allow for more freedom of choice for clients – for

[477] Access to these microfinance groups, however is often regulated by the other group(-founding) members.

the better or for the worse. [478] Last but not least, "time saving", which is a result of the convenience of getting your loan „delivered to" your home, is mentioned as a positive feature by nearly every fourth female and male client.

Figure 38 Positive Aspects of MFIs, Clients and Non-Clients [479] by Gender (N=509)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

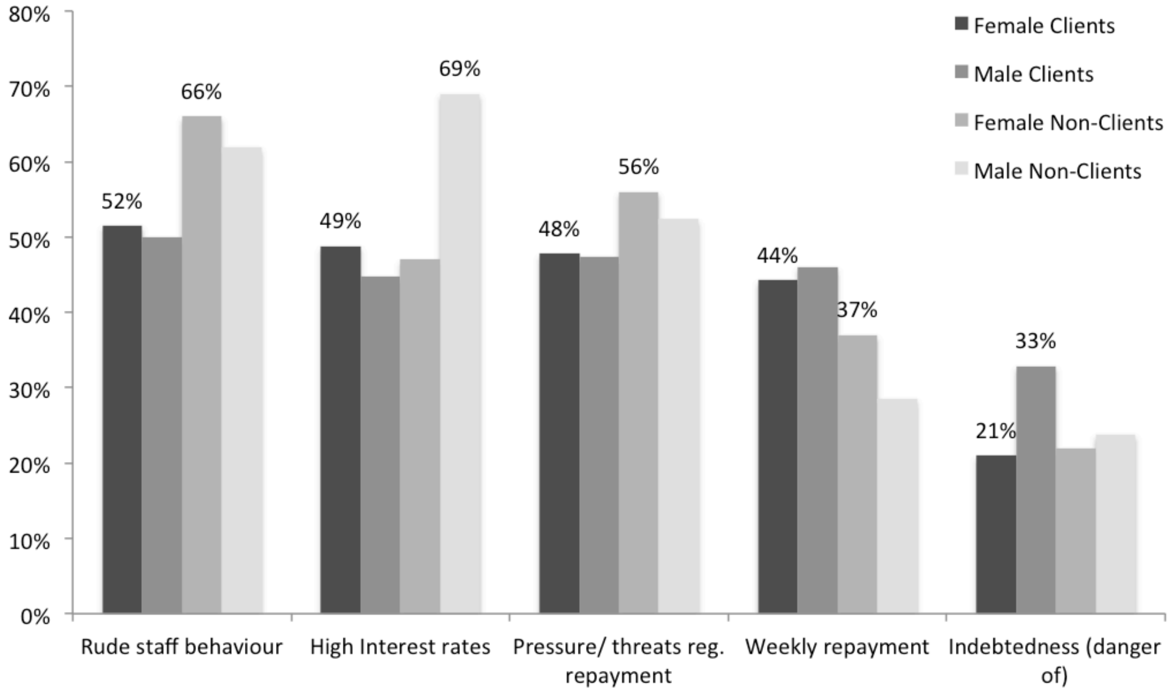
Interestingly, and counter to the argument of many MFIs, their loans are not taken because they are (in comparison to the alternatives) „reasonable priced" (merely 3% ♀ and 8% ♂ clients and 5% ♀ and 9% ♂ non-clients mention this as a positive aspect of MFI loans). Of course, one has to keep in mind the far higher rates charged by local moneylenders, which - in stark contrast to MFIs - do not claim to help people overcome poverty.

A far cry from being perceived as „reasonable", the interest rates charged for MFI loans are actually perceived as being high. (See Figure 39.) The primary data on the perception of the negative aspects of MFIs affirms this finding of other studies.[480]

[478] See also the discussion on over-indebtedness.
[479] Non-clients are those with „MFI Awareness". See *Footnote* 469 on page 26 for a detailed explanation.
[480] See for example: APMAS (2006: 16)

Weekly payments, the other well-known negative aspect of MFI loans, also features among the top four of what is perceived as „bad" by clients as well as non-clients.

Figure 39 Negative Aspects of MFIs, Clients and Non-Clients [481] by Gender (N=509)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

High interest rates and weekly instalments are the usual suspects as major negative features of MFIs. The real surprise in this negative top four, are two complaints regarding the behaviour of MFI staff. Both clients' as well as non-clients' most important negative perception refers to the „rude behaviour of the MFI employees/ agents. (See Figure 34.) Furthermore, at place three – after interest rates and before weekly instalments – are „pressure/ threats regarding repayment". These accusations lie at the heart of the Andhra crisis.

Indebtedness – whether through taking several loans from different MFIs or the vicious cycle of taking new loans to repay old ones – is named as a potential danger by every 5th female client and non-client and even every 3rd male client. (See Figure 34.) Even suicide – as a drastic consequence of over-indebtedness – comes to the mind of around 5% of both female and male clients and around 10% of both female and male non-clients. This

481 Non-clients are those with „MFI Awareness". See *Footnote* 469 on page 26 for a detailed explanation.

of course is likely to do with the media coverage on farmer suicides due to over-indebtedness and, in the context of the Andhra crisis, the claims that MFIs have to bear responsibility for these suicides. [482]

It is noteworthy that nearly all of these non-clients with MFI awareness do not have any household member who has received a MFI loan.[483] Hence, their perception is based on word of mouth and media exposure. This makes their perception a valuable reflection of the „mood“ in the population, the major part of which, has no direct or (through family-members) indirect experience with microfinance. Given that three out of the four most important MFIs in Andhra Pradesh report that 100% of their clients are *female,* [484] the female perspective is of utmost importance and is the focus of the following analysis.

5.1.9 MFI Perception Index

The perception of specific microfinance institutions by their clients is of course a function of several aspects. The five core dimensions of overall perception (calculated in the form of a perception index below) are: (1) the total costs of a loan, (2) the time to process an application, (3) the explanation and clarity of rules, (4) the staff behaviour and (5) in case of problems, the help provided by the MFI e.g. to deal with repayment difficulties. Figure 40 shows the perception of the top three MFIs by female clients.[485] As we can see, the biggest room for improvement is in the indicator, "costs of loan" with a rating slightly above the average of 5.0 (which would indicate "neither good nor bad"). Furthermore, "staff behaviour" and "help with problems" are located on the positive

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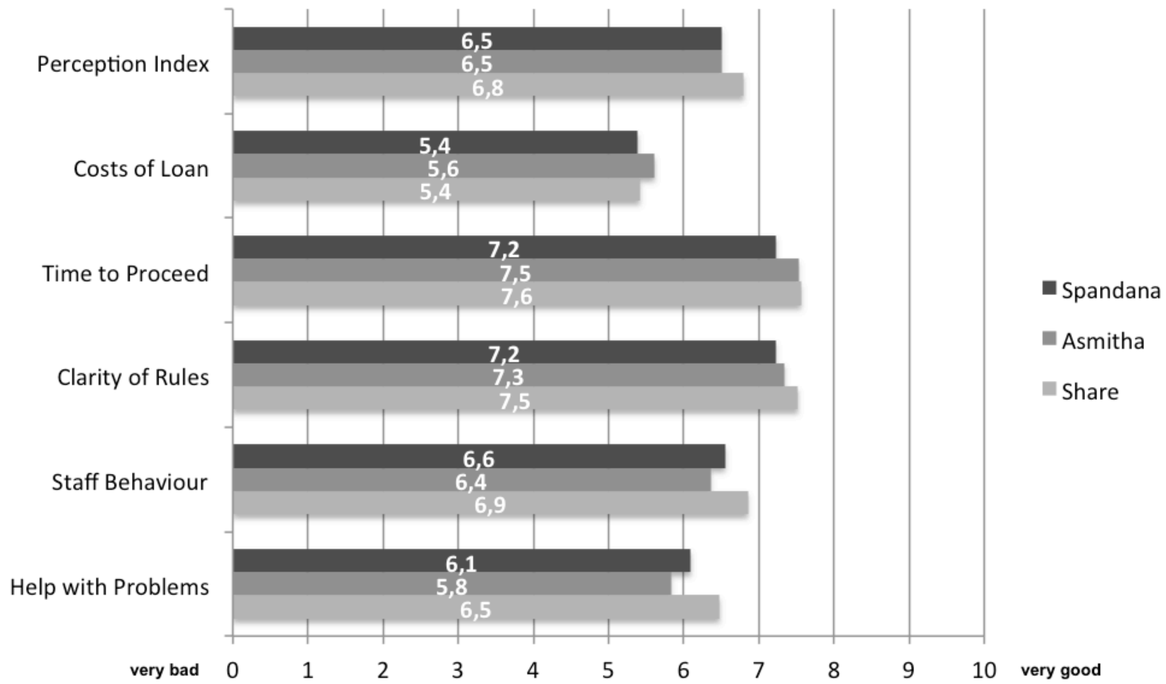
[482] See the detailed section on the Andhra crisis.
[483] Only eight - out of 142 non-clients with MFI awareness - have one household member who has received a MFI loan. Five of those were reportedly „satisfied“ with their microfinance experience, one was „very satisfied“ and two were „unsatisfied“.
[484] Asmitha, Share and SKS reported percent of female borrowers is 100%, that of Spandana is 91%.
See: www.mixmarket.org/mfi/aml/report; www.mixmarket.org/mfi/share/report;
http://www.mixmarket.org/mfi/sks/report; www.mixmarket.org/mfi/spandana/report.
All last accessed on 3rd February 2014.
[485] Out of 291 female clients in our sample, 283 rated one of the following MFIs: Spandana (125), Asmitha (70), Share (48), SKS (20), BASIX (17), Ujjivan (2), Equitas (1). Given the rule of thumb not to utilise subgroups with less than 25 observations, the results for SKS (20 observations) and BASIX (17) as well as Ujjivan (2), Equitas (1) are not reported here. However, the data obtained suggest SKS to be an interesting (negative) outlier, which calls for further research on the perception of SKS in comparison to other MFIs. BASIX on the other hand (with similarly few observations) seems to be on the same level as Spandana, Asmitha and Share with regard to the perception index.

side of the spectrum with ratings between 5.8 and 6.9. Most positively perceived are the "time to proceed" and the "clarity of rules" with ratings between 7.2 and 7.6. The Perception Index is easily calculated as the average of the (un-weighted) five indicators. The three major MFIs, Spandana, Asmitha and Share are, overall, perceived very similarly.

Figure 40 MFI Perception Index for Top MFIs - by Female Clients (N=243)

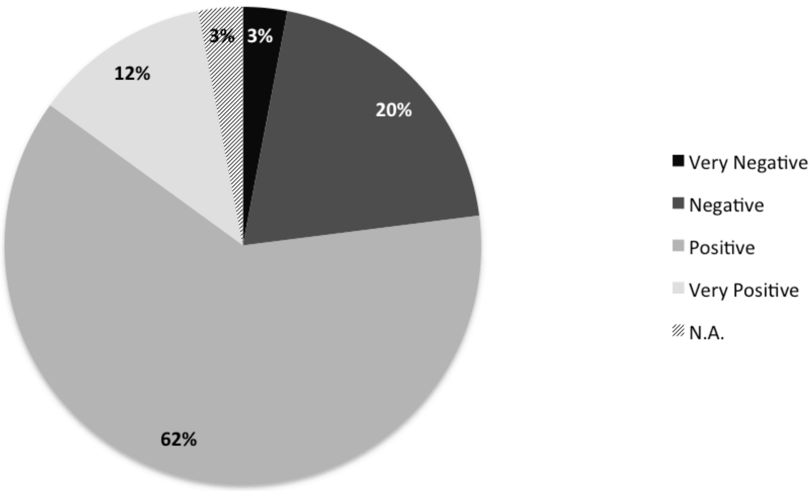


Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Given all the negative media reports about alleged MFI wrongdoings, one could think that the majority of clients, when asked "talking about your overall experience with microfinance institutions: what was particularly good or bad?", would report a negative experience. However, the majority of female clients contrariwise, report either "positive" (62%) or "very positive" (12%) specific experiences. [486] (See Figure 41.) However, this is also no reason for complacency. Nearly every fourth female client chose to tell about a negative episode with a specific MFI (20% reported a "negative", 3% a "very negative" experience).

[486] Multiple answers (especially good or bad experiences) with regard to one specific MFI were possible. 283 female clients reported at least one, 237 at least two, 38 at least three and 8 even four such especially good or bad events.

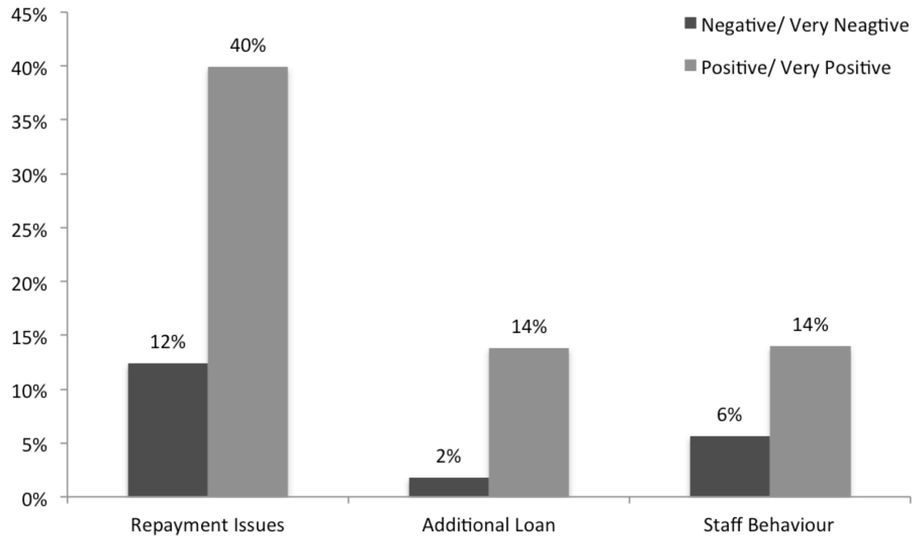
Figure 41 Particularly Positive or Negative Experience of Female Clients (N=283)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Of course the question arises, what did these negative and positive experience refer to? Figure 42 shows that most of the times the reported specific experiences had to do with repayment issues. Interestingly, however the MFIs managed four times more often to handle these repayment issues in a way perceived either as positive or very positive by the concerned clients (40%) compared to being perceived in a negative way (12%). (See Figure 42.) Staff behaviour was the second most often reported reference point when talking about especially good or bad experiences with MFIs. More than double the time this encounter with MFI staff was actually perceived as positive or very positive (14%) in comparison to especially negative experiences with, e.g. loan officers (6%). When focusing on the issue of additional loans as a special event, far more female clients reported positive or very positive (14%) compared to negative or very negative ones (2%).

Figure 42 Particularly Positive or Negative Experience of Female Clients with an MFI — Top Issues (N=495) [487]



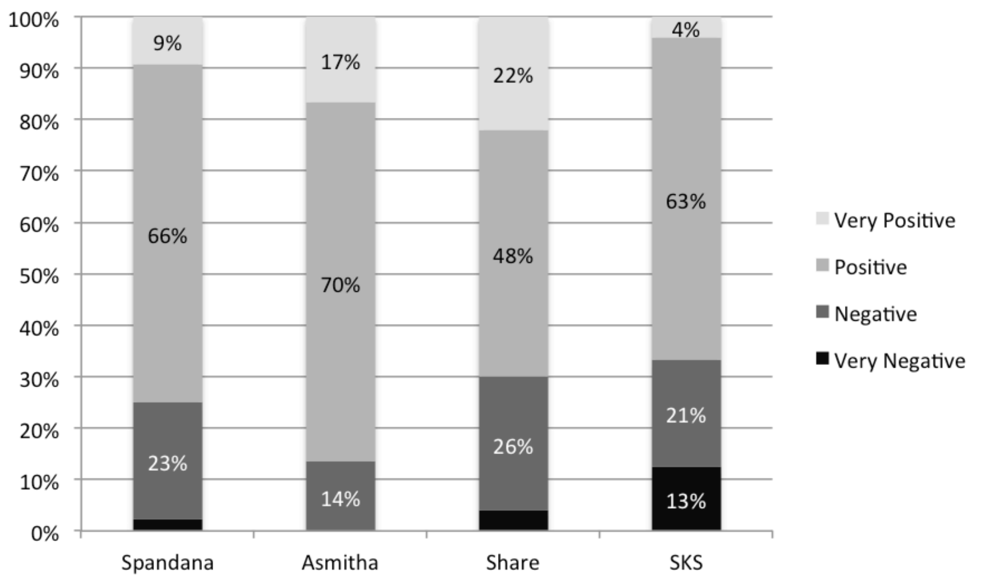
Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

While the top MFIs (for which enough observations exist) achieve very similar values in the Perception Index (See Figure 40), the perception of the MFIs differs with regard to especially good or bad experiences. Figure 43 shows that *Asmitha* sticks out positively – with 87% of the 66 female clients reporting a special experience with this MFI, perceiving it either as positive or very positive. *Asmitha* is followed, at a distance by *Spandana* (75% positive or very positive experiences), Share (70%) and SKS (67%).[488] Given that the reported negative events with regard to specific MFIs vary from around every 7th female client (14% *Asmitha*) to over more than every 4th female client (25% *Spandana*, 30% *Share*) and to more than every 3rd client (34% SKS), suggests that different company policies and regulations make a measurable difference to the (perception of) clients.

487 N refers here to the 495 reported especially good or bad experiences with specific MFIs. The number of female clients answering this question is 283 (out of 291).

488 SKS has the highest number of reported "very negative" experiences (13%) and the lowest number of "very positive" experiences (4%). Given the number of observations for SKS (24) one should however be cautious with regard to its interpretation. Further research would be needed to establish the reasons for the more negative perception of SKS in comparison to other MFIs — as suggested by the data.

Figure 43 Particularly Positive or Negative Experience of Female Clients with Top MFIs (N=268)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

5.3 Conclusion: Microfinance Institutions as Valued Financial Service Providers Despite Clear Criticism

Both the findings on MFI perception and the design (and limitations) of this empirical study have been outlined in this chapter. Conclusions regarding the *impact* of microfinance cannot be drawn – for this one would need to conduct time and cost-intensive, *randomized control trials* (RCTs) with a treatment group and a control group. The implemented survey however, does allow for a comparison between female clients and female non-clients in order to establish *whether* and on which specific dimensions there are measurable differences in empowerment levels. A causal inference – for example, between microfinance and empowerment – cannot be drawn in such a one-off study also given that clients and non-clients are assumed to have different empowerment levels to begin with, not least due to self-selection of already more empowered women.

The empirical part on the *perception* of microfinance started with an appraisal of microfinance utilization and aimed at assessing the perception of specific microfinance institutions (MFIs) in detail with regard to aspects such as costs, service, staff behaviour, transparency or help in times of repayment difficulties. It led to the calculation of a *perception index* and insights like how many clients report rude MFI staff behaviour.

Trust was found to be a core necessity for any financial inclusion, even more so in the context of microfinance, which often works in immature and non-transparent markets with underdeveloped regulatory frameworks. On top of this, the state sometimes does not only function as the regulator but also as a core player in microfinance – as in the case of India. The state's aim of protecting its own government-sponsored microfinance programs against the competition of often more assertive institutions from the private sector, can lead to conflicting interests. Most importantly microfinance deals with people in often highly vulnerable socio-economic situations. Therefore, microfinance institutions, the regulating and supervising institutions but also the funding bodies should be expected to exercise due diligence with regard their social and economic impact on the lives of their clients. There is need for continuous careful assessment by a critical media, sector watchdogs like *MFTransparency*, politicians, academics, and the involved actors themselves.

Drawing on the different comprehensive conceptualizations of empowerment as introduced in the theory chapter, its operationalization in the form of the *Women´s Empowerment in Agriculture Index* (WEAI) was introduced. Due to the two central aims of this empirical study of (i) comparing empowerment levels of female clients and non-clients, and, (ii) assessing the perception of MFIs, and as a result of time- and cost-constraints it was decided to forego the WEAI part named *Gender Parity Index* (GPI) that compares empowerment levels of women and men *within* the same household. A substantive part of the WEAI was implemented and is named, *Five Domains of Empowerment* (5DE), which refers to the domains of production decision-making, access to productive resources, control over use of income, community leadership and time allocation.

The logic behind selecting Andhra Pradesh as a case study was explained in this chapter. In 2013, the year that the survey was carried out, Andhra Pradesh was still undivided, before the creation of the state of Telangana, which occurred in June 2014. Two key factors explain the choice of Andhra Pradesh: (i) its role as the leading Indian state with regard to the *outreach* both of *microfinance institutions* (MFIs) and of the *self-help-group bank-linkage-program* (SHG-BLP) and, (ii) the microfinance crisis of 2010 which was perceived as the most severe crisis of microfinance worldwide occurred in Andhra Pradesh. Furthermore, in the Indian context, Andhra Pradesh has a medium level of achievement with regard the *human development index* (HDI) – unlike the two other dominant microfinance states, namely Kerala with the highest Indian HDI and Orissa with the lowest Indian HDI.

As has been argued, the spread of microfinance cannot be explained by the *demand* (which is likely to be high in all of the states) but more by policy decisions in the respective states (in the case of the SHG-bank linkage program) and the personal background of the founders. For instance, the founders of two of the biggest Indian MFIs were born in Andhra Pradesh: SKS´s Mr. Vikram Akulam and Spandana`s Mrs. Padmaja Reddy. Hence there was a certain level of convenience in expanding operations successively starting with the neighbouring districts of the MFI´s headquarter, Hyderabad.

The selection criteria for the districts in Andhra Pradesh were also introduced, namely the (i) geographic-cultural regions – of Coastal Andhra, Rayalaseema and Telangana, (ii) a high prevalence of microfinance, (iii) the decision not to select neighbouring districts (from the three different geographical regions) and, (iv) the decision to include a district closest to the state capital, given that most of the MFIs under research are based in Hyderabad and therefore the aim was to capture the influence from their headquarters. One district that was pre-chosen in this selection process was Krishna district given that it was the epicentre of the microfinance crisis.

The sampling process within each of the four selected districts – namely Krishna and East Godavari in Coastal Andhra, Kadapa in Rayalaseema and Rangareddi in Telangana – was *randomized* for each of the three stages referring to the level of, (i) administrative units called tehsils or mandals, (ii) villages and (iii) individuals. The logic of not drawing on lists of clients was explained with reference to the fact that there are no complete lists (e.g. from an administrative body registering all clients) and that obtained lists from all involved MFIs would not only be difficult, but would also be impossible to verify for instance, if all MFIs included "problematic" clients, those who dropped out or got into repayment difficulties. For a study on the perception of MFIs it is essential to also have these former, dropped-out clients and clients with repayment difficulties in the sample. Hence, the decision to randomly select people, inquire whether they took loans from MFIs in the last five years (read: clients) and oversample these clients in order to allow for a more nuanced analysis e.g. with regard to the perception of specific MFIs.

The oversampling was necessary due to the low percentage of clients (most of whom are female) in the overall population. The estimated MFI penetration rates among the female population in 2012 for the four sampled districts were 9,7% (Kadapa), 7,6% (East Godavari), 6,8% (Rangareddi) and 4% (Krishna). A weighting down of the oversampled female clients and female non-clients – in order to arrive at percentages for the total district population – was not possible, given that, as mentioned before, penetration rates are merely estimates and likely to differ considerably from village to village within the districts. Only comparisons between the different groups of female clients, female non-clients, male clients and male non-clients are made. Note that "male clients" comprises also men whose spouse has taken a MFI loan, which in the context of an Indian rural household is also perceived as, "having taking a MFI loan".

The questionnaire design was introduced in detail for the areas of empowerment, microfinance, capabilities and poverty – out of which, the findings for the former two are presented in this thesis. First, the loan utilization was analysed: a majority of clients were found to have two or three *current* MFI loans. This affirms the findings from other studies of multiple microfinance loans. This is potentially problematic. If clients take an additional MFI loan in order to serve an existing MFI loan, these chain loans *can* lead to over-indebtedness – people "juggling" with sums well beyond their actual cash flows. This would be what Mr. Reddy, the former Governor of the *Reserve Bank of India* referred to, when comparing Indian microfinance with subprime lending in the USA – with the difference that in the Indian case the boom is mainly fuelled by *priority sector* *lending* requirements and not by securitisation and derivatives like in the USA.[489] However, these multiple loans could also reflect the financial needs of the clients and with an increase in income over time, could become manageable for the clients. To answer this question, as far as possible – given that it involves many difficult-to-predict variables like local economies and the development of the Indian financial system and economic environment – other studies like detailed economic diaries might be better equipped.

The leading MFI in the sample used for the empirical study, is Spandana, followed at a distance by Asmitha, Share, SKS and BASIX. SKS, which was hard hit by the crisis of 2010, is gradually making its way back into the Andhra Pradesh market, as shown by the number of first time clients. The most common loan amount for new clients is 10,000 Rupees (128 Euros as of July 1st 2013), repeat clients most often receive 20,000 Rupees (256 Euros).[490]

Consumption is by far, the most common (39%) or respectively second most common use (38%) of MFI loans in the sample. The next most common MFI loan usages are house improvement (main use: 13%, second use: 18%), investing into either an existing or new business (main use: 12%, second use: 4%), repaying debts, education, health and buying of durables goods. It is a well documented finding that investment in new or existing businesses is *not* the main expenditure that clients use their MFI loans for. However, also house improvement and better or more food consumption can be an investment into the health or educational capabilities of one´s family. Also the repayment of debt is often a smart financial decision given the before mentioned high interest rates charged by informal sources. Hence the thesis proposes the conclusion that it is not necessarily "bad" that microfinance clients do not first and foremost use their loans for clear-cut business investment purposes. While people "save" money if they obtain their financial services at lower costs (that is e.g. MFI loans versus loans

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489 Nayak (2010)

490 See www.oanda.com/lang/de/currency/historical-rates/, accessed May 15th 2015. In *purchasing power parity* (PPP) 10,000 Rupees would mean around 3000 US$, given the *purchasing power parity conversion factor* of 0.3 as calculated by the World Bank. The *purchasing power parity conversion factor* "is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a U.S. dollar would buy in the United States". See the database of *The World Bank*, http://data.worldbank.org/indicator/PA.NUS.PPPC.RF, accessed May 15th 2015.

from moneylenders), in the long run only higher incomes either from better paid salaried jobs (be they secured through better education or new job opportunities like in manufacturing or through migration) or from non-agricultural self-employment (less so from agricultural self-employment) is likely to help people overcome poverty.

Given that the sample is from Andhra Pradesh, which three years before the survey was conducted, experienced the worst microfinance crisis to date, the perception of the MFIs operating in Andhra Pradesh is surprisingly positive. All five major MFIs are perceived by at least a 2/3 majority as, "very good" or "good" by those who should know best – their female clients: Asmitha (82%), Spandana (75%), SKS (74%), BASIX (71%), Share (67%). On the flipside, this of course leaves up to every third client perceiving her or his microfinance provider as "bad" or even "very bad".

The most often mentioned positive aspects of MFI loans – (1) easy loan approval, (2) convenience of delivery in the village, (3) the possibility to get small loans (other than with formal providers like banks), (4) the possibility of obtaining multiple loans from different MFIs, and (5) time savings – has two elements which can also lead to negative consequences, namely the easy loan approval and the option of multiple loans. The accusations against MFIs regarding rude staff behaviour and putting pressure or even threats in times of repayment difficulties are also seen by the survey respondents as two of the main negative aspects of MFIs. These were accompanied by high costs, the rigidness of weekly payments and following at a distance, the perceived danger of indebtedness.

The overall perception index of the top three MFIs (with enough observations) is on a scale from 0 (="very bad") to 10 (="very good") rather positive, at around 6,5. The most negatively perceived aspect is the cost of loans (with around 5,5 merely above the neutral position 5). Positively perceived is the time of proceeding loan applications (7,2 - 7,6), the clarity of the rules (7,2 - 7,5), but even the staff behaviour (6,4 - 6,9) and help in case of repayment difficulties (5,8 - 6,5) are overall rather positively rated.

When asked to report an especially negative or positive experience with an MFI, 74% of female clients reported a "positive" or even "very positive" experience. These mainly revolved around the handling of repayment issues (40%) and with additional loans and staff behaviour (both 14%). Those 23% of female clients reporting “bad” or “very bad” experiences also mainly referred to the handling of repayment issues (12%). Finally, one MFI sticks out regarding the reported positive or negative experiences, the MFI Asmitha, about which 87% of female clients reported an especially positive experience and nobody, a “very negative” experience (in comparison to 13% of SKS´s female clients). A further study of the processes, guidelines and staff incentives would be interesting to understand these high approval rates for the MFI Asmitha.

After having gained a differentiated picture of the overall surprisingly positive perception of MFIs in Andhra Pradesh, the next chapter will use both subjective and objective indicators to assess the empowerment levels of female clients versus female non-clients.

6 Empirical Study Part Two — Findings on the Empowerment Levels of Clients versus Non-Clients

The aim of this chapter is twofold. Firstly, it seeks to assess the applicability of the *Women´s Empowerment in Agricultural Index* (WEAI) for the assessment of empowerment levels in the context of microfinance. Each of the indicators will be scrutinized – including its components, cut-off point and aggregation method. Potential alternatives to the WEAI best practice rules (not least regarding the aggregation of some indicators) will be explored and alterations for applying the empowerment index to women (and men) outside agriculture will be introduced. The second aim of this chapter is hypothesis testing, with regard to the empowerment of (i) female clients in comparison to male clients[491] and (ii) female clients in comparison to female non-clients.

From the literature and fieldwork, the expectation is that there is overall, a clear difference in empowerment levels between women and men (that is between female clients and male clients, not to bring in the additional dimension of client versus non-client). The expectation is that male clients are more empowered than female clients (as argued in chapter 2). In addition, the aim is to find out if there is a significant difference in empowerment levels between female clients and female non-clients. Further on it will be explained why one would expect female clients to be more empowered than female non-clients. The overall hypotheses, which will be concretized with regard to five dimensions of empowerment – namely production decision-making, access to productive resources, control over use of income, community leadership and time allocation – are:

H1 Female clients are *less* empowered than male clients.

H2 Female clients are *more* empowered than female non-clients.

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[491] Male clients are defined as men who live in households that have taken one or more microfinance loans in the last 5 years. More often than not these MFI loans were not given directly to the men, but to their wives (or other women in the household). However — not surprisingly in the context of rural India — the men reported that they have taken a MFI loan, when actually their wife received the MFI loan.

6.1 Empowerment of Microfinance Clients

Microfinance is often associated not only with poverty reduction, but also with empowerment, in particular, the empowerment of women, which is especially so in a country like India, where the overwhelming majority of microfinance clients are female. Microfinance Institutions, state women´s empowerment as one of their central goals. Regarding the four biggest MFIs in this empirical study of Andhra Pradesh – namely *Spandana*, *Asmitha*, *Share* and *SKS* – all name women as their main target group in their *Social Performance Profiles* in the important industry database of *Mixed Market*. All those who provided their development goals in the database (Share failed to do so) declare "gender equality and women´s empowerment" directly after the financial and entrepreneur related goals – such as increased access to financial services, poverty reduction, employment generation, growth of existing business and development of start-up enterprises – and before all other goals, such as health improvement, children´s schooling or housing. [492] (See Table 38 in the appendix.)

However, what exactly is meant by empowerment and how does it manifest itself? When meeting spokespersons of *Self-Help Groups* (SHGs) or *SHG-Federations* (as experienced several times by the author), it was striking to see the eloquence and courage with which women spoke up in front of large (often male dominated) audiences and the forthright manner in which they openly raised the problems they, and their peers, had experienced with microfinance. This ability to raise one's voice is surely one part of empowerment but empowerment has multiple facets.

As explained before (in chapter 2), this empirical study implements a slightly altered version of the *Five Domains of Empowerment* (5DE) from the *Women´s Empowerment in Agriculture Index* (WEAI). The reason for the alterations is that the WEAI aims at capturing the empowerment level of women *in agriculture* – that is those who engage in agricultural activities such as food crop farming (primarily for household food consumption) or cash crop farming (for sale in the market), livestock raising and fishing or fishpond culture. In the sample – and very common for the rural context of Andhra

[492] Source: *MixMarket*, Microfinance Institutions Database, www.mixmarket.org/mfi/spandana, last assessed 27th November 2013.

Pradesh – a major part of respondents work as wage labourers and often as *agricultural* wage labourers.

In the implementation of the WEAI those questions comprising the indicator "purchase, sale, or transfer of assets" in the domain "access to productive resources" only refer to (7 types of) agricultural assets and nonfarm business equipment.[493] These however, are not relevant for agricultural wage labourers. Hence, it was not possible to develop and calculate an alternative sub-index for the wage labourers in our sample. We therefore decided to drop the indicator "purchase, sale, or transfer of assets". This still leaves two other elaborate indicators in the domain, "access to productive resources". To keep the weights of each domain or dimension equal at one fifth, only the weights of the remaining two indicators in the "resources" dimension had to be changed from 1/15 to 1/10. (See Table 21.)

Given that the calculated overall index is not equivalent to the WEAI and is not only applicable to women in agriculture but potentially to women and men (in the context of a rural/ semi-urban society in a developing country) the overall index – as implemented in this study – is named *Index of Empowerment (IE).* This potentially also avoids confusion and comparisons with findings from implementations of the WEAI. However, it has to be emphasized that the conceptualisation and nearly the entire operationalization (beside the small alterations made to calculate the sub-indicators for a sample with many wage labourers) is the work of Sabine Alkire and her team at OPHI.

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[493] The choice of items (e.g. large livestock) regarding which these questions ("Who would you say can decide whether to sell … most of the time?") were asked was taking into account all variables necessary for computing the WEAI. For future applications of the WEAI it is recommendable to implement the questions referring to "purchase, sale, or transfer of assets" also to all other items (such as house, large consumer durables, cell phone, land not used for agriculture or bicycle) in order to be able to develop an alternative sub-index for those *not* working as self-employed in agriculture, but as wage labourers.

Table 21 Index of Empowerment (IE) as implemented in this study – Domains, Indicators and Weights [494]

Domain	*Indicator*	*Weight*
Production Decision-Making	Input in productive decisions	1/10
	Autonomy in production	1/10
Access to Productive ***Resources***	Ownership of assets	1/10
	Access to and decisions on credit	1/10
Control over Use of ***Income***	Control over use of income	2/10
Community ***Leadership***	Group member	1/10
	Speaking in public	1/10
Time Allocation	Workload	1/10
	Leisure	1/10

Source: Based on (IFPRI et al. 2012: 4)

Nonresponse in individual indicators has been treated in accordance with the guidelines for calculating the WEAI – and will be explained for each dimension in the following sections.[495] Similarly, those few cases, which after applying the guidelines for missing values, still had one missing value, were – also in compliance with the WEAI rules – excluded from the sample. That applied to only three cases.[496] Table 22 shows in which indicators the missing values remained. As a result, the number of observations for the calculation of the *Index of Empowerment* (IE) is 559.

Table 22 Index of Empowerment (IE) – Excluded Cases due to Missing Values by Indicators

Domain	*Indicator*	*N*	*Missing*
Production Decision-Making	Input in productive decisions	562	0
	Autonomy in production	560	2
Access to Productive ***Resources***	Ownership of assets	562	0
	Access to and decisions on credit	562	0
Control over Use of ***Income***	Control over use of income	560	2
Community ***Leadership***	Group member	562	0
	Speaking in public	562	0
Time Allocation	Workload	562	0
	Leisure	562	0
All Domains	All Indicators	559	3

Source: Drawn by Author.

[494] IFPRI et al. (2012: 3)
[495] For details see the section on each indicator.
[496] The observations 272 and 325 have remaining missing values in the indicator, autonomy. The observations, 320 and again 325 have missing values in the indicator, control over use of income.

In the following section, the survey's empirical findings on the empowerment level of female clients and female non-clients will be presented and discussed. The section begins with the economic activities of our respondents and is followed by a section on each of the nine, above introduced indicators (see Table 22). Each section will explain the operationalization, including the answer scales, cut-off points, aggregation rules, and the calculation of the sub-indices for each dimension. If applicable, the treatment of missing values will be explained. Finally, after interpreting the results for each indicator and dimension, the *Index of Empowerment* (IE) is calculated and the results, discussed.

6.2 Economic Activities

Before dwelling on the results for each of the nine indicators of empowerment – several of which are closely linked to economic activities in the household – it is essential to understand the kind of productive activities that the survey respondents engaged in.

Wage and salary employment was the most common economic activity of respondents in the last 12 months. This includes both agriculture and non-agriculture wage work. (See Box 8 Definitions of Economic Activities.) More than every second (male and female) client and female non-client earns part of her or his family´s livelihood this way. (See Figure 44.) Male non-clients were over proportionally (77%) involved in this way of earning. Entrepreneurship is also very widespread in our sample; with around every third (male and female) client, as well as male non-clients, conducting some form of (small) business activity. Nearly every second male client engaged in the last 12 months, in some from of non-farm economic activities.

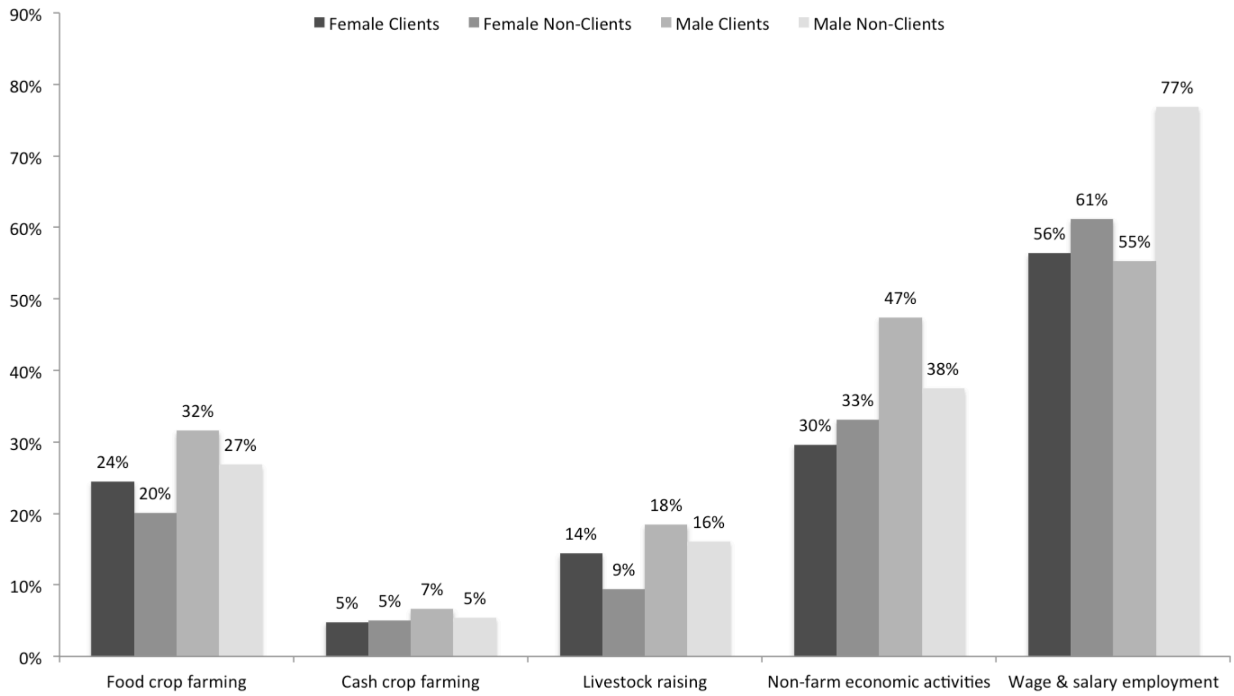
Box 8 Definitions of Economic Activities

Food crop farming: Crops that are grown for primarily household food consumption.
Cash crop farming: Crops that are grown for sale in the market.
Non-farm economic activities: Small business, self-employment, buy-and-sell.
Wage & salary employment: In-kind or monetary work both agriculture & other wage work.

Source: (International Food Policy Research Institute (IFPRI) 2012: 2)

Agricultural activities, beyond wage labour, also play an important role in the economic activities of the respondents. (See Figure 44.) However, for the most part that is primarily for household food consumption - or in other word subsistence farming (from 20% of female non-clients to 32% of male clients). Merely around 5% of respondents were involved in cash crop farming or in other words, agricultural production for the purpose of selling the products. The raising of livestock plays (with 9% of female non-clients to 18% of male clients) a more important role.[497]

Figure 44 Participation in Main Economic Activities in Past 12 Month (N=562)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

[497] In our sample fishing as well as fishpond culture does (with 3 observations) hardly feature.

6.3 Production Decision-Making

The dimension "Production Decision-Making" is composed by two indicators: "Input in productive decisions" and "Autonomy in production".

6.3.1 Input in Productive Decisions

The "Input in Productive Decisions" indicator consists of two parts. The first seeks to establish if the person participated in certain economic activities and if so, how much input he or she had (See Box 9.) and second, whether the person could make own personal decisions in case he or she would like to. (Box 10) The second part is a necessary addition in order not to label people as "inadequate" with regard to a certain decision-making area, in which they do not participate due to disinterest and not because they are not allowed by somebody else to participate in the decision-making. An example given by Alkire et al. (2012) is a household in which the woman is in charge of the finances; however it would be wrong to perceive the husband as deprived just because he is not taking part in the decision-making. If, through the second question one finds out that he feels he could at anytime have a say with regard to financial decisions if he wanted, both wife and husband would be regarded as adequately empowered.[498]

Box 9 Input in Productive Decisions — Extent of Input — Survey Questions, Items & Coding

Questions:	**Q14.** Did you (singular) participate in the following activities in the past 12 months (that is during the last [one/two] cropping seasons)? **(If yes) Q15.** How much input did you have in making decisions about..?		
Items (Activities):	(a) Food crop farming (b) Cash crop farming (c) Livestock raising (d) Non-farm economic activities (e) Wage & salary employment (f) Fishing or fishpond culture		
Coding:	**Q14.**	**Q15.**	
	1 Yes	0 Not applicable	
	2 No	1 No input	4 Input into most decisions
		2 Input into very few decisions	5 Input into all decisions
		3 Input into some decisions	6 No decision made

Source: (International Food Policy Research Institute (IFPRI) 2012: 2), questions B01 and B02.

498 Alkire et al. (2012: 25)

As in the WEAI, to operationalize, “Input in *Agricultural* Productive Decisions” we use, first, question Q14 (about the participation) and question Q15 (about the extent of the input, if any) with regard to (a) food crop farming, (b) cash crop farming, (c) livestock raising and (f) fishing or fishpond culture. (See Box 9.) Then followed question Q36 (about who normally takes decisions) and Q37 (about the extent of influence if wanted) with regard to (a) agricultural production, (b) what agricultural inputs to buy, (c) what types of crops to grow, (d) when or who would take crops to the market and (e) livestock raising. (See Box 10.)

Box 10 Input in Productive Decisions — Extent of Influence if Wanted — Survey Questions, Items and Coding

Questions:	**Q36.** When decisions are made regarding the following aspects of household life, who is it that normally takes the decision? **Q37.** To what extend do you feel you can make your own personal decisions regarding these aspects of household life if you want to?	
Items (aspects of household life):	(a) Agricultural production? (b) What inputs to buy for agricultural production? (c) What types of crops to grow for agricultural production? (d) When or who would take crops to the market? (e) Livestock raising? (f) Non-farm business activity? (g) Your own (singular) wage or salary employment? (h) Major household expenditures? (like refrigerator) (i) Minor household expenditures? (food for daily consumption) (k) Whether or not to use family planning to space/ limit births?	
Coding:	**Q36.** 1 Main male/ husband 2 Main female/ wife 3 Husband & wife jointly 4 Someone else in the household 5 Jointly with someone else inside the household 6 Jointly with someone else outside the household 7 Someone outside the household 9 Decision not made 0 D.K. / Refused	**Q37.** 1 Not at all *2 Small* *3 Medium extent* *4 To a high extent* *0 D.K. / Refused*

Source: (International Food Policy Research Institute (IFPRI) 2012: 6), questions G01 and G02.

To operationalize, “Input in *Non-Agricultural* Productive Decisions” first, question Q14 (about the participation) and question Q15 (about the extent of the input, if any) – *now* with regard to (d) *non-farm economic activities* and (e) *wage & salary employment* (See

Box 9.) were raised. Then came question Q36 (about who normally takes decisions) and Q37 (about the extent of influence if wanted) – *now* with regard to (f) *non-farm business activity* and (g) *one´s own (singular) wage or salary employment*.

To calculate the empowerment achievements in the index, "input in (*agricultural and non-agricultural)* productive decisions" the following steps were implements – as suggested for the WEAI:
(I) Extent of Input (Q14 & Q15): For each *agricultural* activity – (a) food crop farming, (b) cash crop farming, (c) livestock raising, (f) Fishing or fishpond culture – an indicator is calculated that regards an individual as adequately empowerment if he or she participated in that activity and had at least "input into some decisions". (See Box 9.)

(II) Extent of Influence if Wanted (Q36 & Q37): For each *agricultural* activity – (a) agricultural production, (b) what agricultural inputs to buy, (c) what types of crops to grow, (d) when or who would take crops to the market and (e) livestock raising – an indicator is calculated that regards an individual adequately empowerment if he or she is part of the decision making or perceives her extent of influence if wanted at least at a "medium extent". (See Box 10.)

(III) *Sub-Index of Input in Agricultural Productive Decisions* (See Figure 45.): All of the created indicators were then aggregated into this sub-index. Individuals are regarded as adequately empowered if they have achievements in at least two of the indicators, or in the words of Alkire et al.: "the individual is considered adequate if there are at least two types of decisions in which he or she has some input in decisions, makes the decision, or feels he or she could make it to a medium extent if he or she wanted to".[499]

(IV) Steps (I) to (III) are in the same way executed for calculating the *Sub-Index of Input in Non-Agricultural Productive Decisions* (See Figure 46.) – that is non-farm economic activities as well as wage & salary employment – of questions Q14 and Q15 as well as Q36 and Q37. The same cut-offs for the individual level apply ("input into some decisions" respectively "medium extent" of influence if wanted". On the aggregate level

[499] Alkire et al. (2012: 26)

however, the threshold is achievement in *any* due to the fact that both non-farm economic activities as well as wage & salary employment are on the same level of abstraction as agricultural economic production (only that these two non-agricultural dimensions are not further operationalized in from of more specific economic activities as in the case of fishing or livestock-raising).[500]

(V) Finally, for calculating the combined *Index of Input in (Agricultural and Non-Agricultural) Productive Decisions* (See Figure 47.) we aggregated the two *Sub-Indices* into this new index. Achievement in either Sub-Index was required to be regarded as adequately empowered in this combined index.

From the literature, as well as field research, one expects that women (in this case, female clients) – in an overall patriarchal society like India[501] – would be *less* empowered with regard to decision-making in productive matters than men (in this case: male clients).[502] Furthermore, it would be anticipated that female clients are more empowered with regard to decision-making in productive matters than female non-

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500 Furthermore it is not clear if a clear distinction between non-farm economic activities and wage & salary employment can be assumed in the perception of the respondents.

501 Khandelwal (2001) sees in scholarship on the role of Indian women in the family a trend „to deconstruct colonialist tropes of ‚the oppressed Indian women' by exploring how women both conform to and resist dominant ideologies and practices of the *partrifocal* (MP: emphasis added) family. These attempts to de-essentialize the category 'Indian women' have led scholars to be more attentive to the heterogenous identities that render women´s experiences of family life empowering, oppressive, or both simultaneously." Khandelwal (2001: 1228) Of course in a country with continental dimensions like India there are major regional (culture and history induced) differences regarding the role degree of "*partrifocal"* norms and behaviour.
See also Rahman and Rao (2004) for a highly interesting econometric study on the differences between North and South India. The authors find inter alia (i) that their data "do not support Dyson and Moore's contention that consanguinity and village exogamy are the major determinant of difference in gender equity between North and South India"; (ii) that "South Indian women pay dowries that are just as high as those of their North Indian counterparts, suggesting that the factors determining dowries in both regions do not contribute directly to the divergent observations regarding gender equity"; (iii) that their "findings concerning women's ability to make household decisions suggest that, rather than women in South India having a clear advantage over their counterparts in the North, as posited by Dyson and Moore, women in the two regions exercise power over different spheres. (…) women in Uttar Pradesh have more restrictions placed on their mobility than women in Karnataka, yet women in Uttar Pradesh have more authority over expenditure decisions."; they conclude "that improving women's economic opportunities and investing in village infrastructure could go far toward increasing women´s agency in rural India, both North and South." (pages 261-263)

502 Here and in all the following hypotheses we compare the „more similar" subgroups of female clients and male *clients* — rather than female clients and *men*. Male „MFI clients" are mostly those whose wives (or another female household member) has taken a loan from one of the (women-focused) microfinance institutions. Hence we compare women and men from households with MFI credit in the last five years, rather than comparing female clients with *men* in general — which would mean bringing in „client and non-client" as a variable in addition to the variable of interest, namely gender.

clients. The reasons for this are twofold: self-selection, meaning that more empowered women are regarded as more likely to join a MFI group and to take a loan; and the potentially empowering impact of membership in a MFI group and of being the official loan recipient. It has been stated over and over again that this does not *prove* any causal link between MFI membership and empowerment. The overall aim of this (laborious pilot) study is to examine if the hypothesized differences are reflected in the data.

