

**The Graduate Program in Sustainable International Development
The Heller School for Social Policy and Management
Brandeis University**



**Delivering Microfinance Services that are Inclusive and Empowering for the
Remotely Located Indigenous People. An Assessment of Apno Bank's Approach
in Southern Rajasthan – India**

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In signing this form, I hereby authorize the Graduate Programs in SID to make this paper available to the public, in both hard copy and electronically over the internet.

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Abstract

Community based organizations (CBOs) have a key role to play in empowering people and increasing the access to the basic services including financial services. This study explores a community based microfinance service model that works even in the remotest parts and has been a hope for the indigenous communities. It thrives on the basic assumption that given a suitable structure people like to save and these savings collected at a pool can meet credit needs of the participants. Poor often have small money left to save and they are involved in small transactions. The institutions like the banks and microfinance institutions that emphasize standardization and sophistication are not always suitable to cater the needs of poor. The model in case study provides a dignified banking experience to its members. This paper is an effort to study a community-driven model of microfinance that is built on the values that are inherent in the indigenous communities i.e. community living, cooperation and shared responsibility. It is a result of belief that local and context specific solutions are more empowering, effective and sustainable. The model of development proposed by this paper is relevant and representative of the specific context described in the case study.

Executive Summary

The paper is an exploration and analysis of internal and external factors and strengths and weaknesses of community based and savings led microfinance model. The indigenous people in India have been living on the margins. The advent of globalization further excluded them from the process of development. These communities are vulnerable to the climate change and resulting problems of loss of subsistence agriculture and forest based livelihoods. The indigenous people in Rajasthan have a distinct culture and sources of livelihoods. In recent years there has been erosion of forest based and agriculture-based livelihoods. This resulted in pushing them into indebtedness from moneylenders in the area. Apno Bank started working in this area initially advocating for land rights and freeing these communities from the clutches of moneylenders. In view of this problem, self-help groups of women were started in the villages. These groups of women started to take interest in affairs of the villages and developmental activities. This started to build consciousness about the rights. These groups were further federated into a cooperative that started credit operations for the members.

The most important contribution of the savings-led microfinance has been creation of social capital in the form of solidarity, women's participation in village meetings and increased consciousness about their rights. There has been also realization about the strength of cooperation and power of savings among the community. This example has inspired to strengthen other community-based organizations (CBO) in the area that are contributing significantly in raising issues and working with government. The organization of these village groups into a cooperative institution is a challenging further step in achieving sustainability and finding a permanent solution to the problem of financial exclusion. Institution building with participatory governance is a next step for this CBO. This community-driven institution is at the crossroads as it intends to increase the outreach and its impact.

This savings led microfinance has served well in reaching to the remotest indigenous people and increased awareness and participation in the local governance. The recommendations and findings that emerged from this paper can play important role in strategic growth and achieving outreach with maximum impact.

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Acronyms and Abbreviations

BPL	Below Poverty Line
CMF	Center for Microfinance
CBO	Community Based Organization
CRISIL	Credit Rating Information Services of India Limited
FGD	Focus Group Discussion
HDI	Human Development Index
JFM	Joint Forest Management
J-PAL	Abdul Latif Jameel Poverty Action Lab
MFI	Microfinance Institution
NABARD	National Bank for Agriculture and Rural Development
NRLM	National Rural Livelihoods Mission
NGO	Non Governmental Organization
NREGA	National Rural Employment Guarantee Act
PDS	Public Distribution System
RBI	Reserve Bank of India
RRB	Regional Rural Banks
RCT	Randomized Control Trials
SLA	Sustainable Livelihood Approach
SHG	Self Help Group
ST	Scheduled Tribes
UNDP	United Nations Development Program

Introduction

We all need credit at some point in our lives. It is available readily for those who are part of the formal economy. The poor who are in informal economy have difficulty in accessing credit. Lack of access to financial services among the rural poor has continued to be a global challenge. A study estimates that globally number of people who lack access to financial services are two billion (Ambreena, 2010). The growth of microfinance through formal institutions has been a widely discussed accomplishment. This growth has been very skewed and has left many behind. Microfinance has been a “darling child” of the development sector in India. It has been promoted as tool for reducing poverty and empowering women. Its proponents also claimed that thanks to microfinance, our children would see poverty only in museums. There is a great inequality in access to credit in India.

Recently India has seen tremendous growth in number of microfinance institutions to serve credit needs of the population and small enterprise in urban and peri-urban areas. The number of loan accounts serviced by MFIs in India increased from 10 million in 2007 to nearly 27 million in 2010 while loans outstanding increased from \$840 million to \$4 billion (RBI, 2010). In spite of Government of India’s efforts to increase financial inclusion with rural outreach, there are many pockets still unbanked (Arunachalam, 2008). It is estimated that about 40% of the Indians lack access to simplest kind of formal financial services (RBI, 2010). In the absence of these formal sources of finance, poor depend on informal sources like traditional moneylenders for their credit needs. These informal sources are often exploitative charging exorbitant interest rates and resorting to very cruel forms of repayment mechanisms. In the absence of finance, many business ideas fail to come into practice.