Hypothesis 1 Input in Productive Decisions

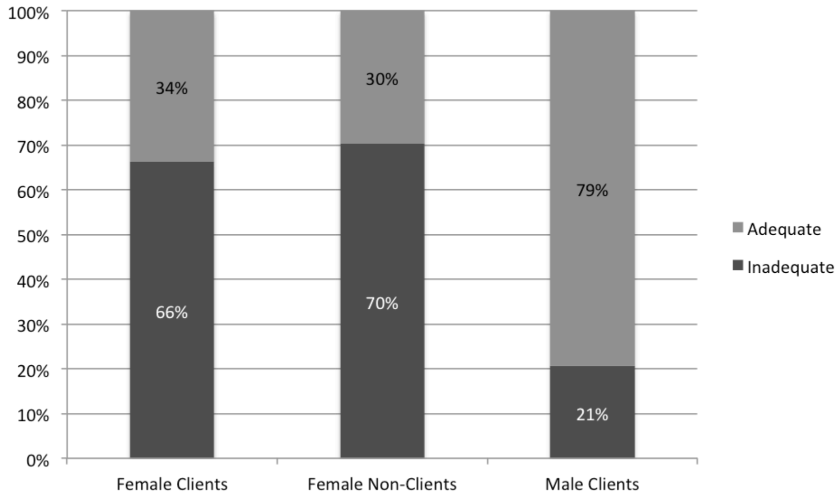
H1.1 Female clients have *less* input in productive decisions than male clients.

H1.2 Female clients have *more* input in productive decisions than female non-clients.

The analysis shows an obvious difference in "empowerment levels" with regard to input in agricultural productive decisions between women (both clients and non-clients) and men. (See Figure 45.) While 66% of female clients and 70% of female non-clients have inadequate achievements in this indicator, only 21% of male clients are deprived. [503]

[503] Out of the 183 persons who engaged in *agricultural* productive decisions in our sample, 95 are female clients, 37 female non-clients, 34 male clients and 17 male non-clients. Hence the percentages for the male non-clients are not reported in the graph, even though they are along the same lines as the male clients.

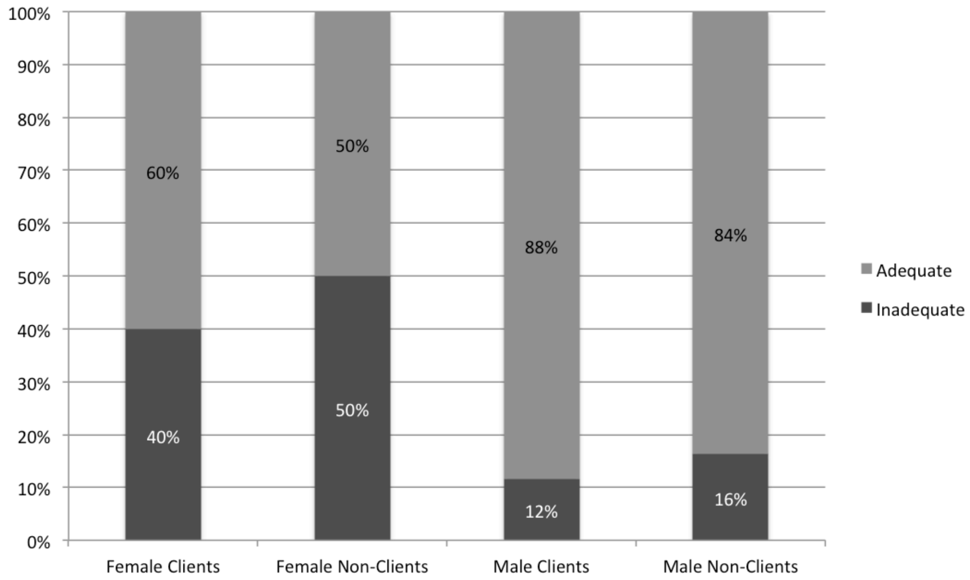
Figure 45 Empowerment — Sub-Index of Input in Agricultural Productive Decisions (N=183)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Also, the results regarding the input in *non-agricultural* productive decisions show a similarly clear difference between women and men (both clients and non-clients). (See Figure 46.) Here 40% female clients and 50% female non-clients with inadequate achievements with regard inputs in *non-agricultural* productive decisions, face 12% disempowered male clients and 16% male non-clients. The data suggest that clients (both female and male) have higher empowerment levels with regard to input in *Non-Agricultural* Productive Decisions (60% female clients versus 50% female non-clients are regarded as adequate in this index, along the same lines 88% male clients versus 84% male non-clients achieve adequacy). (See Figure 46.) As has been discussed, this of course does not tell us whether those individuals who chose to take microloans had higher achievements with regard to input in non-agricultural productive decisions, or not. In other words, self-selection (of more empowered individuals) could be the reason. Only *randomized control trials* (RCTs) could rigorously assess if this difference is an effect of microfinance.

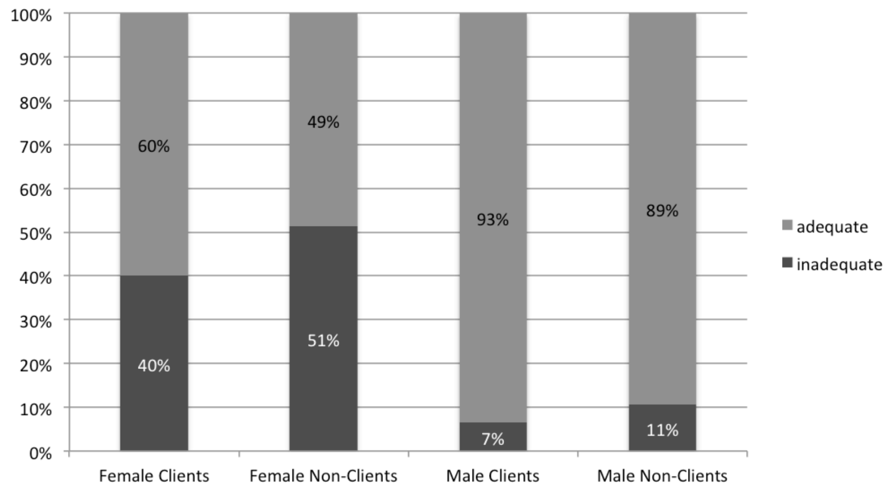
Figure 46 Empowerment — Sub-Index of Input in Non-Agricultural Productive Decisions (485)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

After combining the two indices into the *Index of Input in (Agricultural and Non-Agricultural) Productive Decisions* we see a reduction in the inadequacy levels of men (both clients and non-clients), which reflects that more men than women are empowered in the agricultural part of this index. In this first, out of nine parts of the *Index of Empowerment* (IE) we find 40% of female clients versus 51% of female non-clients as disempowered and in comparison only 7% male clients and 11% male non-clients.

Figure 47 Empowerment — Index of Input in (Agricultural and Non-Agricultural) Productive Decisions (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The obvious difference between men and women is what we might have expected and is affirmed in the crosstab statistics: $\chi^2(1)=30.582, p<.001$

Chi-Square (with one degree of freedom) of 30.582 is strongly significant at a 0.1% level. The association is of medium strength [504] — with Cramer's V = .289 (See SPSS Output 1.)

But what about the difference between female clients and female non-clients — is it statistically significant?[505] Yes, there is a significant association between whether or not women are clients and their input in productive decisions. $\chi^2(1)=4.854, p<.05$

Chi-Square (with one degree of freedom) of 4.854 is significant at a 5% level. The strength of this association is however weak [506] — with Cramer's V = .107 (See SPSS Output 2 in the Appendix.).

Hypothesis Testing 1 Input in Productive Decisions

	Chi-Square	Cramer's V		H0
H1.1 Female clients have *less* input in productive decisions than male clients.	30.582***	.289	✔	H0 of no association can be rejected.
H1.2 Female clients have *more* input in productive decisions than female non-clients.	4.854*	.107	✔	H0 of no association can be rejected.

* significant at a 5% level ** significant at a 1% level *** significant at a 0.1% level

Box 11 Excursion on Decision Making on Family Planning

Family planning – meaning the decision to space or limit birth – is a classic "sensitive question"

[504] Regarding the interpretation of the strength of Cramer's V see Gehring (2009: 152), who state, that "Cramérs V-values between 0.1 and 0.2 are seen as weak relation. The interpretation of the strength of the relation is however, with the exception of the extreme values 0 — no relation — and 1 — perfect relation — not unequivocal. In the literature different views exist, from which value upwards a relation measured with Cramer´s V should be described as strong." (Translated from German). We follow the "rough yardsticks" suggested by Johns (2014: 141): up to 0.2 weak, 0.2 - 0.4 medium, higher than 0.4 strong. In the reporting style we follow Field (2013: 746).

[505] Given our research question regarding the difference in empowerment levels between female clients and female clients, this and all the following results from crosstabs refer to the sub-sample of all women.

[506] Regarding the interpretation of the strength of Cramer's V see Gehring (2009: 152), who state, that "Cramérs V-values between 0.1 and 0.2 are seen as weak relation. The interpretation of the strength of the relation is however, with the exception of the extreme values 0 — no relation — and 1 — perfect relation — not unequivocal. In the literature different views exist, from which value upwards a relation measured with Cramer´s V should be described as strong." (Translated from German). We follow the "rough yardsticks" suggested by Johns (2014: 141): up to 0.2 weak, 0.2 - 0.4 medium, higher than 0.4 strong. In the reporting style we follow Field (2013: 746).

in survey research in developing countries; meaning that talking about this issue with an unknown interviewer, especially from the other gender and especially in an often semi-public interview setting (where bystanders listen in) is of course problematic. It is not surprising that nearly every second respondent decided not to answer this question. More surprising is that of those 287 who answered the question the vast majority takes part in the decision - 91% of both female and male clients, 92% of male non-clients and 89% of female non-clients. When computing the empowerment sub-indicator along the lines of the other issue areas (like major household expenditures or wage/ salary employment) by taking into account the scope people perceive they have to participate in decisions on family planning, if they wanted, the empowerment levels increase to an impressive 98% of female clients, 97% of female non-clients, 95% of male clients and 93% of male non-clients. Even though we are only taking about those (around 50%) who decided to answer this question, it is still remarkable that of these, both genders participate – respectively report they could participate – in the important issue of family planning.

6.3.2 Autonomy in Production

Autonomy in (agricultural and non-agricultural) production is measured with a *relative autonomy indicator* (RAI) – as developed by Deci (2000) and implemented in the WEAI[507] – trying to capture "the ability of a person to act on what he or she values, to have his or her own intrinsic motivations prevail over motivations to please others or avoid punishment".[508] Three questions are posed with regard to (agricultural and non-agricultural) production, in order to capture three "different kind of motivation: external (coerced), introjected (trying to please), and identified (own values)".[509] (See Box 12.) In real life however motivations are a rather mixed baggage. The RAI allows for this complexity by giving a four-point-scale for each of the three kinds of motivations from (1) never true, (2) not very true, (3) somewhat true, to (4) always true.

Box 12 Autonomy in Production — Survey Questions, Items and Coding

[507] Deci and Ryan (2000)
[508] Alkire et al. (2012: 26). See also Alkire (2007).
[509] Alkire et al. (2012: 26).

Intro:	This set of questions is very important. I am going to give you some reasons why you act as you do in the activities I just mentioned. You might have several reasons for doing what you do and there is no right or wrong answer. Please tell me how true it would be to say:
Questions:	**Q38.** My actions in ... are partly because I will get in trouble with someone if I act differently. **Q39.** Regarding ... I do what I do so others don´t think poorly of me. **Q40.** Regarding ... I do what I do because I personally think it is the right thing to do.
Items (aspects of household life):	(a) Agricultural production? (b) What inputs to buy for agricultural production? (c) What types of crops to grow for agricultural production? (d) When or who would take crops to the market? (e) Livestock raising? (f) Non-farm business activity? (g) Your own (singular) wage or salary employment? (h) Major household expenditures? (like refrigerator) (i) Minor household expenditures? (food for daily consumption) (k) Whether or not to use family planning to space/ limit births?
Coding:	***Q38, Q39, Q40*** *1 Never true* *2 Not very true* *3 Somewhat true* *4 Always true* *9 Decision not made* *0 D.K. / Refused*

Source: (International Food Policy Research Institute (IFPRI) 2012: 7), questions G03, G04, G05.

For calculating the empowerment achievements in the index, "Autonomy in (agricultural and non-agricultural) production" the following steps were uses, as suggested for the WEAI:

(I) Calculation of Relative Autonomy Index (RAI): Ryan and Deci´s RAI is calculated for each area of decision-making (e.g. agricultural production, livestock raising) as the weighted sum of the coded answers (with codes from 1 Never true, 2 Not very true, 3 Somewhat true, to 4 Always true) to the three different motivational questions (Q38, Q39, Q40). (See Box 12.) The weights established by Ryan and Deci — and tested for their cross-cultural applicability[510] — are "-2 for external regulation (coercion), -1 for introjected regulation (trying-to-please), and in this case 3 for identified regulation

[510] Alkire et al. (2012: 27, footnote 27).

(own values)".[511] Therefore the Relative Autonomy Index (RAI) for each respondent can vary from -9 to 9. This is best illustrated with the examples of three fictitious respondents:

Box 13 Relative Autonomy Index (RAI) — Illustration of Calculation

Respon-dent	*Answer to Q38 ("1" - "4")*		*Weight for Q38*		*Answer to Q39 ("1" - "4")*		*Weight for Q39*		*Answer to Q340 ("1" - "4")*		*Weight for Q40*		*RAI*
X	1	*	**-2**	+	1	*	**-1**	+	4	*	**3**	=	9
Y	4	*	**-2**	+	4	*	**-1**	+	1	*	**3**	=	-9
Z	1	*	**-2**	+	3	*	**-1**	+	3	*	**3**	=	4

Source: Example given by author, calculation rules taken from (Alkire et al. 2012: 27).

One would expect that the answers to Q38 (coercion) and Q39 (trying to please) are positively correlated with each other; and that they both are negatively correlated with Q40 (own values).[512]

(II) *Applying Cut-off*: For each individual it is determined if he or she is adequately empowered with regard to each area of decision-making. The chosen cut-off point is a RAI value of 1 or higher, which suggests a person whose decisions (in that issue area) are overall motivated more by his or her own values than by other´s influence or even coercion.

(III) Aggregation of Relative Autonomy Index (RAI) for *agricultural* production: The *agricultural* production related items – (a) agricultural production, (b) agricultural inputs to buy, (c) types of crops to grow, (d) when or who takes crops to market, (e) livestock raising – are then aggregated into the Sub-Index of Autonomy in (Agricultural) Production.

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511 Alkire et al. (2012: 27).

512 Alkire et altera are testing for these correlations — with mixed results for their three data sets on Bangladesh, Guatemala and Uganda at that time, see Alkire et al. (2012: 26).

(IV) Steps (I) to (III) are followed for calculating the Sub-Index of Autonomy in (Non-Agricultural) Production with regard to non-agricultural production – (f) non-farm business activity, (g) wage or salary employment.

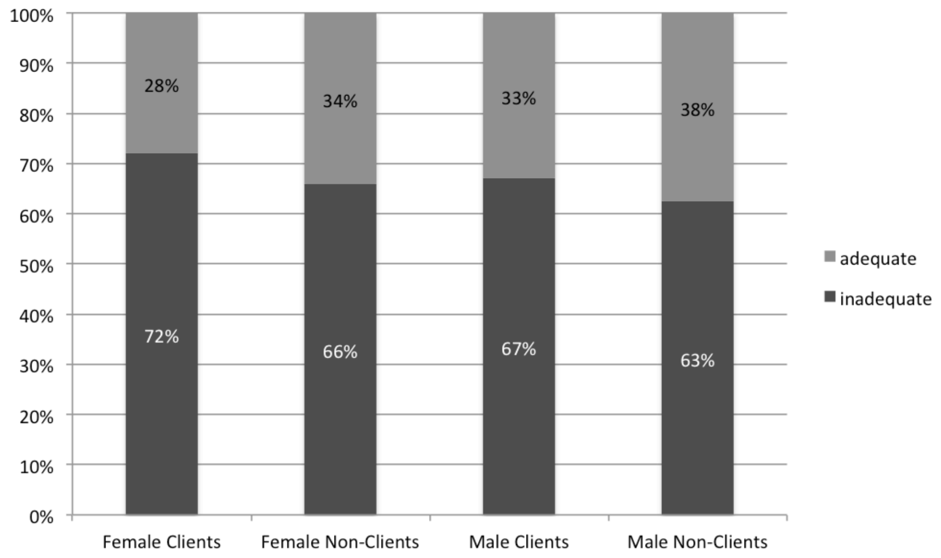
(V) Finally, these two Sub-Indices are combined into the *Sub-Index of Autonomy in (Agricultural and Non-Agricultural) Production*. (See Figure 48.) Achievement in either Sub-Index is necessary to be regarded "adequately" empowered in this combined index. This follows the rule applied in case of the Sub-Index on Input on Productive Decisions above.

(VI) Missing Values: Those individuals who stated that they have not participated in any agricultural activity were – in accordance with the treatment of missing values in the WEAI – considered adequate.[513] The same holds with regard to non-agricultural activities.

Hypothesis 2 Autonomy in production

H2.1 Female clients have *less* autonomy in productive decisions than male clients. H2.2 Female clients have *more* autonomy in productive decisions than female non-clients.

Figure 48 Empowerment — Index of Autonomy in (Agricultural & Non-Agricultural) Production (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

513 For a discussion of other options how to treat missing values in this case, see Alkire et al. (2012: 27).

The data show an unclear picture. Women overall, seem to be less empowered with regard to this Relative Autonomy Index (RAI) for *agricultural* and *non-agricultural* production. However, the comparatively higher disempowerment of clients (both female and male) with regard to their non-client peers is unexpected. Further analysis of the data will be needed to understand this ambiguous outcome better. A first "informed guess" is that the third question regarding, "own values" was not clearly understood by the clients or might not work in the socio-cultural setting of rural Andhra Pradesh.

Hypothesis Testing 2 Autonomy in Production

	Chi-Square	Cramer's V		H0
H2.1 Female clients have *less* autonomy in productive decisions than male clients.	Not significant	—	✗	H0 of no association cannot be rejected.
H2.2 Female clients have *more* autonomy in productive decisions than female non-clients.	Not significant	—	✗	H0 of no association cannot be rejected.

There is *no* significant association between the gender of clients and their *Relative Autonomy Index* (RAI). (See SPSS Output 3 in the Appendix.).

There is *no* significant association between whether or not women are clients and their *Relative Autonomy Index* (RAI). (See SPSS Output 4 in the Appendix.).

6.4 Access to Productive Resources

The dimension "Access to Productive Resources" is operationalized with the two indicators of "Ownership of assets" and "Access to and decisions on credit".

6.4.1 Ownership of Assets

For this indicator it was established, which assets the respondent´s household owns (See Box 14.) and then it was inquired who is perceived as owning most of the assets.

Box 14 Ownership of assets — Survey Questions, Items and Coding

Questions:	**Q17.** Does anyone in your household currently have any...? **Q18.** Who would you say owns most of…?	
Items (assets):	(a) Agricultural land (pieces/plots) (b) Large livestock (oxen, cattle) (c) Small livestock (goat, pig, sheep) (d) Chicken, Duck, Turkey, Pigeon (e) Fish pond or fishing equipment (f) Farm equipment (non-mechanized) (g) Farm equipment (mechanized) (h) Non-farm business equipment (i) House (and other structures) (k) Large consumer durales (fridge, TV) (l) Small c. durables (radio, cookware) (n) Cell phone (o) Land not used for agriculture (p) Bicycle (r) Motorcycle, scooter or moped (s) Car, jeep or van	
Coding:	**Q17** 1 Yes 2 No	**Q18** 0 Not applicable 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse 4 Other household member 5 Self & other household member 6 Partner/ spouse & other household member 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people

For calculating the indicator, "ownership of assets", in the way suggested for the WEAI, the following steps were implemented:

(I) First, an indicator was created for each *major* asset — that is (a) agricultural land, (b) large livestock, (c) small livestock, (e) fish pond or fishing equipment, (g) mechanized farm equipment, (i) house, (k) large consumer durables (fridge, TV), (n) cell phone, (o) land not used for agriculture and "means of transportation" (which combines (p) bicycle, (r) motorcycle, scooter or moped and (s) car, jeep or van into one variable)[514] — with "1" for "adequate" and "0" for "inadequate". A person is regarded as adequately empowered if he or she owns this type of asset alone or together with someone else (coding: 1 self, 3 Self & partner/ spouse or 5 Self & other household member, see Box 14.)
(II) Then these 10 indicators of *major* assets are aggregated into the indicator "ownership of assets".[515] A person is regarded as adequately empowered if he or she owns at least one of these *major* assets jointly or alone.[516]
(III) Those individuals living in households *without any* of these *major* assets are regarded as "inadequate" in the ownership of assets index.[517]

Ownership of assets is the only of the implemented indicators, with a reversed second hypothesis: Female clients have *less ownership* of assets than female non-clients. One would expect (female) clients to be poorer than non-clients, because of poorer people being the target group of MFIs. And even more importantly, because less poor households have, as has been shown before, access to other formal financial services, e.g. at banks, where they pay less and do not have to spend time in group-meetings.

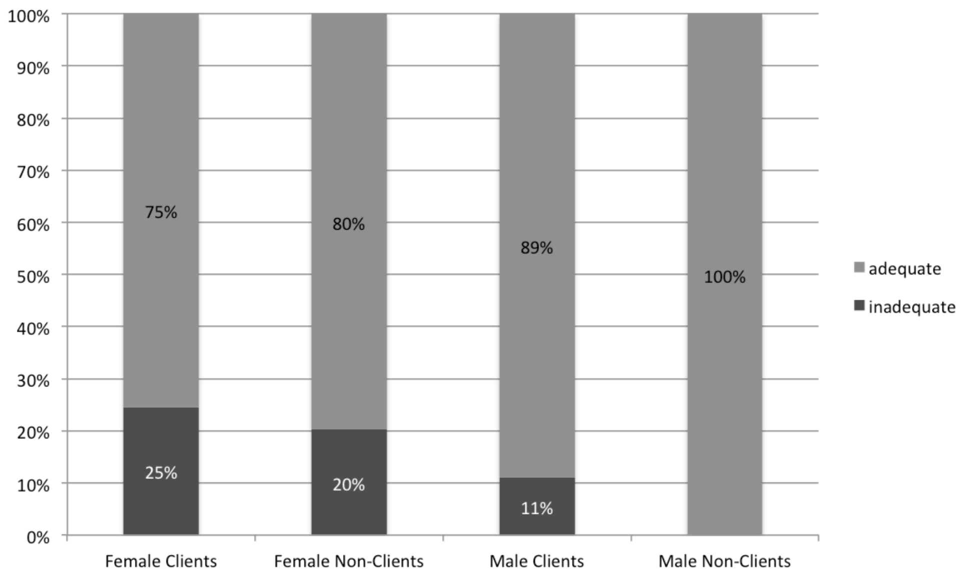
[514] In the WEAI all three types of transportation means are inquired about as one item. To ask for each of them separately allows for more detailed information and is necessary to calculate certain multidimensional poverty measurements.
[515] Note that *small* assets — such as (d) chicken, duck, turkey, pigeon (f) non-mechanized farm equipment, (l) small consumer durables (radio, cookware) — are not incorporated into this indicator.
[516] There was a debate when setting the cut-off points for the WEAI whether to include cell-phone into the lists of *major* assets - and hence regard a person who owns a cell-phone jointly or alone as adequately empowered with regard to asset ownership. It was included due to two reasons: First — on a theoretical level — given the potentially empowering role of a cell-phone and secondly — on an empirical level — given the fact that (in the pilot studies on Bangladesh, Guatemala and Uganda) there were only few cases of people owning a cell-phone but no other major assets. See Alkire et al. (2012: 28).
The same is true for our sample: only 8 individuals who own a cell-phone do not own other *major* assets and would therefore be disempowered, when excluding cell-phones from the list.
[517] That was the case for 10 respondents.

Assets – as a classic indicator for economic development – are expected to be in rural Andhra Pradesh more in possession of men than of women. However, with regard to the comparison between female clients versus female non-clients, one would expect the presumably better-off non-clients to have a higher ownership of assets.

Hypothesis 3 Ownership of Assets

H3.1 Female clients have *less* ownership of assets than male clients.
H3.2 Female clients have <u>*less*</u> ownership of assets than female non-clients.

Figure 49 Empowerment — Index of Ownership of Assets — WEAI Approach (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The results show higher disempowerment levels for women (25% for female clients and 20% for female non-clients) than for men (11% male clients, 0% for male non-clients). It is unsurprising that female clients are less “empowered” with regard to “ownership of assets” than those non-client of the same gender (See Figure 49.) given that microfinance institutions claim to target the poor and that the conditions available through microfinance are not attractive for the better off, who have access to cheaper and less time-consuming (individual) credits from formal institutions. However, there is <u>*no*</u> statistically significant association between whether or not women are clients and their respective WEAI *Index of Ownership of Assets.* (See SPSS Output 5 in the Appendix.)

Hence, while it does make sense to include asset ownership into a multidimensional empowerment index as such, it will in the context of microfinance (where one expects clients to be worse off economically) inevitable "dilute" other dimensions of empowerment such as decision making (with regard to productive activities, use of income or borrowing) and social capital in a wider sense (like group membership, speaking up in public and time to opt for such activities). Therefore, one can argue for excluding those measures from the index, which refer more to a asset/ poverty level dimension and reporting them separately.

Suggestion for a different way of aggregation

The following different aggregation approach is suggested. Rather than regarding a person as adequately empowered if he or she has adequate ownership in merely one of the major asset categories — that is: agricultural land, large livestock, small livestock, fish pond/fishing equipment, mechanized farm equipment, house, large consumer durables, cell phone, non- agricultural land and means of transportation (bicycle, motorcycle *or* car) — I suggest separating the achievements with regard to sub-dimensions. Sub-dimensions could be as follows. Empowerment as ownership of assets in the asset classes of:

BUSINESS

- *Agriculture* (agricultural land, large livestock, small livestock, fish pond/fishing equipment *or* mechanized farm equipment) — of course only for those involved in agriculture;
- *Non-Agricultural Business* (non-farm business equipment, large consumer durables, land not used for agriculture) — given that in developing economies it is most of the time difficult and unusual to distinguish between private and business assets (e.g. fridge used privately as well as for storing items for selling); small consumer durables (like cookware) was deliberately left out given their wide distribution and often not so clear ownership;

HOME (house) — as a core asset a house or other similar structure should be considered in its own right; especially in the context of credit from formal financial sources, where it could be used as collateral;

COMMUNICATION (cell phone) — especially given its empowerment potential it can be argued that the (individual or shared) ownership of a cell phone should not only be regarded as a major asset, but as representative for the category communication; *TRANSPORTATION* (bicycle, motorcycle *or* car).

Universally applicabile — and hence a uniform aggregation method and cut-off points - were the declared aim when constructing the WEIA, so that indices could be compared across countries and cultures.

For the propose of the empirical research here, a lot speaks in favour of a more nuanced and culturally sensitive construction of weights and cut-off points. The following way of calculating the *Index of Ownership of Assets — IE Approach* (which will be shown and analysed further down, see Figure 51) is suggested:

(I) For all four dimensions — that is (agricultural and non-agricultural) business, home, communication and transport — an individual is perceived as adequately empowered if she or he has individual or joined ownership of (at least) one item in the respective dimension.

(II) For the aggregation, all four dimensions are weighted equally. An individual is regarded as adequately empowered if she or he has achievements in at least *three* out of the four dimensions.

Given the widespread ownership within households of

- cell-phones
  (92% ♀ clients, 92% ♀ non-clients, 96% ♂ clients, 93% ♂ non-clients),
- bicycles
  (71% ♀ clients, 75% ♀ non-clients, 70% ♂ clients, 75% ♂ non-clients),
- large consumer durables
  (90% ♀ clients, 91% ♀ non-clients, 95% ♂ clients, 96% ♂ non-clients),
- houses (or other similar structures)
  (86% ♀ clients, 91% ♀ non-clients, 84% ♂ clients, 95% ♂ non-clients),

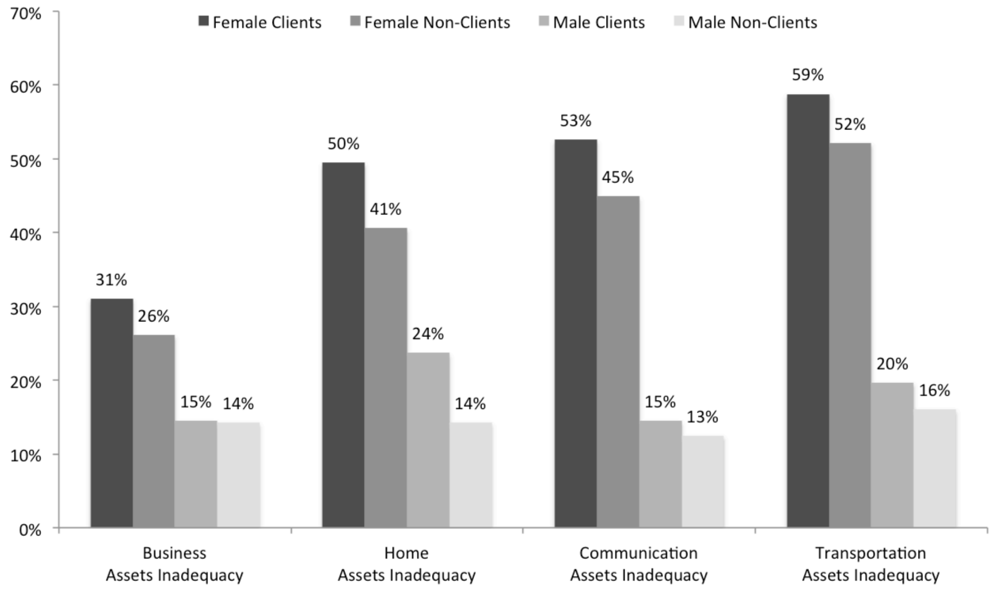
In the Andhra Pradesh sample, individuals whose households do not own any item in the respective category (communication, transportation, home and the sub-category non-agricultural business[518]) are regarded as deprived. With regard to agricultural assets however, this would not be plausible, given that not all households engage in agriculture. Therefore, agriculture and non-agricultural business are aggregated to from the overarching dimension of business. This does justice to those households, which engage in agriculture *or* non-agricultural business *or* both.[519]

When calculating the four "ownership of asset" dimensions, as suggested above, the following picture emerges. (See Figure 50.) In all four dimensions there is a clear difference between men (clients and non-clients) and women (clients and non-clients) – men clearly have less inadequacy in all asset classes; with the most severe differences in communication (that is the joint or single ownership of a cell phone) and transportation (that is the joint or single ownership of a bike, motorcycle or car). There is also a pattern with regard to the difference between clients and non-clients. The data suggest that clients are always more disempowered than their non-clients peers from the same gender. However, there is *no* statistically significant association between whether or not women are clients and their respective *Index of Ownership of Assets* in the dimensions business, home, communication and transportation. (See SPSS Output 17 - 7 in the Appendix.)

518 Arguably those households who possess a large consumer durable (like a fridge) have more of a capability for non-agricultural business than those without — even a TV as a large consumer durable might speak in favour of the potential to afford other large consumer durables which might be needed for starting a small non-agricultural business activity.

519 This corresponds to the aggregation method in the production dimension with regard to (agricultural and non-agricultural) input and autonomy.

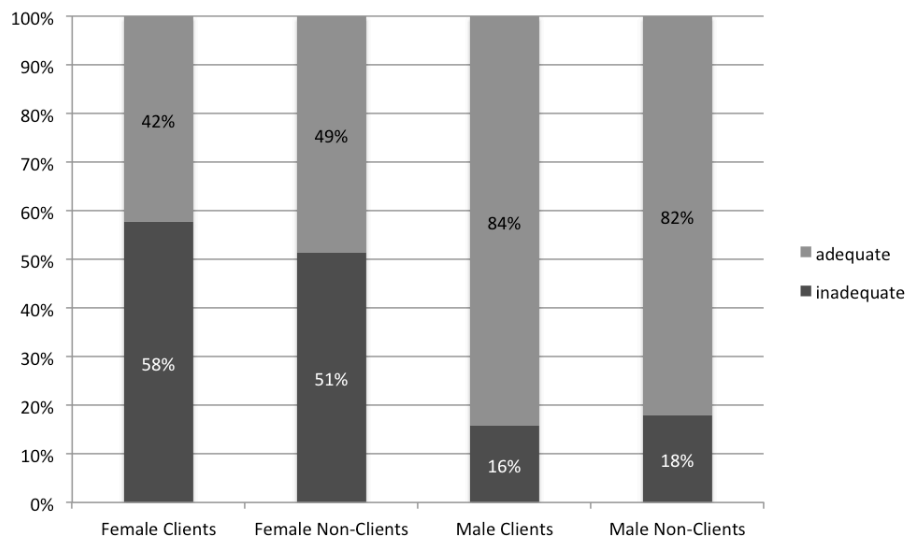
Figure 50 Empowerment — Index of Ownership of Assets — IE Approach (Inadequacy in %) (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Finally, the four sub-indices business, home, communication and transportation are aggregated into the IE Index of Ownership of Assets. A person is seen as adequately empowered if she or he has achievements in at least *three* out of the four dimensions. (See Figure 51.)

Figure 51 Empowerment — Index of Ownership of Assets (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The difference in asset *inadequacy* between women (58% female clients, 51% female non-clients) and men (16% male clients, 18% male non-clients) becomes even clearer through this alternative way of aggregating — by asset classes. (Compare with Figure 49, where the respective figures were: 25% female clients, 20% female non-clients, 11% male clients, 0% male non-clients.)

The expected difference between female and male clients is confirmed in the crosstab statistics: $\chi^2(1) = 42.467, p < .001$

Chi-Square (with one degree of freedom) of 42.467 is strongly significant at a 0.1% level. The association is of medium strength — with Cramer's V = .341 (See SPSS Output 5 in the Appendix.).

The association between the gender of clients and their ownership of assets is statistical significant. Male clients do own, as hypothesized about, more assets than female clients. This apllies for the WEAI aggregation method, each newly developed ownership of assets dimension (business, home, communication and transportation) as well as the newly created *index of ownership of assets*. (See Hypothesis Testing 3.)

On the other hand, there is *no* significant association between whether women are clients or not – in none of the above described aggregation methods. *Women* with microfinance loans in our sample do *not* have significantly less asset ownership as compared to their female peers without MFI loans – as shown with regard to all the introduced approaches. (See Hypothesis Testing 3.)

Hypothesis Testing 3 Ownership of Assets

	Chi-Square	Cramer's V		H0
WEAI Approach (See SPSS Output 5 and SPSS Output 6.)				
H3.1 Female clients have *less* ownership of assets than male clients.	6.995**	.138	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
Index of Empowerment (IE) - Sub-Index for Business (See SPSS Output 7 and SPSS Output 8.)				
H3.1 Female clients have *less* ownership of (*business*) assets than male clients.	8.353**	.151	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of (*business*) assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
Index of Empowerment (IE) - Sub-Index for Home (See SPSS Output 9 and SPSS Output 10.)				
H3.1 Female clients have *less* ownership of (*home*) assets than male clients.	16.243***	.211	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of (*home*) assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
Index of Empowerment (IE) - Sub-Index for Communication (See SPSS Output 11 and 12.)				
H3.1 Female clients have *less* ownership of (*communication*) assets than male clients.	35.384***	.311	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of (*communication*) assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
Index of Empowerment (IE) - Sub-Index for Transportation (See SPSS Output 13 and 14.)				
H3.1 Female clients have *less* ownership of (*transportation*) assets than male clients.	36.781***	.317	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of (*transportation*) assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
Index of Empowerment (IE) - Index of Ownership of Assets (See SPSS Output 15 and 16.)				
H3.1 Female clients have *less* ownership of assets than male clients.	42.467***	.341	✔	H0 of no association can be rejected.
H3.2 Female clients have <u>*less*</u> ownership of assets than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.

* significant at a 5% level ** significant at a 1% level *** significant at a 0.1% level

6.4.2 Access to and Decisions on Credit

The second indicator for the dimension, "Access to Productive Resources" is "Access to and decisions on credit". It is operationalized with three questions regarding (i) if and from whom credits have been taken in the last 12 months by someone in the household, (ii) who made the decision to borrow and, (iii) who decides what to do with the money. The sources inquired about are, Microfinance Institution (MFIs), non-governmental organization (NGOs), formal lenders (like banks), informal lenders (like money lender) and friends or relatives. (See Box 15.)

Box 15 Access to and decisions on credit — Survey Questions, Items and Coding

Questions:	**Q22** Has anyone in your household taken any loans or borrowed cash/ in-kind from ... in the past 12 months? *(If yes)* **Q23** Who made the decision to borrow from...? **Q24** Who makes the decision about what to do with the money/ item borrowed from...?	
Items (Loan sources):	(a) Microfinance Institution (b) Non-governmental organization (c) Formal lender (bank etc.) (d) Informal lender (money lender) (e) Friends or relatives	
Coding:	**Q22** 1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No (Go to Q25.) 9 (D.K.)	**Q23-24** 0 Not applicable 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse 4 Other household member 5 Self & other household member 6 Partner/ spouse & other household member 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people

Source: (International Food Policy Research Institute (IFPRI) 2012: 4), questions C10, C11, C12.

The index “access to and decisions on credit” is calculated in the way suggested for the WEAI[520] – with an alteration due to our sample of microfinance clients and non-clients:

(1) For each loan source we calculate an indicator, which assumes the value “1” (for adequacy) if the individual makes at least one of the decisions – regarding whether to borrow and how to use the loan – alone or jointly.

(2) These five indicators are then aggregated. Like in the WEAI a person is regarded as adequately empowered with regard to credit, if he or she takes at least one credit decision jointly or alone with regard to one of the five types of loan sources.[521]

(3) No access to any loan source: Out of the 559 respondents only 5 had no credit in the last 12 month from any of the mentioned sources (bank, MFI, NGO, moneylender, friends/relatives). Out of these 5 respondents, 2 would have taken credit from MFIs if available; another 2 would have taken either from a bank or relatives if available. For these four (out of 5) respondents the „Access to and Decisions about Credit“ Index assumed the value „0“, indicating the deprivation with regard to access to credit - given that the respondents would have wanted to get credit from some of the sources in question. The one (out of 5) respondents who would not have taken more credit if available on the other is regarded as adequate in this access to credit indicator.

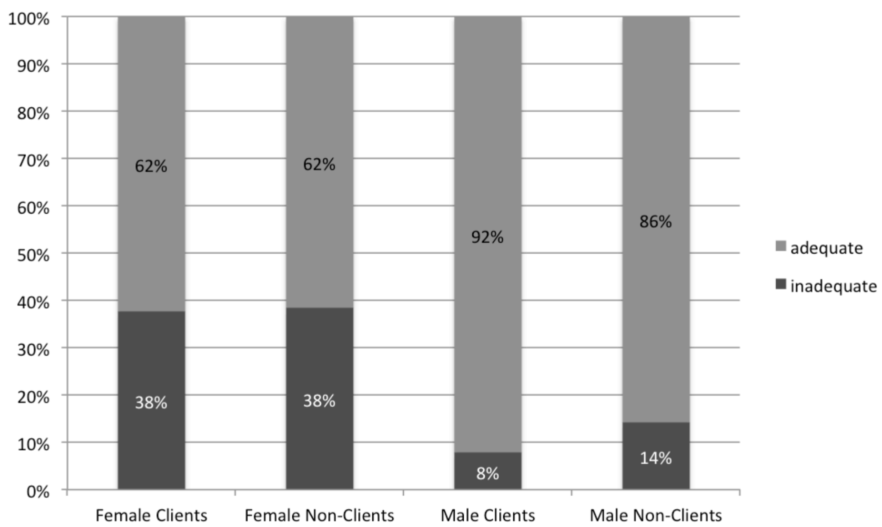
[520] Alkire et al. (2012: 29)

[521] One might think that including MFI loans into this indicator is not a good idea given the sample — of 50% female MFI clients, 25% female non-clients and 25% men — and that one of the research aims is comparing the empowerment level of female MFI clients and non-clients. Given the low cut-off point — as suggested for the WEAI — that means that a person from a household with a MFI loan, who took part in the decision-making about the MFI loan, is regarded as adequately empowered in the dimension of “access to and decisions on credit”. That of course means an “unfair advantage” for MFI clients, given that they — by definition — took a MFI loan. However it was decided to keep the indicator on access to and decisions on MFI loans for two reasons: First, the cases are small: there are only 26 respondents, in whose household a MFI credit was taken but no credit from any other source. Out of these 26 respondents, 19 were involved in decisions about the MFI credit (and hence are regarded as “adequate” in this indicator) and 7 were not (and hence are regarded as “inadequate” in this indicator). Second, if one excluded the MFI loan as an indicator, it would be difficult to decide how to perceive these 26 cases. Surely it would not be very meaningful to perceive households with an MFI loan as deprived in access to credit — especially in comparison to another household which in addition took a loan from an informal source like a moneylender or from friends and relatives. On the other hand if one perceives individuals in these household with only a MFI loan as “adequate”, valuable information would be lost — namely the answer to the questions if these individuals took part in the decision-making (which for 7 of them was not the case. Hence the decision to keep the MFI loan aspect in the calculation of the index as done in the WEAI.

Hypothesis 4 Access to and Decisions about Credit

H4.1 Female clients are *less* empowered regarding access to and decisions about credit than male clients.
H4.2 Female clients are *more* empowered regarding access to and decisions about credit than female non-clients.

Figure 52 Empowerment - Access to and Decisions on Credit - IE Sub-Index (=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The results — shown in Figure 52 — show a clear difference between credit disempowerment levels of men (8% of male clients, 14% of male non-clients) and women (38% for both female clients and non-clients). The strong difference between female clients and male clients is reflected in the crosstab statistics: $\chi^2(1) = 24.799, p < .001$

Chi-Square (with one degree of freedom) of 24.799 is strongly significant at a 0.1% level. The association is of medium strength with Cramer's V = .261 (SPSS Output 17.)
On the other hand, there is obviously no association between, whether a women is a client or not and her adequacy in our indicator on access to and decisions about credit.

Hypothesis Testing 4 Access to and Decisions about Credit

	Chi-Square	Cramer's V		H0
H4.1 Female clients are less empowered regarding access to and decisions about credit than male clients.	24.799***	.261	✔	H0 of no association can be rejected.
H4.2 Female clients are more empowered regarding access to and decisions about credit than female non-clients.	Not significant	—	✗	H0 of no association cannot be rejected.

* significant at a 5% level ** significant at a 1% level *** significant at a 0.1% level

6.5 Control over Use of Income

The empowerment dimension “income“ is operationalized by capturing control over the use of income. Decision-making in this area is measured with regard to (i) spending of agricultural and non-agricultural income and (ii) the extent to which the respondent feels he can make his own personal decisions with regard to major household expenditures. The decision-making with regard to agricultural income is separately polled for food crop farming, cash crop farming, livestock raising and fishing or fishpond culture. (See Box 16.) Similarly, decisions on non-agricultural income are independently asked about with regard to self-employment as well as wage and salary employment. The intention behind this elaborate way of inquiring into each income source separately is to not lose information about decision-making participation in some areas - even though on an aggregate level of income the respondent is not or only to a small extent involved in the decision-making. This is especially important given the intention of the WEAI to track changes in empowerment over time — hence the need for a sensitive measurement.[522]

[522] See Alkire et al. (2012: 29f).

Box 16 Control over Use of Income — Agriculture and Non-Agricultural Income— Survey Questions, Items and Coding

Questions:	**Q14** Did you (singular) participate in the following activities in the past 12 months (that is during the last [one/two] cropping seasons)? ***(If yes)*** **Q16** How much input did you have in decisions on the use of income generated from...?		
Items (Activities):	(a) Food crop farming (b) Cash crop farming (c) Livestock raising (d) Non-farm economic activities (e) Wage & salary employment (f) Fishing or fishpond culture		
Coding:	**Q14**	**Q15.**	
	1 Yes	0 Not applicable	
	2 No	1 No input	4 Input into most decisions
		2 Input into very few decisions	5 Input into all decisions
		3 Input into some decisions	6 No decision made

Source: (International Food Policy Research Institute (IFPRI) 2012: 2), questions B01 and B03.

There are two alterations from the WEAI methodology that have been made in the operationalization of the "income"-dimension of empowerment. First, there is the already mentioned addition of non-agriculture economic activities (in the dimensions production and resources). Given the research aims, the sample is not confined to clients, who are economically active as cash crop farmers (selling their products) or food crop farmers (using their products primarily for household consumption).[523] Hence, the alteration was made to include empowerment measurements for non-farm economic activities. Farm *labour* employment is also not captured in several WEAI agricultural indicators, given that a day-labourer has generally no say in decisions made with regard farming, which he is merely executing. However, all the required, equivalent non-agricultural measures are already included in the WEAI questionnaire. For this indicator "control over use of income" the same question (as for agricultural income) was posed with regard to non-farm economic activities as well as wage and salary employment (Q16 d and Q16 e).

[523] As has been shown the majority of our respondents work as farm labour (60% of ♀ clients, 56% of ♀ non-clients, 43% of ♂ clients, 54% of ♂ non-clients) as their main occupation; followed by non-farm labour as the main occupation (10% of ♀ clients, 9% of ♀ non-clients, 15% of ♂ clients, 18% of ♂ non-clients). Agriculture - as self-employed, both in the from of cash crop and food crop farming - is in our sample rather the exception than the rule as main occupation (only 8% of ♀ clients, 9% of ♀ non-clients, 12% of ♂ clients, 7% of ♂ non-clients).

Second, due to the same goal (of capturing empowerment also for non-agricultural economic activities) the two questions with regard to decision-making in the household regarding "own (singular) wage or salary employment" (Q36 g and Q37 g) have already been used (in the same way as the agricultural questions) in the area of decisions on production/ economic activities. To avoid using an indicator twice in the construction of the empowerment sub-indicators and to be consistent in the construction of these sub-indicators, the questions Q16 d and Q16 e (see former paragraph) have been used with regard to control over use of income. Given the scope of making personal decisions in household life (in the area of income usage) it was decided to stick with the major household expenditures (Q36 h) and not to take adequacy with regard to minor household expenditures (Q36 i) as sufficient for being empowered in the income dimension. (See Box 17.)

Box 17 Control over Use of Income — Extent of Making or Being Able to Make Own Personal Decisions — Survey Questions, Items and Coding

Questions:	**Q36.** When decisions are made regarding the following aspects of household life, who is it that normally takes the decision? **Q37.** To what extend do you feel you can make your own personal decisions regarding these aspects of household life if you want to?	
Items (aspects of household life):	(h) Major household expenditures? (like refrigerator) (i) Minor household expenditures? (food for daily consumption)	
Coding:	**Q36.** 1 Main male/ husband 2 Main female/ wife 3 Husband & wife jointly 4 Someone else in the household 5 Jointly with someone else inside the household 6 Jointly with someone else outside the household 7 Someone outside the household 9 Decision not made 0 D.K. / Refused	**Q37.** 1 Not at all *2 Small* *3 Medium extent* *4 To a high extent* *0 D.K. / Refused*

Source: (International Food Policy Research Institute (IFPRI) 2012: 6), questions G01 and G02.