Sustainable Development Problem

A large number of indigenous people survive on the brink of subsistence, depending on uncertain employment and meagre wages. There is increasing degradation of land, forests, source of water, with higher dependence on rainfall. Farming is becoming increasingly difficult to sustain with almost negative returns. Support systems needed by farmers like finance, extension and opportunities for marketing are lacking. A characteristic feature of the poor in this area is the financial exclusion. There is no access to formal sources of finance. As a result, poor are forced to borrow from moneylenders at high rates of interest. A large majority of the rural tribal poor in these areas depend on seasonal migration to urban slums and encounter further hardships. Some of the development problems specific to the case study area are:

Moneylenders: Local moneylenders are also called as ‘loan sharks’. They are small business owners residing in the nearby urban locations and traditionally have been engaged in the lucrative business of moneylending. Their accounting practices are very dubious and unscrupulous. They charge interest rates that range from 60% to 100% per year (Verghese, 2004). They are readily available and lend money with very little amount of paper work. Sometimes they ask for jewelry as a security before lending. The interest rates are so high that the poor end up in paying interest for years and never able to pay principle amount. The jewelry that is deposited with the moneylender is adjusted against the interest amount. Sometimes they have to sell their livestock to pay back these loans. The loans continue for long periods and sometimes till next generations.

Exclusion: The banking system in India is well developed with 181,653 branch outlets opened under the Financial Inclusion Plan of Reserve Bank of India (RBI, 2012). There have been great efforts in linking banks to self-help groups (SHGs) by National Bank for Agriculture and Rural Development (NABARD). The bank branches have standardized procedures for transactions. The human resource in these commercial banks are not trained or sensitized to deliver services to the indigenous communities. Thus it makes the whole banking experience unwelcome for poor.

Remoteness: The characteristic of the indigenous communities in Rajasthan is that they live in remote hilly locations with little road network. These habitations are called as hamlets. These hamlets are very sparsely inhabited and each hamlet consists of 30 to 50 households. This remoteness is a great hindrance for commercial banks in particular and markets in general to reach out to this population.

Sophistication and Scaling Up: There is great demand from donor organizations to scale up the operations by standardizing the processes. Sometimes the basis for funding is the pre-condition of scaling up and reaching out to the large numbers. When small community-based organizations decide to scale up its operations to the areas or contexts, which are different, the results of scaling up are mixed. A model suitable for and representative of a particular context may not be successful when replicated in a different context.

Hypothesis

This paper argues and advocates for small and localized institutional solution for the issue of access to microfinance services and empowering people. The hypothesis is that we need more of small and customized community-driven organizations that promote and preserve the traditional life, dignity of the people and at the same time address the exploitation and exclusion of the people.

Development Questions

This case study is trying to answer few relevant questions that are specific to this context but relevant to the development sector in general. Some of the development questions the case study is attempting to address are:

1. How to take savings led microfinance by CBO to the next level to make it impactful, sustainable and empowering for the communities?
2. Do we need localized and context specific models of development rather than centralized and standardized prescriptions?
3. This is an on-the ground response to the problem by a CBO that is mission driven and aimed at empowering people with inclusive agenda. The paper also addresses what are the challenges in scaling up operations for a community-based organization.