The aggregation method and the cut-off point for the income dimension are equivalent to the WEAI. Respondents are regarded as adequately empowered if they have an achievement in at least one of the sub-indicators. The answer scale for the input dimension ranges from (1) no input, (2) input into very few decisions, (3) input into some decisions, (4) input into most decisions to (5) input into all decisions. (See Box 16.) People are adequately empowered if they have at least input into some decisions in the areas in which decisions are taken. The answer scale for the extent to which people feel they can participate in decisions on major household expenditures is (1) not at all, (2) small extent, (3) medium extent, (4) to a high extent. (See Box 17.) Respondents are regarded as adequately empowered when they perceive their scope for participation as being at least at a medium level.

Hypothesis 5 Control over Use of Income

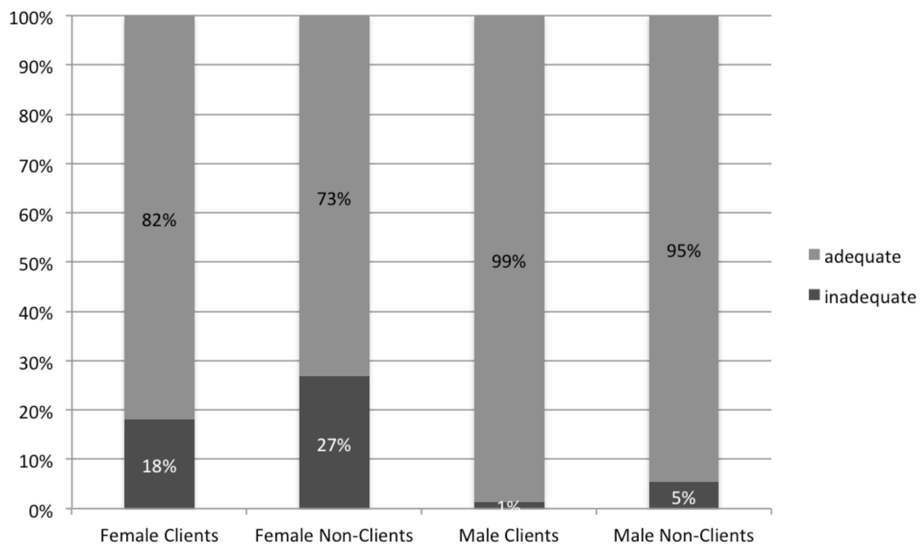
H5.1 Female clients have *less* control over use of income than male clients. H5.2 Female clients have *more* control over use of income than female non-clients.

The deprivation in empowerment with regard to the control over use of income shows a clear difference between women and men. Both for agricultural and non-agricultural income, the deprivation level for female clients and non-clients is between 52% and 63%, whereas it ranges between 6% and 24% for their male counterparts (See Figure 73, Figure 74, Figure 75 in the Appendix, which is a combined index for control over use of income for agricultural *and* non-agricultural income).

Women are less disempowered when it comes to major household expenditures. However their inadequacy level is between 24% (clients) and 35% (non-clients), while that of the men is much lower (See Figure 76).

The low requirement for adequacy (cut-off point: adequacy in only one sub-indicator) when aggregating for the index of “control over use of income” results in an index that resembles very much the sub-index on major expenditures, in which respondents perform best. It can be argued that there are good reasons to increase the required achievement to two sub-indicators. This way it would not be enough, if the spouse were merely included in the rare decisions on major expenditures, such as the purchase of a refrigerator. Instead, in the long run it is far more relevant if the respondent has (continuously) provided input in at least some decisions on the overall use of income from a specific income source, e.g. from wage labour or crop farming. However, to be as consistent as possible with the WEAI methodology the same cut-off point was used - where achievement in only one sub-indicator leads to adequacy in the income dimension.

Figure 53 Empowerment — Control over Use of Income — IE Sub-Index (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The data (as pictured in Figure 53) show a clear difference between credit disempowerment levels of men (8% of male clients, 14% of male non-clients) and women (38% for both female clients and non-clients). The strong difference between female clients and male clients is reflected in the crosstab statistics: $\chi^2(1) = 13.484, p < .001$

Chi-Square (with one degree of freedom) of 13.484 is significant at a 0.1% level. The strength of this association is however weak (but short below the medium strength threshold of 0.2) with Cramer's V = .192 (See SPSS Output 19.)

This leads to the conclusion, as usual, with the question, whether there is a significant difference between female clients and female non-clients. Yes, there is a statistically significant association between whether or not women are clients and their control over the use of income. $\chi^2(1) = 4.402, p < .05$

Chi-Square (with one degree of freedom) of 4.402 is significant at a 5% level. The strength of this association is however weak with Cramer's V = .102 (See SPSS Output 20 in the Appendix.).

Hypothesis Testing 5 Control over Use of Income

	Chi-Square	Cramer's V		H0
H5.1 Female clients have *less* control over use of income than male clients.	13.484***	.192	✔	H0 of no association can be rejected.
H5.2 Female clients have *more* control over use of income than female non-clients.	4.402*	.102	✔	H0 of no association can be rejected.

* significant at a 5% level   ** significant at a 1% level   *** significant at a 0.1% level

6.6 Community Leadership

Leadership, most broadly defined, is the ability to lead or the action of leading. In their comprehensive survey of definitions Bass and Stogdill find that leadership is generally, conceptualised "as the focus of group processes, as a personality attribute, as the art of inducing compliance, as an exercise of influence, as a particular kind of act, as a form of persuasion, as a power relation, as an instrument in the attainment of goals, as an effect of interaction, as a differentiated role, and as the initiation of structure."[524] As a complex but widely applicable definition they see "effective leadership as the interaction among members of a group that initiates and maintains improved expectations and the competence of the group to solve problems or to attain goals."[525] The focus on the group dimension in this definition, as well as, its reference to improved expectations *and* their implementation through group action is core to a conceptualisation of empowerment, which draws on the capability approach.

[524] Bass and Stogdill (1990: 20)
[525] Bass and Stogdill (1990: 20)

6.6.1 Group Membership

Empowerment, with regard to leadership - in its group-focused conceptualisation - is operationalized through the indicators of group membership and the ability to speak up in public settings. Voluntary membership in a group has the potential of being empowering in itself. Noteworthy exceptions, e.g. oppressive sects, prove the rule. This empowering potential of group membership has been theorized in terms of "social capital". Bourdieu provided one of the pioneering contemporary inquiries into this phenomenon and defined it as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition".[526] For Bourdieu, social networks and groups are not a "natural given", but have to be constructed actively and are done so for instrumental reasons[527] - "the profits which accrue from membership in a group are the basis of the solidarity which makes them possible".[528] This instrumental view also underlines that group membership does not automatically translate into trust, cooperation and (a functioning) network - the dimensions, along which the economist Martin Paldam localises three families of social capital concepts.[529]

Box 18 Group Membership — Survey Questions, Items and Coding

Questions:	**Q32** Is there a ... in your community? ***(If yes)*** **Q33** Are you an active member of this...?

[526] Bourdieu (1980) in Richardson (ed. 1986: 248)
[527] See Portes (1998: 3)
[528] Bourdieu (1980) in Richardson (ed. 1986: 249)
A rational-choice type of argumentation, worth examining in the context of self-help-groups and microfinance groups - especially when regarding „profits" in the broad sense of the term, also embracing e.g. emotional profits.
[529] Paldam (2000)

Items (Groups):	(a) Agricultural / livestock/ fisheries producer's group (incl. marketing groups) (b) Water users' group (c) Forest users' group (d) Credit or microfinance group (e) Mutual help or insurance group (including burial societies) (f) Trade and business association (g) Civic group (improving community) or charitable group (helping others) (h) Local government (i) Religious group (k) Other women's group (only if it does not fit into other categories)
Coding:	**Q32 and Q33** 1 Yes 2 No

Source: (International Food Policy Research Institute (IFPRI) 2012: 5), questions E06A and E06.

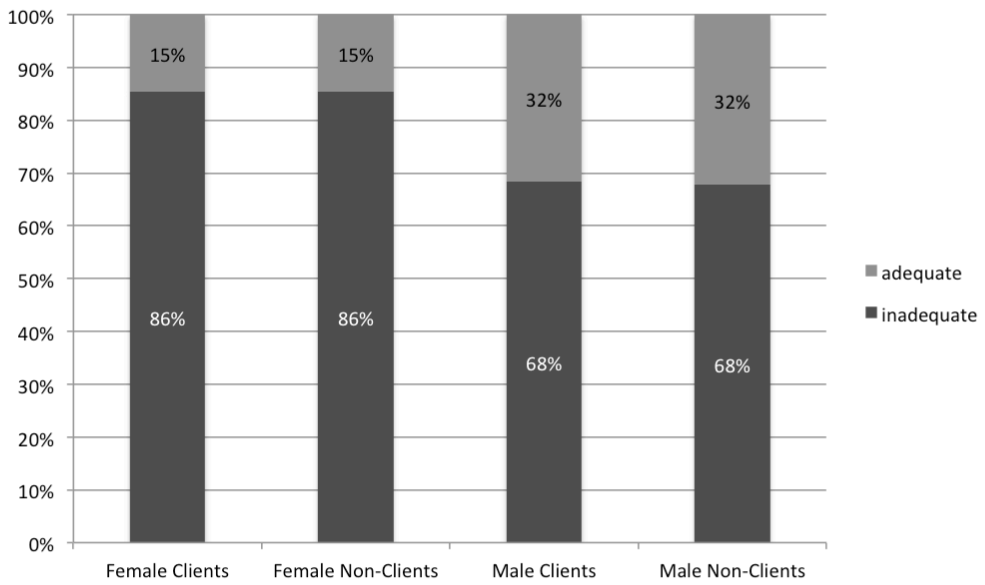
The groups in question in the largely rural setting of Andhra Pradesh range from groups within the realm of agriculture (producers´ and marketing groups, water users´, forest users´ groups), business (trade and business associations), society (mutual help or insurance groups, civic and charitable groups, women´s group), politics (local government) as well as religion. The same cut-off point is applied in that every respondent who is a member of at least one group, is regarded as adequately empowered in this indicator. However, given the focus of the study and sample it is not reasonable to include - as in the WEAI - active membership in a credit or microfinance group. This would mean, by definition that all (female and male) clients (defined as having taken a microfinance loan in the last 5 years) and who are still active in a MFI group, would assume the value "1" for adequacy in this indicator.

Hypothesis 6 Group Membership

H6.1 Female clients are *less* empowered with regard to group membership than male clients.

H6.2 Female clients are *more* empowered with regard to group membership than female non-clients.

Figure 54 Empowerment — Group Membership — IE Sub-Index (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The results of the sub-indicator „group membership" are shown in Figure 54. A difference in empowerment levels between men (both male clients and non-clients with 68%) and women (both female clients and non-clients with 86%) emerges and is confirmed by the crosstab statistics: $\chi^2(1) = 11.804, p < .01$

Chi-Square (with one degree of freedom) of 11.804 is significant at a 1% level.[530] The strength of this association is weak with Cramer's V = .180 (See SPSS Output 21.)

To state the obvious: there is *no* association between whether or not women are clients and their group membership. (See SPSS Output 22.)

Hypothesis Testing 6 Group Membership

	Chi-Square	Cramer's V		H0
H6.1 Female clients are *less* empowered with regard to group membership than male clients.	11.804**	.180	✔	H0 of no association can be rejected.
H6.2 Female clients are *more* empowered with regard to group membership than female non-clients.	Not significant	—	✗	H0 of no association cannot be rejected.

* significant at a 5% level ** significant at a 1% level *** significant at a 0.1% level

[530] Actually the (2-sided) Asymptotic Significance is exactly 0.001 and hence not *below* 0.001.

6.6.2 Speaking in Public

The second sub-indicator in the leadership dimension of empowerment is "speaking in public". In his book "The Argumentative Indian", Amartya Sen traces the long tradition of public debate in India and argues that it plays an important role in the success of India´s secular democracy.[531] The high achievement levels not only for men (96% for male clients and 95% for male non-clients) but also for women (88% for female clients and 86% for female clients) seem to confirm this argumentativeness (see Figure 55 and the more detailed visualisation in Figure 77). Especially given that the questions were not about trivial decisions. People were asked in how far, they feel comfortable speaking up in public (i) to help decide on infrastructure (like roads, wells and water supply), (ii) to ensure proper payment of wages for public work programs and (iii) to protest the misbehaviour of authorities or elected officials. The answer scale is (1) No, not at all comfortable, (2) Yes, but with a great deal of difficulty, (3) Yes, with a little difficulty, (4) Yes, fairly comfortable and (5) Yes, very comfortable.

Box 19 Speaking in Public — Survey Questions, Items and Coding

Questions:	**Q29** Do you feel comfortable speaking up in public to help decide on infrastructure (like small wells, roads, water supplies) to be built in your community?
	Q30 Do you feel comfortable speaking up in public to ensure proper payment of wages for public works or other similar programs?
	Q31 Do you feel comfortable speaking up in public to protest the misbehavior of authorities or elected officials?
Coding:	**Q29-31** 1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty 4 Yes, fairly comfortable 5 Yes, very comfortable

Source: (International Food Policy Research Institute (IFPRI) 2012: 5), questions E02A-C.

[531] Sen (2005)

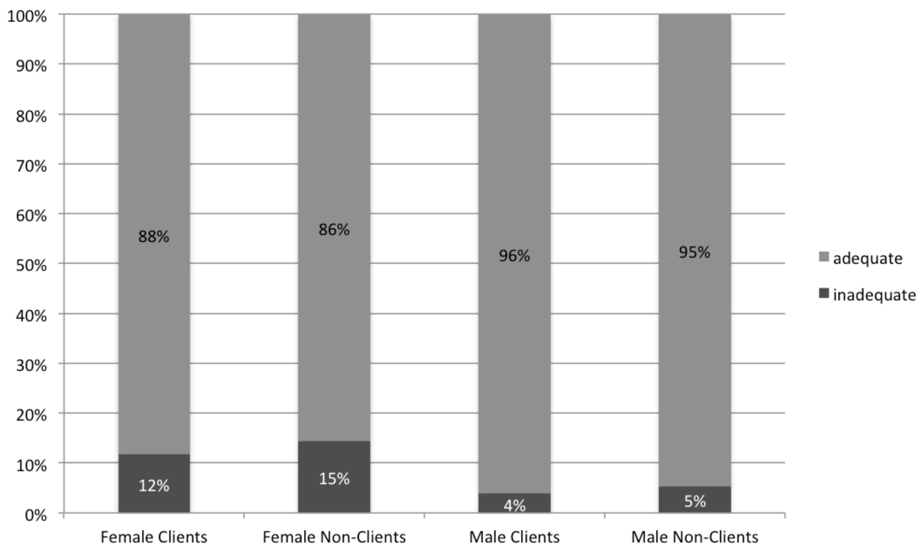
Hypothesis 7 Speaking in Public

H7.1 Female clients are *less* empowered with regard to speaking in public than male clients.

H7.2 Female clients are *more* empowered with regard to speaking in public than female non-clients.

The analysis, once again, shows a clear difference between women and men. With around 13% of female clients, who are not at all comfortable speaking up in public (with regard to any of the three aspects), around 16% of female non-clients versus 4% to 7% of male clients and non-clients. One would expect that protesting against the misbehaviour of authorities is more difficult for people than to help decide about local infrastructure. That also shows most clearly between the answer categories "yes, with a great deal of difficulty" and the next category "yes, but with a little difficulty".

Figure 55 Empowerment — Speaking in Public — IE Sub-Index (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The results of the sub-indicator "speaking in public" are shown in Figure 55. A difference in empowerment levels between men (4% male clients and 5% male non-clients) and women (12% female clients and 15% female non-clients) emerges. When cross-tabulating female and male clients in this indicator this difference is confirmed: $\chi^2(1) = 4.037, p < .05$

Chi-Square (with one degree of freedom) of 4.037 is significant at a 5% level. The strength of this association is however weak with Cramer's V = .105 (SPSS Output 23.)

As suspected, when looking at Figure 55: there is _no_ association between whether or not women are clients and their empowerment with regard to speaking in public. (SPSS Output 24.)

Hypothesis Testing 7 Speaking in Public

	Chi-Square	Cramer's V		H0
H7.1 Female clients are less empowered with regard to speaking in public than male clients.	4.037*	.105	✔	H0 of no association can be rejected.
H7.2 Female clients are more empowered with regard to speaking in public than female non-clients.	Not significant	—	✗	H0 of no association cannot be rejected.

* significant at a 5% level   ** significant at a 1% level   *** significant at a 0.1% level

6.7 Time Allocation

6.7.1 Workload

Work - be it in form of employment, self-employment or unpaid household and care labour – constitutes, for the vast majority of people, the most time-consuming activity. Workload can be regarded as a core measure for empowerment. If the workload – especially in non-paid or low paid areas like household work, care work, day labourer or petty agricultural work – consumes most of one´s time and energy – it becomes difficult to seek other capabilities to secure better (paid) work in the future. Given the difficulty for people to calculate their overall workload even for the last day, it makes sense to use time diaries, for which the respondents are asked to note or report in rather short intervals what they have been doing since their last entry/ report. However, due to time and cost considerations, a recall e.g. of the time spent in the last day might also fulfil the purpose - and is feasible in a one-off interview setting.

The detailed recall takes place in form of a conversation with the respondent. Questions include, "When did you get up yesterday? What did you do first thing in the morning? How long did this take you? What did you do next? ....". The answers are coded in 15 minute slots, in order to calculate the overall workload.

Box 20 Workload — Survey Questions, Items and Coding

Questions:	**Q46** We are interested in how you spent your time yesterday. Tell us till when you slept and what activities you did from when till when. **Q47** Was yesterday a holiday or nonworking day?	
Note:	The information about the activities in the last day are retrieved in form of a conversation, e.g. "when did you get up yesterday", "what did you do first thing in the morning", "how long did this take", "what did you do next", ... The answers are coded for each 15 minute interval of the 24 hours. For further details see the interviewer instructions in the questionnaire and the manual, which was used for the interviewer training. (See Appendix.)	
Coding (activity):	**Q46** 1 Sleeping and resting 2 Eating and drinking 3 Personal care 4 School (also homework) 5 Work as employed 6 Own business work 7 Farming/ livestock/ fishing 10 Shopping/getting service (including health services) 11 Weaving, sewing, textile care 12 Cooking 13 Domestic work (including fetching wood and water) 14 Care for children/ adults/ elderly 16 Travelling and commuting 17 Watching TV/ listening to radio/ reading 20 Exercising 21 Social activities and hobbies 23 Religious activities 24 Other, specify...	**Q47** 1 Yes 2 No

Source: (International Food Policy Research Institute (IFPRI) 2012: 5), questions E02A-C.

The coding system is comprehensive and includes

(i) personal activities such as sleeping, eating and personal care;

(ii) working - employed, in own business, farming/ livestock/ fishing, weaving/ sewing/ textile care;

(iii) domestic work;

(iv) care for children/ adults/ elderly;
(v) shopping/ getting service (including health services);
(vi) travelling and commuting;
(vii) leisure activities such as watching TV/ listening to the radio/ reading, social activities and hobbies, exercising and religious activities. (See Box 20.)

Work-related tasks - for the purpose of calculating the workload - include (ii) working, (iii) domestic work, (iv) care work, (v) shopping/ getting services and (vi) travelling/ commuting. As for the calculation of the empowerment index, respondents are considered "inadequate" with regard to workload, if they worked 10,5 hours or more in the last day.

In the WEAI implementation of this time log, respondents could indicate a secondary activity. The given example is listening to the radio/ watching TV as a secondary activity while sleeping/ resting or while eating. However, even if - unlike in the chosen examples - the two parallel activities are not in the same realm (in this case: non-work related activities), that means one is work-related and the other is not, it is unlikely that the non-work activity would be stated as the main activity. To make this clearer: It is unlikely that a women who engages in weaving for a living, would state listening to the radio as the main activity and weaving as the (parallel) secondary activity. Therefore, only the main activities were coded.

Another potentially more problematic issue would be, if for many respondents the day before the interview has been a holiday and therefore not an appropriate representation for the workload during a normal working day. This issue has been tackled by making sure that interviews were not conducted the day after a known (local) holiday and by asking if the day before the interview was "a holiday or a non-working day". Alkire[532] and her colleagues suggest that around 25% of the sample might be lost, if those respondents have to be dropped for whom the day before the interview was a non-working day or holiday. In the current sample it is, however, only 2,5% (14 observations) for whom the day before the interview was a nonworking day or holiday.

[532] Alkire et al. (2012: 32)

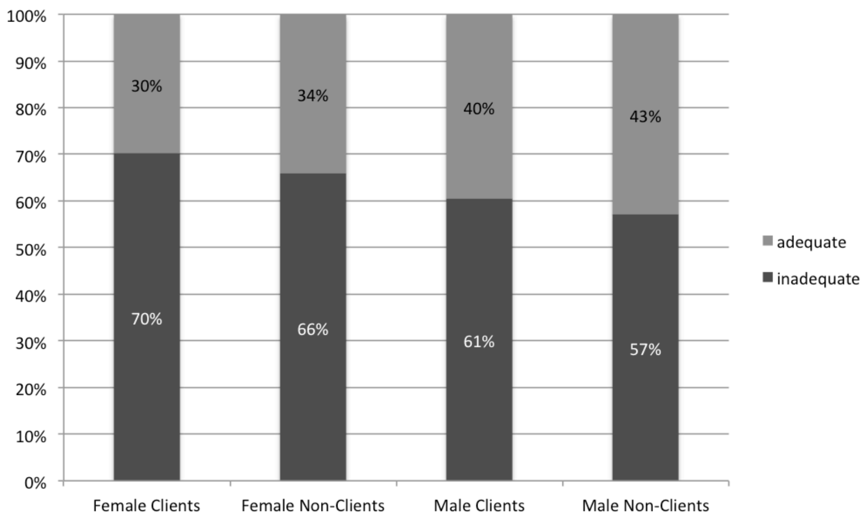
These cases are marked in the time-log overview provided in the appendix for female clients and male clients.

Hypothesis 8 Workload

H8.1 Female clients are *less* empowered with regard to workload than male clients.
H8.2 Female clients are *more* empowered with regard to workload than female non-clients.

The data as depicted in Figure 56 suggest a slight difference in deprivation in empowerment with regard to the workload between men (clients 61%, non-clients 57%) and women (clients 70%, non-clients 66%). However, this difference is not statistically significant given the conventional minimal required statistical significance level of 5%. (See SPSS Output 25.) This is – after the indicator "autonomy in production" – the second of the empowerment indicators, for which we do not find a statistically significant difference between female clients and male clients.

Figure 56 Empowerment — Workload — IE Sub-Index (N=559)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

There is also *no* association between whether or not women are clients and their adequacy with regard to workload. (See SPSS Output 26.)

Hypothesis Testing 8 Workload

	Chi-Square	Cramer's V		H0
H8.1 Female clients are *less* empowered with regard to workload than male clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.
H8.2 Female clients are *more* empowered with regard to workload than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.

6.7.2 Leisure Time

This indicator aims at capturing the satisfaction with available leisure time. A show card with a ladder (see questionnaire in the appendix) was used to illustrate the scale from “not satisfied” (1) to “very satisfied” (10). The question wording ends with, “If you are neither satisfied or dissatisfied this would be in the middle or 5 on the scale.” This wording has been adopted from the WEAI questionnaire. In the application for this survey - and this is likely to be a general tendency - it has the effect that there is a peak at value 5 given that respondents tend to opt for the “secure middle”. Given this identification of the value 5 with the neutral middle, one can justify the chosen cut-off point. In the WEAI people who indicated 5 or higher as their leisure time satisfaction level, are regarded as adequately empowered in this indicator. The idea behind this is that only those who explicitly state - even a small - dissatisfaction with the available leisure time are inadequately empowered and not those who are merely indifferent.

Box 21 Leisure Time — Survey Questions, Items and Coding

Questions:	**Q48** How satisfied are you with your available time for leisure activities like visiting neighbours, watching TV, listening to the radio, seeing movies or doing sports? (Show Card Ladder.) Please give your opinion on a scale of 1 to 10. 1 means you are not satisfied and 10 means you are very satisfied. If you are neither satisfied or dissatisfied this would be in the middle or 5 on the scale.
Coding:	Not satisfied ... Very satisfied 1 2 3 4 5 6 7 8 9 10

Source: (International Food Policy Research Institute (IFPRI) 2012: 10), question F04B.

An alternative would be to mark the middle of the show ladder (between 5 and 6), to add labels like “rather dissatisfied” to the value 5 and accordingly “rather satisfied” to the value 6. Thus, the scale would be equally divided and would regard all respondents with values between 1 and 5, as inadequate and all with values between 5 and 10, as adequate in this indicator. Of course there is an extensive and unresolved debate in the literature if one should “force” respondents – by not giving them the option of a neutral middle – to take a stand. This surely can only be decided according to the measurement aim of the particular question, the surveyed population and its socio-cultural context. However, not least for the sake of consistence, the original WEAI wording, construction of the scale, as well as the cut-off point, were retained.

It is necessary to keep in mind that, subjective indicators like satisfaction with leisure time, refer not only to actual achievements but also depend on the respondent´s frame of reference. Men just might expect to have more leisure time than their female counterparts given the cultural norms and traditions and hence might be more dissatisfied with their available leisure time than their female counterparts with the same amount of leisure time at hand. The same applies to different class, caste or educational groups. Do to *adaptive preferences*, comparisons between for example men and women or across different cultures are therefore problematic, as Alkire at al.[533] point out.

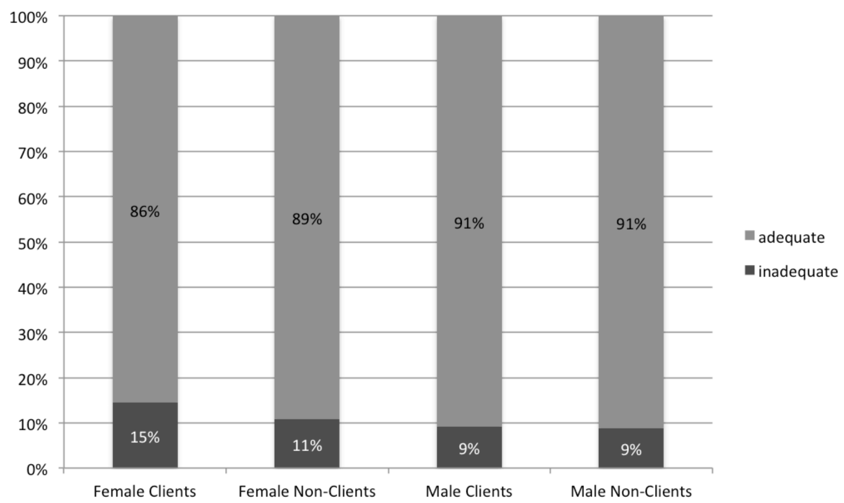
Hypothesis 9 Leisure Time

H9.1 Female clients are *less* empowered with regard to leisure time than male clients.
H9.2 Female clients are *more* empowered with regard to leisure time than female non-clients.

As Figure 57 suggests, there is *no* association between the gender of clients (female versus male clients) and their adequacy with regard to leisure time. That means for the third (out of nine) empowerment indicators we do not find a statistically significant difference between female clients and male clients. (See SPSS Output 27.) There is also *no* association between whether or not women are clients and their adequacy with regard to leisure time. (See SPSS Output 28.)

Figure 57 Empowerment — Leisure — IE Sub-Index (N=559)

[533] Alkire et al. (2012: 32)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Hypothesis Testing 9 Leisure Time

	Chi-Square	Cramer's V		H0
H9.1 Female clients are less empowered with regard to leisure time than male clients.	Not significant	—	✗	H0 of no association cannot be rejected.
H9.2 Female clients are more empowered with regard to leisure time than female non-clients.	Not significant	—	✗	H0 of no association cannot be rejected.

6.8 Index of Empowerment

6.8.1 Computation

Computing the *index of empowerment* (IE) follows the procedure developed for the WEAI. First, the IE inadequacy score is calculated for each individual by summing the weighted inadequacies from all 10 indicators.[534]

Equation 1 Index of Empowerment (IE) inadequacy score c_i [535]

$$c_i = w_1 I_1 + w_2 I_2 + ... + w_d I_d$$

where $I_i = 1$ if the individual has an inadequate achievement in indicator i and

$I_i = 0$ if the individual has an adequate achievement in indicator i, and

w_i is the weight applied to indicator i with $\sum_{i=1}^{d} w_i = 1$.

Given the binary values of the ten indicators (either 0 or 1) and the weight of 0.1 for each indicator the values of the IE inadequacy score c_i can range from 0 to 1.

Second, for determining who should be regarded as disempowered, a cut-off point has to be set. Here the threshold suggested by Alkire et altera is followed.[536] It defines each individual, who has an inadequacy score c_i higher than 20% as disempowered.[537] It sounds like a rigid demand – that only individuals with achievements in 4/5 (that is 8 out of 10) of the indicators are regarded as empowered.[538] However, one has to keep in mind that the main aim of the WEAI is to enable scholars to track change in the empowerment levels of women. Alkire at al. emphasise that therefore "it was important to establish a cut-off that would result in baseline indexes that would allow for reasonable scope for improvement: too high a disempowerment cut-off could result in

[534] For this all ten indicators (which were binary coded as 0=inadequate and 1=adequate) are recoded as 1=inadequate and 0=adequate.
[535] This formula and all the following formulas regarding the calculating of the WEAI (or in our case the IE) are follow Alkire et al. (2012: 33 ff.)
[536] Alkire et al. (2012: 33)
[537] Given the construction of the inadequacy score — with can only assume values between 0 and 1 in 0.1 steps — one could equally say an individual with an inadequacy score of 30% or higher is regarded as disempowered.
[538] However, one can argue that the cut-off points for several of the indicators are rather weak. For a discussion of each indicator´s cut-off point see the respective paragraphs before.

too few individuals´ being classified as disempowered (and potentially with very little room for improvement); too low a cut-off might suggest that it is too easy to achieve empowerment, resulting in an indicator with very little sensitivity."[539] The main aim of applying such a complex empowerment measurement in this study is to test if there is a measurable difference in empowerment levels – not only between men and women – but also between female clients and female non-clients.

However, using a "hard" cut-off point is not unproblematic. Using two hard cut-off points – like in the WEAI or the prominent multidimensional poverty index (MPI) – might appear as a twofold arbitrariness, opening the doors to "manipulate" the findings by choosing the cut-off points accordingly.[540] However, here the decision was taken to follow the cut-off points of the WEAI, which have been tested for their sensitiveness.

Third, all individuals whose inadequacy score is lower or equal to the cut-off point of 20%, get assigned the value 0 in a new variable, which is called the „censored inadequacy score" $c_i(k)$.[541] This variable is used to calculate the "censored headcount", which is "censored" because it does not take into account the inadequacies (of up to 20%) of those, who are identified as overall empowered (that is they have an inadequacy score of 20% or less).

The *disempowered group headcount ratio* H_g — which in this study refers to each subgroup (female clients, female non-clients, male clients, male non-clients) — has the formula (along the lines of the WEAI[542]):

Equation 2 Disempowered Group Headcount Ratio H_g

---

[539] Alkire et al. (2012: 34)
[540] A promising approach to deal with this issue is to apply fuzzy logic. The basic idea of fuzzy logic is that the binary corset in which variables are often forced into (like false or true — or to stay with our issue at hand: empowered or disempowered), can be more misleading than insightful. Fuzzy logic makes a stand against this fixed and (alleged) exact logic and advocates approximate measures. Instead of 0 or 1 a variable might take a value between 0 and 1. An up to date account of applying fuzzy logic to the calculation of multidimensional poverty measurements is provided in this edited volume: Lemmi (ed. 2010)
[541] The rational for this step is explained in Alkire and Foster (2011) and Alkire et al. (2011).
[542] Alkire et al. (2012: 34)

$$H_g = \frac{q_g}{n_g}$$

where q_g is the absolute number of individuals who are disempowered within one (of the four) groups (female clients, female non-clients, male clients, male non-clients) and

n_g is the total number of observations in this group.

The *intensity of group disempowerment* A_g indicates how disempowered the individuals in one group are on average — or in other words their „average proportion of (weighted) inadequacies“[543]. Its formula (along the lines of the WEAI[544]) is:

Equation 3 Intensity of Group Disempowerment A_g

$$A_g = \frac{\sum_{i=1}^{n_g} c_i(k)}{q_g}$$

where $c_i(k)$ is the censored inadequacy score of individual i within one group and

n_g is the total number of observations in this group and

q_g is the number of disempowered individuals in this group.

Finally, the index of empowerment (IE) for the survey's groups is denoted as M_{0_g} and is calculated (along the lines of the WEAI[545]) in the following way:

Equation 4 Index of Empowerment (IE)

[543] Alkire et al. (2012: 34)
[544] Alkire et al. (2012: 34)
[545] Alkire et al. (2012: 34)

$$M_{0_g} = H_g \times A_g$$

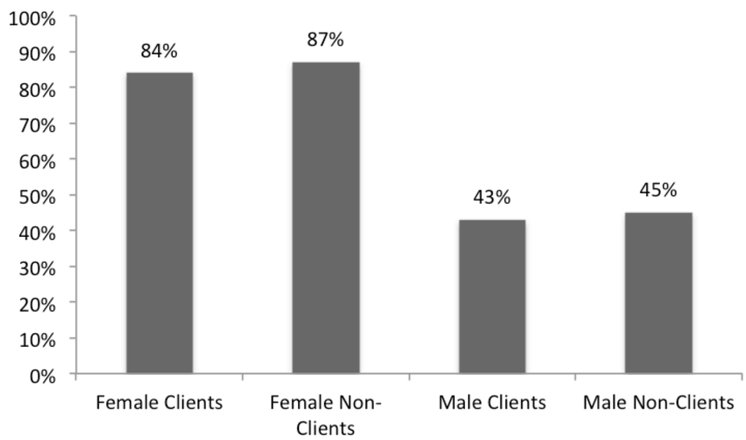
6.8.2 Findings

Hypothesis 10 Main Hypotheses

The results of the *disempowered group headcount ratio* H_g are shown in Figure 58. As one can see, there is a major difference in the empowerment between women and men — with around 8 to 9 out of 10 women being disempowered in contrast to more than every second men being empowered.

H10.1 Female clients are *less* empowered than male clients. H10.2 Female clients are *more* empowered than female non-clients.

Figure 58 Index of Empowerment (IE) — Disempowered Headcount, by Group



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

The crosstab statistics confirm the strong difference between female clients and male clients: $\chi^2(1) = 52.648, p < .001$

Chi-Square (with one degree of freedom) of 52.648 is strongly significant at a 0.01% level. The association is of (upper) medium strength — with Cramer's V = .380 (See SPSS Output 29.)

For the research aims of this study, what is even more interesting, is the question whether there is a significant difference in empowerment between female clients and female non-clients. However, as one might expect — given that this difference was found to be significant in only a few of the indicators — there is *no* association between whether or not women are clients and their overall empowerment level as measured by the *Index of Empowerment* (IE), which followed the WEAI in most aspects. (See SPSS Output 30.)

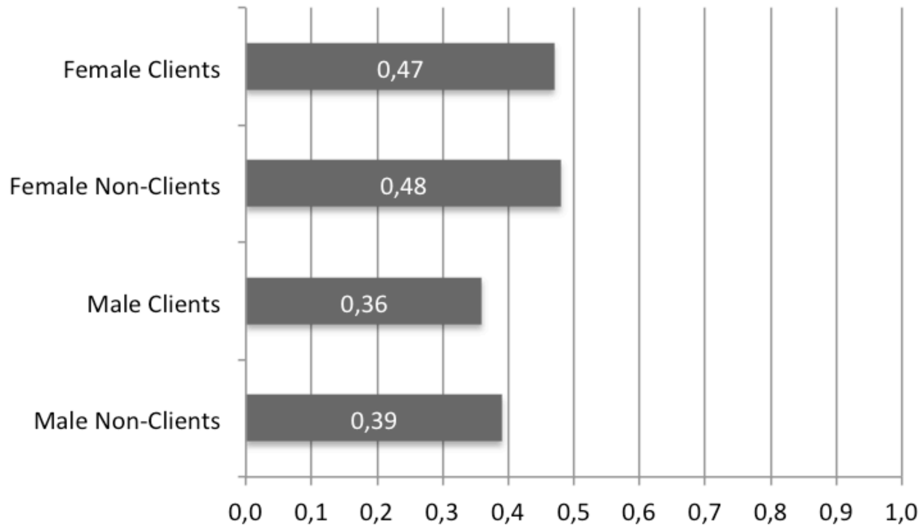
Hypothesis Testing 10 Index of Empowerment (IE) Headcount

	Chi-Square	Cramer's V		H0
H10.1 Female clients are *less* empowered than male clients.	52.648***	.380	✔	H0 of no association can be rejected.
H10.2 Female clients are more empowered than female non-clients.	Not significant	—	✗	H0 of no association <u>cannot</u> be rejected.

* significant at a 5% level ** significant at a 1% level *** significant at a 0.1% level

The *intensity of disempowerment* shows how severe the inadequacies of the individuals in each group are on average. The results show that there are not only far more disempowered women, but that the inadequacies of those disempowered women are on average much more severe (0,51 for female clients and 0,52 for female non-clients) than those of their male counterparts (0,37 for male clients and 0,4 for male non-clients).

Figure 59 Index of Empowerment (IE) — Average Inadequacy Score, by Group



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Figure 60 Index of Empowerment (IE) — Disempowered Headcount, Average Inadequacy Score, Disempowerment Index — by Group

	Disempowered Headcount (H)	Average inadequacy score (A)	Disempowerment Index (M)
Female Clients	84%	0,47	0,395
Female Non-Clients	87%	0,48	0,418
Male Clients	43%	0,36	0,155
Male Non-Clients	45%	0,39	0,176

Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Given the discussion about the adequacy of some of the indicators for measuring the disempowerment levels between clients and non-clients (especially those actually measuring economic aspects like assets) it does not come as a total surprise that the *disempowerment index* (M) – while showing a clear difference between the genders – does *not* show a significant difference between clients and non-clients within the gender groups.

6.9 Conclusion: Clients are More Empowered than Non-Clients with regard to Decision-Making

Empowerment is multidimensional as has been argued. However, the question remains whether sophisticated *multidimensional* empowerment measurements like the *Women´s Empowerment in Agricultural Index* (WEAI) are applicable and insightful for the measurement of empowerment levels of female clients versus female non-clients. This was illustrated by testing two main hypotheses. First, was the hypothesis that female clients are *less* empowered than male clients and second, the hypothesis that female clients are *more* empowered than female non-clients.

Most *Microfinance Institutions* (MFIs) claim that women´s empowerment is one of their main objectives – normally directly after the goal of increasing access to financial services, poverty reduction and employment generation or enterprise improvement. Furthermore, the meetings of MFI *joint-liability-groups*, *self-help-groups* (SHG) and SHG-federation meetings (experienced by the author several times in Tamil Nadu and Andhra Pradesh) seemed to corroborate the anecdotic evidence that Indian microfinance also enhances the voice of its (mainly female) clients.

Given the focus of the WEAI on women *in agriculture*, the chapter explained in detail why additional questions about *non-agricultural* work (from the WEAI) were utilized and what adjustments to the indicator aggregation were necessary to include the majority of respondents who at least partly have *wage* (or salary) employment. A full account of the main economic activities of the people in the sample was given, showing that *wage labour* (both in agriculture and non-agriculture) is the main activity followed by non-farm economic activities, food crop farming, livestock raising and lastly, cash-crop farming.

Production decision-making as the first out of five implemented empowerment dimensions was operationalized as (i) input in productive decisions and (ii) autonomy in production. The input in productive decisions indicator is composed by inquiring into the extent the person participated in decision-making with regard to six production areas (including both agricultural and non- agricultural work), and the inquiry whether one could have participated if he or she had wanted to. This is a better way of measuring decision-making than only taking into account the actual decisions taken (or in the terminology of the capability approach, the *achieved functionings*). The probe whether people could have participated if wanted, inquires into their (self-perceived) capability set. Therefore, less people are attributed as deprived, given that people chose e.g. not to get involved in household finances taken care by the partner, but feel that they could take part in the decision-making if they had wanted to.

The findings with regard to the two overall hypotheses, applied to the first dimension of input in productive decisions are the following. There is a statistically significant association (with / of medium strength) between the gender of clients and their input in productive decisions. In other words, male clients have more of a say in the decision-making regarding production. This would be expected in a male dominated society like rural Andhra Pradesh. There is also a statistically significant association (with /of weak strength) between whether or not women are clients and their input in productive decisions. In other words, female clients are more empowered with regard to production decision-making than female non-clients.

It has been repeatedly stated that this does <u>not</u> imply any causality between microfinance and empowerment. This can only be rigorously tested with an experimental design as applied in *randomized control trials* (RCTs). However, the empirical research in this thesis has shown that <u>there is a significant association in the theoretically hypothesized direction</u>. Female clients were expected to have higher empowerment levels (in this case with regard to decision making) — be it through self-selection (of the already more empowered) or the improved status in the household due to their role as MFI clients being (in the first place officially) in charge of an important financial source. These expectations were confirmed by the data.

Autonomy in production, the second indicator for production decision-making, is a comprehensive measure that aims at capturing to what extent different motivations – from external (coercion) and introjected (trying to please) to identified (own values) – determine the actions of the respondents. The composition of the *relative autonomy index* (RAI) allows for registering that, in reality, most decisions and actions are a mélange of different motivations. The three motivational types (coercion, trying to please and own values) were therefore inquired into for each of the ten decision areas in the form of scales. The three different motivations were then weighted and combined into the *relative autonomy index* (RAI).

However, the results do not show a clear picture. There is *no* statistically significant association neither with regard to female clients versus male clients nor with regard to female clients versus female non-clients. The WEAI team mentioned the problem that it was not possible to find a (expected) negative correlation between coercion and trying to please on the one hand and own values on the other hand, in all pilot studies. The data regarding these RAI indicators also imply that the questions were not understood as intended. (For an overview over the potential *Error Types in Survey Research* see Box 22 in the Appendix.) While asking about actions based on "own values" with regard to family planning might be plausible (despite the social pressure inherent in this area), it might be quite abstract to ask whether actions with regard to agricultural decisions (like what to grow, when and who should bring the crop to the market) are more driven by coercion, introjection or identification with the task. Often these activities might just be seen as necessities that had to be done. Hence it is argued that the *relative autonomy index* (RAI), as implemented in the WEAI, is problematic in a setting like rural South India and might not appropriately capture the complex idea of autonomy in production.

Access to productive resources (the second out of five implemented empowerment dimensions) has two indicators: (i) ownership of assets and, (ii) access and decisions on credit. Ownership of assets is the only of nine indicators, where the second hypothesis is formulated the other way round, in other words, that female clients have *less ownership* of assets than female non-clients. The reason for this is of course that we expect clients (in general) to be poorer than non-clients. This is due to the declared aim of MFIs to target the poor, but more importantly because better-off household tend to have access to other formal financial services at better terms (regarding costs and effort — no group meetings). Assets are a classic indicator for economic development. Hence while one would expect men (in this case male clients) in rural Andhra Pradesh to have more (individual or joined) ownership of assets than women; it seems sensible to expect (poorer) female clients to fare less well on a classic economic measure, like asset ownership than (presumably better-off) female non-clients.

The aggregation method of regarding a person as adequately empowered if she or he has adequate ownership, is merely one of the major asset categories that have been criticized in this chapter. While the WEAI aggregation method leads to very low *inadequacy* levels for most respondents (0% of male non-clients, 11% of male clients, 20% of female non-clients, 25% of female clients), a more differentiated picture is drawn when constructing the ownership of assets dimensions with regard to business, home, communication and transportation assets. With this approach, the major differences between men and women become apparent (e.g. *inadequacy* with regard to transportation assets: 16% of male non-clients, 20% of male clients, 52% of female non-clients, 59% of female clients). Furthermore, the new *overall index of asset ownership* reflects the stark differences between men and women (inadequacy levels: 18% of male non-clients, 16% of male clients, 51% of female non-clients, 58% of female clients) better than the WEAI aggregation approach.

There is a statistically significant association between the gender of clients and ownership of assets. In other words, male clients do own, as hypothesized, more assets than female clients. This is true for the WEAI aggregation method as well as the newly constructed ownership of assets dimension (business, home, communication and transportation) as well as the introduced new *index of ownership of assets*. However, the strength of the association increases from weak in the WEAI method (Cramer´s V = .138) to a medium strength with the new aggregation method (Cramer´s V = .341). On the other hand there is *no* significant association between whether women are clients or not — in none of the above described aggregation approaches. Hence *women* with microfinance loans in this sample do *not* have significantly less asset ownership than their female peers without loans from *Microfinance Institutions* (MFIs).

The access to, and *decisions* on credit indicator (as second component of the access to productive resources dimension) not only inquires into the accessed credit sources, and who decided to borrow, but also decides what to do with the money. One would expect female clients to have more of a say than their female peers without MFI loans.

However, there is *no* significant association between whether women are clients or not and their access to and decision about credit. One has to keep in mind that the implementation of this indicator in the current empirical study made it necessary to refer the questions only to loans from formal lenders (e.g. banks), NGOs, informal lenders (money lender) and friends or relatives. It was not raised (as in the WEAI) with regard to *Microfinance Institutions* (MFIs), since this would have, by definition, biased the findings against non-clients. Hence for an implementation in a *randomized control trial* (RCT) on the empowerment impact of microfinance, a more differentiated inquiry into the decisions regarding loan usage would be required. The data however, show a significant association (with / of medium strength) between the gender of clients and their decision-making capacity with regard to credit.

Control over use of income was measured with regard to the actual extent of input into decisions made on how to spend income from different productive activities (*achieved functionings*) as well as the (perceived) influence if wanted (*capability*). *Control over use of income* is, together with the indicator *input in productive decisions*, the only one of the nine indicators in which there is a significant association between whether women are clients or not and their empowerment level. The association between whether women are clients or not and their control over the use of income is however weak (with a Cramer´s V = .102). At most of the times there is also an association between the client's gender and this indicator (of decision-making on the use of income).

The rather grand-sounding empowerment dimension of *community leadership* is measured in terms of (i) group membership and, (ii) speaking in public. Given the importance of social networks it was inquired whether respondents are active members of a whole range of groups (focusing on such diverse topics such as trade or business, water, mutual insurance or local government). Again there was a statistically significant association (with a / of weak strength) between clients´ gender and group membership. However, there is *no* significant association between whether women are clients or not and their group membership.

Speaking in public – the second indicator for *community leadership* – explored how comfortable people felt to speak up in public, with regard to three concrete situations:

(i) to help decide on building infrastructure in the community, (ii) to ensure the proper payment of wages for public works or similar programs and, (iii) to protest the misbehaviour of authorities or elected officials. This way of operationalizing the empowerment dimension of speaking in public does *not* find any significant association between whether women are clients or not and their self-perceived ability to speak up in public. There is however again a statistically significant association (with a / of weak strength) between clients´ gender and speaking in public.

Time allocation – the last implemented empowerment dimension – is composed of the indicators, (i) *workload* and (ii) *leisure time*. The comprehensive retrieval of the respondents´ activities during the last day took the form of a conversation and was coded in 15 minute intervals. For the empowerment index a cut-off point of 10,5 hours was chosen, to label all those who worked more as inadequate with regard to workload. *Workload* is (after *autonomy in production*) the second indicator, where there is *no* significant association between clients' gender and the measured empowerment aspect. Given this, there is unsurprisingly also *no* significant association between whether women are clients or not and their deprivation with regard to time allocation.

Finally, *leisure time* was investigated with regard to one´s satisfaction with the available time for leisure activities on a scale from 1 (not satisfied) to 10 (very satisfied). *Leisure time* is the third indicator where there is *no* significant association between clients' gender and the specific empowerment indicator. Hence expectedly, there is also *no* significant association between whether women are clients or not and their deprivation with regard to leisure time.

It is important to note that, this way of operationalizing *leisure time* of course brings with it the problem of "adaptive preferences". In the view of the philosopher, Serene Khader "adaptive preferences are: (1) preferences inconsistent with basic flourishing (2) that are formed under conditions non-conducive to basic flourishing and, (3) that we believe people might be persuaded to transform upon normative scrutiny of their preferences and exposure to conditions more conducive to flourishing".[546] This takes the

[546] Khader (2011: 42)

discussion back to the beginning of the thesis when the question was raised of how to determine and just as importantly, who is to determine what "basic flourishing" (or basic human capabilities) means.

The overall *Index of Empowerment* (IE) shows a disempowerment headcount of 84% for female clients, a slightly higher 87% for female non-clients and in comparison low headcounts for male clients of 43% and for male non-clients of 45%. The average inadequacy score, referring to the depth of disempowerment is, as expected, higher for female clients and non-clients than for male clients and non-clients. Also on the aggregate level of the *Index of Empowerment* (IE), there is (unsurprisingly) a statistically significant association between the gender of clients and their empowerment level – the H0 hypothesis of no association can be rejected. With regard to the nine indicators of empowerment, the H0 hypothesis of no association can be rejected for all but three indicators, namely *autonomy in production, workload* and *leisure time.*

The second hypothesis that female clients are *more* empowered than female non-clients showed mixed results. On the index level the H0 hypothesis of no association cannot be rejected. However, there is a statistically significant association between whether a women is a client or not and two indicators, namely *input in productive decisions* and *control over use of income*. Ironically, these decision-making indicators are the most-common indicators for the operationalization of empowerment in general. It can therefore, be concluded that there is value to be added by formulating a comprehensive empowerment conceptualisation and operationalization, which allows for a more nuanced understanding of the differences in deprivation between very unequally empowered groups like men and women. When applied to less heterogeneous empowered groups like female clients and female non-clients the indicators — beyond *decision-making* with regard to *productive decisions* and *use of income* — do *not* show significant associations. Whether this is due to the indicators (and their chosen cut-off-points and aggregation methods) not being sensitive enough to capture more nuanced differences in empowerment or, whether these do not exist at a statistically significant and measurable level, requires further investigation.

7 Conclusion — The Politics of Microfinance

The poor are not "bankable" was a long perpetuated common wisdom in banking. Only state actors would give loans to poor people for political reasons. This involved inefficiencies, leaks, politicization and its abuse for political purposes, for instance in the form of fostering vote banks by enabling privileged access to loans or alternatively, the announcement of loan waivers as election pledges. Lending to the poor (especially in the context of a competitive democracy and patronage politics as in India) became a tool in populist politics leading to huge losses (which could still be labelled as "welfare") and encouraging the perception that loans received through state programs did not have to be paid back and would eventually be annulled. In India, credit to (small and marginal) farmers illustrates this failure of state-sponsored credit very well. There has been a shifting focus, over the decades since Independence, on different state-patronized programs, from cooperatives and nationalized banks to newly created *regional rural banks*. One reading identifies the ongoing Indian agrarian crisis as the underlying reason for this failure.

Against this background, the transformation of NGOs into financial service providing *Microfinance Institutions* (MFIs) – which, in India predominantly took the form of *Non-Bank Financial Companies* (NBFCs) during the 1990s and 2000s – and their fast growth is remarkable. The success of MFIs with regard to outreach is undeniable. In South Asia the 126 major MFIs (out of 935 major MFIs worldwide) have more than 50 million active borrowers (out of 95 million worldwide).[547] The worldwide *gross loan portfolio* of these major MFIs at more than US$ 75 billion (thereof US$ 9 billion in South Asia) underlines this success.

However, there is a wide variety of MFIs with different and partly opposing philosophies, priorities as well as ownership and management cultures. In South Asia

[547] With "major" MFIs, all those MFIs are meant, which report to the most comprehensive microfinance database called *MixMarket.* The latest *MixMarket* data refers to the year 2013 — as of May 21st 2015.

for example, among those with the highest outreach are: The Nobel-Peace-Prize winning, cooperatively-owned *Grameen Bank,* the World´s largest *non-governmental organization* (NGO), the non-profit *BRAC* (both from Bangladesh) or the *Stock-Exchange*-listed for-profit MFI *SKS* (from India). Given the diversity of actors, from small, financially often unsustainable NGOs to large, for profit NBFCs and state-run microfinance programs, there is also great diversity regarding the aims of microfinance and how to go about "the business of" microfinance.

Several of the bigger MFIs have potentially achieved financial sustainability. This often follows the initial phases of venture capital funding from public or private social funders. In the Indian case this has been fuelled by "priority sector requirements", which impose high minimum lending quotas on commercial and foreign banks to lend inter alia to farmers and small entrepreneurs. Therefore, one can argue that out of the three defining aims of microfinance –outreach, financial sustainability and impact – the former two have been achieved at least, by several of the major MFIs. However, even these achievements are threatened by the recurring crises. This thesis has argued that two (out of three) smaller crises as well as the globally most severe microfinance crisis, the Andhra Pradesh crisis of 2010, were not economic in origin, but inherently political.

Political risk is core to understanding what was the most severe crisis in the history of microfinance to date.[548] Political risk means on the one hand, the risks to which businesses are exposed by political changes and political intervention – like political violence, expropriation, interest rate caps or currency inconvertibility, against which political risk insurers (both public and private) actually insure businesses.[549] On the other hand, it has been argued that microfinance, by definition, is political. It is not a "business" like any other given that the "clients" are vulnerable, often marginalized poor people. Thus *political risk* has a connotation that is too passive, simply suggesting that external political forces interfere with the otherwise functioning business operations of

[548] The term „political risk" is used with reference to microfinance by Rhyne and Otero (2006: 57–8) and Weber (2004: 367).

[549] See Mikhailova et al. (2009) for the different political risk factors and for a plea by this Washington-based law firm for political risk insurers to provide insurances for microfinance institutions. Examples for public political risk insurers are the US-government-owned *development finance institution* called *Overseas Private Investment Corporation* (OPIC) or the *Multilateral Investment Guarantee Agency* (MIGA) from the *World Bank Group*.

a company. Microfinance has a deeply political agenda given its development aim, and this inevitably interferes with politics.

Hence it might be more appropriate to speak about the “politics of microfinance”, which encompasses multiple aspects including, (i) the role of the state in regulating and monitoring microfinance institutions, (ii) the role of the state as the central actor in development and, in the case of India, also as a central provider of microfinance – and which brings in the whole debate about *public goods* and their provision, e.g. MFIs providing health, education, water or sanitation services[550], (iii) the role of *Microfinance Institutions* (MFIs) as development actors, (iv) the potential state versus market actor conflict, (v) the relation between MFIs, their clients and their socio-economic and political communities – referring to hierarchies, power and status, expressed not least in the use of peer-pressure, peer-monitoring and hard handed repayment collection methods by MFIs and the possible political mobilization against wrong-doings and high interest rates, by clients, (vi) and more fundamentally, the different, and in part, opposing *political* philosophies with regard to the aims of microfinance and the different “schools” of microfinance.

The *politics of microfinance* also links the too often, de-politicized debate on microfinance with the conceptualization of poverty and empowerment as a struggle for civil, political, social (and economic) rights by marginalized groups. *Entitlements*, as the enforceable rights of citizens have been highlighted as a core achievement in development. As conceptualised by Amartya Sen, development is defined as the expansion of individual freedoms. There is no lack of *de jure* entitlements in India but ensuring their delivery, especially for marginalized groups, is not as clear-cut. Nonetheless, there have been widely acknowledged achievements in the last decade, which are relevant for “development as individual freedoms”. First and foremost, the *right to information act* (RTIA) and the *Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)* (both enacted in 2005), which introduced important changes to the legal framework and the provision of entitlements. The *MGNREGA* constitutes a *right to* (unskilled manual) *work* for up to 100 days per year per rural household. The

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550 For a case study on India and Vietnam regarding the provision of water or sanitation by MFIs, see Mader (2011).

right to information act gives each citizen the right to request information from public institutions, which have to reply no later than 30 days. It is widely used and RTIA activists and journalists are constantly pressing for its proper implementation.[551]

However, it is debatable if a *right to credit* as advocated by the Nobel Laureate Muhammad Yunus is beneficial. On the one hand, the long history of failures in the state-sponsored and eventually state-patronized and politically (ab-)used credit schemes speaks against it. On the other hand, there are modern, state-run microfinance programs, which are widely recognized as successful, sustainable and worth-learning-from, for example the microfinance pioneer, *Bank Rakyat Indonesia* (BRI).[552] In the case of a *right to credit*, it would not have to be the state, that provides microcredit (or microfinance including other financial services like savings or insurances) directly, but the state that would have to enforce it. This kind of enforcement can also lead to problematic "incentives". This was shown in the analysis of the 2010 Andhra crisis, with regard to the "priority sector requirements", which enforce a ratio on commercial and foreign banks to invest in sectors like agriculture or micro-businesses. Ultimately, this led to a vast inflow of debt funding into the microfinance sector and a "quest for numbers" aimed at seizing the chance to absorb available funds.

The major lessons of the severe Indian microfinance crisis are that perception – as in reputation – matters and that *Microfinance Institutions* (MFIs) have to actively address the politics of microfinance. It has been argued that the 2010 Andhra crisis was the result of an underlying state versus market conflict. While politicians, at the state and regional level, perceived the fast growth of MFIs as a danger to their political investments in "their" *self-help group bank linkage program* (SHG-BLP), MFIs did not feel the need to cultivate good communication and mutually beneficial relationships with the local and state government authorities. Furthermore, the focus on growth, makes it not implausible that MFIs might have co-opted (sometimes dysfunctional) SHGs - the accusation made by state representatives. Just like the quest for numbers led to repayment pressure on clients by MFI staff members or agents due to the questionable incentives.

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551 See Roberts (2010: 925)
552 See Patten et al. (2001), Robinson (2005) and Harper (1999).

Rude staff behaviour and putting pressure, or even the use of threats in times of repayment difficulties are *the* central negative reported issues that clients have with MFIs. Given the importance of trust or, to use a less value-loaded term, reputation, MFIs have good reasons to put more emphasis on staff recruitment, staff training and the implementation of incentives and procedures, which help to put the focus on the group, the clients and their situation rather than on the number and amount of loans disbursed. However, MFIs are, despite the wrongdoings of some and despite the major crisis (which reduced MFI operations in Andhra Pradesh to a fraction), unexpectedly positively perceived. The results of the implemented survey show that the five major MFIs were perceived by, at least every two out of three female clients as "good" or even "very good". There are measurable differences between the MFIs – from an 82% positive perception of the MFI, *Asmitha* down to 67% for the publicly traded MFI, *SKS*. This of course means, that up to one third of the clients of particular MFIs perceived their MFI loan provider as, "bad" or even "very bad".

Easy loan approval and the convenience of delivery at the doorstep, are the main positively perceived aspects of MFIs, as this empirical study has shown. The flipside of the easy loan approval, however, is the culture of easy money, which of course can lead to overall loan amounts far beyond the financial flows of clients. That is, in the absence of credit bureaus, which collect and share information about clients who have defaulted. Major MFIs have started sharing clients´ credit information through the network of *non-bank financial company* (NBFCs) *microfinance institutions* (MFIs) called *MFIN* (which stands for MFIs network). This it is hoped, will help reduce over-lending and chain loans, when people take a loan from one MFI in order to repay their debt with another MFI. Repayment issues and the way in which this common problem is dealt with by MFIs, is core to the reputation of MFIs. When asking people to name one particularly positive or particularly negative experience with an MFI, repayment issues are the most often mentioned special event, both in a positive way as well as negative way. Overall, three quarters of the respondents reported an especially *positive* experience – these referred primarily to the handling of repayment issues (40%), of additional loan requests (14%) and staff behaviour (14%).

Apart from the perception about staff behaviour, the handling of repayment issues and requests for additional loans, what is really decisive for the decision of people whether to take a MFI loan is their perception of the impact. Empowerment in the form of self-perception and the respect given by others, surely matters most – in addition to socio-economic impact. Empowerment, as has been argued in this thesis, encompasses more than its usual operationalization as decision-making. The political dimension in terms of a struggle for rights is central as has been highlighted earlier in the thesis. For an impact analysis in the realm of development projects, (which do not aim primarily at peoples' capabilities to organize themselves politically) much speaks in favour of introducing additional dimensions like the ability to speak up for one's interests, social capital in the form of networks or work load. One of the most comprehensive, existing empowerment indices was implemented in this empirical study, with modest alterations to include the dominant group of wage labourers (both agricultural and non-agricultural) into the analysis.

The data revealed a clear difference in empowerment levels between female clients and male clients. Male clients are statistically-speaking, significantly more empowered than their female counterparts with regard to input in productive decisions, ownership of assets, access and decisions on credit (other than *microcredit*), control over use of income, group membership and speaking in public. The indicators autonomy, workload and leisure time showed however *no* statistically significant association with the gender of clients. The *relative autonomy indicator* has been criticized in this thesis with regard to its complex operationalization, which does not only demand a high reflexivity and level of abstraction from respondents but might also be inappropriate with regard to economic activities that are perceived as a necessity. Whether specific agricultural decisions (like what to grow) are made because "it is the right thing to do" or to avoid that others "think poorly" about oneself or to avoid getting in "trouble", is difficult to ascertain.

A further "problem" is the question of where to set the cut-off point (e.g.) for the workload measure. Why should a person working 10.5 hours or more, be regarded as disempowered, while a person working 10.25 hours is not? This of course, is a general problem of hard cut-off points and their, always to a certain extent, arbitrary determination. Fuzzy set theories are a promising way forward. Fuzzy set theories are capable of dealing with fuzzy, imprecise or incomplete information or concepts, for example with the notion of, “sufficient well-being, [or a] good level of quality of life“.[553] In comparison to the binary set membership as used in the *Women´s Empowerment in Agriculture Index* (WEAI) and which was implemented in the thesis, of e.g. empowered (=1) and disempowered (=0), fuzzy set theory allows for a gradual assessment. This would be for example the use of a linguistic scale (with several steps) from “very disempowered” to “very empowered”. Fuzzy set theory is applied to a whole range of real world problems and there is an increasing literature on how to utilize it in the operationalization of the capability approach.[554] This follows the idea of Amartya Sen, that in “social investigation and measurement, it is undoubtedly more important to be vaguely right than to be precisely wrong.”[555]

Additionally, the usefulness of an indicator like subjective satisfaction with available leisure time has been critically assessed with reference to the phenomenon of adaptive preferences. Adaptive preferences refer to the problem that people´s subjective self-perception sometimes differs significantly from objective measures. This difference is easier to pinpoint with regard to areas in which the objective measures are (relatively) uncontroversial, like whether a person has a particular disease or not. However, when also the “objective” measure, as in the WEAI operationalization of time allocation is contentious (above how many hours of work does one perceive a person as disempowered in this area?), then cultural and other contextual influences matter even more with regard to the subjective measures; probably to an extent at which it becomes implausible to use such measurements. This could be even more so when the sample exists of people who might actually perceive an increase in work hours due to the new opportunities provided by a new source of funding as *empowering*; just like entrepreneurs are found to cut down their spending on temptation goods in order to free resources for long-term investments.

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553 Addabbo et al. (2004: 9)

554 See for example Addabbo et al. (2004), Lelli (2001), Lemmi (ed. 2010), Qizilbash and Clark (2005) or Roche (2008).

555 Sen (1989: 45). See also Sen (1997a). This problematisation of measurements also links to the wider debate on how best to measure economic and social progress — an insightful account of which is given in the findings of the so called Sarkozy Commission, headed by Amartya Sen, Joseph Stiglitz and Jean Paul Fitoussi, see Stiglitz et al. (2010).

The findings on the difference in empowerment levels between female clients and female non-clients also provide valuable insights. The first clear finding is that there is a statistically significant association between, whether a woman is a client or not and her empowerment with regard to two *decision-making* indicators, namely *input into productive decisions* and *control over use of income*. As has been argued, this difference can be due to *self-selection* of the already more empowered women into microfinance groups as well as due to an *improved status* in the household given the importance of MFI loans for the household budget and the fact that most of these MFI loans in India are given to women. This correlation therefore does *not* imply causality between the higher influence in decision-making of female clients and their MFI loan. To establish such causality an experimental or semi-experimental design with a treatment and a control group has become the standard instrument in impact evaluations.

It is after all, the *decision-making* indicators, which show a statistically significant difference between female clients and female non-clients. These *decision-making* indicators are often used in empowerment evaluations. However, they are often implemented without the additional component which inquires into whether a person could have a say if he or she wanted to. This incorporates the capability of a person and not merely his or her de facto achievements. The question remains why the other four indicators, which showed a significant difference between female clients and male clients, namely *ownership of assets*, *access and decisions on credit* (other than *microcredit*), *group membership* and *speaking in public* – did not show a significant difference between female clients and female non-clients. The most obvious reason would be, because there is none. The indicator *ownership of assets,* as a classic economic development indicator has its justification in an overall empowerment index, when no other (socio-economic) indicators are reported, but is problematic in the context of this empirical study. Given that clients are expected to have a lower economic status than those non-clients, who opt against microfinance because they have access to cheaper and less time-consuming credit providers like banks, one actually would expect non-clients overall to have a higher "empowerment" level in this dimension.[556]

Hence the indicators that actually reflect economic achievements of the household, like the ownership of assets, may be problematic as empowerment indicators, while *decision-making* indicators are essential for empowerment conceptualisations. Participation in decision-making once again draws attention to the importance of politics and agency in microfinance, also with regard to the *impact* of microfinance. It has been argued that the ownership form of *Microfinance Institutions* (MFIs) is relevant. Whether clients themselves have a stake and therefore a, potentially sustainable, say in the vision and management of a MFI arguably matters. Beyond the ownership of MFIs, it is clients´ *agency*, for instance in the weekly meetings that matters most to clients providing an em-*power*-ing experience in addition to the socio-economic impact of MFI loans.

MFIs would have "profited" in the real sense of the word, enormously from having an early warning system through clients' feedback and complaints, as well as closer ties and communication with key regional and state level political actors in the build up to the severe political crisis in Andhra Pradesh. The crisis ultimately led to a loss of more than US$ 1 billion, laid-off of more than 30,000 MFI employees and drastically reduced access to MFI loans for most of the former clients in Andhra Pradesh.[557] Hence clients´ empowerment is not only an intrinsic and instrumental value to the clients themselves, but is also in the very interest of MFIs. Though inconvenient clients raising problematic issues may complicate the management of MFI operations in the first place, they help the MFI to address critical issues before they can be politically exploited if the adequate

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[556] The other indicator, which by design is not the best fit for evaluating the empowerment status of microfinance clients versus non-clients is decisions on credit. If taking into account the *access and decisions on microcredit* one would bias the results in favour of microfinance clients against their non-clients because of their access, hence it would be best only to focus on the decision — not on the access — dimension. When taking the loan source *microcredit* out, as done in this study, one would not necessarily expect female clients to have a much greater say with regard to other credit sources than their non-MFI-client peers — at least not in the short run. Note that in the implementation of these empowerment indicators in a *randomized control trial* (RCT) one would be able to distinguish between the impact of microfinance and the different baseline levels due to self-selection.

[557] See Footnote Nr. 452 in the Conclusion of the Contextualization Chapter.

institutions and procedures are in place (like spokespersons, federations or ombudsman with a real say).

It was put forward in the introduction that "context, commitment and capacity" of the MFIs matter considerably with regard to the vision and management of microfinance endeavours and the role of clients in them. As postulated by Amartya Sen and discussed in the theory chapter, there are good reasons to perceive people as active agents of their own lives, and given the right opportunities motivated to further develop their capabilities. It is therefore argued that *Microfinance Institutions* (MFIs) patronizing their "clients" with a top-down, one-fits-all mono-product approach, face the risk of building on sand, if they do not manage to sustainably win over their clients.

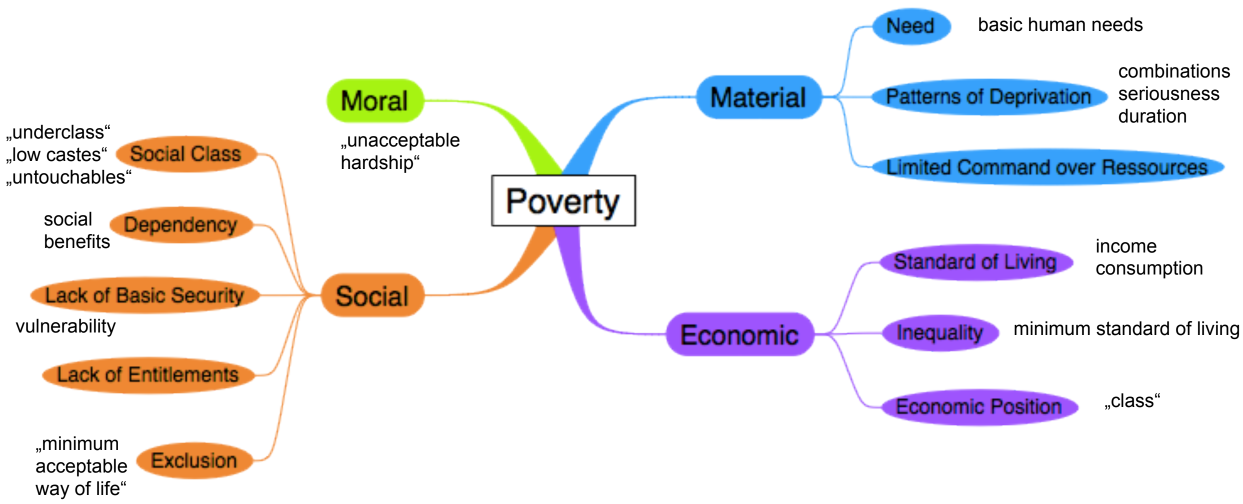
Overall, clients perceive MFIs as having advantages with regard to the ease of loan approval, speediness of processing loan applications and the convenience of at-the-doorstep delivery and in comparison to informal sources, the relatively lower costs. Therefore, they opt for MFI loans. However, if MFIs do not take seriously and adequately address the also widespread negative perceptions, first and foremost rude staff behaviour and the exertion of pressure or even use of threats in times of repayment difficulties, they face the danger of loosing the trust of their clients. Trust as has been argued is not only core to the banking "business", but even more so for microfinance. MFIs are crucially dependent on public perception, especially when they face an existential crisis as in Andhra Pradesh in 2010 — a crisis that arose from the *politics of microfinance*.

Appendix

Chapter II — Theory

Figures

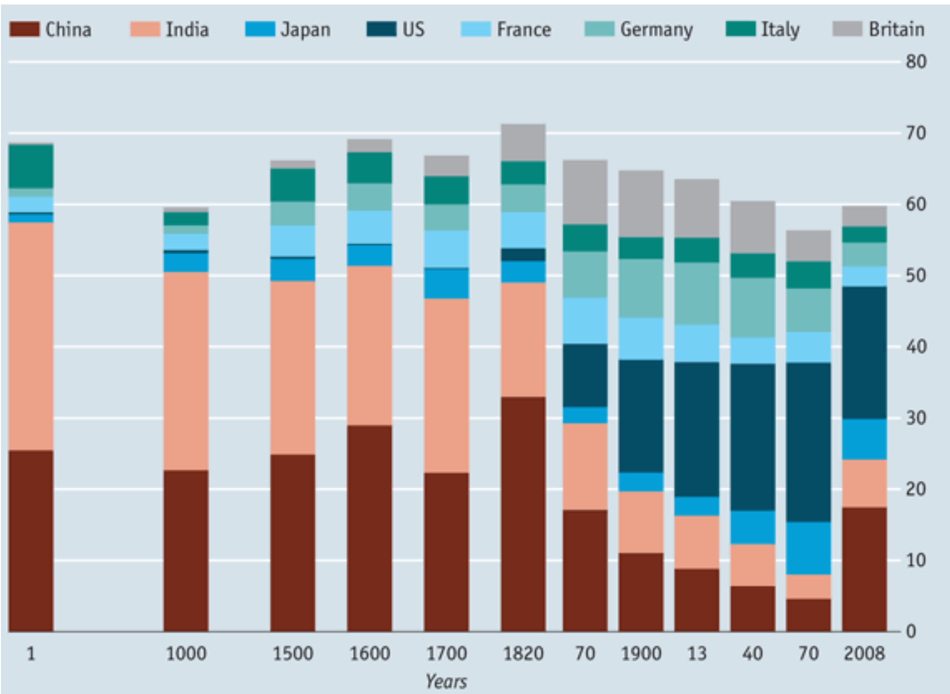
Figure 61 Definitions of Poverty



Source: Spicker, Leguizamón, Gordon (eds.) (2007) Poverty: An International Glossary. Zed Books, p61

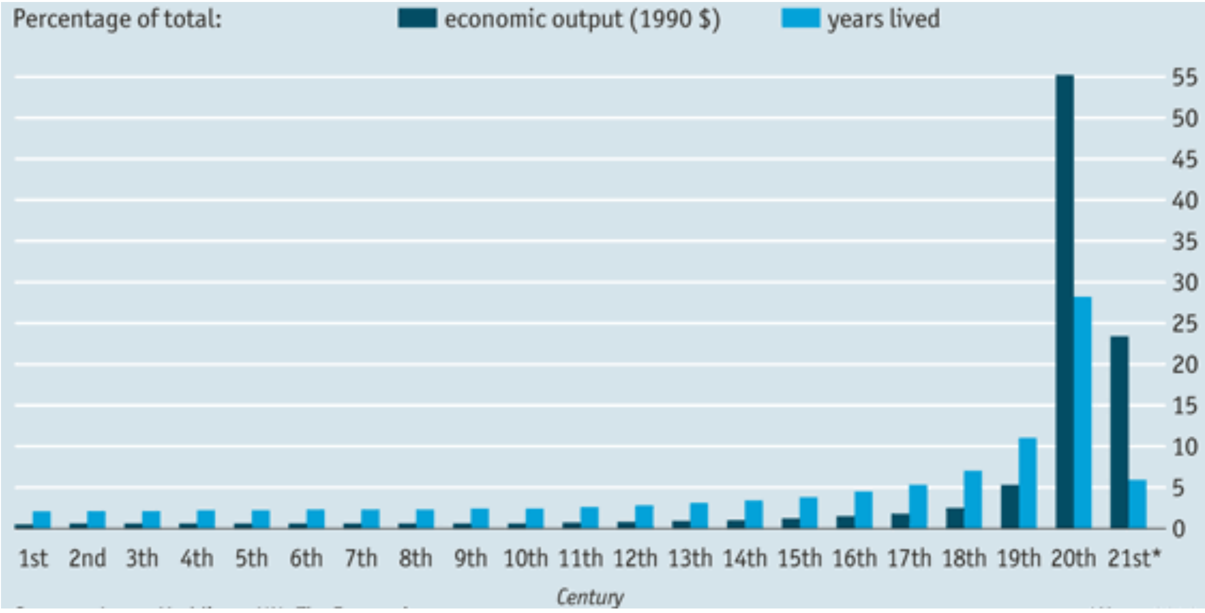
Figure 62 A History of World GDP

Percentage of total, 1990 $ at purchasing power parity (PPP)



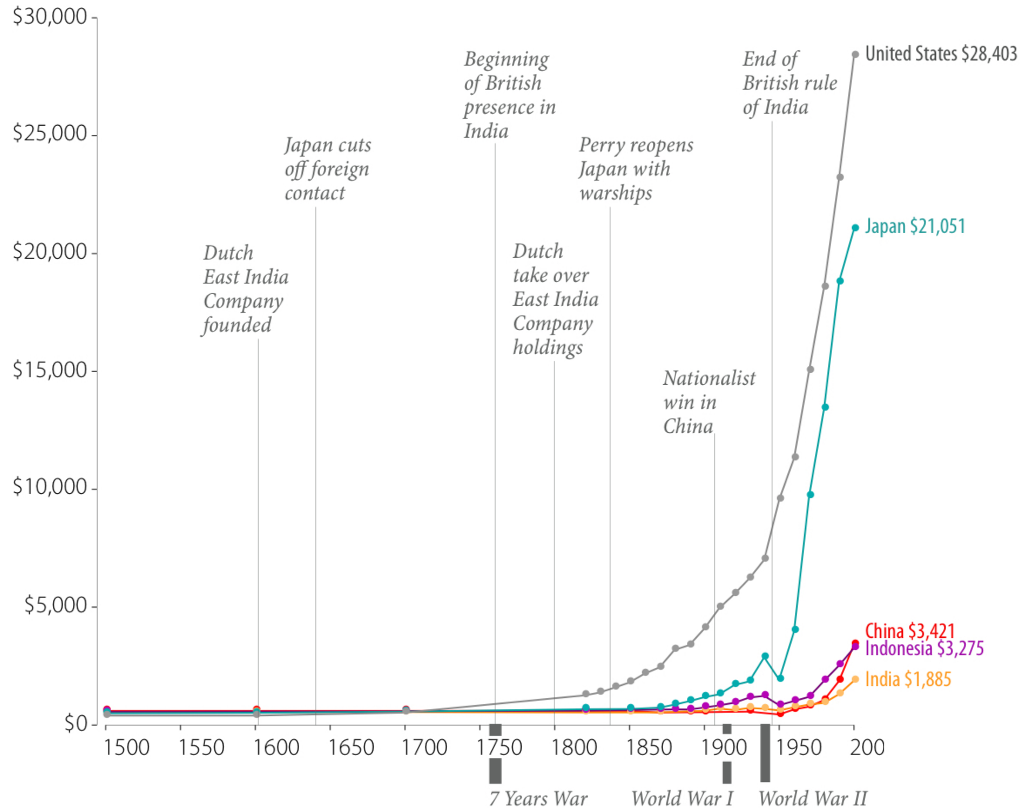
Sources: Angus Maddison, University of Groningen; The Economist, www.economist.com/node/16834943; last accessed 7th May 2015.

Figure 63 When history was made



* Up to 2010 Source: Angus Maddison; UN; The Economist; www.economist.com/blogs/dailychart/2011/06/quantifying-history; accessed 7th May 2015.

Figure 64 A History of GDP per Capita — USA, Japan, China, Indonesia, India



Data Source: Angus Maddison; Visualized by Mulbrandon (2008), URL (last accessed 7th May 2015): http://visualizingeconomics.com/blog/2008/01/27/income-of-united-states-japan-india-china-and-indonesia-since-1500

Tables

Table 23 Concepts of Empowerment (Compiled by Ibrahim and Alkire 2007)

Study	Definition or Concept of Empowerment
Albertyn (2001)	Effective empowerment must occur at each of 3 levels: micro (attitude, feelings and skills), interface (participation and action immediately around the individual) and macro (beliefs, action and effects)
Alkire 2005	Empowerment is an increase in certain kinds of agency that are deemed particularly instrumental to the situation at hand. Thus I am choosing to assume that empowerment is a subset of agency, and that increases in empowerment would be reflected in increased agency (but not necessarily vice versa)[12]
Alsop 2006	Empowerment is defined as a group's or individual's capacity to make effective choices, that is, to make choices and then to transform those choices into desired actions and outcomes[13].
Appleyard 2002	Empowering people to make their own decisions, rather than be passive objects of choices made on their behalf. It focuses on empowering all people to claim their right to opportunities and services made available through pro-poor development (Bartlett, 2004, 54)
Bartle, Phil (2003).	Having the capacity to do things that community members want to do and going beyond political or legal permission to participate in the national political system
Bennet 2002	*Empowerment* is used to characterize approaches based on *social mobilization*. A key element in most social mobilization approaches is helping poor and socially excluded individuals realize the power they gain from collective action. Often social mobilization approaches work "from below" to create voice and demand for change among diverse groups of poor and socially excluded citizens (Bartlett, 2004, 54)
Brown (2003)	Providing empowerment opportunities as Necessary prerequisites to altering a person's potential reality and giving people the means to better themselves
Chambers (1993)	Empowerment means that people, especially poorer people, are enabled to take more control over their lives, and secure a better livelihood with ownership and control of productive assets as one key element. Decentralization and empowerment enable local people to exploit the diverse complexities of their own conditions, and to adapt to rapid change. (Bartlett, 2004, 55)
Craig and Mayo 1995	Empowerment is about collective community, and ultimately class conscientization, to critically understand reality in order to use the power which even the powerless do possess, so as to challenge the powerful and ultimately to transform the reality through conscious political struggles (cited Oakley 2001, 4)
Friedmann 1992	An alternative development involves a process of social and political empowerment whose long term objective is to rebalance the structure of power within society by make state action more accountable, strengthening the powers of civil society in the management of their own affairs and making corporate business more socially responsible (cited in Oakley 2001, 3)
Gootaert 2005	Empowerment falls in three categories: - making state institutions more responsive to poor people - removing social barriers - building social institutions and social capital [14]
Grootaert (2003)	Expanding assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives
Jackson 1994	The process by which people, organizations or groups who are powerless (a) becomes aware of the power dynamics at work in their life context, (b) develop the skills and capacity for gaining some reasonable control over their lives, (c) exercise their control without infringing upon the right of others and (d) support the empowerment of others in the community (cited in Rowlands, 1997, 15)
Khwaja (2005)	Empowerment consists of two components: information and influence, which together allow individuals to identify and express their own preferences, and provides them with the bargaining power to make informed decisions (Khwaja, 2005, pp. 273-274)
Kabeer (2001)	Empowerment … refers to the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them. (Bartlett, 2004, 57)
Lokshin and Ravallion (2003)	Taking actions that selectively empower those with little power to redress power inequality
Malena (2003)	Enabling or giving power to (whom) to do (what)
Mason and Smith (2003)	Empowerment is about "the extent to which some categories of people are able to control their own destinies, even when their interests are opposed by those of other people with whom they interact" (Mason and Smith, 2003, p. 1)
Malhotra (2002)	Enhancing assets and capabilities of diverse individuals and groups to engage, influence, and hold accountable the institutions that affect them
Mayoux 2000; DFID	Women's empowerment is defined as 'individuals acquiring the power to think and act freely, exercise choice, and to fulfill their potential has fallen equally to members of society'[15]

[12] Alkire (2005): 4
[13] Alsop et al (2006): 10
[14] Grootaert (2005): 310

McMillan, et al. (1995)	Gaining influence over events and outcomes of importance
Moser (2003)	Expanding assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives
Moser 1991	While the empowerment approach acknowledges the importance for women of increasing their power, it seeks to identify power less in terms of domination over others and more in terms of the capacity of women to increase their self-reliance and internal strength. This is identified as the right to determine choices in life and to influence the direction of change, though ability to gain control over crucial material and non-material sources. It places less emphasis than the equity approach on increasing women's status relative to men, but seeks to empower women through the redistribution of power within, as well as between, societies (cited in Oakley, 2001, 4)
Narayan 2005	The expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives[16].
Oppenheim Mason and Smith (2003)	Extent to which some categories of people are able to control their own destinies even when their interests are opposed by others with whom they interact
Oxaal and Baden 1997	Empowerment cannot be defined in terms of specific activities or end results because it involves a process whereby women can freely analyse, develop and voice their needs and interests, without them being pre-defined, or imposed from above, by planners or other social actors[17]
Oxfam 1995	Empowerment involves challenging the forms of oppression which compel millions of people to play a part in their society on terms which are inequitable, or in ways which deny their human rights (Oxfam, 1995) in (Oxaal and Baden 1997, 2).
Rowlands 1997	'Empowerment is more than participation in decision-making; it must also include the processes that lead people to perceive themselves as able and entitled to make decisions.' [18]
Spreitzer (1995)	Intrapersonal empowerment as the component of psychological empowerment that deals with cognitive elements. Other components are interactional (thinking about and relating to the environment) and behavioral (taking action and engaging issues)
Strandburg	Empowerment can overall be defined as all those processes where women take control and ownership of their lives. Control and ownership requires an array of opportunities to choose among and this understanding of empowerment overlaps with the concept of human development when defined as "a process of enlarging people's choices". Both concepts describe processes, but where human development entails enlarging choices, empowerment is the process of acquiring the ability to choose among these enlarged choices… (Bartlett, 2004, 59)
Van Eyken 1991	Empowerment is an intentional and ongoing dynamic process centered on the local community, involving mutual dignity, critical reflection, caring and group participation, through which people lacking a valid share of resources gain greater access to and control over those resources, though the exercise of an increased leverage of power (cited in Oakley 2001, 16)
WDR 2000/2001	Empowerment as the process of 'enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in political processes and local decision-making. And it means removing the barriers- political, legal and social- that work against particular groups and building the assets of poor people to enable them to engage effectively in markets'[19].

[15] Mayoux (2000a): 4
[16] Narayan (2002): vi ; Narayan (2005): 5
[17] Oxaal and Baden (1997): 6
[18] Rowlands (1997): 14
[19] World Bank (2001): 39

Source: (Ibrahim and Alkire 2007: 7–8)

Chapter III — Literature Review

Tables

Table 24 Percentage of Female Microfinance Clients by Country (mean, in %)

Country	Mean	Country	Mean
Turkey	100.00	Russia	60.83
Bangladesh	95.08	Peru	60.42
Thailand	95.00	Trinidad and Tobago	59.99
Vietnam	93.49	Chile	58.02
India	92.41	Rwanda	57.33
Tanzania	87.68	Mali	56.79
Mexico	80.02	Kyrgyz Republic	53.68
South Africa	77.96	Georgia	50.85
China	77.78	Pakistan	50.71
Philippines	75.14	Ethiopia	50.49
Zambia	75.07	Brazil	50.01
Ghana	73.47	Indonesia	47.75
Dominican Republic	72.81	Serbia	46.67
Guatemala	71.96	Armenia	44.17
Ukraine	71.38	Uruguay	42.77
Jordan	70.42	Poland	39.93
Morocco	67.44	Moldova	37.77
Egypt	65.11	Bulgaria	36.53
El Salvador	64.89	Romania	34.78
Argentina	64.50	Azerbaijan	32.98
Burkina Faso	62.91	Albania	24.10
Colombia	62.68	Iraq	18.33
Bosnia and Herzegovina	62.67		

Source: (Aggarwal et al.: 30). Data Source: MixMarket, data refer to the mean percent of female borrowers over the years 1996 to 2010.

Table 25 Size of SHGs (% of SHGs)

S. No.	Number of members	RJN (N=266)	ASM (N=250)	BHR (N=252)	WB (N=241)	GJR (N=160)	MHR (N=253)	AP (N=250)	KNT (N=270)	Total (N=1942)
1	Up to 10	54.89	47.60	15.87	47.72	40.63	34.39	29.20	12.22	34.91
2	11 - 15	40.98	43.20	75.00	47.30	46.88	56.52	68.00	52.96	54.12
3	16 & above	4.14	9.20	9.13	4.98	12.50	9.09	2.80	34.81	10.97
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Average SHG size	11.26	11.70	12.73	11.22	12.09	11.95	12.32	14.48	12.25

RJN = Rajasthan, ASM = Assam, BHR = Bihar, WB = West Bengal, GJR = Gujarat, MHR = Maharashtra, AP = Andhra Pradesh, KNT = Karnataka. Survey from 2011 of 1942 SHGs. Source: (Reddy and Reddy 2012: 70)

Table 26 Periodicity of SHG Meetings (% of SHGs)

S. No.	Periodicity	RJN (N=266)	ASM (N=250)	BHR (N=250)	WB (N=241)	GJR (N=160)	MHR (N=253)	AP (N=250)	KNT (N=270)	Total (N=1942)
1	Monthly	89.47	74.40	49.21	43.57	89.38	80.24	76.00	37.78	66.48
2	Fortnightly	1.88	4.80	8.73	29.46	0.63	0.00	10.00	5.56	7.78
3	Weekly	1.88	6.00	21.03	5.81	0.63	0.40	12.00	52.22	13.39
4	Not regular	6.77	14.80	21.03	21.16	9.38	19.37	2.00	4.44	12.36
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: (Reddy and Reddy 2012: 73)

Table 27 State-wise Promoters of Sample SHGs (% of SHGs)

S. No.	Name of SHPI	RJN (N=266)	ASM (N=250)	BHR (N=252)	WB (N=241)	GJR (N=160)	MHR (N=253)	AP (N=250)	KNT (N=270)	Total (N=1942)
1	Government	55.3	37.6	34.1	16.6	16.9	25.7	73.2	18.5	35.6
2	NGOs	34.6	40.0	64.7	73.0	83.1	32.8	13.2	69.3	49.8
3	Banks	1.5	2.0	0.0	6.2	0.0	6.7	0.0	3.7	2.6
4	Self/community	8.6	20.4	1.2	4.2	0.0	34.8	13.6	8.5	12.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: (Reddy and Reddy 2012: 70)

Table 28 Age of Sample SHGs (% of SHGs)

S. No.	Age in years	RJN (N=266)	ASM (N=250)	BHR (N=252)	WB (N=241)	GJR (N=160)	MHR (N=253)	AP (N=250)	KNT (N=270)	Total (N=1942)
1	00.01 - 03	52.63	19.60	61.11	0.00	58.75	24.11	14.40	35.93	32.49
2	03.01 - 06	22.93	26.00	22.22	46.06	28.13	50.59	27.60	26.67	31.26
3	06.01 - 09	14.66	38.40	15.08	46.06	8.13	18.18	20.00	15.19	22.35
4	09.01 - 12	6.39	14.80	1.59	7.47	3.75	6.32	24.40	17.78	10.66
5	> 12	3.38	1.20		0.41	1.25	0.79	13.60	4.44	3.24
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: (Reddy and Reddy 2012: 69)

Table 29 No. of Dropouts in SHGs (% of SHGs)

S. No.	Number of members	RJN (N=266)	ASM (N=250)	BHR (N=252)	WB (N=241)	GJR (N=160)	MHR (N=253)	AP (N=250)	KNT (N=270)	Total (N=1942)
1	No dropouts	74.81	63.60	67.46	57.26	69.38	73.12	43.20	51.48	62.26
2	1 - 2 members	17.67	18.80	26.98	28.22	13.75	20.95	37.60	27.41	24.36
3	3 & Above	7.52	17.60	5.56	14.52	16.88	5.93	19.20	21.11	13.39
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: (Reddy and Reddy 2012: 70)

Table 30 Social Category of SHG Members (in %)

S. No.	Social category	RJN (N=2995)	ASM (N=2925)	BHR (N=3208)	WB (N=2705)	GJR (N=1935)	MHR (N=3023)	AP (N=3081)	KNT (N=3909)	Total (N=23781)
1	Scheduled Tribe	25.0	7.7	0.7	5.0	42.0	10.2	7.9	10.1	12.1
2	Scheduled Caste	18.8	12.9	17.1	52.5	12.6	24.7	15.7	16.3	21.1
3	Backward Classes	38.1	33.5	67.6	9.0	24.5	7.0	52.4	35.5	34.6
4	Minorities	4.8	21.6	12.5	19.0	2.4	23.2	4.7	11.9	12.8
5	Open Category	13.3	24.4	2.2	14.5	18.4	35.0	19.3	26.3	19.4
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

RJN = Rajasthan, ASM = Assam, BHR = Bihar, WB = West Bengal, GJR = Gujarat, MHR = Maharashtra, AP = Andhra Pradesh, KNT = Karnataka. Survey from 2011 of 1942 SHGs. Source: (Reddy and Reddy 2012: 5, 67)

Table 31 Educational Level of SHG Members (in %)

S. No.	Educational levels	RJN (N=2995)	ASM (N=2925)	BHR (N=3208)	WB (N=2705)	GJR (N=1935)	MHR (N=3023)	AP (N=3081)	KNT (N=3909)	Total (N=23781)
1	Illiterate	84.8	28.0	82.4	57.1	76.3	53.6	65.9	52.9	62.0
2	Up to 5th	8.9	9.0	4.0	18.3	15.0	12.5	12.3	12.8	11.4
3	6th-7th	4.1	10.1	3.8	8.0	5.0	7.5	7.4	14.0	7.8
4	8th-10th	1.5	33.4	7.5	14.3	3.3	19.9	10.0	15.7	13.6
5	College	0.8	19.5	2.3	2.2	0.4	6.5	4.5	4.7	5.3
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: (Reddy and Reddy 2012: 67)

Table 32 Primary Occupation of SHG Members (in %)

S. No.	Primary occupation	RJN (N=2995)	ASM (N=2925)	BHR (N=3208)	WB (N=2705)	GJR (N=1935)	MHR (N=3023)	AP (N=3081)	KNT (N=3909)	Total (N=23781)
1	Labour	58.5	16.2	55.9	71.5	28.2	51.2	38.4	50.7	47.1
2	Agriculture	38.5	48.0	29.8	18.9	54.3	37.9	33.6	31.1	35.6
3	Agri-allied	0.0	10.2	2.1	0.2	7.8	4.8	10.8	3.4	4.8
4	Non-farm	0.5	5.7	6.8	2.5	2.9	0.8	14.9	7.5	5.5
5	Salaried	1.7	9.2	1.2	2.7	1.2	2.2	1.4	3.9	3.0
6	Other	0.8	10.7	4.3	4.3	5.6	3.1	0.9	3.4	4.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: (Reddy and Reddy 2012: 68)

Table 33 Landholdings of SHG Members (in %)

S. No.	Particulars	RJN (N=2995)	ASM (N=2925)	BHR (N=3208)	WB (N=2705)	GJR (N=1935)	MHR (N=3023)	AP (N=3081)	KNT (N=3909)	Total (N=23781)
1	Landless	14.0	1.4	69.9	53.9	33.9	62.7	47.1	52.2	42.9
2	Marginal	75.1	90.3	29.1	44.1	52.4	29.3	42.9	36.3	49.0
3	Small & above	11.0	8.3	1.0	2.0	13.8	7.9	10.0	11.4	8.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: (Reddy and Reddy 2012: 68)

Table 34 Poverty Category of SHG Members Households (in %)

S. No.	Poverty category	RJN (N=2995)	ASM (N=2925)	BHR (N=3208)	WB (N=2705)	GJR (N=1935)	MHR (N=3023)	AP (N=3081)	KNT (N=3909)	Total (N=18851)
1	BPL	NA	63.2	77.2	73.8	NA	50.6	97.8	81.8	74.7
2	APL	NA	36.8	22.8	26.2	NA	49.4	2.2	18.2	25.3
	Total	NA	100.0	100.0	100.0	NA	100.0	100.0	100.0	100.0

Source: (Reddy and Reddy 2012: 69)

Table 35 Interest Rates and Product Details of Different Loan Sources in Andhra Pradesh (Compiled by MicroSave in 2011)

Service Provider	*Terms and Conditions*	*Effective Interest Rate (Per Annum)*	*Remarks*
SHGs (Self-Help Groups)	**Amount** – Rs. 5,000 - 50,000 per member **Interest Rate** – Usual bank rates apply (12% - 14% p.a.). Under the *"Pavalavaddi"* [1] scheme of the Andhra Pradesh government, an SHG can avail interest rate subsidy of 75% of the total interest liability, if repayments are made to the bank on time. **Loan Term** – 2 to 5 years **Instalment** – Monthly **Collateral Requirements** – No **Loan type** – Group based	3% (If loan is paid on time) 12% - 24% (For loans taken from internal resource generation through savings) 12% (Interest rate in case group takes loan from the federation)	• In order to access loans from banks, group needs to save for the first 6 months. • The group can use their savings for internal lending. • Mostly loans obtained as part of the *bank linkage programme* are unsecured. The group cannot access a new loan from a bank unless the old loan has been paid. • Each group is linked to a village and *mandal* level federation, which has corpus funds that can be used for internal lending in addition to the usual *bank linkage* loans. • Average loan amount per SHG under bank-linkage: ○ First Loan – Rs. 50,000 ○ Second Loan – Rs. 100,000 ○ Third Loan – Rs. 150,000 – 200,000 ○ Fourth Loan – Rs. 250,000 – 500,000
Banks (Crop Loans) [2]	**Amount** – Depends on crop and land area **Interest Rate** – Up to Rs. 300,000 (7% p.a.), Above Rs. 300,000 (BPLR + 0.5%-1%p.a.) **Loan Term** – Up to 3 years **Instalment** – Bulleted (two months from date of harvest) **Collateral Requirements** – Hypothecation of crops/ additional security / third party guarantee **Loan type** – Individual (Cash Credit)	7% - 13%	• Credit limit for *Kisan Credit Product* (KCC) is decided on the following parameters: • Post-harvest/ household requirements of the farmer at 10% of the limit fixed subject to a maximum of Rs. 25,000 per farmer. ○ 10% towards maintenance of farm assets subject to a maximum of Rs. 25,000 per farmer. ○ Provision for increase in loan size depending increase in cost of cultivation.

FIs (Weekly)	**Amount** – Rs. 5,000 – 30,000 per member in group **Interest Rate** – 12.5% - 15% p.a. (Flat) **Loan Term** – 50 weeks **Instalment** – Weekly **Collateral Requirements** – Group Liability. No physical collateral required. **Loan type** – Individual (loans are given to individuals within the joint liability of groups).	27% - 45% [3] (Including processing fee, insurance – credit linked/ health)	• Other charges: ○ Processing fees – 1% to 3% of loan amount ○ Life insurance (credit linked) – 1% to 2% upfront ○ Individual members can avail a top-up loan that is 50% to 70% of the first loan after 15 -25 weeks of taking the first loan. • Loan disbursement and collection is mostly done at/ near to clients' houses.
MFIs (Monthly) [4]	**Amount** – Rs. 15,000 – 300,000 per member **Interest Rate** – 24%-28% p.a. (Diminishing) **Loan Term** – 1 to 5 years **Instalment** – Monthly and bulleted **Collateral Requirements** – Secured and unsecured. **Loan type** – Individual	27% - 45% (Including processing fee, insurance – credit linked/ health)	• There are MFIs, which provide only monthly loans whereas some other MFIs provide both weekly and monthly loans. • For MFIs, which provide both weekly and monthly loans, clients are expected to successfully complete 3-4 cycles of weekly loans before they become eligible for monthly loans. • Client is usually allowed to decide on amount of instalment and tenure of loan.
Moneylenders	**Amount** – Up to Rs.200,000 **Interest Rate** – 3% to 10% *per month* **Loan Term** – Not specified. Can continue for any time period. **Instalment** – Monthly interest repayment. Bullet repayment of principal. **Collateral Requirements** – Secured and unsecured. **Loan type** – Individual	36% - 120% [5]	These are traditional moneylenders who normally give loans to the people with whom they have long-term credit relationship and trust. • Interest rate mainly depends on: ○ Borrowers urgency ○ Collateral, if any (In case borrower offers collateral, interest charged can be lesser than usual rates) ○ Credit history of borrower • Moneylenders give loans to only those who are known to them.

			• Moneylenders do not accept part payment of principal making it difficult for the borrower to clear off loans.
			• Moneylenders usually are rich business class in the village who have a core business (agriculture, jewellery) besides money lending.
			• Collaterals usually accepted by money lenders include:
			  ○ Gold
			  ○ House/ Land

Weekly Moneylenders	**Amount** – Rs.2,000-10,000 **Interest Rate** – 15%-20% of loan amount (Upfront) **Loan Term** – 10 weeks **Instalment** – Weekly (Equal weekly instalment of principal) **Collateral Requirements** – None **Loan type** – Individual	160% - 225%	• These moneylenders normally are outsiders (they come from different districts just to conduct money lending business). • Popularly called as "*Kangali* bank". • Operate more or less like MFIs, although there is no group lending involved. • Collections at client's doorsteps. Clients issued a loan card in which details of repayments are entered. • No documentation required.
Daily Finance Corporations	**Amount** – Rs.2,000 – 10,000 (the amount can stretch up to Rs.50,000 in some cases) **Interest Rate** – 10%-15% of loan amount (Upfront) **Loan Term** – 100 days **Instalment** – Daily **Collateral Requirements** – None **Loan type** - Individual	78% - 120%	• Popularly called "*corporations*" and "*daily finance*". • Target petty businesses like vegetable/fruit vendors, cycle/motor repair shops, small hotel owners, tailors etc. • These are individuals for whom money lending is their core business. • Collections at clients' doorsteps. Clients are issued a loan card or a small note book in which details of repayments are entered.
Middlemen	**Amount** - Rs. 5,000-30,000 (can also be in kind i.e. agricultural inputs like seeds, fertilizers and pesticides) **Interest Rate** – 25% on value (flat) **Loan Term** - 6 to 12 months depending on crop cycle	48% - 75% (Depends on crop cycle. In addition, they charge commission of 1.25% on the value of harvest they purchase)	• Middlemen are traders of agricultural produce who provide agricultural inputs to farmers and also buy their harvest. • Effective interest rate depends on crop cycle since middlemen charge interest as a fixed charge on the value of loan. Longer the crop cycle, lower the effective interest rate and vice-versa.

	Instalment - Monthly interest repayment. Bullet repayment of principal **Collateral Requirements** - In most cases, farmer is required to pledge agricultural produce to concerned middlemen. **Loan type** - Individual		• Loan recovery is done by adjusting the loan amount against the market value sale of the harvest. • The market rates that middlemen offer are local market rates. Farmer is compelled to sell the harvest at that price even though the rates might be higher in other markets.
Gold Loan Companies	**Amount** – 50% to 80% of market value of gold pledged. **Interest Rate** – 12%-30% p.a. (Diminishing) **Loan Term** – Flexible **Instalment** – EMIs or Bulleted **Collateral Requirements** – Gold **Loan type** - Individual	12% - 30%	• The rate of interest is directly proportional to the value of loan availed as a percentage of value of gold pledged.[6] • Popularity of such companies has increased recently due to marketing campaigns. • Branches are located primarily in towns and cities.
Pawnbrokers	**Amount** – Depends on value of gold pledged. No fixed criteria to arrive at value of loan. **Interest Rate** – 2.5%-3% per month (flat) **Loan Term** – Flexible **Instalment** – Bulleted **Collateral Requirements** – Gold **Loan type** - Individual	30% - 36%	• Pawnbrokers are the local jewellers who conduct money lending as their secondary business. • Since the loans provided by pawnbrokers are secured, the interest rates charged by them are lower than money lenders.
Chit Funds	**Amount** – Rs.20,000 – 2,00,000 **Interest Rate** – Depends on bidding process. In the range of 24%-60% p.a. **Loan Term** – 18-24 months **Instalment** – Monthly	0% - 60% (Based on discussion with clients)	• Popular amongst business community. • Generally group of 20 members pool in monthly contribution and the total amount pooled is either given to a random member based on a lucky draw (each member can get the pooled sum only once in full cycle of 20 months) or the

	Collateral Requirements – None **Loan type** - Individual		amount pooled is auctioned amongst group members. The member with the highest bid wins and differential amount is re-distributed among all 20 members as dividend.
Friends/ Relatives	**Amount** – Rs.500 – 5,000 **Interest Rate** – 0% - 20% flat value **Loan Term** – Few days or weeks **Instalment** – Bulleted with interest **Collateral Requirements** – None **Loan type** - Individual	0% - 100% (Depends on time when repayments are made)	• People usually borrow in case of emergencies especially when they do not have enough money to pay weekly instalments of MFIs. • Interest is negotiable and depends on the understanding between borrower and lender.

[1] Government of Andhra Pradesh reimburses interest amount (above 3%) paid by all SHG members as incentive for on time repayment of bank loans. This is called "pavala vaddi" scheme, which is nothing but 25 paisa interest per Rs.100 per month.
[2] Refers to the *Kisan* Credit Product of Indian Bank http://www.indian-bank.com/loans.php?by=23&ty=1
[3] Transparent Pricing Initiative in India (January 2011) by *mfitransparency.org*
[4] Information collected from website of SKS, Spandana, Share and Asmitha (4 largest MFIs of AP)
[5] For calculating the effective interest rates for loans from moneylenders and other informal institutions, *MFtransparency* effective interest rate calculation tool has been used.
[6] This essentially means customers leverage the gold they pledge (assuming standard purity). Thus if I keep Rs.100 gold (market value) and demand loan of Rs85, then I will have to pay higher interest rate when compared a person who wants to avail loan of Rs.70 on same value of gold pledged. This is true with every gold loan company. Please see the link to see the charges that SKS has for gold loan: http://www.sksindia.com/our_products.php#1.

Source: (MicroSave 2011: 17–20)

Table 36 Microfinance Institutions (MFIs) in India by Number of Active Borrowers in 2011 — Place 11 to 29 (next page)

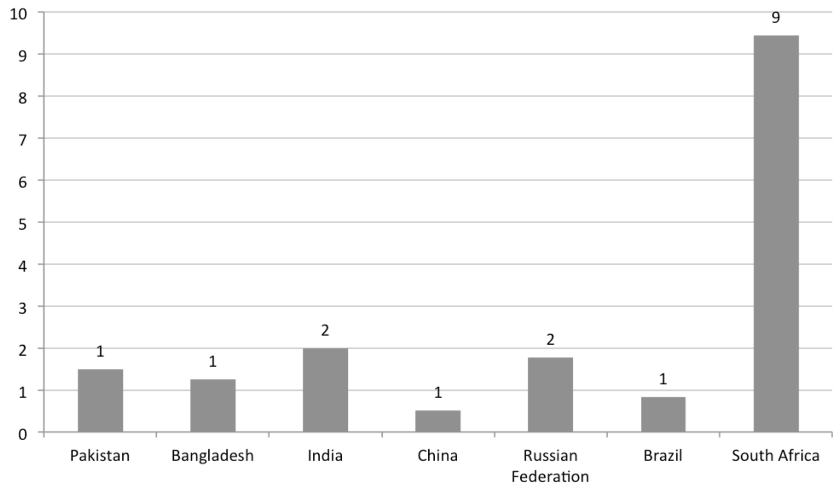
Name	Year establ.	Nr. of active borro-wers 2011 in million	Gross Loan Portfolio 2011, in million US$	Average loan balance per borrower US$, 2011	Assets 2011, in mil-lion US$	Main Funding Sources (xi)			Legal Status	Nr. of States & Union Terri-tories (Source)	Nr. of Dis-tricts	Nr. of Bran-ches	Top Five States: Operations in...				
						Grants	Loans	Shareholder Capital					Andhra Pradesh	Tamil Nadu	Karnataka	Orissa	West Bengal
L&T Finance	2009	0.495	44.0	89	n/a	n/a	n/a	n/a	NBFI	n/a (xii)	n/a	n/a	●	n/a	n/a	n/a	n/a
Cashpor MC	1997	0.460	63.5	138	60.4	●	●	●	NGO	2 (xiii)	15	n/a	○	○	○	○	○
BISWA	1995	0.374	61.3	164	71.2	●	●	○	NGO	9 (xiv)	61	n/a	○	○	○	◙	●
SMILE	2004	0.347	42.8	123	40.5	n/a	n/a	n/a	NBFI	2 (xv)	21	150	○	◙	○	○	○
ESAF	1992	0.336	55.3	165	54.2	●	●	●	NGO	7 (xvi)	35	150	○	●	○	○	○
Awareness	1986	0.313	12.5	n/a	n/a	○	●	○	NGO	5 (xvii)	30	649	●	○	○	◙	●
SCNL	1990	0.306	62.9	206	62.0	○	●	●	NBFI	8 (xviii)	n/a	146	○	○	○	○	○
Janalakshmi	2003	0.301	68.9	229	82.3	○	●	●	NBFI	10 (xix)	n/a	66	○	●	◙	○	○
GFSPL [xx]	1999	0.314	74.9	239	62.6	○	●	●	NBFI	3 (xxi)	n/a	160	○	●	◙	○	○
Muthoot	2010	0.203	35.2	174	35.1	○	●	○	NBFI	3 (xxii)	22	80	○	●	●	○	○
Trident MF	1996	0.161	25.3	157	31.5	○	●	●	NBFI	2 (xxiii)	7	31	◙	○	○	○	○
MMFL [xxiv]	2003	0.213	20.8	98	28.7	○	●	○	NBFI	1 (xxv)	n/a	n/a	○	◙	○	○	○
FFSL [xxvi]	1996	0.212	35.0	165	34.3	○	●	○	NBFI	3 (xxvii)	8	59	◙	●	●	○	○
ASA India	2008	0.182	20.3	112	22.1	n/a	n/a	n/a	NBFI	1 (xxviii)	10	n/a	○	○	○	○	◙
VFS	2006	0.166	20.7	125	25.4	○	●	●	NBFI	2 (xxix)	22	96	○	○	○	○	◙
BWDA [xxx]	1999	0.153	15.5	101	20.6	○	●	○	NBFI	n/a(xxxi)	n/a	n/a	○	◙	○	○	○
SEIL	1992	0.151	173.1	1145	226.6	○	●	○	NBFI	8 (xxxii)	n/a	n/a	○	○	○	○	●
Asirvad	2007	0.173	15.6	90	15.3	●	●	○	NBFI	1 (xxxiii)	24	82	○	◙	○	○	○
IDF Fin. Serv.	2001	0.143	10.7	75	13.0	n/a	n/a	n/a	NGO	1 (xxxiv)	11	n/a	○	○	◙	○	○

Source: Mixmarket, wwwmixmarket.org/mfi. *i See endnotes at the end of the Appendix*

Chapter IV — Contextualization

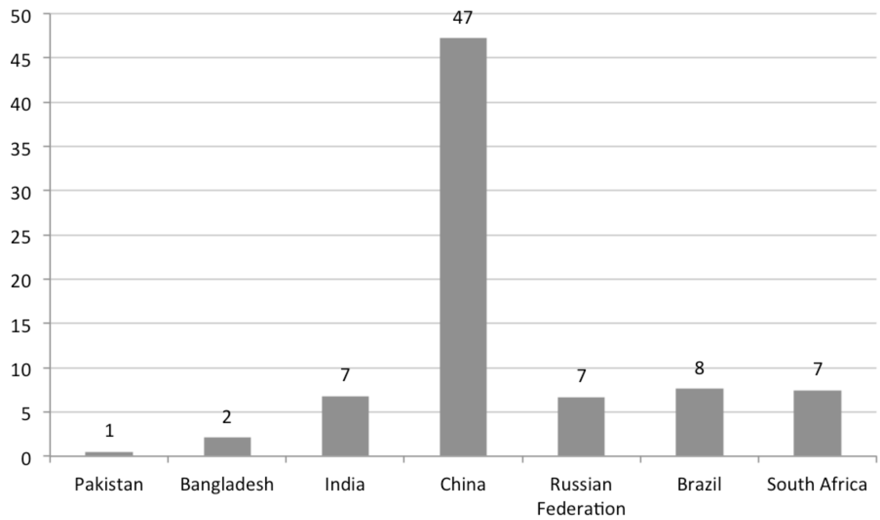
Figures

Figure 65 Mobile phone used to receive money (% age 15+)



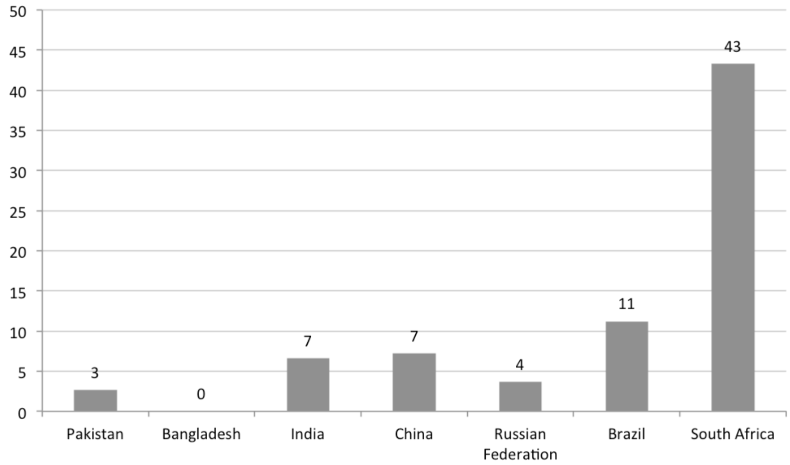
Data Source: *Global Findex Database* (2015), data referring to 2011.

Figure 66 Personally paid for health insurance (% age 15+)



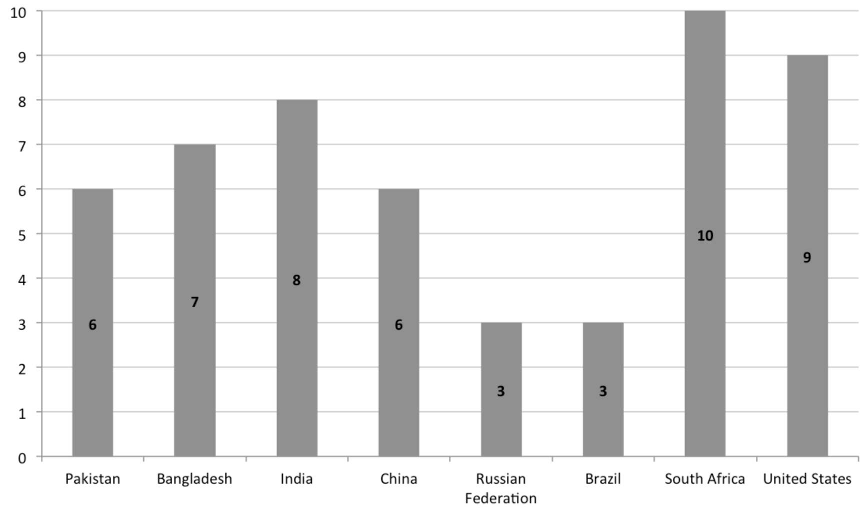
Data Source: *Global Findex Database* (2015), data referring to 2011.

Figure 67 Purchased agriculture insurance (% working in agriculture, age 15+)



Data Source: *Global Findex Database* (2015), data referring to 2011.

Figure 68 Strength of legal rights index (0=weak to 10=strong), USA, BRICS, South Asia



Data Source: *Global Findex Database* (2015), data referring to 2011.

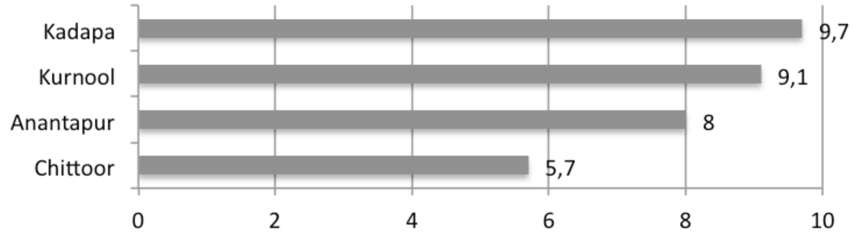
Figure 69 Value SKS Microfin Shares since its Initial Public Offering, August 27th 2010

Source: Google Finance, SKS Microfinance Ltd listed at the *Bombay Stock Exchange*, www.google.com/finance?q=BOM:533228, accessed May 25th 2015.

Chapter V — Survey Design and Findings on Perception

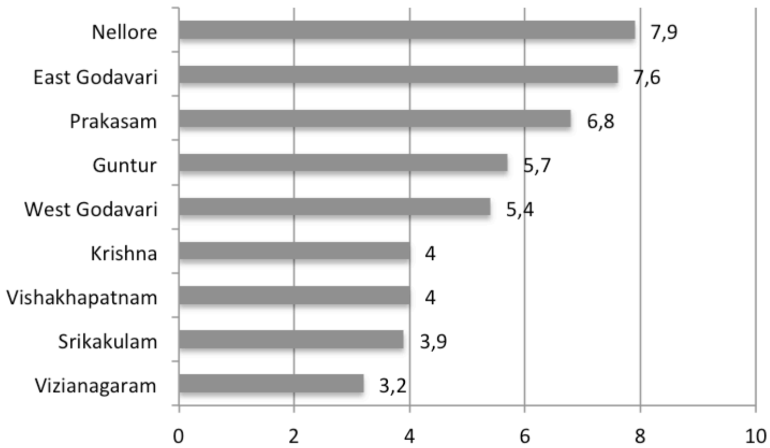
Figures

Figure 70 Rayalaseema, Andhra Pradesh: MFI Penetration among Female Population



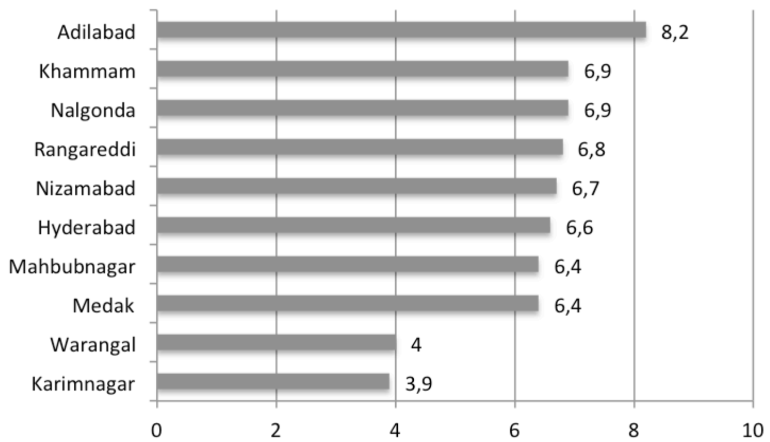
Source: Centre for Microfinance, www.centre-for-microfinance.org/mfimaps/maps.htm, 15th Nov. 2012.

Figure 71 Coastal Andhra, Andhra Pradesh: MFI Penetration among Female Population



Source: Centre for Microfinance, www.centre-for-microfinance.org/mfimaps/maps.htm, 15th Nov. 2012.

Figure 72 Telangana, Andhra Pradesh: MFI Penetration among Female Population [558]



[558] Telangana was till 2 June 2014 part of Andhra Pradesh.

Source: Centre for Microfinance, www.centre-for-microfinance.org/mfimaps/maps.htm, 15th Nov. 2012.

Tables

Table 37 Microfinance Institutions in Andhra Pradesh, Number of Access Points and Accounts, Gross Loan Portfolio (in Indian Rupees), by District

	# Access Points	*# Accounts*	*Gross Loan Portfolio (Rs.)*
East Godavari*	109	222.444	1.318.117.480
Rangareddy*	55	185.479	1.225.684.059
Guntur	81	150.516	1.223.866.821
Mahbubnagar	47	129.726	1.162.725.999
Kurnool	51	127.788	1.107.385.035
Sri Potti Sriramulu Nellore	51	134.414	915.276.126
Chittoor	69	131.707	889.931.331
Medak	32	113.900	875.963.364
Nalgonda	42	123.064	858.727.317
Prakasam	43	87.327	681.250.770
Karimnagar	34	101.779	650.930.803
YSR Kadapa*	35	93.022	633.735.383
Visakhapatnam	39	106.032	605.501.472
Anantapur	46	97.413	601.685.153
Adilabad	18	105.902	582.595.500
Nizamabad	24	84.256	563.590.956
Hyderabad	22	114.852	553.180.071
Warangal	29	92.456	523.886.988
West Godavari	62	170.929	455.084.546
Khammam	20	75.221	278.489.698
Vizianagaram	31	55.011	256.446.121
Srikakulam	31	48.766	254.716.290
Krishna*	34	36.273	199.143.274

* Selected districts for empirical study marked in grey.

Boxes

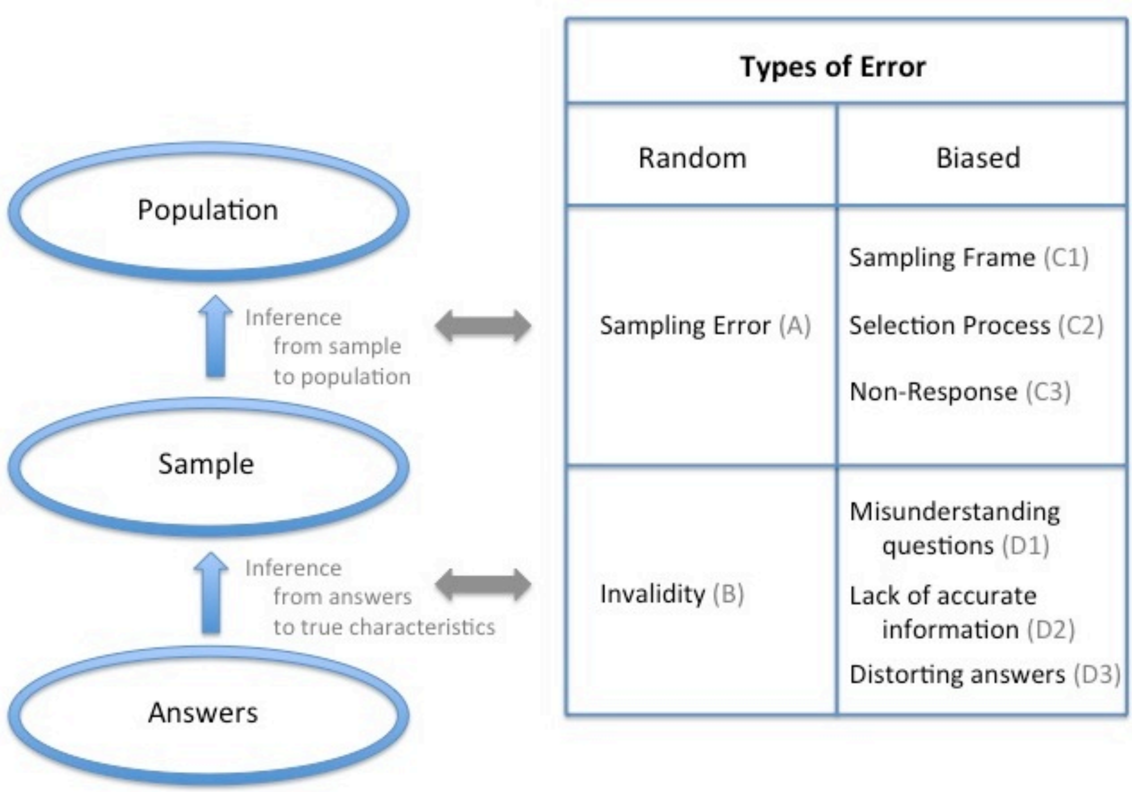
Box 22 Inference and Error Types in Survey Research

Survey research is about making inferences. One is not interesting in the sample as such but in it as a representation of a certain population of a study. One is furthermore not interested in the answers themselves but in so far as they represent "true" characteristics of the respondents. (See Figure further down.) "True" characteristics refer both to objective facts and subjective states.[559]

Objective facts like age, level of education or main occupation can in principle be cross-checked through other information sources. Whereas subjective states like one´s own control over certain aspects of life (Q5 in the questionnaire of this empirical study), the perception of change and its reasons (Q7 – Q8) or one´s satisfaction with leisure activities (Q48) cannot be checked objectively. These subjective states might also change depending on the context in which they are asked.

Both levels of inference – from answers to characteristics as well as from sample to population – bring with them several types of potential errors. Generally one can distinguish between random errors and biases.[560]

Figure: Inference and Error Types in Survey Research



Based on Fowler (2009) Survey Research Methods, pp. 11-17, esp. Figure 2.1 & Table 2.1.

[559] Fowler (2009: 15)
[560] Fowler (2009: 11–7)

Random errors include the sampling error, which affects the accuracy of inferences drawn from a sample to the population; as well as the invalidity of questions, which influences the correctness of inferences from answers to the "true" characteristic of the respondent. The sampling error (A) is due to the fact that any sample will never fully reflect the "true" characteristics of the population. To illustrate this, the population of interest for a study – e.g. all students at a particular university – might consist of 50% females and 50% males; but any specific sample drawn randomly may by chance include more or less than 50% females.[561]

The invalidity (B) of questions can be explained as follows: "If the error associated with answers is random, resulting in answers that err sometimes in one direction, sometimes in another direction, the result is less certainty or confidence in how well the answers are measuring that we want to measure. […] However, across many answers from among individuals, the average answer should be the same as the average true value."[562]

The same is true for the sampling error: Each particular sample will be distorted in one direction or the other, but across many random samples, the average sample characteristics (e.g. percentage of females) should be the same as the true characteristic of the population. In practice, social science surveys are rather cost and time consuming, for which reason one takes in most cases only one sample.

Biases are by definition not random[563] – they are on the contrary distorting only in one direction. On the level of inference from sample to population there are three types of biased errors: due to the sampling frame, the selection-process and non-response. On the level of inference from answers to true characteristics there are also three types of biased errors: due to the respondents misunderstanding the question, a lack of accurate information and distorting answers.

[561] Fowler (2009: 13)
[562] Fowler (2009: 15–6)
[563] Random here means (sometimes distorting in one direction, sometimes in the other and "averaging out" with many respondents respectively with many samples).

Chapter VI — Findings on Empowerment

Tables

Table 38 Mission Statements of Top Microfinance Institutions in Andhra Pradesh, MFIs Own Ranking of Target Market and Development Goals

	Spandana	*Asmitha (AML)*	*Share (SML)*	*SKS*
Target market				
Women	1	1	1	1
Clients living in rural areas	2	2	1	2
Clients living in urban areas	3	3	4	3
Development Goals				
Increased access to financial services	1	-	-	1
Poverty reduction	2	1	-	2
Employment generation	3	4	-	5
Growth of existing businesses	4	2	-	3
Development of start-up enterprises	5	-	-	4
Gender equality & women's empowerment	6	3	-	6
Improvement of adult education	7	10	-	-
Health improvement	8	7	-	9
Children's schooling	9	6	-	8
Housing	10	8	-	7
Youth opportunities	11	5	-	-
Water and sanitation	12	9	-	-

Source: MixMarket, Microfinance Institutions Database, www.mixmarket.org/mfi, 27th November 2013.

SPSS Output

SPSS Output 1 Crosstabulation of Female Clients / Male Clients with Index of Input in (Agricultural and Non-Agricultural) Productive Decisions (N=365)

Crosstab

			IE_1_1_Prod_Decis		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	116	173	289
		Expected Count	95,8	193,2	289,0
		% within Clients and Non-Clients by Gender	40,1%	59,9%	100,0%
	Male Clients	Count	5	71	76
		Expected Count	25,2	50,8	76,0
		% within Clients and Non-Clients by Gender	6,6%	93,4%	100,0%
Total		Count	121	244	365
		Expected Count	121,0	244,0	365,0
		% within Clients and Non-Clients by Gender	33,2%	66,8%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	30,582[a]	1	,000		
Continuity Correction[b]	29,086	1	,000		
Likelihood Ratio	37,526	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	30,498	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 25,19.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,289	,000
	Cramer's V	,289	,000
N of Valid Cases		365	

SPSS Output 2 Crosstabulation of Female Clients / Female Non-Clients with Index of Input in (Agricultural and Non-Agricultural) Productive Decisions (N=427)

Crosstab

			IE_1_1_Prod_Decis		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	116	173	289
		Expected Count	126,6	162,4	289,0
		% within Clients and Non-Clients by Gender	40,1%	59,9%	100,0%
	Female Non-Clients	Count	71	67	138
		Expected Count	60,4	77,6	138,0
		% within Clients and Non-Clients by Gender	51,4%	48,6%	100,0%
Total		Count	187	240	427
		Expected Count	187,0	240,0	427,0
		% within Clients and Non-Clients by Gender	43,8%	56,2%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4,854[a]	1	,028		
Continuity Correction[b]	4,406	1	,036		
Likelihood Ratio	4,837	1	,028		
Fisher's Exact Test				,029	,018
Linear-by-Linear Association	4,843	1	,028		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 60,44.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-,107	,028
	Cramer's V	,107	,028
N of Valid Cases		427	

SPSS Output 3 Crosstabulation of Female Clients / Male Clients with Index of Autonomy in (Agricultural and Non-Agricultural) Production (N=365)

Crosstab

			IE_1_2_Prod_Auton		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	208	81	289
		Expected Count	205,1	83,9	289,0
		% within Clients and Non-Clients by Gender	72,0%	28,0%	100,0%
	Male Clients	Count	51	25	76
		Expected Count	53,9	22,1	76,0
		% within Clients and Non-Clients by Gender	67,1%	32,9%	100,0%
Total		Count	259	106	365
		Expected Count	259,0	106,0	365,0
		% within Clients and Non-Clients by Gender	71,0%	29,0%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,692[a]	1	,406		
Continuity Correction[b]	,476	1	,490		
Likelihood Ratio	,680	1	,410		
Fisher's Exact Test				,398	,243
Linear-by-Linear Association	,690	1	,406		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 22,07.

b. Computed only for a 2x2 table

SPSS Output 4 Crosstabulation of Female Clients / Female Non-Clients with Index of Autonomy in (Agricultural and Non-Agricultural) Production (N=427)

Crosstab

			IE_1_2_Prod_Auton		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	208	81	289
		Expected Count	202,4	86,6	289,0
		% within Clients and Non-Clients by Gender	72,0%	28,0%	100,0%
	Female Non-Clients	Count	91	47	138
		Expected Count	96,6	41,4	138,0
		% within Clients and Non-Clients by Gender	65,9%	34,1%	100,0%
Total		Count	299	128	427
		Expected Count	299,0	128,0	427,0
		% within Clients and Non-Clients by Gender	70,0%	30,0%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,618[a]	1	,203		
Continuity Correction[b]	1,344	1	,246		
Likelihood Ratio	1,599	1	,206		
Fisher's Exact Test				,215	,124
Linear-by-Linear Association	1,614	1	,204		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 41,37.

b. Computed only for a 2x2 table

SPSS Output 5 Crosstabulation of Female Clients / Male Clients with WEAI - Index of Asset Ownership (N=365)

Clients and Non-Clients by Gender * WEAI_2_1_Resour_Assets Crosstabulation

			WEAI_2_1_Resour_Assets		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	71	218	289
		Expected Count	62,6	226,4	289,0
		% within Clients and Non-Clients by Gender	24,6%	75,4%	100,0%
	Male Clients	Count	8	68	76
		Expected Count	16,4	59,6	76,0
		% within Clients and Non-Clients by Gender	10,5%	89,5%	100,0%
Total		Count	79	286	365
		Expected Count	79,0	286,0	365,0
		% within Clients and Non-Clients by Gender	21,6%	78,4%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6,995[a]	1	,008		
Continuity Correction[b]	6,192	1	,013		
Likelihood Ratio	7,923	1	,005		
Fisher's Exact Test				,008	,004
Linear-by-Linear Association	6,976	1	,008		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 16,45.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,138	,008
	Cramer's V	,138	,008
N of Valid Cases		365	

SPSS Output 6 Crosstabulation of Female Clients / Female Non-Clients with WEAI - Index of Asset Ownership (N=427)

Clients and Non-Clients by Gender * WEAI_2_1_Resour_Assets Crosstabulation

			WEAI_2_1_Resour_Assets		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	71	218	289
		Expected Count	67,0	222,0	289,0
		% within Clients and Non-Clients by Gender	24,6%	75,4%	100,0%
	Female Non-Clients	Count	28	110	138
		Expected Count	32,0	106,0	138,0
		% within Clients and Non-Clients by Gender	20,3%	79,7%	100,0%
Total		Count	99	328	427
		Expected Count	99,0	328,0	427,0
		% within Clients and Non-Clients by Gender	23,2%	76,8%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,960[a]	1	,327		
Continuity Correction[b]	,734	1	,391		
Likelihood Ratio	,976	1	,323		
Fisher's Exact Test				,391	,196
Linear-by-Linear Association	,957	1	,328		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 32,00.

b. Computed only for a 2x2 table

SPSS Output 7 Crosstabulation of Female Clients / Male Clients with IE - Sub-Index of Business Asset Ownership (N=365)

Crosstab

			IE_2_1_Resour_Assets_IND_Business		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	90	199	289
		Expected Count	80,0	209,0	289,0
		% within Clients and Non-Clients by Gender	31,1%	68,9%	100,0%
	Male Clients	Count	11	65	76
		Expected Count	21,0	55,0	76,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%
Total		Count	101	264	365
		Expected Count	101,0	264,0	365,0
		% within Clients and Non-Clients by Gender	27,7%	72,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	8,353[a]	1	,004		
Continuity Correction[b]	7,541	1	,006		
Likelihood Ratio	9,229	1	,002		
Fisher's Exact Test				,004	,002
Linear-by-Linear Association	8,330	1	,004		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 21,03.
b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,151	,004
	Cramer's V	,151	,004
N of Valid Cases		365	

SPSS Output 8 Crosstabulation of Female Clients / Female Non-Clients with IE - Sub-Index of Business Asset Ownership (N=427)

Crosstab

			IE_2_1_Resour_Assets_IND_Business		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	90	199	289
		Expected Count	85,3	203,7	289,0
		% within Clients and Non-Clients by Gender	31,1%	68,9%	100,0%
	Female Non-Clients	Count	36	102	138
		Expected Count	40,7	97,3	138,0
		% within Clients and Non-Clients by Gender	26,1%	73,9%	100,0%
Total		Count	126	301	427
		Expected Count	126,0	301,0	427,0
		% within Clients and Non-Clients by Gender	29,5%	70,5%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,147[a]	1	,284		
Continuity Correction[b]	,917	1	,338		
Likelihood Ratio	1,162	1	,281		
Fisher's Exact Test				,309	,169
Linear-by-Linear Association	1,145	1	,285		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 40,72.

b. Computed only for a 2x2 table

SPSS Output 9 Crosstabulation of Female Clients / Male Clients with IE - Sub-Index of Home Asset Ownership (N=365)

Crosstab

			IE_2_1_Resour_Assets_IND_Home		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	143	146	289
		Expected Count	127,5	161,5	289,0
		% within Clients and Non-Clients by Gender	49,5%	50,5%	100,0%
	Male Clients	Count	18	58	76
		Expected Count	33,5	42,5	76,0
		% within Clients and Non-Clients by Gender	23,7%	76,3%	100,0%
Total		Count	161	204	365
		Expected Count	161,0	204,0	365,0
		% within Clients and Non-Clients by Gender	44,1%	55,9%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	16,243[a]	1	,000		
Continuity Correction[b]	15,214	1	,000		
Likelihood Ratio	17,105	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	16,199	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 33,52.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,211	,000
	Cramer's V	,211	,000
N of Valid Cases		365	

SPSS Output 10 Crosstabulation of Female Clients / Female Non-Clients with IE - Sub-Index of Home Asset Ownership (N=427)

Crosstab

			IE_2_1_Resour_Assets_IND_Home		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	143	146	289
		Expected Count	134,7	154,3	289,0
		% within Clients and Non-Clients by Gender	49,5%	50,5%	100,0%
	Female Non-Clients	Count	56	82	138
		Expected Count	64,3	73,7	138,0
		% within Clients and Non-Clients by Gender	40,6%	59,4%	100,0%
Total		Count	199	228	427
		Expected Count	199,0	228,0	427,0
		% within Clients and Non-Clients by Gender	46,6%	53,4%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2,974[a]	1	,085		
Continuity Correction[b]	2,627	1	,105		
Likelihood Ratio	2,988	1	,084		
Fisher's Exact Test				,097	,052
Linear-by-Linear Association	2,967	1	,085		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 64,31.

b. Computed only for a 2x2 table

SPSS Output 11 Crosstabulation of Female Clients / Male Clients with IE - Sub-Index of Communication Asset Ownership (N=365)

Crosstab

			IE_2_1_Resour_Assets_IND_Communic		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	152	137	289
		Expected Count	129,1	159,9	289,0
		% within Clients and Non-Clients by Gender	52,6%	47,4%	100,0%
	Male Clients	Count	11	65	76
		Expected Count	33,9	42,1	76,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%
Total		Count	163	202	365
		Expected Count	163,0	202,0	365,0
		% within Clients and Non-Clients by Gender	44,7%	55,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	35,384[a]	1	,000		
Continuity Correction[b]	33,858	1	,000		
Likelihood Ratio	39,115	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	35,287	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 33,94.
b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,311	,000
	Cramer's V	,311	,000
N of Valid Cases		365	

SPSS Output 12 Crosstabulation of Female Clients / Female Non-Clients with IE - Sub-Index of Communication Asset Ownership (N=427)

Crosstab

			IE_2_1_Resour_Assets_IND_Communic		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	152	137	289
		Expected Count	144,8	144,2	289,0
		% within Clients and Non-Clients by Gender	52,6%	47,4%	100,0%
	Female Non-Clients	Count	62	76	138
		Expected Count	69,2	68,8	138,0
		% within Clients and Non-Clients by Gender	44,9%	55,1%	100,0%
Total		Count	214	213	427
		Expected Count	214,0	213,0	427,0
		% within Clients and Non-Clients by Gender	50,1%	49,9%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2,197[a]	1	,138		
Continuity Correction[b]	1,901	1	,168		
Likelihood Ratio	2,199	1	,138		
Fisher's Exact Test				,148	,084
Linear-by-Linear Association	2,191	1	,139		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 68,84.

b. Computed only for a 2x2 table

SPSS Output 13 Crosstabulation of Female Clients / Male Clients with IE - Sub-Index of Transportation Asset Ownership (N=365)

Crosstab

			IE_2_1_Resour_Assets_IND_Transport		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	170	119	289
		Expected Count	146,5	142,5	289,0
		% within Clients and Non-Clients by Gender	58,8%	41,2%	100,0%
	Male Clients	Count	15	61	76
		Expected Count	38,5	37,5	76,0
		% within Clients and Non-Clients by Gender	19,7%	80,3%	100,0%
Total		Count	185	180	365
		Expected Count	185,0	180,0	365,0
		% within Clients and Non-Clients by Gender	50,7%	49,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	36,781[a]	1	,000		
Continuity Correction[b]	35,233	1	,000		
Likelihood Ratio	38,834	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	36,680	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 37,48.
b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,317	,000
	Cramer's V	,317	,000
N of Valid Cases		365	

SPSS Output 14 Crosstabulation of Female Clients / Female Non-Clients with IE - Sub-Index of Transportation Asset Ownership (N=427)

Crosstab

			IE_2_1_Resour_Assets_IND_Transport		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	170	119	289
		Expected Count	163,8	125,2	289,0
		% within Clients and Non-Clients by Gender	58,8%	41,2%	100,0%
	Female Non-Clients	Count	72	66	138
		Expected Count	78,2	59,8	138,0
		% within Clients and Non-Clients by Gender	52,2%	47,8%	100,0%
Total		Count	242	185	427
		Expected Count	242,0	185,0	427,0
		% within Clients and Non-Clients by Gender	56,7%	43,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,682[a]	1	,195		
Continuity Correction[b]	1,422	1	,233		
Likelihood Ratio	1,677	1	,195		
Fisher's Exact Test				,211	,117
Linear-by-Linear Association	1,678	1	,195		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 59,79.

b. Computed only for a 2x2 table

SPSS Output 15 Crosstabulation of Female Clients / Male Clients with Index of Empowerment (IE) for Asset Ownership (N=365)

Crosstab

			IE_2_1_Resources_Assets		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	167	122	289
		Expected Count	141,7	147,3	289,0
		% within Clients and Non-Clients by Gender	57,8%	42,2%	100,0%
	Male Clients	Count	12	64	76
		Expected Count	37,3	38,7	76,0
		% within Clients and Non-Clients by Gender	15,8%	84,2%	100,0%
Total		Count	179	186	365
		Expected Count	179,0	186,0	365,0
		% within Clients and Non-Clients by Gender	49,0%	51,0%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	42,467[a]	1	,000		
Continuity Correction[b]	40,803	1	,000		
Likelihood Ratio	45,963	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	42,351	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 37,27.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,341	,000
	Cramer's V	,341	,000
N of Valid Cases		365	

SPSS Output 16 Crosstabulation of Female Clients / Female Non-Clients with Index of Empowerment (IE) for Asset Ownership (N=427)

Crosstab

			IE_2_1_Resources_Assets		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	167	122	289
		Expected Count	161,1	127,9	289,0
		% within Clients and Non-Clients by Gender	57,8%	42,2%	100,0%
	Female Non-Clients	Count	71	67	138
		Expected Count	76,9	61,1	138,0
		% within Clients and Non-Clients by Gender	51,4%	48,6%	100,0%
Total		Count	238	189	427
		Expected Count	238,0	189,0	427,0
		% within Clients and Non-Clients by Gender	55,7%	44,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,520[a]	1	,218		
Continuity Correction[b]	1,274	1	,259		
Likelihood Ratio	1,516	1	,218		
Fisher's Exact Test				,252	,130
Linear-by-Linear Association	1,516	1	,218		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 61,08.

b. Computed only for a 2x2 table

SPSS Output 17 Crosstabulation of Female Clients / Male Clients with IE - Index of Access to and Decisions on Credit (N=365)

Crosstab

			IE_2_2_Resources_Credit		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	109	180	289
		Expected Count	91,1	197,9	289,0
		% within Clients and Non-Clients by Gender	37,7%	62,3%	100,0%
	Male Clients	Count	6	70	76
		Expected Count	23,9	52,1	76,0
		% within Clients and Non-Clients by Gender	7,9%	92,1%	100,0%
Total		Count	115	250	365
		Expected Count	115,0	250,0	365,0
		% within Clients and Non-Clients by Gender	31,5%	68,5%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	24,799[a]	1	,000		
Continuity Correction[b]	23,436	1	,000		
Likelihood Ratio	29,863	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	24,731	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 23,95.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,261	,000
	Cramer's V	,261	,000
N of Valid Cases		365	

SPSS Output 18 Crosstabulation of Female Clients / Female Non-Clients with with IE - Index of Access to and Decisions on Credit (N=427)

Crosstab

			IE_2_2_Resources_Credit		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	109	180	289
		Expected Count	109,6	179,4	289,0
		% within Clients and Non-Clients by Gender	37,7%	62,3%	100,0%
	Female Non-Clients	Count	53	85	138
		Expected Count	52,4	85,6	138,0
		% within Clients and Non-Clients by Gender	38,4%	61,6%	100,0%
Total		Count	162	265	427
		Expected Count	162,0	265,0	427,0
		% within Clients and Non-Clients by Gender	37,9%	62,1%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,019[a]	1	,891		
Continuity Correction[b]	,001	1	,975		
Likelihood Ratio	,019	1	,891		
Fisher's Exact Test				,915	,487
Linear-by-Linear Association	,019	1	,891		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 52,36.

b. Computed only for a 2x2 table

SPSS Output 19 Crosstabulation of Female Clients / Male Clients with Index of Control over Use of Income (N=365)

Crosstab

			IE_3_Income		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	52	237	289
		Expected Count	42,0	247,0	289,0
		% within Clients and Non-Clients by Gender	18,0%	82,0%	100,0%
	Male Clients	Count	1	75	76
		Expected Count	11,0	65,0	76,0
		% within Clients and Non-Clients by Gender	1,3%	98,7%	100,0%
Total		Count	53	312	365
		Expected Count	53,0	312,0	365,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	13,484[a]	1	,000		
Continuity Correction[b]	12,174	1	,000		
Likelihood Ratio	19,387	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	13,447	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 11,04.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,192	,000
	Cramer's V	,192	,000
N of Valid Cases		365	

SPSS Output 20 Crosstabulation of Female Clients / Female Non-Clients with Index of Control over Use of Income (N=427)

Crosstab

			IE_3_Income		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	52	237	289
		Expected Count	60,2	228,8	289,0
		% within Clients and Non-Clients by Gender	18,0%	82,0%	100,0%
	Female Non-Clients	Count	37	101	138
		Expected Count	28,8	109,2	138,0
		% within Clients and Non-Clients by Gender	26,8%	73,2%	100,0%
Total		Count	89	338	427
		Expected Count	89,0	338,0	427,0
		% within Clients and Non-Clients by Gender	20,8%	79,2%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4,402[a]	1	,036		
Continuity Correction[b]	3,884	1	,049		
Likelihood Ratio	4,273	1	,039		
Fisher's Exact Test				,042	,026
Linear-by-Linear Association	4,392	1	,036		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 28,76.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-,102	,036
	Cramer's V	,102	,036
N of Valid Cases		427	

SPSS Output 21 Crosstabulation of Female Clients/ Male Clients with Index of Group Membership (N=365)

Crosstab

			IE_4_1_Leader_Group		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	247	42	289
		Expected Count	236,7	52,3	289,0
		% within Clients and Non-Clients by Gender	85,5%	14,5%	100,0%
	Male Clients	Count	52	24	76
		Expected Count	62,3	13,7	76,0
		% within Clients and Non-Clients by Gender	68,4%	31,6%	100,0%
Total		Count	299	66	365
		Expected Count	299,0	66,0	365,0
		% within Clients and Non-Clients by Gender	81,9%	18,1%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	11,804[a]	1	,001		
Continuity Correction[b]	10,681	1	,001		
Likelihood Ratio	10,637	1	,001		
Fisher's Exact Test				,001	,001
Linear-by-Linear Association	11,772	1	,001		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 13,74.
b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,180	,001
	Cramer's V	,180	,001
N of Valid Cases		365	

SPSS Output 22 Crosstabulation of Female Clients / Female Non-Clients with Index of Group Membership (N=427)

Crosstab

			IE_4_1_Leader_Group		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	247	42	289
		Expected Count	247,0	42,0	289,0
		% within Clients and Non-Clients by Gender	85,5%	14,5%	100,0%
	Female Non-Clients	Count	118	20	138
		Expected Count	118,0	20,0	138,0
		% within Clients and Non-Clients by Gender	85,5%	14,5%	100,0%
Total		Count	365	62	427
		Expected Count	365,0	62,0	427,0
		% within Clients and Non-Clients by Gender	85,5%	14,5%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,000[a]	1	,991		
Continuity Correction[b]	,000	1	1,000		
Likelihood Ratio	,000	1	,991		
Fisher's Exact Test				1,000	,559
Linear-by-Linear Association	,000	1	,991		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 20,04.

b. Computed only for a 2x2 table

SPSS Output 23 Crosstabulation of Female Clients / Male Clients with Index of Speaking in Public (N=427)

Crosstab

			IE_4_2_Leader_Speak		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	34	255	289
		Expected Count	29,3	259,7	289,0
		% within Clients and Non-Clients by Gender	11,8%	88,2%	100,0%
	Male Clients	Count	3	73	76
		Expected Count	7,7	68,3	76,0
		% within Clients and Non-Clients by Gender	3,9%	96,1%	100,0%
Total		Count	37	328	365
		Expected Count	37,0	328,0	365,0
		% within Clients and Non-Clients by Gender	10,1%	89,9%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4,037[a]	1	,045		
Continuity Correction[b]	3,224	1	,073		
Likelihood Ratio	4,870	1	,027		
Fisher's Exact Test				,053	,029
Linear-by-Linear Association	4,026	1	,045		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 7,70.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,105	,045
	Cramer's V	,105	,045
N of Valid Cases		365	

SPSS Output 24 Crosstabulation of Female Clients / Female Non-Clients with Index of Speaking in Public (N=427)

Crosstab

			IE_4_2_Leader_Speak		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	34	255	289
		Expected Count	36,5	252,5	289,0
		% within Clients and Non-Clients by Gender	11,8%	88,2%	100,0%
	Female Non-Clients	Count	20	118	138
		Expected Count	17,5	120,5	138,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%
Total		Count	54	373	427
		Expected Count	54,0	373,0	427,0
		% within Clients and Non-Clients by Gender	12,6%	87,4%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,629[a]	1	,428		
Continuity Correction[b]	,407	1	,524		
Likelihood Ratio	,617	1	,432		
Fisher's Exact Test				,439	,259
Linear-by-Linear Association	,628	1	,428		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 17,45.

b. Computed only for a 2x2 table

SPSS Output 25 Crosstabulation of Female Clients / Male Clients with Index of Workload (N=365)

Crosstab

			IE_5_1_Time_Workl		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	203	86	289
		Expected Count	197,2	91,8	289,0
		% within Clients and Non-Clients by Gender	70,2%	29,8%	100,0%
	Male Clients	Count	46	30	76
		Expected Count	51,8	24,2	76,0
		% within Clients and Non-Clients by Gender	60,5%	39,5%	100,0%
Total		Count	249	116	365
		Expected Count	249,0	116,0	365,0
		% within Clients and Non-Clients by Gender	68,2%	31,8%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2,620[a]	1	,106		
Continuity Correction[b]	2,191	1	,139		
Likelihood Ratio	2,551	1	,110		
Fisher's Exact Test				,127	,071
Linear-by-Linear Association	2,613	1	,106		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 24,15.

b. Computed only for a 2x2 table

SPSS Output 26 Crosstabulation of Female Clients / Female Non-Clients with Index of Workload (N=427)

Crosstab

			IE_5_1_Time_Workl		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	203	86	289
		Expected Count	199,0	90,0	289,0
		% within Clients and Non-Clients by Gender	70,2%	29,8%	100,0%
	Female Non-Clients	Count	91	47	138
		Expected Count	95,0	43,0	138,0
		% within Clients and Non-Clients by Gender	65,9%	34,1%	100,0%
Total		Count	294	133	427
		Expected Count	294,0	133,0	427,0
		% within Clients and Non-Clients by Gender	68,9%	31,1%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,805[a]	1	,370		
Continuity Correction[b]	,617	1	,432		
Likelihood Ratio	,799	1	,371		
Fisher's Exact Test				,374	,215
Linear-by-Linear Association	,803	1	,370		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 42,98.

b. Computed only for a 2x2 table

SPSS Output 27 Crosstabulation of Female Clients / Male Clients with Index of Leisure Time (N=365)

Crosstab

			IE_5_2_Time_Leisure		
			inadequate	adequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	42	247	289
		Expected Count	38,8	250,2	289,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%
	Male Clients	Count	7	69	76
		Expected Count	10,2	65,8	76,0
		% within Clients and Non-Clients by Gender	9,2%	90,8%	100,0%
Total		Count	49	316	365
		Expected Count	49,0	316,0	365,0
		% within Clients and Non-Clients by Gender	13,4%	86,6%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,467[a]	1	,226		
Continuity Correction[b]	1,044	1	,307		
Likelihood Ratio	1,583	1	,208		
Fisher's Exact Test				,261	,153
Linear-by-Linear Association	1,463	1	,227		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 10,20.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,063	,226
	Cramer's V	,063	,226
N of Valid Cases		365	

SPSS Output 28 Crosstabulation of Female Clients / Female Non-Clients with Index of Leisure Time (N=427)

Crosstab

			IE_5_2_Time_Leisure		Total
			inadequate	adequate	
Clients and Non-Clients by Gender	Female Clients	Count	42	247	289
		Expected Count	38,6	250,4	289,0
		% within Clients and Non-Clients by Gender	14,5%	85,5%	100,0%
	Female Non-Clients	Count	15	123	138
		Expected Count	18,4	119,6	138,0
		% within Clients and Non-Clients by Gender	10,9%	89,1%	100,0%
Total		Count	57	370	427
		Expected Count	57,0	370,0	427,0
		% within Clients and Non-Clients by Gender	13,3%	86,7%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1,084[a]	1	,298		
Continuity Correction[b]	,790	1	,374		
Likelihood Ratio	1,118	1	,290		
Fisher's Exact Test				,362	,188
Linear-by-Linear Association	1,081	1	,298		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 18,42.

b. Computed only for a 2x2 table

SPSS Output 29 Crosstabulation of Female Clients / Male Clients with Index of Empowerment Headcount (N=365)

Clients and Non-Clients by Gender * IE_headcount_INADEQUA_score Crosstabulation

			IE_headcount_INADEQUA_score		
			adequate	inadequate	Total
Clients and Non-Clients by Gender	Female Clients	Count	47	242	289
		Expected Count	71,3	217,7	289,0
		% within Clients and Non-Clients by Gender	16,3%	83,7%	100,0%
	Male Clients	Count	43	33	76
		Expected Count	18,7	57,3	76,0
		% within Clients and Non-Clients by Gender	56,6%	43,4%	100,0%
Total		Count	90	275	365
		Expected Count	90,0	275,0	365,0
		% within Clients and Non-Clients by Gender	24,7%	75,3%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	52,648[a]	1	,000		
Continuity Correction[b]	50,500	1	,000		
Likelihood Ratio	47,062	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	52,504	1	,000		
N of Valid Cases	365				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 18,74.

b. Computed only for a 2x2 table

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-,380	,000
	Cramer's V	,380	,000
N of Valid Cases		365	

SPSS Output 30 Crosstabulation of Female Clients / Female Non-Clients with Index of Empowerment Headcount (N=427)

Clients and Non-Clients by Gender * IE_headcount_INADEQUA_score Crosstabulation

			IE_headcount_INADEQUA_score		Total
			adequate	inadequate	
Clients and Non-Clients by Gender	Female Clients	Count	47	242	289
		Expected Count	44,0	245,0	289,0
		% within Clients and Non-Clients by Gender	16,3%	83,7%	100,0%
	Female Non-Clients	Count	18	120	138
		Expected Count	21,0	117,0	138,0
		% within Clients and Non-Clients by Gender	13,0%	87,0%	100,0%
Total		Count	65	362	427
		Expected Count	65,0	362,0	427,0
		% within Clients and Non-Clients by Gender	15,2%	84,8%	100,0%

Chi-Square Tests

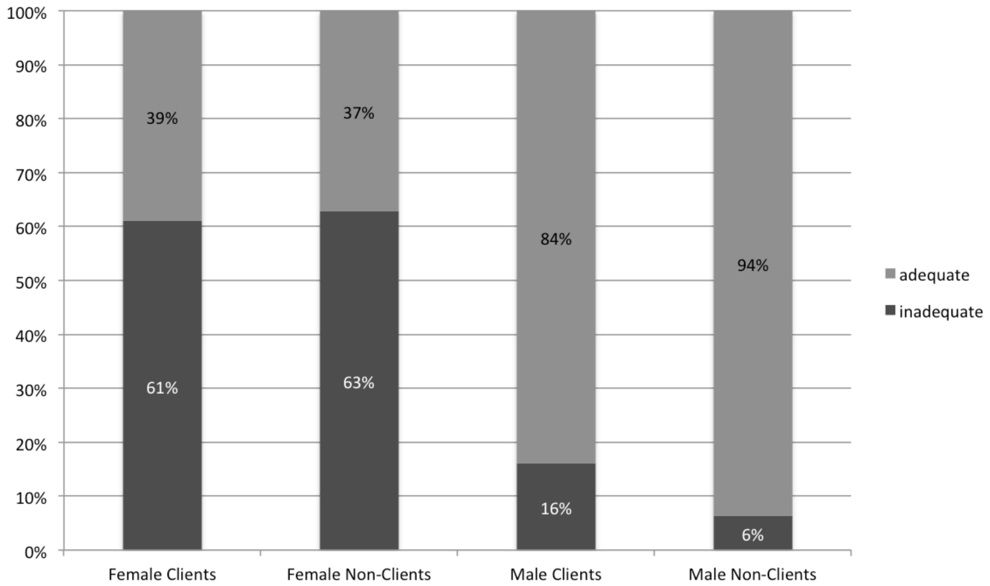
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,750[a]	1	,386		
Continuity Correction[b]	,521	1	,470		
Likelihood Ratio	,767	1	,381		
Fisher's Exact Test				,472	,237
Linear-by-Linear Association	,748	1	,387		
N of Valid Cases	427				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 21,01.

b. Computed only for a 2x2 table

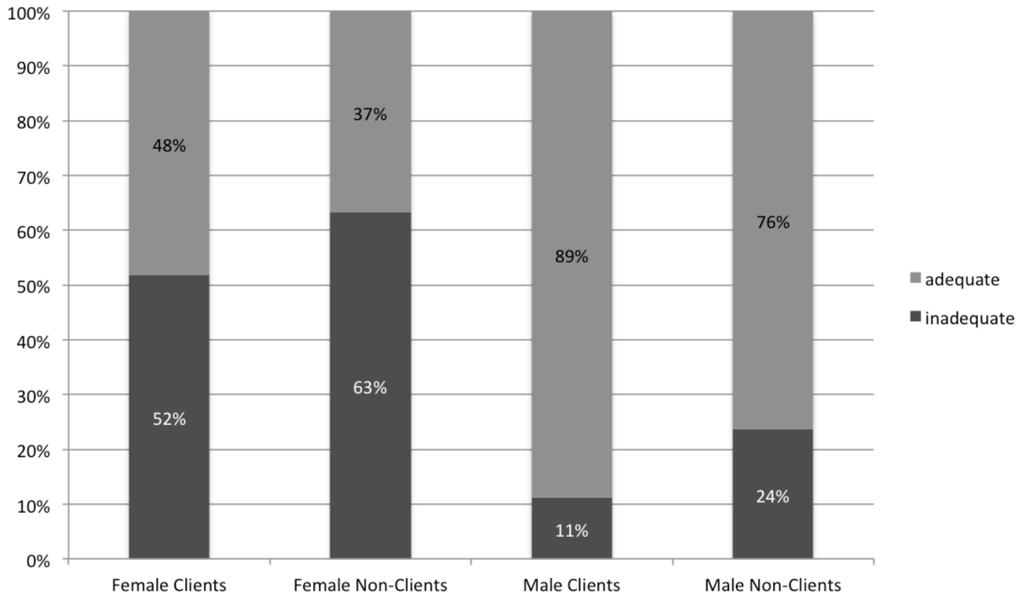
Figures

Figure 73 Empowerment – Control over Use of Agricultural Income (N=172) [564]



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

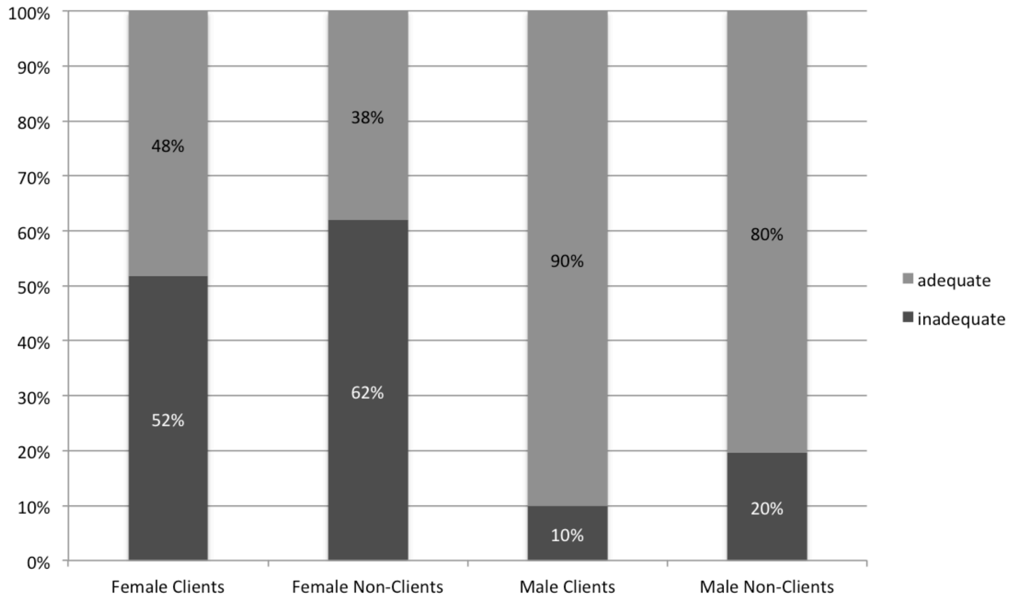
Figure 74 Empowerment – Control over Use of Non-Agricultural Income (N=458)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

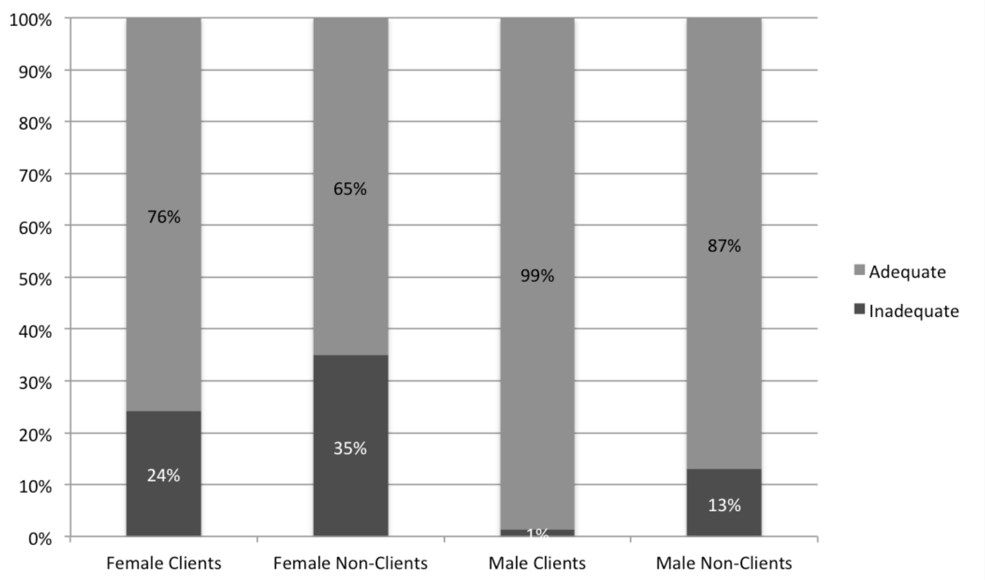
564 Some caution should be given to the per cent value given for male non-clients, given the small number (<25) of observations for this indicator. The absolute number of observations for this indicator are:
- female clients: 90,
- female non-clients: 35,
- male clients: 31,
- male non-clients: 16.

Figure 75 Empowerment — Control over Use of Income — Agricultural and Non-Agricultural Income - Sub-Index Alternative (N=495)



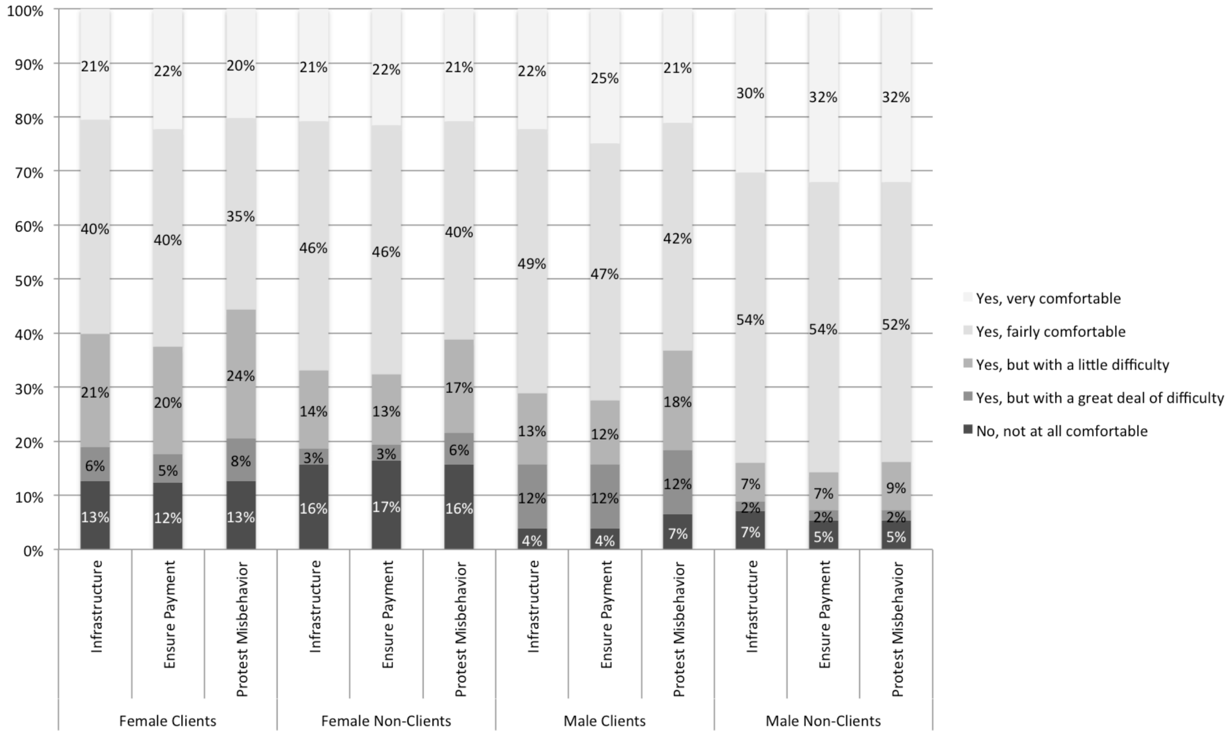
Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Figure 76 Empowerment — Control over Use of Income — Major Expenditures (N=551)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

Figure 77 Deprivation in Empowerment — Leadership — Speaking in Public — By Issues (N=562)



Source: Primary Data, Survey on Development and Credit in Andhra Pradesh 2013.

SURVEY

Manual

Figure 78 Manual for the Interviewer Training for the Survey on Development and Credit in Andhra Pradesh 2013

The aims of this survey are to analyse *rural* clients of Microfinance Institutions (MFIs) versus non-clients regarding their (1) capabilities/ opportunities, (2) empowerment, (3) experience with and perception of MFIs as well as (4) poverty status. The questionnaire can be divided into four sections:

	Dimension	*Core Concepts*	*Number*	*Aim*
1	Capabilities	Opportunities & challenges, agency, change.	Q3-13	Assessing the status quo, perceived changes and reasons for them.
2	Empowerment	*Women's Empowerment in Agriculture Index (WEAI)*	Q14-48	Measuring the level of empowerment of clients versus non-clients.
3	Microfinance	Positive & negative aspects of MFIs, interest rates, chain loans, indebtedness.	C1-12, N1-8, Q53-66	Evaluating the experience with and perception of MFIs – taking into account the debt situation and the experience with other institutions.
4	Poverty	*Multidimensional Poverty Index (MPI); Progress out of Poverty Index (PPI);*	Z1-Z31	Comparing the multidimensional poverty levels of clients and non-clients. Testing different poverty measurements in the context of microfinance.

EMPOWERMENT Section (Q14-40)

The questions on empowerment will ask for information on five domains:

Production: Women and men's sole or joint decision-making over food and cash-crop farming, livestock, and fisheries as well as autonomy in agricultural production;

Resources: Women and men's ownership, access to, and decision-making power over productive resources such as land, livestock, agricultural equipment, consumer durables, and credit;

Income: Women and men's sole or joint control over income and expenditures;

Leadership: Women and men's membership in economic or social groups and comfort in speaking in public;

Time: Women and men's allocation of time to productive and domestic tasks and satisfaction with the available time for leisure activities.

General Instructions for all empowerment questions

- Do ***not*** read out the list of coded answers to the respondents.
- If possible, and as facilitated by field team composition, male interviewers should interview male respondents and female interviewers female respondents.
- If at all possible, respondents should be interviewed separately, without other household members or outsiders present. It is ***not*** ok for other household members to assist with answers to questions.
- Although the research focuses on gender, at no point should you tell the respondent you are interested in gender as not to skew or bias results.

Coding

- The coding for
  - Q18-21, 23-24 is written in the lower right corner (page 4).
  - Q26, 28 and Q34-35 is written underneath the questions (page 5).
  - Q36 is written in the top left corner (page 6).
  - Q37, 38-40 is written underneath the question (page 6).

Q17 – 21

- ***Important***: First ask Q17 for all assets before asking the remaining questions. In this way, respondents have no incentive to undercount assets because of the perception of having to answer the remaining questions Q18-21.
- After Q17, ask all the questions for one type of asset (Q18, 19, 20 and 21) before going to the next type of asset so that the respondent is consistent in answers across the types of decisions.

- Non-farm activities include any asset used for small businesses including solar panels (if used for recharging), sewing machine, brewing equipment, chapatti fryers. The distinguishing factor from farm activities or growing food is that value must be added to the production (i.e. brewing or processing like baking bread etc.).
- You should count the asset in Q17 even if it is not functioning at the time of the interview as long as there is a resale value for the asset (i.e. it can be fixed or it can be sold to buy another productive asset or service).
- Note that for the questions (Q18-21), you are talking about "general" decisions or who takes decision on these items MOST OF THE TIME.

Q28

- There may be more than one reason for which the respondent was not able to borrow, however, the *primary* reason should be recorded.

Q36-37

- ***Important*** **–** Q36: Note that if the respondent indicates that they alone currently make the decision, then Q37 is skipped—as it does not make sense to ask if someone could make the decision if they already have said they are the only person who makes that decision in their household.

Q38-40

- Important: Read out little introduction text. Please emphasize that there are no right or wrong answers, and do take the time needed to answer them (do not rush the respondent to finish the interview). In some cases it will be helpful to give examples of these situations.
- Note that these questions are asked in reference to the family setting. So when you are talking about "getting in trouble" (Q38), or asking about if others will think badly about you (Q39) they should be in reference to trouble or negative thinking from a family member(s).

Q46-48 TIME ALLOCATION

The purpose of this module is to get an idea about men's and women's time spent in both work and leisure activities and their satisfaction with their time use. Types of activities and their duration can be used in economic as well as in social analysis, e.g. women's contribution in economic activities; the value of home production and the informal sector; productivity; time poverty and others.

- Please record a log of the activities for the individual in the last complete 24 hours (starting yesterday morning at 4 am, finishing 3 am of the current day). The time intervals are marked in 15 min intervals and <u>one to two activities can be marked for each time period</u> by drawing a P for "Primary" or S for "Secondary" and a line through that activity ending with a dot.

  Example:

		Night								Morning						
	Activity	4				5				6				7		
A	Sleeping and resting	P														
B	Eating and drinking							P								
C	Personal care								P							
D	Watching TV/Listening to radio						S									
E	Work as employed									P						

- Make sure that your marks are very clear. You should never mark a P or an S on the line between two boxes, rather they should be marked entirely in the centre of the beginning box.
- Primary means this is the activity they are most focused on and is the primary objective of what they are doing at that time, Secondary means any other activity they are engaged in, but is not the main objective of their time.
- An individual should have a P marked for all time periods no matter what. Even if the individual is doing nothing (such as sleeping or resting) or just sitting with family (social activities or hobbies), these categories should be marked.
- An individual can have an S marked for some time periods, but they cannot have more than one S for any given time period. Check to make sure the "secondary" activity makes sense. For example, the individual can be eating at the same time they are travelling; or the individual can be watching TV at the same time they are resting. However, it does not make sense for someone to be working as employed and sleeping at the same time. When you move to

the second page, please reprint P and S in the first box instead of simply continuing a line over from page one.

- ***Important***: It is most helpful to fill this table as a conversation with the respondent, rather than asking them what they were doing at 4:15, 4:30, 4:45 and so on. For example, ask them when they got up in the morning and what they did first. Then after that, what they did next throughout the entire day.

Example: In the diagram above, we can see that the respondent was sleeping or resting up till 5:30 am. At 5:30 am they got up and ate breakfast for 15 min, followed by bathing and dressing themselves for 15 min. At 6:00 am they started working in a shop, which they continued for the next two hours. In addition, from 5:15 am to 6:00 am they were listening to the radio at the same time they were resting, eating breakfast and bathing, however this was a secondary activity, because it was not the main objective or focus of their time.

Determining Activities

The worksheet is very simple and therefore it might be that something that the respondent has done is not described among the activities. First think if the activity fits in any other of the pre-printed activities. If it does not, then use the category *Other, specify.* Draw the line in the grid and write in the empty space below what you did. Try to describe it as detailed as possible. If there are more than one "Other", describe (ie both the primary and secondary activities fall into the "Other" category, then add this on an additional line below the table, do not attempt to combine them into one "Other" category).

Formal **work** and **school** override other activities. Personal care, eating, reading, travelling, etc. during working and school hours is always work/school. However, an official break is recorded as eating, travelling, shopping or whatever has been done. Many activities, like shopping, are linked with **travels**. If such travelling is the longest part of a 15 minutes period, it should be noted as travelling.

Activity	*Specification*
Sleeping	Includes resting, e.g. trying to sleep.
Eating	Includes drinking and eating at restaurants and friends. But eating just snacks at friends or when watching TV is not regarded as the main activity.
Personal care	Purchased services like haircutting are noted as shopping.
School	Personal care and shorter breaks during school hours are treated as school.
Work as employed	Includes personal care, eating, traveling, reading, etc. during the working hours which are part of your income generating activities (ie you are sent across town to attend a meeting, or you are reading for work purposes) but excludes commuting to and from work (which is recorded under "traveling and commuting."
Own business work	Includes own account work and household related businesses, except farming, fishing and textile work even for selling.
Farming/livestock/ fishing	Includes small-scale food production in the garden for own consumption and selling. Includes fishing for own consumption and selling, but excludes fishing just for fun (record as "social activities and hobbies").
Shopping/getting service (including health services)	Includes paid personal care, like haircutting, visit to the doctor or health facility (obtaining health services), car servicing and banking, etc. Any traveling linked to shopping will be noted as travels.
Weaving, sewing, textile care	Includes textile work for selling and own consumption, but excludes repairing of textiles (note as "domestic work").
Domestic work	Includes all unpaid domestic work such as fetching water and firewood, cleaning and other household chores (excluding cooking). Paid domestic work is counted as "work as employed."
Care for children/adults elderly	Includes unpaid care for all persons at home as well as outside home. Paid care is counted as "work as employed."
Traveling and Commuting	Travels to and from work or school. Travel includes all travels, except commuting and travels on working hours. Includes even walking if the purpose is not exercising. Longer journeys will be separated by activities like eating, personal care, etc.
Watching TV/listening to the radio/reading	Is often a second activity, particularly outside home, but comes first if just eating snacks or drinking at the same time. Includes all kind of reading, except homework for school and reading at work.
Exercising	All kind of physical sport activities including walking, if the purpose was not moving from one place to another (travel)
Social activities and hobbies	This category captures any social activities, such as sitting with family, visiting friends, talking on the phone with friends, visiting a drinking spot with friends, going to watch sporting activities etc. This category also encompasses conjugal activities if they are not for paid work (otherwise can be captured as "work as employed" or "own business"). Also includes gardening, fishing and other production just for fun.
Religious activities	Include attending services, praying or other religious activities/ceremonies. Note that if the individual is a Pastor, Imam or other person that does this as their occupation/work, it should be counted in that category and not as a religious activity.

Source: IFPRI-ARUL-OPHI Pilot Survey of the Feed the Future Initiative "Women's Empowerment in Agriculture Index" (March 2012) Example Enumeration Manual.

THANK YOU VERY MUCH FOR YOUR HELP!

Codebook

Table 39 Codebook of the Survey on Development and Credit in Andhra Pradesh

Variable	*SPSS name*	*Coding*	*No*

Identification number	ID	*(Number allocated to each case – from 1 till 574.)*	
State name	State	1 Andhra Pradesh	
Village name	Village	1 Potireddypalle 2 Tattivarru 3 Raghavapur 4 Vadali 5 Kalavapamula 6 Veleru 7 Pallollu 8 Tippaluru 9 Gopavaram 10 Moragudi 11 Mittamedipalli 12 Chemullapalli 13 Vemavaram 14 Vemulavada 15 Kovvuru 16 G.Mamidada 17 Madavapatnam 18 G.Rangampet 19 Kompalli 20 Narsingi 21 Hytabad 22 Pasumamula 23 Lingojiguda 24 Somaram	
Respondent Number	Respondent.Nr	*(Number allocated to each questionnaire.)*	
Client of Microfinance Institution in last 5 years	Client	1 Yes 2 No	Q2
Personal Information			
Sex	Sex	1 Male 2 Female	Z1
Age	Age	Age in years	Z2
Caste Group	Caste	1 Scheduled Caste (SC) 2 Scheduled Tribe (ST) 3 Other Backward Classes (OBC) 4 Other	Z15
Religion	Rel	1 Hindu 2 Muslim 3 Christian 4 Sikh 5 Buddhist/ Neo Buddhist 6 Jain 7 No religion 9 Other	Z16
Marital Status	Marital	1 Married (if both husband & wife live together) 2 Married, gauna not performed (not started living together)	Z3

		3 Widowed 4 Divorced 5 Separated 6 Deserted 7 Never married/ Unmarried	
<u>Education</u>			
Education	Edu	0 Non Literate – Anyone who cannot read and write 1 Below Primary – Literate but did not complete primary school 2 Primary pass/ Middle fail – Completed class V but not class 3 Middle pass/Matric Fail – Completed Class VIII but not class 4 Matric – Stopped education after passing Class X 5 Intermediate/ College no degree – Completed Class XII 6 Graduate or equivalent – BA, B.Sc., B.Com 7 Post Graduate – MA, M.Sc., M.Com., B. Ed., M. Ed., LLB. 8 Professional Degrees and Higher Research	Z4
Longest Education in Household	EduHhLong	*(See coding for "Edu" above.)*	Z5
(If Respondent not Male Head) Education of Male Head	EduHhMaleHead	1 No male head 2 Not literate - no formal school - primary or below 3 Middle 4 Secondary or higher education 5 Diploma/ certificate course - graduate - postgraduate	Z10
	EduHhMaleHeadFINAL	RECALCULATED – EduHhMaleHead – *(See Syntax.)* *(See coding for "*EduHhMaleHead*" above.)*	
<u>Occupation</u>			
Occupation	Occu	1 Farming 2 Animal Care 3 Farm Labour 4 Non-farm labour 5 Business 6 Salaried Work – Public Sector 7 Salaried Work – Private Sector 11 Farming - Cash crops 12 Farming - Food Crops 97 Housewife	Z6
Second Occupation	OccuSecIf	1 Yes 2 No	Z7
Type of Second Occupation	OccuSec	*(See coding for "Occu" above.)*	Z8
Occupation of Main Earner in Household	OccuHhMainEarn	*(See coding for "Occu" above.)*	Z11
Second Occupation of Main Earner in Household	OccuHhMainEarnSecIf	1 Yes 2 No	Z12
Type of Second Occupation of	OccuHhMainEarnSec	*(See coding for "Occu" above.)*	Z13

Main Earner in Household			
Agriculture			
Agricultural Land used for Production	AgrLand	(in local units)	Z17
Owned Agricultural Land used for Production	AgrLandOwn	(in local units)	Z18
Irrigated Agricultural Land used for Production	AgrLandIrrig	(in local units)	Z19
Livestock: Goat/ Sheep	AgrGoat	Number	Z24a
Livestock: Cow/ Oxen/ Buffalo/ Camel	AgrCow	Number	Z24b
Livestock: Chicken/ paltry birds	AgrChicken	Nnumber	Z24c
Household			
Relation to Head of Household	HhHeadRel	1 I am Head of the household 2 I am the Spouse 3 Child 4 Parent 5 Relative 6 Other	Z9
Adults in Household	HhAdult	Number	Z20a
Children in Household	HhChild	Number	Z20b
Child who left school before finishing year 8	HhChildDrop Out	1 Yes 2 No	Z21
Children Died	HhChildDied	1 Yes 2 No	Z22
Assets			
Landline	AsLandline	1 Yes 2 No	Z23a
Radio	AsRadio	1 Yes 2 No	Z23b
TV	AsTv	1 Yes 2 No	Z23c
VCR or VCD or DVD	AsDvd	1 Yes 2 No	Z23d
Fridge	AsFridge	1 Yes 2 No	Z23e
Sewing Machine	AsSewingMa	1 Yes 2 No	Z23f
Almirah/ Dressing Table	AsDresTable	1 Yes 2 No	Z23g
Casserole or Thermo(ware)	AsThermo	1 Yes 2 No	Z23h
Tractor	AsTractor	1 Yes 2 No	Z23i

Living			
Drinking Water Source	LivWater	1 Tap inside the house 2 Tap outside the house 3 Tube well 4 Well 5 Hand pump 6 Natural source (Pond/ Lake/ Stream/ River/ Spring) 7 Any other (Tank/ Canal)	Z25
Drinking Water Time to Fetch	LivWaterFetchTime	(Minutes)	Z26
Electricity Hours per Day	LivElectrHours	1 No electricity 2 Up to 2 hours 3 Two to 4 hours 4 Four to 6 hours 5 Six to 8 hours 6 More than 8 hours	Z27
Cooking Energy	LivEnergyCook	1 LPG/Gas 2 Electricity 3 Kerosene 4 Coal/ lignite/ charcoal 5 Others bought (Firewood/ Crop residue/ Cow dung cake) 6 Others not bought (Firewood/ ...)	Z28
Toilet	LivToilet	1 Flush/pour flush 2 Ventilated improved pit latrine (VIP) 3 Pit latrine with slab 4 Pit latrine without slab/open pit 5 Composting toilet 6 Bucket 7 Hanging toilet/hanging latrine 8 No facilities or bush or field	Z29
Toilet Shared with other Households	LivToiletShared	1 Yes 2 No 9 Not applicable	Z30
Flooring Material in Household	LivFloor	1 Dirt 2 Sand 3 Dung 4 Concrete 5 Stones 6 Wood 7 Other	Z31
Microfinance			
Awareness of any MFI	MfAware	1 Yes 2 No	Q1
Capabilities Perception			
Most Important Opportunities a Person should have during Life	OpporTop1	1 Education 2 Health (& life of nomal length) 3 Safety (& bodily integrity) 4 Shelter (& pleasant environment) 5 (good) Income	Q3a

		6 (good) Work 7 Freedom from exploitation (economic & non-economic) 8 Participation (& information) 9 Social relations 10 Solidarity 11 Justice 12 Respect & dignity 13 Recognition 14 Religion & identity 15 Mental well-being 16 Love & care (receiving/giving) 17 Self-determination & control (over one´s life) 18 Time autonomy 19 Mobility 20 Leisure activities 21/ 22/ 23 Other 99 Cannot say	
	OpporTop2	*(See coding for "OpporTop1" above.)*	Q3b
	OpporTop3	*(See coding for "OpporTop1" above.)*	Q3c
	OpporTop4	*(See coding for "OpporTop1" above.)*	Q3d
	OpporTop5	*(See coding for "OpporTop1" above.)*	Q3e
	OpporTopOther	*(Text.)*	Q3_Other
Free Choice Today	ChoiceToday	"Ten Step Ladder": 1 Completely without Free Choice and Control over the Way Live Turns Out - 2 - 3 - 4 - 5 - 6 - 7 - 8 - 9 - 10 With the Most Free Choice and Control over own Live	Q4a
Free Choice Neighbours	ChoiceNeighb	*(See coding for "ChoiceToday" above.)*	Q4b
Free Choice Five Years Ago	ChoicePast	*(See coding for "ChoiceToday" above.)*	Q4c
Free Choice in Five Years	ChoiceFuture	*(See coding for "ChoiceToday" above.)*	Q4d
Free Choice Children will have	ChoiceChildFuture	*(See coding for "ChoiceToday" above.)*	Q4e
Free Choice: Health	ChoiceHealth	*(See coding for "ChoiceToday" above.)*	Q5a
Free Choice: Learning	ChoiceLearn	*(See coding for "ChoiceToday" above.)*	Q5b
Free Choice: Social Relations	ChoiceSocRel	*(See coding for "ChoiceToday" above.)*	Q5c
Free Choice: Pleasant Environment	ChoicePleasEnvir	*(See coding for "ChoiceToday" above.)*	Q5d
Free Choice: Decisions in	ChoiceDecisHh	*(See coding for "ChoiceToday" above.)*	Q5e

Household			
Free Choice: Decisions in Community	ChoiceDecisCom	*(See coding for "ChoiceToday" above.)*	Q5f
Free Choice: Earning Good Income	ChoiceEarn	*(See coding for "ChoiceToday" above.)*	Q5g
Free Choice: Access to Loans	ChoiceLoans	*(See coding for "ChoiceToday" above.)*	Q5h
Free Choice: Enjoyable Work	ChoiceWorkEnjoy	*(See coding for "ChoiceToday" above.)*	Q5i
<u>Change Perception</u>			
Change last 5 years: Health	ChangeHealth	1 Improved very much 2 Improved 3 Stayed same 4 Worsened 5 Worsened very much	Q6a
Change last 5 years: Learning	ChangeLearn	*(See coding for "ChangeHealth" above.)*	Q6b
Change last 5 years: Social Relations	ChangeSocRel	*(See coding for "ChangeHealth" above.)*	Q6c
Change last 5 years: Pleasant Environment	ChangePleasEnvir	*(See coding for "ChangeHealth" above.)*	Q6d
Change last 5 years: Decisions in Household	ChangeDecisHh	*(See coding for "ChangeHealth" above.)*	Q6e
Change last 5 years: Decisions in Community	ChangeDecisCom	*(See coding for "ChangeHealth" above.)*	Q6f
Change last 5 years: Earning Good Income	ChangeEarn	*(See coding for "ChangeHealth" above.)*	Q6g
Change last 5 years: Access to Loans	ChangeLoans	*(See coding for "ChangeHealth" above.)*	Q6h
Change last 5 years: Enjoyable Work	ChangeWorkEnjoy	*(See coding for "ChangeHealth" above.)*	Q6i
Reasons for positive changes	ReasChangePos1	1 Microfinance Institution 2 NGO 3 Self-help group 4 New source of income – me 5 New source of income – spouse 6 New source of income - other family member 14 Health improvement in family 15/ 16/ 17 Other	Q7a
	ReasChangePos1NewInc	7 Business 8 Wage	Q7a_Source

		9 Salary 10 Agricultural income 11 Remittances 12 NREGA 13 Other Source	
	ReasChangePos2	*(See coding for "ReasChangePos1" above.)*	Q7b
	ReasChangePos2NewInc	*(See coding for "ReasChangePos1NewInc" above.)*	Q7b_Source
	ReasChangePos3	*(See coding for "ReasChangePos1" above.)*	Q7c
	ReasChangePos3NewInc	*(See coding for "ReasChangePos1NewInc" above.)*	Q7c_Source
	ReasChangePosOther	*(Text.)*	Q7_Other
Reasons for negative changes	ReasChangeNeg1	1 Microfinance Institution 2 NGO 3 Self-help group 4 Loss of source of income – me 5 Loss of source of income – spouse 6 Loss of source of income - other family member 14 Health problem in family 15/ 16/ 17 Other	Q8a
	ReasChangeNeg1LostInc	7 Business 8 Wage 9 Salary 10 Agricultural income 11 Remittances 12 NREGA 13 Other Source 14 Health Problem	
	ReasChangeNeg2	*(See coding for "ReasChangeNeg1" above.)*	Q8b
	ReasChangeNeg2LostInc	*(See coding for "ReasChangeNeg1LostInc" above.)*	
	ReasChangeNeg3	*(See coding for "ReasChangeNeg1" above.)*	Q8c
	ReasChangeNeg3LostInc	*(See coding for "ReasChangeNeg1LostInc" above.)*	
<u>Financial Situation Perception</u>			
Financial Situation – Change in Last Few Years	FinanChange	1 Improved 2 Same 3 Worsened	Q9
Financial Situation – Satisfaction	FinanSatisf	1 Satisfied 2 Somewhat Satisfied 3 Not Satisfied	Q10
Financial Situation – Satisfaction	FinanFuture	1 Better 2 Same 3 Worse	Q11
<u>Problems</u>			

Most Important Problems	ProblTop1	1 Unemployment 2 Poverty 3 Price Rise 4 Corruption 5 Drinking Water 6 Electricity 7 Road/ Transport 8 Education - Access/ Costs 9 Education – Quality 10 Health Services - Access/ Costs 11 Health Services - Quality 12 Law & Order 13 Political Instability 14 Shelter/ Housing 15 Food & Closing 16 Irrigation Water 17 Sanitation 18 Caste dominance 19 Violence from dominant groups/ community 20 Political Interference 21 Lack of friendliness between different communities 22/ 23 Other	Q12a
	ProblTop2	*(See coding for "ProblTop1" above.)*	Q12b
	ProblTop3	*(See coding for "ProblTop1" above.)*	Q12c
	ProblTop4	*(See coding for "ProblTop1" above.)*	Q12d
Farmers´ Suicides: Blame	SuiciBlame1	1 Farmer Himself 2 Money Lenders 3 Microfinance Institutions 4 Banks 5 State Government 6 Central Government 7 Agricultural Input Sellers 8 Destiny 9 Other	Q13a
	SuiciBlame2	*(See coding for "SuiciBlame1" above.)*	Q13b
		(See coding for "SuiciBlame1" above.)	Q13c
Women´s EMPOWERMENT in Agriculture: Five Dimensions of Empowerment (5DE)			
MODULE (B): Role in Household Decision-Making around Production and Income Generation			
Production – Participation			
Production – Participation: Food Crop Farming	B01_1_ProdPartFoodCrop	1 Yes 2 No	Q14a
Production – Participation: Cash Crop	B01_2_ProdPartCashCrop	1 Yes 2 No	Q14b

Farming			
Production – Participation: Livestock Raising	B01_3_ProdPartLivest	1 Yes 2 No	Q14c
Production – Participation: Non-farm economic act.	B01_4_ProdPartNonFarm	1 Yes 2 No	Q14d
Production – Participation: Wage and Salary	B01_5_ProdPartWage	1 Yes 2 No	Q14e
Production – Participation: Fishing or fishpond culture	B01_6_ProdPartFish	1 Yes 2 No	Q14f
<u>Production – Input in Decisions</u>			
Production – Input: Food Crop Farming	B02_1_ProdInputFoodCrop	*0 Not applicable* 1 No input 2 Input into very few decisions 3 Input into some decisions 4 Input into most decisions 5 Input into all decisions 6 No decision made	Q15a
Production – Input: Cash Crop Farming	B02_2_ProdInputCashCrop	*(See coding for "B02_1_ProdInputFoodCrop" above.)*	Q15b
Production – Input: Livestock Raising	B02_3_ProdInputLivest	*(See coding for "B02_1_ProdInputFoodCrop" above.)*	Q15c
Production – Input: Non-farm economic act.	B02_4_ProdInputNonFarm	*(See coding for "B02_1_ProdInputFoodCrop" above.)*	Q15d
Production – Input: Wage and Salary	B02_5_ProdInputWage	*(See coding for "B02_1_ProdInputFoodCrop" above.)*	Q15e
Production – Input: Fishing or fishpond	B02_6_ProdInputFish	*(See coding for "B02_1_ProdInputFoodCrop" above.)*	Q15f
<u>Income – Control Over Use of Income</u>			
Income – Control Over: Food Crop Farming	B03_1_IncContrFoodCrop	*0 Not applicable* 1 No input 2 Input into very few decisions 3 Input into some decisions 4 Input into most decisions 5 Input into all decisions 6 No decision made	Q16a

Income – Control Over: Cash Crop Farming	B03_2_IncContrCashCrop	*(See coding for "B03_1_IncContrFoodCrop" above.)*	Q16b
Income – Control Over: Livestock Raising	B03_3_IncContrLivest	*(See coding for "B03_1_IncContrFoodCrop" above.)*	Q16c
Income – Control Over: Non-farm economic act.	B03_4_IncContrNonFarm	*(See coding for "B03_1_IncContrFoodCrop" above.)*	Q16d
Income – Control Over: Wage and Salary	B03_5_IncContrWage	*(See coding for "B03_1_IncContrFoodCrop" above.)*	Q16e
Income – Control Over: Fishing or fishpond	B03_6_IncContrFish	*(See coding for "B03_1_IncContrFoodCrop" above.)*	Q16f
MODULE (C): Access to productive Capital			
<u>Resources in Household</u>			
Resources – Agricultural Land	C01a_1_ResLandAgr	1 Yes 2 No	Q17a
Resources – Large Livestock	C01a_2_ResLivestLar	1 Yes 2 No	Q17b
Resources – Small Livestock	C01a_3_ResLivestSma	1 Yes 2 No	Q17c
Resources – Chicken	C01a_4_ResChick	1 Yes 2 No	Q17d
Resources – Fish pond/ equipment	C01a_5_ResFish	1 Yes 2 No	Q17e
Resources – Farm equipment (non-mechanized)	C01a_6_ResFarmEqNonMe	1 Yes 2 No	Q17f
Resources – Farm equipment (mechanized)	C01a_7_ResFarmEqMe	1 Yes 2 No	Q17g
Resources – Nonfarm business equipment	C01a_8_ResBusiEq	1 Yes 2 No	Q17h
Resources – House	C01a_9_ResHouse	1 Yes 2 No	Q17i
Resources – Large consumer durables (Fridge, TV, sofa)	C01a_10_ResDuraLar	1 Yes 2 No	Q17k
Resources – Small consumer durables (Radio,	C01a_11_ResDuraSma	1 Yes 2 No	Q17l

Cookware)			
Resources – Cell phone	C01a_12_ResCell	1 Yes 2 No	Q17n
Resources – Land not used for agriculture	C01a_13_ResLandNonAgr	1 Yes 2 No	Q17o
Resources – Means of Transportation (Bike, Motorcycle, Car)	C01a_14x_ResBike	1 Yes 2 No	Q17p
	C01a_14y_ResMotorc	1 Yes 2 No	Q17r
	C01a_14z_ResCar	1 Yes 2 No	Q17s
<u>Resources – Ownership of assets</u>			
Resources – Ownership: Agricultural Land	C02_1_ResOwnLandAgr	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q18a
Resources – Ownership: Large Livestock	C02_2_ResOwnLivestLar	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18b
Resources – Ownership: Small Livestock	C02_3_ResOwnLivestSma	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18c
Resources – Ownership: Chicken	C02_4_ResOwnChick	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18d
Resources – Ownership: Fish pond/ equipment	C02_5_ResOwnFish	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18e
Resources – Ownership: Farm equipment (non-mechanized)	C02_6_ResOwnFarmEqNonMe	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18f
Resources – Ownership: Farm equipment (mechanized)	C02_7_ResOwnFarmEqMe	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18g
Resources – Ownership: Nonfarm business	C02_8_ResOwnBusiEq	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18h

equipment			
Resources – Ownership: House	C02_9_ResOwnHouse	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18i
Resources – Ownership: Large consumer durables (Fridge, TV, sofa)	C02_10_ResOwnDuraLar	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18k
Resources – Ownership: Small consumer durables (Radio, Cookware)	C02_11_ResOwnDuraSma	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18l
Resources – Ownership: Cell phone	C02_12_ResOwnCell	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18n
Resources – Ownership: Land not used for agriculture	C02_13_ResOwnLandNonAgr	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18o
Resources – Ownership: Means of Transportation (Bike, Motorcycle, Car)	C02_14x_ResOwnBike	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18p
	C02_14y_ResOwnMotorc	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18r
	C02_14z_ResOwnCar	*(See coding for "C02_1_ResOwnAgrLa" above.)*	Q18s
<u>Resource – Sale of Assets</u>			
Resources – Sale: Agricultural Land	C04_1_ResSaleLandAgr	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q19a
Resources – Sale: Large Livestock	C04_2_ResSaleLivestLar	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19b
Resources – Sale: Small Livestock	C04_3_ResSaleLivestSma	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19c
Resources – Sale: Chicken	C04_4_ResSaleChick	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19d
Resources – Sale: Fish pond/ equipment	C04_5_ResSaleFish	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19e

Resources – Sale: Farm equipment (non-mechanized)	C04_6_ResSaleFarmEqNonMe	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19f
Resources – Sale: Farm equipment (mechanized)	C04_7_ResSaleFarmEqMe	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19g
Resources – Sale: Nonfarm business equipment	C04_8_ResSaleBusiEq	*(See coding for "C04_1_ResSaleAgrLa" above.)*	Q19h
Resource – Mortgage or Rent Out of Assets			
Resources – Rent Out: Agricultural Land	C06_1_ResRentLandAgr	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q20a
Resources – Rent Out: Large Livestock	C06_2_ResRentLivestLar	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20b
Resources – Rent Out: Small Livestock	C06_3_ResRentLivestSma	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20c
Resources – Rent Out: Chicken	C06_4_ResRentChick	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20d
Resources – Rent Out: Fish pond/ equipment	C06_5_ResRentFish	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20e
Resources – Rent Out: Farm equipment (non-mechanized)	C06_6_ResRentFarmEqNonMe	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20f
Resources – Rent Out: Farm equipment (mechanized)	C06_7_ResRentFarmEqMe	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20g
Resources – Rent Out: Nonfarm	C06_8_ResRentBusiEq	*(See coding for "C06_1_ResRentAgrLa" above.)*	Q20h

business equipment			
<u>Resource – New Purchase of Assets</u>			
Resources – Purchase: Agricultural Land	C09_1_ResBuyLandAgr	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q21a
Resources Purchase: Large Livestock	C09_2_ResBuyLivestLar	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21b
Resources Purchase: Small Livestock	C09_3_ResBuyLivestSma	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21c
Resources Purchase: Chicken	C09_4_ResBuyChick	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21d
Resources Purchase: Fish pond/ equipment	C09_5_ResBuyFish	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21e
Resources Purchase: Farm equipment (non-mechanized)	C09_6_ResBuyFarmEqNonMe	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21f
Resources Purchase: Farm equipment (mechanized)	C09_7_ResBuyFarmEqMe	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21g
Resources Purchase: Nonfarm business equipment	C09_8_ResBuyBusiEq	*(See coding for "C09_1_ResBuyAgrLa" above.)*	Q21h
MODULE (C): Access to Credit			
<u>Resource – Credit Taken</u>			
Resources – Credit Past 12 Month in Hh: NGO	C10_A_CredNgo	1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No	Q22b (sic!)
Resources –	C10_B_CredIn	1 Yes, cash	Q22d

Credit Past 12 Month in Hh: Informal Lender (money lender)	for	2 Yes, in-kind 3 Yes, cash & in-kind 4 No	
Resources – Credit Past 12 Month in Hh: Formal Lender (bank)	C10_C_CredBank	1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No	Q22c
Resources – Credit Past 12 Month in Hh: Friends or Relatives	C10_D_CredFriendRela	1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No	Q22e
Resources – Credit Past 12 Month in Hh: Microfinance Institution	C10_E_CredMfi	1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No	Q22a
<u>Resource – Credit – Decision to borrow</u>			
Resources – Credit Decision to Borrow: NGO	C11_A_CredDecisBorNgo	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q23b (sic!)
Resources – Credit Decision to Borrow: Informal Lender (money lender)	C11_B_CredDecisBorInfor	*(See coding for "*C11_A_CredDecisBorNgo*" above.)*	Q23d
Resources – Credit Decision to Borrow: Formal Lender (bank)	C11_C_CredDecisBorBank	*(See coding for "*C11_A_CredDecisBorNgo*" above.)*	Q23c
Resources – Credit Decision to Borrow: Friends or Relatives	C11_D_CredDecisBorFriendRela	*(See coding for "*C11_A_CredDecisBorNgo*" above.)*	Q23e
Resources – Credit Decision to Borrow: Microfinance Institution	C11_E_CredDecisBorMfi	*(See coding for "*C11_A_CredDecisBorNgo*" above.)*	Q23a

<u>Resource – Credit – Decision on use</u>			
Resources – Credit Decision on Use: NGO	C12_A_CredDecisUseNgo	*0 Not applicable* 1 Self 2 Partner/ Spouse 3 Self & partner/ spouse jointly 4 Other household member 5 Self & other household member(s) 6 Partner/ spouse & other household member(s) 7 Someone (or group) outside the household 8 Self & other outside people 9 Partner/ spouse & other outside people 10 Self, partner/ spouse & other outside people	Q24b (sic!)
Resources – Credit Decision on Use: Informal Lender (money lender)	C12_B_CredDecisUseInfor	*(See coding for "*C12_A_CredDecisUseNgo*" above.)*	Q24d
Resources – Credit Decision on Use: Formal Lender (bank)	C12_C_CredDecisUseBank	*(See coding for "*C12_A_CredDecisUseNgo*" above.)*	Q24c
Resources – Credit Decision on Use: Friends or Relatives	C12_D_CredDecisUseFriendRela	*(See coding for "*C12_A_CredDecisUseNgo*" above.)*	Q24e
Resources – Credit Decision on Use: Microfinance Institution	C12_E_CredDecisUseMfi	*(See coding for "*C12_A_CredDecisUseNgo*" above.)*	Q24a
<u>Resource – Credit – If more available</u>			
Resources – Credit – If more available: NGO	C13_A_CredMoreNgo	1 Yes 2 No	Q25b (sic!)
Resources – Credit – If more available: Informal Lender (money lender)	C13_B_CredMoreInfor	1 Yes 2 No	Q25d
Resources – Credit – If more available: Formal Lender (bank)	C13_C_CredMoreBank	1 Yes 2 No	Q25c
Resources – Credit – If more available: Friends or Relatives	C13_D_CredMoreFriendRela	1 Yes 2 No	Q25e
Resources – Credit – If more	C13_E_CredMoreMfi	1 Yes 2 No	Q25a

available: Microfinance Institution			
Resource – Credit – Why not more			
Resources – Credit – Why not more: NGO	C13A_A_CredMoreNoWhyNgo	1 Have Enough Money 2 Afraid of losing collateral 3 Do not have enough collateral/ did not qualify for the loan 4 Afraid cannot pay back the money 5 Interest rate/ other costs too high 6 Not allowed to borrow/ family dispute in borrowing decision 7 Place of lender is too far 8 Other, specify: ________________________________	Q26b (sic!)
Resources – Credit – Why not more: Informal Lender (money lender)	C13A_B_CredMoreNoWhyInfor	*(See coding for "*C13A_A_CredMoreNoWhyNgo*" above.)*	Q26d
Resources – Credit – Why not more: Formal Lender (bank)	C13A_C_CredMoreNoWhyBank	*(See coding for "*C13A_A_CredMoreNoWhyNgo*" above.)*	Q26c
Resources – Credit – Why not more: Friends or Relatives	C13A_D_CredMoreNoWhyFriendRela	*(See coding for "*C13A_A_CredMoreNoWhyNgo*" above.)*	Q26e
Resources – Credit – Why not more: Microfinance Institution	C13A_E_CredMoreNoWhyMfi	*(See coding for "*C13A_A_CredMoreNoWhyNgo*" above.)*	Q26a
Resource – Credit Not Taken			
Resources – Credit Not Taken Past 12 Month in Hh: NGO	C13B_A_CredNoTakeNgo	1 Yes 2 No	Q27b (sic!)
Resources – Credit Not Taken Past 12 Month in Hh: Informal Lender (money lender)	C13B_B_CredNoTakeInfor	1 Yes 2 No	Q27d
Resources – Credit Not Taken Past 12 Month in Hh: Formal Lender (bank)	C13B_C_CredNoTakeBank	1 Yes 2 No	Q27c
Resources – Credit Not Taken Past 12 Month in	C13B_D_CredNoTakeFriendRela	1 Yes 2 No	Q27e

Hh: Friends or Relatives			
Resources – Credit Not Taken Past 12 Month in Hh: Microfinance Institution	C13B_E_CredNoTakeMfi	1 Yes 2 No	Q27a
<u>Resource – Credit Not Taken Why</u>			
Resources – Credit Not Taken Why: NGO	C13C_A_CredNoTakeWhyNgo	1 Have Enough Money 2 Afraid of losing collateral 3 Do not have enough collateral/ did not qualify for the loan 4 Afraid cannot pay back the money 5 Interest rate/ other costs too high 6 Not allowed to borrow/ family dispute in borrowing decision 7 Place of lender is too far 8 Other, specify: ______________________	Q28b (sic!)
Resources – Credit Not Taken Why: Informal Lender (money lender)	C13C_B_CredNoTakeWhyInfor	*(See coding for "*C13C_A_CredNoTakeWhyNgo*" above.)*	Q28d
Resources – Credit Not Taken Why: Formal Lender (bank)	C13C_C_CredNoTakeWhyBank	*(See coding for "*C13C_A_CredNoTakeWhyNgo*" above.)*	Q28c
Resources – Credit Not Taken Why: Friends or Relatives	C13C_D_CredNoTakeWhyFriendRela	*(See coding for "*C13C_A_CredNoTakeWhyNgo*" above.)*	Q28e
Resources – Credit Not Taken Why: Microfinance Institution	C13C_E_CredNoTakeWhyMfi	*(See coding for "*C13C_A_CredNoTakeWhyNgo*" above.)*	Q28a
MODULE (E): Individual Leadership and Influence in the Community			
<u>Leadership – Speaking in Public</u>			
Leadership - Public Speaking: Infrastructure Decisions	E02A_PublSpeakInfrast	1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty 4 Yes, fairly comfortable 5 Yes, very comfortable	Q29
Leadership - Public Speaking: Wages for Public Work	E02B_PublSpeakWages	1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty 4 Yes, fairly comfortable 5 Yes, very comfortable	Q30
Leadership -	E02C_PublSpe	1 No, not at all comfortable	Q31

Public Speaking: Protest the Misbehaviour of Authorities	akProtest	2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty 4 Yes, fairly comfortable 5 Yes, very comfortable	
<u>Leadership – Group in Community</u>			
Leadership – Group: Agricultural/ Livestock/ Fisheries Producers Group	E06A_A_GroupAgr	1 Yes 2 No	Q32a
Leadership – Group: Water Users´ Group	E06A_B_GroupWater	1 Yes 2 No	Q32b
Leadership – Group: Forest Users´ Group	E06A_C_GroupFores	1 Yes 2 No	Q32c
Leadership – Group: Credit or Microfinance Group	E06A_D_GroupCred	1 Yes 2 No	Q32d
Leadership – Group: Mutual Help or Insurance Group	E06A_E_GroupInsur	1 Yes 2 No	Q32e
Leadership – Group: Trade and Business Association	E06A_F_GroupBusi	1 Yes 2 No	Q32f
Leadership – Group: Civic or Charitable Group	E06A_G_GroupChari	1 Yes 2 No	Q32g
Leadership – Group: Local Government	E06A_H_GroupLocGov	1 Yes 2 No	Q32h
Leadership – Group: Religious Group	E06A_I_GroupReli	1 Yes 2 No	Q32i
Leadership – Group: Other Women´s Group	E06A_J_GroupWomen	1 Yes 2 No	Q32k (sic!)
<u>Leadership – Active Group Member</u>			
Leadership – Group Member: Agricultural/ Livestock/ Fisheries Producers Group	E06_A_GroupMembAgr	1 Yes 2 No	Q33a
Leadership –	E06_B_Group	1 Yes	Q33b

Group Member: Water Users´ Group	MembWater	2 No	
Leadership – Group Member: Forest Users´ Group	E06_C_Group MembFores	1 Yes 2 No	Q33c
Leadership – Group Member: Credit or Microfinance Group	E06_D_Group MembCred	1 Yes 2 No	Q33d
Leadership – Group Member: Mutual Help or Insurance Group	E06_E_Group MembInsur	1 Yes 2 No	Q33e
Leadership – Group Member: Trade and Business Association	E06_F_Group MembBusi	1 Yes 2 No	Q33f
Leadership – Group Member: Civic or Charitable Group	E06_G_Group MembChari	1 Yes 2 No	Q33g
Leadership – Group Member: Local Government	E06_H_Group MembLocGov	1 Yes 2 No	Q33h
Leadership – Group Member: Religious Group	E06_I_Group MembReli	1 Yes 2 No	Q33i
Leadership – Group Member: Other Women´s Group	E06_J_Group MembWomen	1 Yes 2 No	Q33k (sic!)
Leadership –Group Decisions Input			
Leadership – Group Decisions: Agricultural/ Livestock/ Fisheries Producers Group	E09_A_Group DecisAgr	*0 Not applicable* 1 No input 2 Input into very few decisions 3 Input into some decisions 4 Input into most decisions 5 Input into all decisions	Q34a
Leadership – Group Decisions: Water Users´ Group	E09_B_Group DecisWater	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34b
Leadership – Group Decisions:	E09_C_Group DecisFores	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34c

Forest Users´ Group			
Leadership – Group Decisions: Credit or Microfinance Group	E09_D_GroupDecisCred	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34d
Leadership – Group Decisions: Mutual Help or Insurance Group	E09_E_GroupDecisInsur	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34e
Leadership – Group Decisions: Trade and Business Association	E09_F_GroupDecisBusi	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34f
Leadership – Group Decisions: Civic or Charitable Group	E09_G_GroupDecisChari	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34g
Leadership – Group Decisions: Local Government	E09_H_GroupDecisLocGov	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34h
Leadership – Group Decisions: Religious Group	E09_I_GroupDecisReli	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34i
Leadership – Group Decisions: Other Women´s Group	E09_J_GroupDecisWomen	*(See coding for "*E09_A_GroupDecisAgr*" above.)*	Q34k (sic!)
Leadership – No Group Member			
Leadership – No Group Member: Agricultural/ Livestock/ Fisheries Producers Group	E09A_A_GroupNoWhyAgr	*0 Not applicable* 1 Not interested 2 No time 3 Unable to raise entrance fees 4 Unable to raise reoccurring fees 5 Group meeting location not convenient 6 Family dispute/ unable to join 7 Not allowed because of sex 8 Not allowed because of caste (differs from WEAI) 9 Not allowed because of other reason (differs from WEAI) 10 Other, specify: _______________ (differs from WEAI)	Q35a
Leadership – No Group Member: Water Users´ Group	E09A_B_GroupNoWhyWater	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35b
Leadership – No Group Member: Forest Users´	E09A_C_GroupNoWhyFores	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35c

Group			
Leadership – No Group Member: Credit or Microfinance Group	E09A_D_GroupNoWhyCred	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35d
Leadership – No Group Member: Mutual Help or Insurance Group	E09A_E_GroupNoWhyInsur	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35e
Leadership – No Group Member: Trade and Business Association	E09A_F_GroupNoWhyBusi	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35f
Leadership – No Group Member: Civic or Charitable Group	E09A_G_GroupNoWhyChari	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35g
Leadership – No Group Member: Local Government	E09A_H_GroupNoWhyLocGov	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35h
Leadership – No Group Member: Religious Group	E09A_I_GroupNoWhyReli	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35i
Leadership – No Group Member: Other Women´s Group	E09A_J_GroupNoWhyWomen	*(See coding for "*E09A_A_GroupNoWhyAgr*" above.)*	Q35k (sic!)
MODULE (G): Decision Making			
Decisions – Who Decides			
Decisions – Who decides: Agricultural Production	G01_A_DecisAgrProd	*0 Do not know/ Refused* (!!! WEAI differs: --) 1 Main male/ husband 2 Main female/ wife 3 Husband & wife jointly 4 Someone else in the household 5 Jointly with someone else inside the household 6 Jointly with someone else outside the household 7 Someone outside the household 8 Decision not made (!!! WEAI differs: 98)	Q36a
Decisions – Who decides: Agricultural Inputs	G01_B_DecisAgrInput	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36b
Decisions – Who decides: Crops Types	G01_C_DecisCropTyp	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36c
Decisions – Who	G01_D_DecisC	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36d

decides: Crops Selling	ropSell		
Decisions – Who decides: Livestock	G01_E_DecisLivest	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36e
Decisions – Who decides: Non-farm Business	G01_F_DecisNonFarm	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36f
Decisions – Who decides: Your Wage Employment	G01_G_DecisWage	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36g
Decisions – Who decides: Major expenditures	G01_H1_DecisMajorExpen	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36h (sic!)
Decisions – Who decides: Minor expenditures	G01_H2_DecisMinorExpen	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36i (sic!)
Decisions – Who decides: Family Planning	G01_M_DecisFamPlan	*(See coding for "*G01_A_DecisAgrProd*" above.)*	Q36k (sic!)
<u>Decisions – Your Scope</u>			
Decisions – Your Scope: Agricultural Production	G02_A_ScopeAgrProd	*0 Do not know/ Refused* (!!! WEAI differs: --) 1 Not at all 2 Small extent 3 Medium extent 4 To a high extent *8 Household does not engage in that activity*	Q37a
Decisions – Your Scope: Agricultural Inputs	G02_B_ScopeAgrInput	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37b
Decisions – Your Scope: Crops Types	G02_C_ScopeCropTyp	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37c
Decisions – Your Scope: Crops Selling	G02_D_ScopeCropSell	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37d
Decisions – Your Scope: Livestock	G02_E_ScopeLivest	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37e
Decisions – Your Scope: Non-farm Business	G02_F_ScopeNonFarm	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37f
Decisions – Your Scope: Your Wage Employment	G02_G_ScopeWage	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37g
Decisions – Your Scope: Major expenditures	G02_H1_ScopeMajorExpen	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37h (sic!)

Decisions – Your Scope: Minor expenditures	G02_H2_ScopeMinorExpen	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37i (sic!)
Decisions – Your Scope: Family Planning	G02_M_ScopeFamPlan	*(See coding for "*G02_A_ScopeAgrProd*" above.)*	Q37k (sic!)
<u>Decisions – Reason: Trouble Otherwise</u>			
Decisions – Trouble Otherwise Reason: Agricultural Production	G03_A_ReasTroubAgrProd	*0 Do not know/ Refused* (!!! WEAI differs: --) 1 Never true 2 Not very true 3 Somewhat true 4 Always true *9 Decision not made* (!!! WEAI differs: 98)	Q38a
Decisions – Trouble Otherwise Reason: Agricultural Inputs	G03_B_ReasTroubAgrInput	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38b
Decisions – Trouble Otherwise Reason: Crops Types	G03_C_ReasTroubCropTyp	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38c
Decisions – Trouble Otherwise Reason: Crops Selling	G03_D_ReasTroubCropSell	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38d
Decisions – Trouble Otherwise Reason: Livestock	G03_E_ReasTroubLivest	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38e
Decisions – Trouble Otherwise Reason: Non-farm Business	G03_F_ReasTroubNonFarm	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38f
Decisions – Trouble Otherwise Reason: Your Wage Employment	G03_G_ReasTroubWage	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38g
Decisions – Trouble Otherwise Reason: Major expenditures	G03_H1_ReasTroubMajorExpen	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38h (sic!)

Decisions – Trouble Otherwise Reason: Minor expenditures	G03_H2_ReasTroubMinorExpen	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38i (sic!)
Decisions – Trouble Otherwise Reason: Family Planning	G03_M_ReasTroubFamPlan	*(See coding for "*G03_A_ReasTroubAgrProd*" above.)*	Q38k (sic!)
<u>Decisions – Reason: Reputation (People Think Poorly Otherwise)</u>			
Decisions – Reputation Reason: Agricultural Production	G04_A_ReasReputaAgrProd	*0 Do not know/ Refused* (!!! WEAI differs: --) 1 Never true 2 Not very true 3 Somewhat true 4 Always true *9 Decision not made* (!!! WEAI differs: 98)	Q39a
Decisions – Reputation Reason: Agricultural Inputs	G04_B_ReasReputaAgrInput	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39b
Decisions – Reputation Reason: Crops Types	G04_C_ReasReputaCropTyp	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39c
Decisions – Reputation Reason: Crops Selling	G04_D_ReasReputaCropSell	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39d
Decisions – Reputation Reason: Livestock	G04_E_ReasReputaLivest	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39e
Decisions – Reputation Reason: Non-farm Business	G04_F_ReasReputaNonFarm	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39f
Decisions – Reputation Reason: Your Wage Employment	G04_G_ReasReputaWage	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39g
Decisions – Reputation Reason: Major expenditures	G04_H1_ReasReputaMajorExpen	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39h (sic!)
Decisions – Reputation Reason: Minor	G04_H2_ReasReputaMinorExpen	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39i (sic!)

expenditures			
Decisions – Reputation Reason: Family Planning	G04_M_ReasReputaFamPlan	*(See coding for "*G04_A_ReasReputaAgrProd*" above.)*	Q39k (sic!)
<u>Decisions – Reason: I Personally Think It is the Right Thing To Do</u>			
Decisions – Right Thing Reason: Agricultural Production	G05_A_ReasRightAgrProd	*0 Do not know/ Refused* (!!! WEAI differs: --) 1 Never true 2 Not very true 3 Somewhat true 4 Always true *9 Decision not made* (!!! WEAI differs: 98)	Q40a
Decisions – Right Thing Reason: Agricultural Inputs	G05_B_ReasRightAgrInput	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40b
Decisions – Right Thing Reason: Crops Types	G05_C_ReasRightCropTyp	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40c
Decisions – Right Thing Reason: Crops Selling	G05_D_ReasRightCropSell	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40d
Decisions – Right Thing Reason: Livestock	G05_E_ReasRightLivest	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40e
Decisions – Right Thing Reason: Non-farm Business	G05_F_ReasRightNonFarm	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40f
Decisions – Right Thing Reason: Your Wage Employment	G05_G_ReasRightWage	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40g
Decisions – Right Thing Reason: Major expenditures	G05_H1_ReasRightMajorExpen	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40h (sic!)
Decisions – Right Thing Reason: Minor expenditures	G05_H2_ReasRightMinorExpen	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40i (sic!)
Decisions – Right Thing Reason: Family Planning	G05_M_ReasRightFamPlan	*(See coding for "*G05_A_ReasRightAgrProd*" above.)*	Q40k (sic!)
MODULE (F): Time Allocation			
<u>Time Poverty – 24 Hours Time Log</u>			
Time – Log: 4:00 till 4:15	t_4_00	1 Sleeping and resting (A) 2 Eating and drinking (B)	Q46 (sic!)

		3 Personal care (C) 4 School - also homework (D) 5 Work as employed (E) 6 Own business work (F) 7 Farming/ livestock/ fishing (G) 10 Shopping/ getting service - incl. health services (J) 11 Weaving, sewing, textile care (K) 12 Cooking (L) 13 Domestic work - incl. fetching wood and water (M) 14 Care for children/ adults/ elderly (N) 16 Travelling and commuting (P) 17 Watching TV/ listening to radio/ reading (Q) 20 Exercising (T) 21 Social activities and hobbies (U) 23 Religious activities (W) 24 Other (X)	
Time – Log: 4:15 till 4:30	t_4_15	*(See coding for "F01_t_4_00" above.)*	Q46 (sic!)
Time – Log: 4:30 till 4:45	t_4_30	*(See coding for "F01_t_4_00" above.)*	Q46 (sic!)
…	…	…	…
Time – Log: 3:30 till 3:45	t _3_30	*(See coding for "F01_t_4_00" above.)*	Q46 (sic!)
Time – Log: 3:45 till 4:00	t _3_45	*(See coding for "F01_t_4_00" above.)*	Q46 (sic!)
<u>Time Poverty – Was Yesterday a Holiday</u>			
Time – Yesterday Holiday	F02_YestHoli	1 Yes 2 No	Q47
<u>Leisure Time – Satisfaction</u>			
Leisure - Satisfaction	F04B_LeisuSatisf	1 One - Not satisfied 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven 8 Eight 9 Nine 10 Ten - Very satisfied	Q48
Only Clients			
<u>Loans</u>			
MFI – Number of Current Loans	Cl_MfiLoansNow	1 One 2 Two 3 Three 4 Four 5 Five	C1

		6 Six 7 Seven or more 8 Zero	
MFI – Last Loan	Cl_Mfi1	*(Top 8 – Andhra & Tamil Nadu)* 1 SKS 2 Share 3 Spandana 4 Equitas 5 Asmitha Microfin Ltd. (AML) 6 Ujjivan 7 Grama Vidiyal Microfinance 8 BASIX *(Andhra & Tamil Nadu - Alphabetical*[565]*)* 10 Adarsha Mahila MACS 11 APMAS - Andhra Pradesh Mahila Abhivruddhi Society 12 ASA - Activist for Social Alternatives 13 Asirvad 14 Assist (Chilakaluri peta) 15 Awareness 16 Bhartiay Samruddhi Finance Ltd. 17 BIRDS 18 BWDA - Bullock-Cart Workers Development Association 19 CARD - Community Action for Rural Development 20 Centre for Good Governance 21 Confederation of Voluntary Association 22 CReSA 23 Desabandhavi Duvvurisubbamma WMAC Society 24 ECLOF - Ecumenical Church Loan Fund of India 25 ESAF Microfinance 26 Future Financial Servicess Ltd. (FFSL) 27 GLOW - Guidance Society for Labour Orphans & Women 28 GOF 29 Grama Siri (Rural Orientation for Women) 30 Grameen Financial Services Pvt. Ltd. (GFSPL) 31 Guide 32 Hand in Hand (HiH) 33 Hope Microcredit 34 IASC - Indian Association for Saving & Credit 35 ICNW (Working Women's Forum) 36 IFMR Rural Channels 37 Indian Grameen Services 38 IVDP - Integrated Village Development Project 39 Janalakshmi 40 KBSLAB 41 KDFS - Kalanjiam Development Financial Services	C2a

565 Source: http://www.mixmarket.org & www.nabard.org/pdf/listofmfis.pdf, last accessed 2nd October 2012.

		42 KHADP - Kalrayan Hills ADP 43 Kolleru Rural Development Service Organisation 44 KRUSHI 45 Kuppam Kalanjia Samakhya 46 L&T Finance 47 LEAD - League for Education & Development 48 Mahasemam 49 MARI - Modern Architects of Rural India 50 MCG - Micro Finance Consulting Group 51 MHIPL 52 MMFL - Madura Micro Finance Ltd. 53 Mother Theresa Mahila Bank 54 Muthoot 55 Myrada 56 NDFS - Nanayasurabhi Development Financial Services 57 New life 58 OAZOANE (The Society for Development of Human Abilities and Environment) 59 ORS - Organization for Rural Survival 60 PIONEER TRAD 61 PREPARE 62 PSS (Pragathi Sewa Samiti) 63 Punganuru Mahila Kalanjia Samakhya 64 Rang De 65 RASS - Rashtriya Seva Samithi 66 Saadhana 67 Samam Makalir Suyasarbu Iyakkam 68 Samatha MACTS 69 Samrudhi 70 Sarvodaya Nano Finance 71 SERP 72 SEVA (Mahalir Sangamam) 73 SJSK - Serva Jana Seva Kosh Ltd. 74 SMILE (Senam Micro Finance Investment Literacy & Empowerment Ltd.) 75 SMSS (Star MicroFin Service Society) 76 SNF - Sarvodaya Nano Finance Ltd. 77 Star Youth Association 78 Suryoday 79 SWAWS 80 TCT - Thirumalai Charity Trust 81 Trident MF 82 Undamma Bottu pedata 83 Vedantham Kamalamma WMAC *(Additional)* 90 ____________________ 91 ____________________ 92 ____________________	
MFI –Second Last Loan	Cl_Mfi2	*(See coding for "*Cl_Mfi1*" above.)*	C2b

MFI – Third Last Loan	Cl_Mfi3	*(See coding for "*Cl_Mfi1*" above.)*	C2c
MFI – Fourth Last Loan	Cl_Mfi4	*(See coding for "*Cl_Mfi1*" above.)*	C2d
MFI – Last Loan: Total Number of Loans	Cl_MfiTotalNum1	1 One 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven or more	C3a
MFI – Second Last Loan: Total Number of Loans	Cl_MfiTotalNum2	*(See coding for "*Cl_MfiTotalNum1*" above.)*	C3b
MFI – Third Last Loan: Total Number of Loans	Cl_MfiTotalNum3	*(See coding for "*Cl_MfiTotalNum1*" above.)*	C3c
MFI – Fourth Last Loan: Total Number of Loans	Cl_MfiTotalNum4	*(See coding for "*Cl_MfiTotalNum1*" above.)*	C3d
MFI – Last Loan: Highest Amount	Cl_MfiHighest1	Amount in 1.000 Rupees (Rs) 1= 1.000 Rs and lower 99 = 99.000 Rs and higher	C4a
MFI – Second Last Loan: Highest Amount	Cl_MfiHighest2	*(See coding for "*Cl_MfiHighest1*" above.)*	C4b
MFI – Third Last Loan: Highest Amount	Cl_MfiHighest3	*(See coding for "*Cl_MfiHighest1*" above.)*	C4c
MFI – Fourth Last Loan: Highest Amount	Cl_MfiHighest4	*(See coding for "*Cl_MfiHighest1*" above.)*	C4d
MFI – Last Loan: Perception	Cl_MfiPercep1	1 Very Bad 2 Bad 3 Good 4 Very Good	C5a
MFI – Second Last Loan: Perception	Cl_MfiPercep2	*(See coding for "*Cl_MfiPercep1*" above.)*	C5b
MFI – Third Last Loan: Perception	Cl_MfiPercep3	*(See coding for "*Cl_MfiPercep1*" above.)*	C5c
MFI – Fourth Last Loan: Perception	Cl_MfiPercep4	*(See coding for "*Cl_MfiPercep1*" above.)*	C5d
MFI – Last Loan: Main Use	Cl_MfiUseMain1	1 Repaying old debt from other Microfinance Institution 2 Repaying old debt from other institutional source - e.g. bank or government 3 Repaying old debt from other informal source – e.g.	C6a_I

		moneylender 4 Health expenditure 5 Education (of children) 6 Investing in existing business 7 Starting new business 8 Consumption (food) 9 Durable goods (fridge, TV) 10 House improvement 11 Other: ___________ 12 Other: ___________ 13 Other: ___________	
MFI – Last Loan: Second Use	Cl_MfiUseSec1	*(See coding for "*Cl_MfiUseMain1*" above.)*	C6a_II
MFI – Second Last Loan: Main Use	Cl_MfiUseMain2	*(See coding for "*Cl_MfiUseMain1*" above.)*	C6b_I
MFI – Second Last Loan: Second Use	Cl_MfiUseSec2	*(See coding for "*Cl_MfiUseMain1*" above.)*	C6b_II
MFI – Third Last Loan: Main Use	Cl_MfiUseMain3	*(See coding for "*Cl_MfiUseMain1*" above.)*	C6c_I
MFI – Third Last Loan: Second Use	Cl_MfiUseSec3	*(See coding for "*Cl_MfiUseMain1*" above.)*	C6c_II
SKS – Ever Loan Taken *(If not part of last four loans.)*	Cl_MfiSks	1 Yes 2 No	C7a
Spandana – Ever Loan Taken *(If not part of last four loans.)*	Cl_MfiSpand	1 Yes 2 No	C7b
Share – Ever Loan Taken *(If not part of last four loans.)*	Cl_MfiShare	1 Yes 2 No	C7c
SKS – Total Number of Loans	Cl_MfiTotalNumSks	1 One 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven or more	C8a
Spandana – Total Number of Loans	Cl_MfiTotalNumSpand	*(See coding for "*MfiTotalNumSks*" above.)*	C8b
Share – Total Number of Loans	Cl_MfiTotalNumShare	*(See coding for "*MfiTotalNumSks*" above.)*	C8c
SKS – Loan: Highest Amount	Cl_MfiHighestSks	Amount in 1.000 Rupees (Rs) 1= 1.000 Rs and lower	C9a

		99 = 99.000 Rs and higher	
Spandana – Loan: Highest Amount	Cl_MfiHighestSpand	*(See coding for "*Cl_MfiHighestSks*" above.)*	C9b
Share – Loan: Highest Amount	Cl_MfiHighestShare	*(See coding for "*Cl_MfiHighestSks*" above.)*	C9c
SKS – Perception	Cl_MfiPercepSks	1 Very Bad 2 Bad 3 Good 4 Very Good	C10a
Spandana – Perception	Cl_MfiPercepSpand	*(See coding for "*Cl_MfiPercepSks*" above.)*	C10b
Share – Perception	Cl_MfiPercepShare	*(See coding for "*Cl_MfiPercepSks*" above.)*	C10c
MFIs – What is good for people like you: Top1	Cl_MfiGoodTop1	1 Reasonable priced loans 2 Easy to get loan approved - few questions asked 3 Convenient - home delivery 4 Time Saving 5 Give small amounts also 6 Shorter loan cycles 7 Give training and educate people 8 Services - like insurances, health, education - also available 9 Availability of employees of MFIs 10 Possibility to take number of loans at a time from different MFIs 11 Help people to earn more money 12 Help people to start new business 13 Help people to save more money 14 Help people to improve their life 20 Other: __________ 21 Other: __________ 22 Other: __________ 50 More than one loan possible	C11a
MFIs – What is good for people like you: Top2	Cl_MfiGoodTop2	*(See coding for "*Cl_MfiGoodTop1*" above.)*	C11b
MFIs – What is good for people like you: Top3	Cl_MfiGoodTop3	*(See coding for "*Cl_MfiGoodTop1*" above.)*	C11c
MFIs – What is bad for people like you: Top1	Cl_MfiBadTop1	1 High interest rates 2 Weekly instalment payment 3 Rude behaviour of the MFI employees/agents 4 Pressure/ Threats regarding repayment 5 Taking several loans from different MFIs lead to indebtedness 6 Vicious cycles of indebtedness - taking new loan to repay old loan 7 Loan pressures 8 Repayment capacity is low because of several loans 9 Low repayment capacity leads to suicides of clients	C12a

		10 Mortgage or selling assets to repay the loan 11 Total loan amount was not given 12 Difficulty to pay loan/ instalments through income of clients 13 High additional costs 14 Bribes needed 15 Talking people into loans 20 Other: __________ 21 Other: __________ 22 Other: __________ 80 Repayment capacity is low because of shorter loan cycles	
MFIs – What is bad for people like you: Top2	Cl_MfiBadTop2	*(See coding for "*Cl_MfiBadTop1*" above.)*	C12b
MFIs – What is bad for people like you: Top3	Cl_MfiBadTop3	*(See coding for "*Cl_MfiBadTop1*" above.)*	C12c
MFI – Perception: MFI Name *(First of C7 otherwise first of C2.)*	Cl_MfiPercepName	*(See coding for "*Cl_Mfi1*" above.)*	C13_name
MFI – Perception: Costs of Loan	Cl_MfiPercepCosts	1 One – Very Bad 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven 8 Eight 9 Nine 10 Ten –Very Good	C13a
MFI – Perception: Time to process application	Cl_MfiPercepTime	*(See coding for "*Cl_MfiPercepCosts*" above.)*	C13b
MFI – Perception: Explanation and clarity of rules	Cl_MfiPercepRules	*(See coding for "*Cl_MfiPercepCosts*" above.)*	C13c
MFI – Perception: Staff Behaviour	Cl_MfiPercepStaff	*(See coding for "*Cl_MfiPercepCosts*" above.)*	C13d
MFI – Perception: Help with Problems	Cl_MfiPercepHelp	*(See coding for "*Cl_MfiPercepCosts*" above.)*	C13e
MFI – Event: Good or Bad	Cl_MfiEventTyp	1 Very Negative 2 Negative 3 Positive 4 Very Positive	C24a (sic!)

MFI – Event: 1 *(Multiple codes possible.)*	Cl_MfiEvent1	5 Treatment by staff 6 Pressure/ Threats regarding repayment 7 Bribe 8 Talked me into credit 9 High interest 10 Additional costs 11 Help with repayment 12 Help with additional credit 13 Other:_____________ 14 Other:_____________	C24b_1
MFI – Event: 2	Cl_MfiEvent2	*(See coding for "*Cl_MfiEvent1*" above.)*	C24b_2
MFI – Event: 3	Cl_MfiEvent3	*(See coding for "*Cl_MfiEvent1*" above.)*	C24b_3
MFI – Event: 4	Cl_MfiEvent4	*(See coding for "*Cl_MfiEvent1*" above.)*	C24b_4
MFI – Event: MFI Name	Cl_MfiEventName	*(See coding for "*Cl_Mfi1*" above.)*	C25
MFI – Impact: Higher Income	Cl_MfiImpIncome	1 Strongly disagree 2 Disagree 3 Agree 4 Strongly agree	C27a (sic!)
MFI – Impact: New Business	Cl_MfiImpNewBusi	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27b
MFI – Impact: Improve Business	Cl_MfiImpUpgraBusi	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27c
MFI – Impact: Save Money	Cl_MfiImpSave	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27d
MFI – Impact: Enjoyable group work	Cl_MfiImpGroupWork	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27e
MFI – Impact: More Self-Confident	Cl_MfiImpConfid	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27f
MFI – Impact: Raise Women Problems in Community	Cl_MfiImpRaiseProbl	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27g
MFI – Impact: More Respect in Village	Cl_MfiImpRespVil	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27h
MFI – Impact: More Respect at home	Cl_MfiImpRespHh	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27i
MFI – Impact: Improve Life of Family	Cl_MfiImpLife	*(See coding for "*Cl_MfiImpIncome*" above.)*	C27k (sic!)
Only Non-Clients			

Knowledge of MFIs			
Non-Clients: MFI – Knowledge of, 1st MFI	NoCl_MfiKnow1	*(See coding for "*Cl_Mfi1*" above.)*	N1a
Non-Clients: MFI – Knowledge of, 2nd MFI	NoCl_MfiKnow2	*(See coding for "*Cl_Mfi1*" above.)*	N1b
Non-Clients: MFI – Knowledge of, 3rd MFI	NoCl_MfiKnow3	*(See coding for "*Cl_Mfi1*" above.)*	N1c
Non-Clients: MFI – Perception of, 1st MFI	NoCl_MfiPercep1	1 Very Bad 2 Bad 3 Good 4 Very Good	N2a
Non-Clients: MFI – Perception of, 2nd MFI	NoCl_MfiPercep2	*(See coding for "*NoCl_MfiPercep1*" above.)*	N2b
Non-Clients: MFI – Perception of, 3rd MFI	NoCl_MfiPercep3	*(See coding for "*NoCl_MfiPercep1*" above.)*	N2c
Non-Clients: MFI – Knowledge of SKS	NoCl_MfiKnowSks	1 Yes 2 No	N3a
Non-Clients: MFI – Knowledge of Spandana	NoCl_MfiKnowSpand	1 Yes 2 No	N3b
Non-Clients: MFI – Knowledge of Share	NoCl_MfiKnowShare	1 Yes 2 No	N3c
Non-Clients: MFI – Perception of SKS	NoCl_MfiPercepSks	1 Very Bad 2 Bad 3 Good 4 Very Good	N4a
Non-Clients: MFI – Perception of Spandana	NoCl_MfiPercepSpand	*(See coding for "*NoCl_MfiPercepSks*" above.)*	N4b
Non-Clients: MFI – Perception of Share	NoCl_MfiPercepShare	*(See coding for "*NoCl_MfiPercepSks*" above.)*	N4c
Non-Clients: MFIs – What is good for people like you, Top1	NoCl_MfiGoodTop1	1 Reasonable priced loans 2 Easy to get loan approved - few questions asked 3 Convenient - home delivery 4 Time Saving 5 Give small amounts also (Coding added.) 6 Shorter loan cycles 7 Give training and educate people 8 Services - like insurances, health, education - also available 9 Availability of employees of MFIs 10 Possibility to take number of loans at a time from	N5a

		different MFIs 11 Help people to earn more money 12 Help people to start new business 13 Help people to save more money 14 Help people to improve their life 20 Other: __________ 21 Other: __________ 22 Other: __________ 50 More than one loan possible (Differs from Questionnaire: In Questionnaire = No. 5)	
Non-Clients: MFIs – What is good for people like you, Top2	NoCl_MfiGood Top2	*(See coding for "*NoCl_MfiGoodTop1*" above.)*	N5b
Non-Clients: MFIs – What is good for people like you, Top3	NoCl_MfiGood Top3	*(See coding for "*NoCl_MfiGoodTop1*" above.)*	N5c
Non-Clients: MFIs – What is bad for people like you, Top1	NoCl_MfiBadT op1	1 High interest rates 2 Weekly instalment payment 3 Rude behaviour of the MFI employees/agents 4 Pressure/ Threats regarding repayment 5 Taking several loans from different MFIs lead to indebtedness 6 Vicious cycles of indebtedness - taking new loan to repay old loan 7 Loan pressures 8 Repayment capacity is low because of several loans 9 Low repayment capacity leads to suicides of clients 10 Mortgage or selling assets to repay the loan 11 Total loan amount was not given 12 Difficulty to pay loan/ instalments through income of clients 13 High additional costs 14 Bribes needed 15 Talking people into loans 20 Other: __________ 21 Other: __________ 22 Other: __________ 80 Repayment capacity is low because of shorter loan cycles	N6a
Non-Clients: MFIs – What is good for people like you, Top2	NoCl_MfiBadT op2	*(See coding for "*NoCl_MfiBadTop1*" above.)*	N6b
Non-Clients: MFIs – What is good for people like you, Top3	NoCl_MfiBadT op3	*(See coding for "*NoCl_MfiBadTop1*" above.)*	N6c
NON-CLIENTS - Household	NoCl_MfiLoan Spouse	1 Yes 2 No	N7a

member taken a MFI loan - Spouse (a)			
NON-CLIENTS - Household member taken a MFI loan - Mother (b)	NoCl_MfiLoan Mother	1 Yes 2 No	N7b
NON-CLIENTS - Household member taken a MFI loan - Daughter (c)	NoCl_MfiLoan Daught	1 Yes 2 No	N7c
NON-CLIENTS - Household member taken a MFI loan - Other (d)	NoCl_MfiLoan Other	1 Yes 2 No	N7d
NON-CLIENTS - Satisfaction with MFI loan - Spouse (a)	NoCl_MfiSatis fSpouse	1 Very unsatisfied 2 Unsatisfied 3 Satisfied 4 Very satisfied	N8a
NON-CLIENTS - Satisfaction with MFI loan - Mother (b)	NoCl_MfiSatis fMother	1 Very unsatisfied 2 Unsatisfied 3 Satisfied 4 Very satisfied	N8b
NON-CLIENTS - Satisfaction with MFI loan - Daughter (c)	NoCl_MfiSatis fDaught	1 Very unsatisfied 2 Unsatisfied 3 Satisfied 4 Very satisfied	N8c
NON-CLIENTS - Satisfaction with MFI loan - Other (d)	NoCl_MfiSatis fOther	1 Very unsatisfied 2 Unsatisfied 3 Satisfied 4 Very satisfied	N8d
All Respondents			
Additional services: needed?	AddServNeed	1 Yes 2 No	Q53 (sic!)
Additional services: which are needed, Top 1	AddServTop1	1 Skill Training 2 Basic Literacy 3 Education 4 Book keeping/ accounting 5 Health facilities 6 Health Insurance 7 Life Insurance 8 Crop Insurance 9 Cattle Insurance 10 Savings Account 11 Remittances 12 Help finding business opportunity	Q54a

		13 Other:______________ 14 Other:______________	
Additional services: which are needed, Top 2	AddServTop2	*(See coding for "*AddServTop1*" above.)*	Q54b
Additional services: which are needed, Top 3	AddServTop3	*(See coding for "*AddServTop1*" above.)*	Q54c
Perception of Microcredit - Helps poor people get richer (a)	PercepRicher	1 Yes 2 No	Q56a (sic!)
Perception of Microcredit - Empowers women (b)	PercepEmpow	1 Yes 2 No	Q56b
Perception of Microcredit - Helps poor people to start a business (c)	PercepNewBusi	1 Yes 2 No	Q56c
Perception of Microcredit - Microcredit should be given to men not women (d)	PercepMenNotWom	1 Yes 2 No	Q56d
Perception of Microcredit - Microcredit leads into over-indebtedness (e)	PercepIndebt	1 Yes 2 No	Q56e
Perception of Microcredit - Microcredit only benefits the microfinance institutions (f)	PercepBenefMfiOnly	1 Yes 2 No	Q56f
Institutions - Caring for poor - Government of India (a)	CarePoorGovInd	1 One – Do not care at all 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven 8 Eight 9 Nine 10 Ten – Do care very much	Q57a

Institutions - Caring for poor - Government of Andhra Pradesh (b)	CarePoorGovAndh	*(See coding for "*CarePoorGovInd*" above.)*	Q57b
Institutions - Caring for poor - Panjayat Raj (c)	CarePoorPanjRaj	*(See coding for "*CarePoorGovInd*" above.)*	Q57c
Institutions - Caring for poor - NGOs (d)	CarePoorNgo	*(See coding for "*CarePoorGovInd*" above.)*	Q57d
Institutions - Caring for poor - MFIs (e)	CarePoorMfi	*(See coding for "*CarePoorGovInd*" above.)*	Q57e
Institutions - Caring for poor - Rural Banks (f)	CarePoorRrb	*(See coding for "*CarePoorGovInd*" above.)*	Q57f
Institutions - Caring for poor - Cooperatives (g)	CarePoorCoop	*(See coding for "*CarePoorGovInd*" above.)*	Q57g
Institutions - Caring for poor - Self-help group (h)	CarePoorShg	*(See coding for "*CarePoorGovInd*" above.)*	Q57h
SERP - Society for Elimination of Rural Poverty - Loan taken	SerpLoan	1 Yes 2 No	Q60 (sic!)
SERP - Perception - Costs of loan (a)	SerpPercepCosts	1 One – Very Bad 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven 8 Eight 9 Nine 10 Ten –Very Good	Q61a
SERP - Perception - Time to procede application (b)	SerpPercepTime	*(See coding for "*SerpPercepCosts*" above.)*	Q61b
SERP - Perception - Explanation and clarity of rules (c)	SerpPercepRules	*(See coding for "*SerpPercepCosts*" above.)*	Q61c
SERP - Perception - Behaviour of staff (d)	SerpPercepStaff	*(See coding for "*SerpPercepCosts*" above.)*	Q61d

SERP - Perception - Help with problems (e)	SerpPercepHelp	*(See coding for "*SerpPercepCosts*" above.)*	Q61e
SERP - Perception - Overall impression (f)	SerpPercepSum	*(See coding for "*SerpPercepCosts*" above.)*	Q61f
Knowledge of MFIs			
Sources borrowed from right now - (Only clients:) Microfinance Institution	LoanNowMfi	1 Yes 2 No	Q65a (sic!)
Sources borrowed from right now - Regional Rural Bank	LoanNowRrb	1 Yes 2 No	Q65b
Sources borrowed from right now - Commercial Bank	LoanNowBank	1 Yes 2 No	Q65c
Sources borrowed from right now - Cooperative Bank	LoanNowCoop	1 Yes 2 No	Q65d
Sources borrowed from right now - Chit Fund	LoanNowChit	1 Yes 2 No	Q65e
Sources borrowed from right now - Government Scheme	LoanNowGov	1 Yes 2 No	Q65f
Sources borrowed from right now - Self-Help Group	LoanNowShg	1 Yes 2 No	Q65g
Sources borrowed from right now - Gold/ Pawn Brokers	LoanNowPawn	1 Yes 2 No	Q65i (sic!)
Sources borrowed from	LoanNowShop	1 Yes 2 No	Q65o (sic!)

right now - Shop Keeper			
Sources borrowed from right now - Any other source(s)	LoanNowOther	1 Yes 2 No	Q65p
Amount (in 100 Rs.) borrowed from right now - (Only clients:) Microfinance Institution	LoanSumMfi	Amount in 100 Rupees (Rs)	Q66a (sic!)
Amount (in 100 Rs.) borrowed from right now - Regional Rural Bank	LoanSumRrb	Amount in 100 Rupees (Rs)	Q66b
Amount (in 100 Rs.) borrowed from right now - Commerical Bank	LoanSumBank	Amount in 100 Rupees (Rs)	Q66c
Amount (in 100 Rs.) borrowed from right now - Cooperative Bank	LoanSumCoop	Amount in 100 Rupees (Rs)	Q66d
Amount (in 100 Rs.) borrowed from right now - Chit Fund	LoanSumChit	Amount in 100 Rupees (Rs)	Q66e
Amount (in 100 Rs.) borrowed from right now - Government Scheme	LoanSumGov	Amount in 100 Rupees (Rs)	Q66f
Amount (in 100 Rs.) borrowed from right now - Self-Help Group	LoanSumShg	Amount in 100 Rupees (Rs)	Q66g
Amount (in 100 Rs.) borrowed from right now - Gold/ Pawn Brokers	LoanSumPawn	Amount in 100 Rupees (Rs)	Q66i (sic!)
Amount (in 100 Rs.) borrowed from right now - Shop Keeper	LoanSumShop	Amount in 100 Rupees (Rs)	Q66o (sic!)
Amount (in 100 Rs.) borrowed	LoanSumOther	Amount in 100 Rupees (Rs)	Q66p

from right now - Any other source(s)			
Interview Situation			
Interview – Presence of People: No one	IntervPeople Nobody	1 Yes 2 No	X1a
Interview – Presence of People: Spouse	IntervPeopleS pouse	1 Yes 2 No	X1b
Interview – Presence of People: Children	IntervPeopleC hild	1 Yes 2 No	X1c
Interview – Presence of People: Few Others	IntervPeopleF ew	1 Yes 2 No	X1d
Interview – Presence of People: Small Crowd	IntervPeopleC rowd	1 Yes 2 No	X1e
Interview – Checking with Others	IntervCheckO thers	1 Very Frequently 2 Frequently 3 Sometimes 4 Never	X2
Interview – Influenced by Others	IntervInfluen	1 Yes 2 No	X3
Interview – Problematic Questions	IntervProblQ u1	*(Number of question.)*	X4a
	IntervProblQ u2	*(Number of question.)*	X4b
	IntervProblQ u3	*(Number of question.)*	X4c
	IntervProblQ u4	*(Number of question.)*	X4d
	IntervProblQ u5	*(Number of question.)*	X4e
Interview – Attitude of Respondent: Cooperation	IntervCooper a	1 Cooperative 2 In Between 3 Uncooperative	X5a
Interview – Attitude of Respondent: Interest	IntervInterest	1 Interested 2 In Between 3 Bored	X5b

Questionnaire

Figure 79 Questionnaire of the Survey on Development and Credit in Andhra Pradesh

(See next page.)

FINAL Version: 2013

State Code	PC Code	A.C. Code	P.S. Code	Respondent S.No.
0 1				

Survey on Development & Credit in Andhra Pradesh - 2013

Interview Date *(dd/mm/yyyy)*: __________ Respondent Name: ________________________

Address of Respondent ***(Give landmark)***: ____

____

Name of Investigator : _________________ Signature of Investigator : ________________

Name of Supervisor: _________________ Signature of Supervisor: ________________

Data Entry Date *(dd/mm/yyyy)*: __________

Data Entry Name : ____________________ Data Entry Signature: ___________________

Data Entry Supervisor: _________________ D.E. Supervisor Signature: ________________

INVESTIGATOR'S INTRODUCTION AND STATEMENT OF INFORMED CONSENT

I have come from Acharya Nagarjuna University. We are studying the opinion of people on development and credit, and are interviewing hundreds of people across the state. The findings of this interview will be used for writing articles in newspapers and books. The name of the respondents interviewed in this survey will be kept strictly confidential. The Survey is an independent study and is not linked with any political party or government agency. Kindly spare some time for this interview and answer my questions, as I need your active cooperation for making this study successful. It takes around 60 minutes to answer the questions. May I begin the interview now?

(Target % of overall sample:)

Z1 Gender

1 Male 25 %
2 Female 75 %

Q1. A microfinance institution is an organisation that provides small loans such as SKS, Spandana, Share, _________________, _________________ or _________________.

(Add the three major Microfinance Institutions from Village Questionnaire.)

Are you aware of any microfinance institutions?

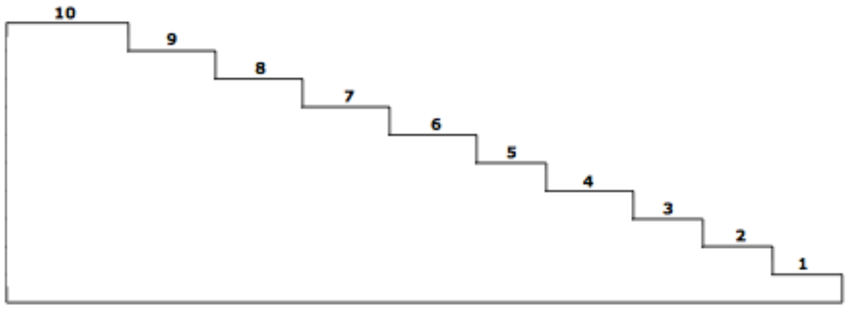
1 Yes
2 No 98 (Don´t know)
99 (Refused) *(End of interview - if 99.)*

Q2. In the last 5 years, have you borrowed any money from a microfinance institution?

	(Please mark:)	*(Target % of overall sample:)*
1 Yes	***Female client***	50 %
	Male (client)	25 % (all men)
2 No	" (non-client)	
	Female non-client	25 %

98 (Don´t know) 99 (Refused) *(End of interview - if 98 or 99.)*

SHOW CARD LADDER



a.
b.
c.
d.
e.

Q3. Let us start with some more general questions. There a many different opportunities, which are important in a person´s life. What are, in your opinion, the most important opportunities a person should have during his/ her life? Please tell me the five most important opportunities in a person´s life, starting with the most important one. *(Do not read out categories! Write down first five mentioned. Code only after interview.)*

(a)____________________ (b)____________________ (c)____________________

(d)____________________ (e) ____________________ Coding:

1 Education 2 Health (& life of normal length) 3 Safety (& bodily integrity) 4 Shelter (& pleasant environment)
5 (good) Income 6 (good) Work 7 Freedom from exploitation (economic & non-economic)
8 Participation (& information) 9 Social relations 10 Solidarity 11 Justice 12 Respect & dignity
13 Recognition 14 Religion & identity 15 Mental well-being 16 Love & care (receiving/giving)
17 Self-determination & control (over one´s life) 18 Time autonomy 19 Mobility 20 Leisure activities
21 Other: ____________________ 22 Other: ____________________ 23 Other: ____________________

a.
b.
c.
d.
e.

Q4. *(Show Card.)* Imagine a ten step ladder, where on the bottom, the first step, stand people who are completely without free choice and control over the way their lives turn out, and on the highest step, the tenth, stand those with the most free choice and control over their lives. In this context, we ask you to answer the following questions: On which step...

	Ladder										*(D.K.)*
(a) ... are you today?	1	2	3	4	5	6	7	8	9	10	(98)
(b) ... are most of your neighbours today?	1	2	3	4	5	6	7	8	9	10	(98)
(c) ... were you five years ago?	1	2	3	4	5	6	7	8	9	10	(98)
(d) ... do you think you will be in 5 years from now?	1	2	3	4	5	6	7	8	9	10	(98)
(e) ... do you think your children will be?	1	2	3	4	5	6	7	8	9	10	(98)

a.
b.
c.
d.
e.
f.
g.
h.
i.

Q5. We are interested in how you perceive your scope of free choice and control over certain aspects of life. I will read out different aspects, please use again the ten step ladder to tell us what your scope in this area is. Your scope...

	Ladder										*(D.K.)*
(a) ... to live a healthy life, for your age.	1	2	3	4	5	6	7	8	9	10	(98)
(b) ... for learning new & challenging things in your life.	1	2	3	4	5	6	7	8	9	10	(98)
(c) ... to form satisfying social relations in your life.	1	2	3	4	5	6	7	8	9	10	(98)
(d) ... for being in a pleasant environment in your life.	1	2	3	4	5	6	7	8	9	10	(98)
(e) ... to participate in decisions in your household	1	2	3	4	5	6	7	8	9	10	(98)
(f) ... to participate in decisions in your community.	1	2	3	4	5	6	7	8	9	10	(98)
(g) ... to earn a good income.	1	2	3	4	5	6	7	8	9	10	(98)
(h) ... to access reasonably priced loans.	1	2	3	4	5	6	7	8	9	10	(98)
(i) ... to do work which you enjoy.	1	2	3	4	5	6	7	8	9	10	(98)

a.
b.
c.
d.

Q6. We are interested, if you have experienced any change in these areas over the past 5 years. I will once more read out these areas of life, tell us if your situation in each area has improved very much, improved, stayed same, worsened or worsened very much.

	improved very much	improved	stayed same	worsened	worsened very much	*(D.K.)*
(a) Living a healthy life, for your age	1	2	3	4	5	(98)
(b) Learning new & challenging things	1	2	3	4	5	(98)
(c) Having satisfying social relations	1	2	3	4	5	(98)
(d) Being in a pleasant environment.	1	2	3	4	5	(98)

		improved very much	improved	stayed same	worsened	worsened very much	(D.K.)
e.	(e) Participate in decisions in your household.	1	2	3	4	5	(98)
f.	(f) Participate in decisions in your community.	1	2	3	4	5	(98)
g.	(g) Earning a good income.	1	2	3	4	5	(98)
h.	(h) Accessing reasonably priced loans.	1	2	3	4	5	(98)
i.	(i) Doing work which you enjoy.	1	2	3	4	5	(98)

Q7. Overall what are the reasons for the most important changes to the better in your life?
Name most important reason first. (*Do not read out answer categories! Write down top 3 in order mentioned.)*

(a)__________________ (b)__________________ (c)__________________

If 4, 5 or 6 --> ***Source***: 1 Microfinance Institution - name: ____________ 2 NGO 3 Self-help group

a. b. c.

Better source of income of 4 me 5 spouse 6 other family member
(*Important*:) ***Specify source***: 7 business 8 wage 9 salary 10 agricultural income
11 remittances 12 NREGA 13 Other source: ____________
14 Health improvement in family 15 Other reason: ________________
16 Other reason: ________________ 17 Other reason: ________________

Q8. Overall what are the reasons for the most important changes to the worse in your life?
Name most important reason first. (*Do not read out answer categories! Write down top 3 in order mentioned.)*

(a)__________________ (b)__________________ (c)__________________

If 4, 5 or 6 --> ***Source***: 1 Microfinance Institution - name: ____________ 2 NGO 3 Self-help group

a. b. c.

Loss of income of 4 me 5 spouse 6 other family member
(*Important*:) ***Specify source***: 7 business 8 wage 9 salary 10 agricultural income
11 remittances 12 NREGA 13 Other source: ____________
14 Health problem in family 15 Other reason: ________________
16 Other reason: ________________ 17 Other reason: ________________

Q9. During the last few years, has your financial situation improved, worsened, or has it stayed the same?
1 Improved 2 Same 3 Worsened 98 (D.K.)

Q10. In whatever financial situation are you placed today, on the whole, are you satisfied with your present financial situations, somewhat satisfied or not satisfied?
1 Satisfied 2 Somewhat satisfied 3 Not satisfied 98 (D.K.)

Q11. Now looking ahead and thinking about the next few years, do you expect that your financial situation will stay about the way it is now, get better, or get worse?
1 Better 2 Same 3 Worse 98 (D.K.)

Q12. What would you say are the most important problems of people like yourself?
Name up to five problems, starting with the most important.
(Do not read out categories! Write down first five mentioned. Code only after interview.)

a. b. c. d.

(a)__________________ (b)__________________ (c)__________________
(d)__________________

1 Unemployment 2 Poverty 3 Price Rise 4 Corruption 5 Drinking Water 6 Electricity 7 Road/ Transport
8 Education - Access/ Costs 9 Education - Quality 10 Health Services - Access/ Costs 11 Health Services - Quality
12 Law & Order 13 Political Instability 14 Shelter/ Housing 15 Food & Closing 16 Irrigation Water
17 Sanitation 18 Caste dominance 19 Violence from dominant groups/ community 20 political interference
21 Lack of friendliness between different communities 22 Other: ____________ 23 Other: ____________

Q13. Who is to blame for suicides of farmers? (*Do not read out answer categories. Code first 3 mentioned.*)

a. b. c.

(a)__________________ (b)__________________ (c)__________________

1 farmer himself 2 money lenders 3 microfinance institutions 4 banks 5 state government 6 central government
7 agricultural input sellers 8 destiny 9 other:____________ 10 other:____________

Q14. Did you *(singular)* participate in the following activities in the past 12 months (that is during the last [one/two] cropping seasons)?

Q15. How much input did you have in making decisions about..?

Q16. How much input did you have in decisions on the use of income generated from..?

Q14	Q15	Q16	ACTIVITY	Yes	No	Q15	Q16
a.	a.		(a) Food crop farming*1	1	2	_____	_____
b.	b.		(b) Cash crop farming*2	1	2	_____	_____
c.	c.		(c) Livestock raising	1	2	_____	_____
d.	d.		(d) Non-farm economic activities*3	1	2	_____	_____
e.	e.		(e) Wage & salary employment*4	1	2	_____	_____
f.	f.		(f) Fishing or fishpond culture	1	2	_____	_____

Explanation: crops that are grown ...

*1 for primarily household food consumption

*2 for sale in the market

*3 Small business, self-employment, buy-and-sell

*4 in-kind or monetary work both agriculture & other wage work

Coding (Q15 &16): 0 Not applicable 1 No input 2 Input into very few decisions 3 Input into some decisions 4 Input into most decisions 5 Input into all decisions 6 No decision made

Q17. Does anyone in your household currently have any ... ?

Q18. Who would you say owns most of ..?

Q19. Who would you say can decide whether to sell .. most of the time?

Q20. Who would you say can decide to mortgage or rent out .. most of the time?

Q21. Who contributes most to decisions regarding a new purchase of ...?

	a.	b.	c.	d.	e.	f.	g.	h.	i.	k.	l.	n.	o.	p.	r.	s.
Q17																
Q18																

Q19	Q20	Q21		Q17 Yes	Q17 No	Q18	Q19	Q20	Q21
a.			(a) Agricultural land (pieces/plots)	Yes 1	2 No	_____	_____	_____	_____
b.			(b) Large livestock (oxen, cattle)	1	2	_____	_____	_____	_____
c.			(c) Small livestock (goats, pigs, sheep)	1	2	_____	_____	_____	_____
d.			(d) Chickens, Ducks, Turkeys, Pigeons	1	2	_____	_____	_____	_____
e.			(e) Fish pond or fishing equipment	1	2	_____	_____	_____	_____
f.			(f) Farm equipment (non-mechanised)	1	2	_____	_____	_____	_____
g.			(g) Farm equipment (mechanized)	1	2	_____	_____	_____	_____
h.			(h) Nonfarm business equipment	1	2	_____	_____	_____	_____
			(i) House (and other structures)	1	2	_____			
			(k) Large consumer durables (fridge, TV)	1	2	_____			
			(l) Small consumer " (radio, cookware)	1	2	_____			
			(n) Cell phone	1	2	_____			
			(o) Land not used for agriculture	1	2	_____			
			(p) Bicycle	1	2	_____			
			(r) Motorcycle, scooter or moped	1	2	_____			
			(s) Car, jeep or van	1	2	_____			

Coding (Q18-21,23-24):
0 Not applicable 1 Self
2 Partner/ Spouse
3 Self & partner/ spouse
4 Other household member
5 Self & other household member
6 Partner/ spouse & other household member
7 Someone (or group) outside the household
8 Self & other outside people
9 Partner/ spouse & other outside people
10 Self, partner/spouse & other outside people

Q22. Has anyone in your household taken any loans or borrowed cash/ in-kind from ... in the past 12 months?
Coding: *1 Yes, cash 2 Yes, in-kind 3 Yes, cash & in-kind 4 No (Go to Q25.) 9 (D.K.)*

Q23. Who made the decision to borrow from ..?

Q24. Who makes the decision about what to do with the money/ item borrowed from ..?

Q22	Q23	Q24		Q22	Q23	Q24
a.			(a) Micro-finance Institution (group)	_____	_____	_____
b.			(b) Non-governmental organization	_____	_____	_____
c.			(c) Formal lender (bank etc.)	_____	_____	_____
d.			(d) Informal lender (money lender)	_____	_____	_____
e.			(e) Friends or relatives	_____	_____	_____

	Q25. If more credit had been available from ... , would you have used it?		Q26. Why would you not have borrowed more from ..?	Q27. Did you want to borrow or get a loan from ... in the last 12 month but did not?		Q28. Why were you not able to borrow from ...?
	Yes	No		Yes	No	
(a) Micro-finance Institution (group)	1	2	_____	1	2	_____
(b) Non-governmental organization	1	2	_____	1	2	_____
(c) Formal lender (bank etc.)	1	2	_____	1	2	_____
(d) Informal lender (money lender)	1	2	_____	1	2	_____
(e) Friends or relatives	1	2	_____	1	2	_____

	Q25	Q26	Q27	Q28
a.				
b.				
c.				
d.				
e.				

Coding (Q26, 28): *1 Have enough money 2 Afraid of losing collateral 3 Do not have enough collateral/did not qualify for the loan 4 Afraid cannot pay back the money 5 Interest rate/other costs too high 6 Not allowed to borrow/family dispute in borrowing decision 7 Place of lender is too far 8 Other: ______________________*

Q29. Do you feel comfortable speaking up in public to help decide on infrastructure (like small wells, roads, water supplies) to be built in your community?

1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty
4 Yes, fairly comfortable 5 Yes, very comfortable

Q30. Do you feel comfortable speaking up in public to ensure proper payment of wages for public works or other similar programs?

1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty
4 Yes, fairly comfortable 5 Yes, very comfortable

Q31. Do you feel comfortable speaking up in public to protest the misbehavior of authorities or elected officials?

1 No, not at all comfortable 2 Yes, but with a great deal of difficulty 3 Yes, but with a little difficulty
4 Yes, fairly comfortable 5 Yes, very comfortable

Q32. Is there a ... in your community?			Q33. Are you an active member of this ..?		Q34. How much input do you have in making decisions in this ...?	Q35. Why are you not a member of this ..?
	Yes	No	Yes	No		
(a) Agricultural/ livestock/ fisheries producer's group (incl. marketing gr.)	1	2	1	2	_____	_____
(b) Water users' group	1	2	1	2	_____	_____
(c) Forest users' group	1	2	1	2	_____	_____
(d) Credit or microfinance group	1	2	1	2	_____	_____
(e) Mutual help or insurance group (including burial societies)	1	2	1	2	_____	_____
(f) Trade and business association	1	2	1	2	_____	_____
(g) Civic group (improving community)	1	2	1	2	_____	_____
or charitable group (helping others)	1	2	1	2	_____	_____
(h) Local government	1	2	1	2	_____	_____
(i) Religious group	1	2	1	2	_____	_____
(k) Other women's group (only if it does not fit into other categories)	1	2	1	2	_____	_____

	Q32	Q33	Q34	Q35
a.				
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
k.				

Coding (Q34): *0 Not applicable 1 No input 2 Input into very few decisions 3 Input into some decisions 4 Input into most decisions 5 Input into all decisions*

Coding (Q35): *0 Not applicable 1 Not interested 2 No time 3 Unable to raise entrance fee 4 Unable to raise reoccurring fees 5 Group meeting location not convenient 6 Family dispute/ unable to join 7 Not allowed because of sex 8 Not allowed because of caste 9 Not allowed because of other reason 10 Other: ______________________*

	Q36	Q37
a.		
b.		
c.		
d.		
e.		
f.		
g.		
h.		
i.		
k.		

***Coding (Q36):** 1 Main male/ husband 2 Main female/ wife 3 Husband & wife jointly 4 Someone else in the household 5 Jointly with someone else inside the household 6 Jointly with someone else outside the household 7 Someone outside the household 9 Decision not made 0 D.K. / Refused*

This set of questions is very important. I am going to give you some reasons why you act as you do in the activities I just mentioned. You might have several reasons for doing what you do and there is no right or wrong answer. Please tell me how true it would be to say:

	Q36. When decisions are made regarding the following aspects of household life, who is it that normally takes the decision? *(If household doesn´t engage in that activity, enter code 8.)*	**Q37.** To what extend do you feel you can make your own personal decisions regarding these aspects of household life if you want to?	**Q38.** My actions in ... are partly because I will get in trouble with someone if I act differently.	**Q39.** Regarding ... I do what I do so others don´t think poorly of me.	**Q40.** Regarding ... I do what I do because I personally think it is the right thing to do.
(a) Agricultural production?	______	______	______	______	______
(b) What inputs to buy for agricultural production?	______	______	______	______	______
(c) What types of crops to grow for agricultural production?	______	______	______	______	______
(d) When or who would take crops to the market?	______	______	______	______	______
(e) Livestock raising?	______	______	______	______	______
(f) Non-farm business activity?	______	______	______	______	______
(g) Your own (singular) wage or salary employment?	______	______	______	______	______
(h) Major household expenditures? (like refrigerator)	______	______	______	______	______
(i) Minor household expenditures? (food for daily consumption)	______	______	______	______	______
(k) Whether or not to use family planning to space/ limit births?	______	______	______	______	______

***Coding (Q37):** 1 Not at all 2 Small 3 Medium extent 4 To a high extent 0 D.K. / Refused*

***Coding (Q38-40):** 1 Never true 2 Not very true 3 Somewhat true 4 Always true 9 Decision not made 0 D.K. / Refused*

	Q38	Q39	Q40
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
k.			

Go to extra page - Q46-48.

Q46. We are interested in how you spent your time yesterday. Tell us till when you slept and what activities you did from when till when.
(Please record a log of the activities for the individual in the last complete 24 hours – starting yesterday morning at 4 am, finishing 3 am of the current day.
The time intervals are marked in 15 min intervals and <u>one to two activities can be marked for each time period</u> by drawing a line through that activity.
If two activities are marked, they should be distinguished with a P for the primary activity and S for the secondary activity written next to the lines.)
Please administer using the protocol in the enumeration manual.)

		Night								Morning																Day																							
	Activity	4				5				6				7				8				9				10				11				12				13				14				15			
A	Sleeping and resting																																																
B	Eating and drinking																																																
C	Personal care																																																
D	School (also homework)																																																
E	Work as employed																																																
F	Own business work																																																
G	Farming/livestock/fishing																																																
J	Shopping/getting service (incl health services)																																																
K	Weaving, sewing, textile care																																																
L	Cooking																																																
M	Domestic work (incl fetching wood and water)																																																
N	Care for children/adults/elderly																																																
P	Travelling and communiting																																																
Q	Watching TV/listening to radio/reading																																																
T	Exercising																																																
U	Social activities and hobbies																																																
W	Religious activities																																																
X	Other, specify…																																																

Continued

										Evening												Night																										
	Activity	16				17				18				19				20				21				22				23				24				1				2				3			
A	Sleeping and resting																																																
B	Eating and drinking																																																
C	Personal care																																																
D	School (also homework)																																																
E	Work as employed																																																
F	Own business work																																																
G	Farming/livestock/fishing																																																
J	Shopping/getting service (incl health services)																																																
K	Weaving, sewing, textile care																																																
L	Cooking																																																
M	Domestic work (incl fetching wood and water)																																																
N	Care for children/adults/elderly																																																
P	Travelling and commuting																																																
Q	Watching TV/listening to radio/reading																																																
T	Exercising																																																
U	Social activities and hobbies																																																
W	Religious activities																																																
X	Other, specify																																																

Q47. Was yesterday a holiday or nonworking day?
1 Yes   2 No

Q48. How satisfied are you with your available time for leisure activities like visiting neighbors, watching TV, listening to the radio, seeing movies or doing sports? (Show Card Ladder.) Please give your opinion on a scale of 1 to 10. 1 means you are not satisfied and 10 means you are very satisfied. If you are neither satisfied or dissatisfied this would be in the middle or 5 on the scale.

Not satisfied   Very satisfied
1 2 3 4 5 6 7 8 9 10   98 (D.K.)   99 (Ref.)

<u>only</u> CLIENTS *(If **Non-client**, p.1: Q2=No, go to page **10**.)*

C1. How many loans from Microfinance Institutions do you have right now?

1 One 2 Two 3 Three 4 Four 5 Five 6 Six 7 Seven or more 8 Zero 98 (D.K.) 99 (Ref.)

C2. Tell us the names of the microfinance institutions from which you took the last loans. Name up to four, starting with the most current.

Microfinance Institution *(Write name. Code later.)*	**C3.** How many loans did you take from this institution all in all? *(Code 7 = 7 or more credits; 8=D.K.; 9=Refused)*	**C4.** What was the highest loan you received?	**C5.** Is this institution very good, good, bad or very bad?	very good	good	bad	very bad	(D.K.)	(Ref.)
(a) ____________	(a) ______	(a) _____.000 Rs	(a)	4	3	2	1	8	9
(b) ____________	(b) ______	(b) _____.000 Rs	(b)	4	3	2	1	8	9
(c) ____________	(c) ______	(c) _____.000 Rs	(c)	4	3	2	1	8	9
(d) ____________	(d) ______	(d) _____.000 Rs	(d)	4	3	2	1	8	9
*(see **Code Book**.)*		(Code *1 for 1,000 Rs and lower;* Code *99 for 99,000 Rs and higher)*							

C6. What did you do with the last credits from Microfinance Insitutions? For the last three credits, tell us the two main expenditures, starting with the highest. *(Do <u>not</u> read out answer categories.)*

Most recent credit ***Fill in names from C2 (a) (b) (c):***	Main expenditure:	Second expenditure:
(a) ____________	(I) ________	(II) ________
(b) ____________	(I) ________	(II) ________
(c) ____________	(I) ________	(II) ________

Repeating old debt from 1 other Microfinance Instiution(s)
2 other institutional source (bank/ government/ etc.)
3 other informal source (moneylender/ shopkeeper/ friends/ etc.)
4 Health expenditure 5 Education (e.g. of children)
6 Investing in existing business 7 Starting new business
8 Consumption (food, etc.) 9 Durable goods 10 House improvement
11 Other: ____________ 12 Other: ____________ 13 Other: ____________

C7. Have you also ever taken a loan from the following institutions?
(Read out only those, which have not been named above, in C2.)

Microfinance Institution	No	Yes	**C8.** How many loans did you take from this institution all in all? *(Code 7 = 7 or more credits; 8=D.K.; 9=Ref.)*	**C9.** What was the highest loan you received?	**C10.** Is this institution very good, good, bad or very bad?	very good	good	bad	very bad	(D.K.)	(Ref.)
(a) SKS	2 (›C9.)	1	(a) ______	(a) _____.000 Rs	(a)	4	3	2	1	8	9
(b) Spandana	2 (›C9.)	1	(b) ______	(b) _____.000 Rs	(b)	4	3	2	1	8	9
(c) Share	2 (›C9.)	1	(c) ______	(c) _____.000 Rs	(c)	4	3	2	1	8	9

a.
b.
c.

C11. What do you think is good about these Microfinance Institutions for people like you?
(Do not read out categories! Write down first 3 mentioned. Code only after interview.)

(a)__________________________ (b)__________________________ (c)__________________________

1 Reasonable priced loans 2 Easy to get loan approved (few questions asked) 3 Convenient (home delivery
4 Time Saving 5 Give small amounts also 5 More than one loan possible 6 Shorter loan cycles
7 Give training and educate people 8 services (like insurance, health, education) also available
9 Availability of employees of MFIs 10 Possibility to take number of loans at a time from different MFIs
Help people to 11 earn more money 12 start new business 13 save more money 14 improve their life
20 Other: ____________________ 21 Other: ____________________ 22 Other: ______________________

a.
b.
c.

C12. What do you think is bad about these Microfinance Institutions for people like you?
(Do not read out categories! Write down first 3 mentioned. Code only after interview.)

(a)__________________________ (b)__________________________ (c)__________________________

1 High interest rates 2 Weekly instalment payment 3 Rude behaviour of the MFI employees/ agents
4 Pressure/ Threats reg. repayment 5 Taking several loans from different MFIs lead to indebtedness
6 Vicious circles of indebtedness - taking new loan to repay old loan 7 Loan pressures
Repayment capacity is low because of 8 several loans 80 shorter loan cycles
9 Low repayment capacity leads to suicides of clients 10 Mortgage or selling assets to repay the loan
11 Total loan amount was not given 12 Difficult to pay loan/ instalments through income of clients
13 High additional costs 14 Bribes needed 15 Talking people into loans
20 Other: ____________________ 21 Other: ____________________ 22 Other: ______________________

C13. I will read out different aspects regarding the microfinance institution named

__________________________ *(**Add name** of first Microfinance Insitution with 1=Yes **from C7** - otherwise add first Microfinance Insitution from **C2**.)*
(Code later - Code Book.)

Please rate each aspect - from 1 very bad to 10 very good. *(Show Card Ladder.)*

		Very Bad								Very Good	(D.K.)
a.	(a) Costs of loan	1	2	3	4	5	6	7	8	9	10	99
b.	(b) Time to proceed application	1	2	3	4	5	6	7	8	9	10	99
c.	(c) Explanation and clarity of rules	1	2	3	4	5	6	7	8	9	10	99
d.	(d) Behaviour of staff	1	2	3	4	5	6	7	8	9	10	99
e.	(e) Help with problems	1	2	3	4	5	6	7	8	9	10	99

C24. Talking about your overall experience with microfinance institutions: What was particularly good or bad? Name an event or experience. *(Write down experience in words - only then code category of experience.)*

____

____

____

____

____

____

____

____

a. ☐

b. ☐☐ ☐☐ ☐☐ ☐☐

(a) Type of Experience:
1 Very Negative 2 Negative
3 Positive 4 Very Positive
8 (D.K.) 9 (Ref.) (*Go to C27.*)

(b) Experience: 5 Treatment by staff 6 Pressure/ Threats regarding repayment
7 Bribe 8 Talked me into credit 9 High interest 10 Additional costs
Help with 11 repayment 12 additional credit 13 Other:__________
14 Other: ________________ *(Multiple codes possible.)*

C25. Which microfinance institution does this experience refer to?

☐☐ ________________________ ***(Code: see Code Book.)*** 98 (D.K.) 99 (Ref.)

C27. How did the loan(s) from microfinance institution(s) affect you overall? I will read out a number of statements. For each, tell me if you:

	Microcredit enabled me...	Strongly Disagree	Disagree	Agree	Strongly Agree	(D.K.)	(Ref)
a. ☐	(a) ... to earn more money.	1	2	3	4	8	9
b. ☐	(b) ... to start a new business.	1	2	3	4	8	9
c. ☐	(c) ... to improve my existing business.	1	2	3	4	8	9
d. ☐	(d) ... to save more money.	1	2	3	4	8	9
e. ☐	(e) ... to work in a group, which I enjoy.	1	2	3	4	8	9
f. ☐	(f) ... to feel more self-confident.	1	2	3	4	8	9
g. ☐	(g) ... & other women to raise our problems in the village.	1	2	3	4	8	9
h. ☐	(h) ... to get more respect in the village.	1	2	3	4	8	9
i. ☐	(i) ... to get more respect at home.	1	2	3	4	8	9
k. ☐	(k) ... and my family to improve our life.	1	2	3	4	8	9

Go to page 11.

only NON-CLIENTS

N1 N2

N1. Which Microfinance Institutions do you know? Please tell us their names.

90 Do not know any MFI (Go to N3.)

N2. Tell us, is this institution very good, good, bad or very bad?

	Very Good	Good	Bad	Very Bad	(D.K.)	(Ref)
(a) ______________________	4	3	2	1	8	9
(b) ______________________	4	3	2	1	8	9
(c) ______________________ *(Code Book.)*	4	3	2	1	8	9

N3 N4

N3. Do you know the following Institutions: (*Do not ask for those already mentioned in N1.*)

N4. Tell us, is this institution very good, good, bad or very bad?

	Yes	No	Very Good	Good	Bad	Very Bad	(D.K.)	(Ref)
(a) SKS	1	2	4	3	2	1	8	9
(b) Spandana	1	2	4	3	2	1	8	9
(c) Share	1	2	4	3	2	1	8	9

N5. What do you think is <u>good</u> about these Microfinance Institutions for people like you?

(Do not read out categories! Write down first 5 mentioned. Code only after interview.)

(a)______________________ (b)______________________ (c)______________________

1 Reasonable priced loans 2 Easy to get loan approved (few questions asked) 3 Convenient:home delivery
4 Time Saving 5 Give small amounts also 5 More than one loan possible 6 Shorter loan cycles
7 Give training and educate people 8 services (like insurance, health, education) also available
9 Availability of employees of MFIs 10 Possibility to take number of loans at a time from different MFIs
Help people to 11 earn more money 12 start new business 13 save more money 14 improve their life
15 Other: ________________ 16 Other: ________________ 17 Other: ________________

N6. What do you think is <u>bad</u> about these Microfinance Institutions for people like you?

(Do not read out categories! Write down first six mentioned. Code only after interview.)

(a)______________________ (b)______________________ (c)______________________

1 High interest rates 2 Weekly instalment payment 3 Rude behaviour of the MFI employees/ agents
4 Pressure/ Threats reg. repayment 5 Taking several loans from different MFIs lead to indebtedness
6 Vicious circles of indebtedness - taking new loan to repay old loan 7 Loan pressures
8 Repayment capacity is low because of 8a several loans 8b shorter loan cycles
9 Low repayment capacity leads to suicides of clients 10 Mortgage or selling assets to repay the loan
11 Total loan amount was not given 12 Difficult to pay loan/ instalments through income of clients
13 High additional costs 14 Bribes needed 15 Talking people into loans
16 Other: ________________ 17 Other: ________________ 18 Other: ________________

N7. Who in your household - meaning all the people who live together and eat from the same kitchen - has taken one or more loans from a Microfinance Institution?

N8. Was the person overall very satisfied, satisfied, unsatisfied or very unsatisfied?

N7 N8

	Yes	No	(D.K.)	(Ref.)	very satisfied	satisfied	<u>un</u>satisfied	very <u>un</u>satisfied	(D.K.)	(Ref.)
(a) Your spouse	1	2	8	9	4	3	2	1	8	9
(b) Mother	1	2	8	9	4	3	2	1	8	9
(c) Daughter	1	2	8	9	4	3	2	1	8	9
(d) Other	1	2	8	9	4	3	2	1	8	9

Q65 Q66

ALL RESPONDENTS

Q65. Have you borrowed money from the following sources right now?

Q66. How much money have you borrowed from this type of source all in all right now?

	Yes	No	Q66
(a) *(Only clients:)* Microfinance Instit.	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(b) Regional Rural Bank	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(c) Commercial Bank	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(d) Cooperative Bank	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(e) Chit fund	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(f) Government Scheme	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(g) Self-help group	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(h) Daily Finance Corporations (DFC)	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(i) Gold/Pawn Brokers	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(k) Money Lender	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(l) Relatives	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(n) Friends/ Colleagues	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(o) Shop Keeper	1	2	____ ____ ____ 0 0 (in 100 Rs.)
(p) Any other source(s) Specify:______________________	1	2	____ ____ ____ 0 0 (in 100 Rs.)

a. b. c. d. e. f. g. h. i. k. l. n. o. p.

Q53. Some people say give poor people a loan and they help themselves. Others say additional services have to accompany the loan, so that poor people can make good use of the loan. What do you say, are additional services needed? 1 Yes 2 No 98 (D.K.) 99 (Ref.)

Q54. Tell us which additional services are needed? *(Do not read out answer categories.) (Write first* **3** *mentioned.)*

a. b. c.

(a)____________________________ (b)___________________________ (c)___________________________

1 Skill Training 2 Basic Literacy 3 Education 4 Book keeping/ accounting 5 Health facilities
6 Health Insurance 7 Life Insurance 8 Crop Insurance 9 Cattle Insurance 10 Saving Account 11 Remittances
12 Help finding business opportunity 13 Other:_____________________ 0 D.K./ No answer

Q56. I will read out some statements. For each, please say yes or no.

a. b. c. d. e. f.

	Yes	No	(D.K.)	(Ref.)
(a) Microcredit helps poor people get richer.	1	2	8	9
(b) Microcredit empowers women.	1	2	8	9
(c) Microcredit helps poor people to start a business.	1	2	8	9
(d) Microcredit should be given to men not women.	1	2	8	9
(e) Microcredit leads into over-indebtedness.	1	2	8	9
(f) Microcredit only benefits the microfinance institutions.	1	2	8	9

Q57. In your opinion how much do the following institutions care for the poor?
Tell us on a scale from 1 *Do not care at all* to 10 *Care very much.*

a. b. c.

	Do not care at all									Do care very much	(D.K.)	(Ref.)
(a) Government of India	1	2	3	4	5	6	7	8	9	10	98	99
(b) Government of Andhra Pradesh	1	2	3	4	5	6	7	8	9	10	98	99
(c) Panjayat Raj	1	2	3	4	5	6	7	8	9	10	98	99

	Do not care at all									Do care very much	(D.K.)	(Ref.)
(d) NGOs	1	2	3	4	5	6	7	8	9	10	98	99
(e) Microfinance Institutions	1	2	3	4	5	6	7	8	9	10	98	99
(f) Rural Banks	1	2	3	4	5	6	7	8	9	10	98	99
(g) Cooperatives	1	2	3	4	5	6	7	8	9	10	98	99
(h) Self-help group	1	2	3	4	5	6	7	8	9	10	98	99

d. e. f. g. h.

Q60. Have you ever taken a loan from SERP, the Society for Elimination of Rural Poverty?

1 Yes 2 No (Go to Q62.) 98 (D.K.) (Go to Q62.) 99 (Ref.) (Go to Q62.)

Q61. I will read out different aspects regarding this loan programme.

Please rate each aspect - from 1 *very bad* to 10 *very good*.

	Very Bad									Very Good	(D.K.)	(Ref)
(a) Costs of loan	1	2	3	4	5	6	7	8	9	10	98	99
(b) Time to proceed application	1	2	3	4	5	6	7	8	9	10	98	99
(c) Explanation and clarity of rules	1	2	3	4	5	6	7	8	9	10	98	99
(d) Behaviour of staff	1	2	3	4	5	6	7	8	9	10	98	99
(e) Help with problems	1	2	3	4	5	6	7	8	9	10	98	99
(f) Your overall impression of SERP	1	2	3	4	5	6	7	8	9	10	98	99

a. b. c. d. e. f.

BACKGROUND DATA

Z2. What is your age?

(In completed years) _________ *(Recode 95 for age 95 years and above)*

Z3. What is your marital status? 1 Married *(If both husband & wife live together)*

2 Married, gauna not performed *(Married but not started living together)*

3 Widowed 4 Divorced 5 Separated 6 Deserted 7 Never married/ Unmarried

Z4. Up to what level have you studied?

________________________ *(Record exactly and consult code book.)* 98 (D.K.) 99 (Ref.)

Z5. Up to what level has the person in your household with the longest education studied?

________________________ *(Record exactly and consult code book.)* 98 (D.K.) 99 (Ref.)

Z6. What is your main occupation? ____

(If farming: Probe if mainly cash crop - for selling or mainly food crop - for own consumption.)

(Record exactly and consult code book & if retired, try to ascertain his/her previous occupation.)

Z7. Do you have a second occupation/ source of income?

1 Yes 2 No *(Go to Z9.)*

Z8. *(If yes:)* What is this second occupation?

________________________ *(Record exactly and consult code book.)*

(If farming: Probe if mainly cash crop - for selling or mainly food crop - for own consumption.)

Z9. What is your relation to the head of the household?

I am....: 1 head of the household (Go to Z12.) 2 the spouse 3 child 4 parent 5 relative 6 Other

Z10. (If respondent is <u>not</u> <u>male</u> <u>head</u>:) What is the general education level of the male head?

1 No male head 2 Not literate, no formal school, or primary or below 3 Middle

4 Secondary or higher education 5 Diploma/certificate course, graduate, or postgraduate 98 (D.K.) 99(Ref.)

Z11. What is/has been the main occupation of main earner of your family?

________________________________ *(Record exactly and consult code book.)* 98 (D.K.) 99 (Ref.)

(If farming: Probe if mainly cash crop - for selling or mainly food crop - for own consumption.)

Z12. Does/ Did the main earner of your family have a second occupation/ source of income?

1 Yes 2 No *(Go to Z14.)* 98 (D.K.) 99 (Ref.)

Z13. *(If yes:)* What is this second occupation?

_________________________ *(Record exactly and consult code book.)* 98 (D.K.) 99 (Ref.)

(If farming: Probe if mainly cash crop - for selling or mainly food crop - for own consumption.)

Z15. And what is your caste group?

1 Scheduled Caste (SC) 2 Scheduled Tribe (ST) 3 Other Backward Classes (OBC) 4 Other 98 (D.K.) 99 (Ref.)

Z16. What is your religion?

1 Hindu 2 Muslim 3 Christian 4 Sikh 5 Buddhist/ Neo-Buddhist 6 Jain 7 No religion 9 Other

Z17. What is the total size of agricultural land that your family uses for production?

___________ (in local units) 98 (D.K.) 99 (Ref.)

Z18. How much of this land do you own?

___________ (in local units) 98 (D.K.) 99 (Ref.)

Z19. How much of the total agricultural land is irrigated?

___________ (in local units) 98 (D.K.) 99 (Ref.)

a. b.

Z20. What is the total number of family members living in the household?

(a) Adults _____ (b) Children (up to 17 years)_____

Z21. Do you have any child who left school before finishing year 8? 1 Yes 2 No 98 (D.K.) 99 (Ref.)

Z22. Has any of your children died? 1 Yes 2 No 98 (D.K.) 99 (Ref.)

Z23. Do you or members of your household have the following:

		Yes	No	(D.K.)
a.	(a) Landline telephone	1	2	9
b.	(b) Radio	1	2	9
c.	(c) Television	1	2	9
d.	(d) VCR or VCD or DVD player	1	2	9
e.	(e) Refrigerator	1	2	9
f.	(f) Sewing machine	1	2	9
g.	(g) Almirah/ Dressing table	1	2	9
h.	(h) Casserole or Thermo or Thermoware	1	2	9
i.	(i) Tractor	1	2	9

Z24. *(If Rural:)* What livestock does your family own?

		Number		
a.	(a) Goat /sheep:	___________	98 (D.K.)	99 (Ref.)
b.	(b) Cow/ oxen/ buffalo/ camel:	___________	98 (D.K.)	99 (Ref.)
c.	(c) Chicken/ paltry birds	___________	98 (D.K.)	99 (Ref.)

Z25. What is the <u>most important</u> source of drinking-water for your household?

1 Tap inside the house *(Go to Z28.)* 2 Tap outside the house 3 Tube well 4 Well 5 Hand pump

6 Natural source (Pond/ Lake/ Stream/ River/ Spring) 7 Any other (Tank/ Canal)

Z26. How long does it take to go there, get water, and come back?

Number of minutes: _______ 98 (D.K.) 99 (Ref.)

Z27. How many hours of electricity has your household? 98 (D.K.) 99 (Ref.)

1 No electricity 2 Up to 2 hours 3 Two to 4 hours 4 Four to 6 hours 5 Six to 8 hours 6 More than 8 hours

Z28. What is the primary source of energy for cooking?

1 LPG/Gas 2 Electricity 3 Kerosene 4 Coal/ lignite/ charcoal

5 Others bought (Firewood/ Crop residue/ Cow dung cake) 6 Others ***not*** bought (Firewood/ ...) 98 (D.K.) 99 (Ref.)

Z29. What kind of toilet facility do members of your household usually use?

1 Flush/pour flush 2 Ventilated improved pit latrine (VIP) 3 Pit latrine with slab

4 Pit latrine without slab/open pit 5 Composting toilet 6 Bucket 7 Hanging toilet/hanging latrine

8 No facilities or bush or field

Z30. Do you share this facility with other households?

1 Yes 2 No 98 (D.K.) 99 (Ref.)

Z31. Out of which material is the flooring in your house?

1 Dirt 2 Sand 3 Dung 4 Concrete 5 Stones 6 Wood 7 Other

NOT TO BE ASKED

X1. Where there any other people immediately present who might be listening during the interview?
(Multiple choice possible.)

a.

If someone:

b.

c.

d.

e.

			Yes	No
	(a)	No one	1	2
If someone -who?:	(b)	Spouse	1	2
	(c)	Children	1	2
	(d)	A few others	1	2
	(e)	Small crowd	1	2

X2. How often did the respondent check with others for information to answers questions?

1 Very Frequently 2 Frequently 3 Sometimes 4 Never

X3. Do you think anyone influenced the respondent´s answer during the interview?

1 Yes 2 No

X4. Which questions did the respondent have trouble answering?

a. b. c. d. e.

X5. What was the respondent´s attitude toward you during the interview?

a. (a) Was he or she 1 Cooperative 2 In Between 3 Uncooperative

b. (b) Was he or she 1 Interested 2 In Between 3 Bored

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[i] Source: http://www.sksindia.com/financial_info.php
[ii] Source: http://www.bandhanmf.com/reach.aspx

[iii] As on 31 March 2012. Source: http://www.spandanaindia.com
[iv] As on 31 March 2012. Source: http://www.sharemicrofin.com
[v] Source: http://equitas.in/BranchNetWork.html
[vi] Source: http://www.asmithamicrofin.com/inside/aboutus/gcoverage.html
[vii] SKDRDP operates only in Karnataka. Source: http://www.skdrdpindia.org/area-operation
[viii] Source: http://www.ujjivan.com/content/where-we-work
[ix] Source: http://www.gvmfl.com
[x] Source: http://www.basixindia.com
[xi] Not included are „savings" as funding source, which only play a role for non-regulated institutions like NGOs, e.g. ESAF, Awareness,
[xii] L&T Microfinance operations started in Andhra Pradesh. No information is available on current operations. The headquarter is based in Mumbai. Source: http://www.ltfinance.com/microfinance.aspx
[xiii] Cashpor MC operates only in Uttar Pradesh and Bihar. Source: http://www.cashpor.in/Operations.html
[xiv] Source: http://biswa.org/in/index.php/en/activities/social-finance/area-of-operation
[xv] SMILE operates in Tamil Nadu and Puducherry (formerly known as Pondicherry). Source: http://www.smileltd.org/area_covered.php
[xvi] The headquarter of ESAF is based in Kerala. Data as on 31 March 2011. Source: http://www.emfil.org/home/aboutus/esafmicrofinance.html
[xvii] Source: http://www.awarenessindia.com/activities/operation.html
[xviii] SCNL operates in Delhi, Uttar Pradesh, Punjab, Haryana, Rajasthan, Uttrakhand, Madhya Pradesh and Bihar. Ist headquarter is in New Delhi. Source: http://www.satincreditcare.com/index.html
[xix] Source: http://www.janalakshmi.com/contact.htm
[xx] Full name of MFI: *Grameen Financial Services Pvt. Ltd.* (GFSPL).
[xxi] Source: http://www.gfspl.in/operational-areas
[xxii] Muthoot has its headquarter in Kerala. Source: http://www.muthoot.com/mmm/index.html & http://www.muthoot.com/mmm/pdf/Final_Muthoot_Report_29thMay.pdf
[xxiii] Source: http://www.tridentmicrofin.com/outreach.asp
[xxiv] Full name of *MMFL: Madura Micro Finance Ltd.*
[xxv] Given the regional offices MMFL seems to only operate in Tamil Nadu. Source: http://maduramicrofinance.com/contact_us.html
[xxvi] Full name of FFSL: *Future Financial Servicess Ltd.*
[xxvii] In Andhra Pradesh operations are concentrated on Chittoor and Nellore districts; in Tamil Nadu on Vellore, Thiruvallur, Kanchipuram, Thiruvannamalai and Krishnagiri districts. Source: http://www.ffslmfi.com/about.html
[xxviii] ASA International has operations in India, Pakistan, Sri Lanka, Ghana, Philippines, Afghanistan, Cambodia and Nigeria. In India operations are so far concentrated in West Bengal. Source: http://www.asa-international.com/india.htm
[xxix] VFS stands for Village Financial Services Pvt. Ltd. Source: http://www.village.net.in/outreach/
[xxx] BWDA stands for *Bullock-Cart Workers Development Association.*
[xxxi] The homepage of BWDA (www.bwda.org.in) has been shut down. Operations are focused on Tamil Nadu and Puducherry. Information retrieved from reports such as: http://www.spp.nus.edu.sg/docs/case/SPPCase10-02%20-%20BWDA.pdf
[xxxii] Source: http://www.seil.in/coverage/index.htm#
[xxxiii] It has operations in all surveyed districts. Source: http://www.asirvadmicrofinance.co.in/branchnetworks.html
[xxxiv] Source: http://www.idf-finance.in/facts-figures.html, (all sources accessed 30th September 2012).