Description of the Case Study

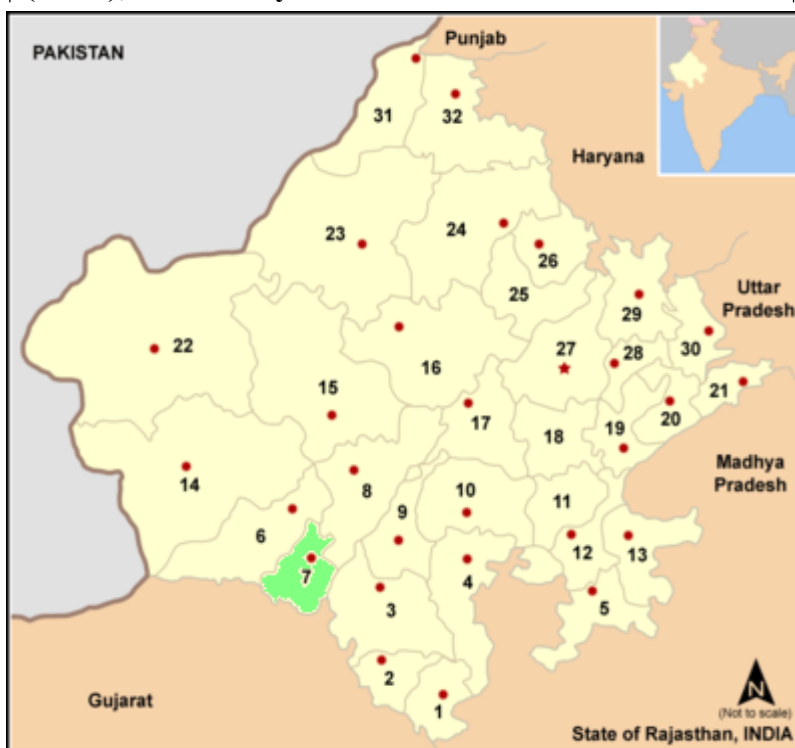
Location

Rajasthan is located on the northwestern part of India at 23°30' and 30° 11' North latitude and 69° 29' and 78° 17' East longitude. It is the biggest state with the area of 0.3 million square kilometers encompassing 11% of geographical area. The geography is characterized by deserts, fertile plains, some forested regions and hilly terrain of Aravali ranges. It has a moderate to low rainfall (400-600mm/year) and large temperature variations (0-45⁰ C). Out of the total land area, 65% is reserved for forest and 6% is being brought under cultivation (Census, 2011). The location of this case study is in Western Rajasthan in the district of Sirohi. Sirohi district is situated at the southwestern part of Rajasthan and is bounded by Pali in the North East, Udaipur in the East land by Gujarat State and Jalore District in the West. The population of the district is 850,736 according to the 2001 census. The population density of Sirohi is 166 per square kilometer and the district is divided into a total of 5 administrative blocks (Panchayat Samitis).

Profile of the Area

It is predominantly tribal inhabited with 68% of area being tribal (Nagda, 2004). The peculiarity of the rural belt of Abu Road is the scattered form of inhabitation with a population density of less than 150 per square km, which contributes to the tribal lifestyle. Center for Microfinance (CMF); a research organization based in Jaipur, Rajasthan did a survey of sample of villages in Sirohi District of Rajasthan. A total of 10 villages from this area were selected at random by the criteria of relative distance. Some of the features of these villages in this district after the analysis of the village profiles of the 10 villages are as follows: Almost 70 % of the households residing in the 10 villages are from the below poverty line (BPL) category. Average distance of a village from block headquarters is 21 kilometers and from the district headquarters is 72 kilometers. These villages are inhabited mostly by the schedule tribes (STs). Garasiyas are the most dominant tribes in the region followed by the Bheels and the Meenas. There are some few households of Brahmins and the Rajputs. Hinduism is the main religion with Islam being practiced by a small fraction of the total population. Total literacy rate in the villages of Abu Road is as low as 30%; with the male literacy being 40% and the female literacy being 20% approximately (GOI, 2001b). The percentage of children both boys and girls who reported to have had no formal

Figure 1: Location of Apno Bank, Sirohi, Rajasthan (India); Case Study



schooling is also relatively high. A total of 30% of the boys and 45% of the girls reported to have had no formal level of education. The average distance of a post office and bank branch from the villages were reported to be 9 and 12 kilometers respectively. Six out of the 10 villages surveyed had the facility of electricity in the village out of which only 2 had the facility of electricity in the hamlets. Hand pumps and Wells are the most important sources of water for domestic use. Only 30 % of the total tube wells/bore wells in the 10 villages are functioning whereas the rest 70% are defunct. Milk cooperatives, water user associations and producer groups are non-existent in the villages. Almost all the villages reported to have a primary school at the village level. Though the quality of service rendered by the teachers in these schools is unsatisfactory (CMF, 2010).

Institutional Setting of the Case Study

Jan Chetna is a non-profit organization. It is in existence for about 19 years. Its activities and programs synergize with the problems of the area and are focused on empowerment of the community to ensure social equity and peaceful co-existence. This empowerment process has seen the formation, development and empowerment of indigenous people, which are now capable of addressing issues with little support from Jan Chetna Sansthan (www.janchetna.org). JCS entered Microfinance Arena, because of extreme poverty among the tribals in the region and the unavailability of formal sources of credit leading to exploitation by moneylenders. Its activism over the years against debt bondage resulted in getting the tribals out of the clutches of exploitative moneylenders, which led to initiating the saving and credit activities through SHGs. This intervention has created a sizable impact in providing the much needed consumption loans.

Jan Chetna now seeks a permanent solution to this problem by establishing a structure to facilitate savings, credit, and insurance services. The performance of the SHGs on both social and economical parameters and the significance of microfinance in this poverty stricken area promoted Jan Chetna to take the movement a step forward to register a cooperative of SHGs viz. Apno Bank under the Cooperative Societies Act. Apno Bank is a community-based cooperative, which promotes savings led microfinance services to the indigenous communities. Its constituency is indigenous people especially with focus on women. Apno Bank has approximately 3,000 women membership. These women are grouped into SHGs, which are part of Apno Bank. Apno Bank started operations in 2007 with the savings. The women are organized into SHGs and start saving with a minimum amount of \$1 per month. The group meets once a month. Initially a field worker helps in formation of the group and in maintaining the accounts. The savings are pooled at Apno Bank and are used for lending to the members. The members are paid interest on savings.

Additionally, the SHGs in a village provide platform for women to involve in developmental activities in the villages. SHGs have been involved in activism in villages against sale of alcohol, regularizing public distribution system, and addressing absenteeism in schools. These women members have also been able to contest and get elected for village council. The 93rd amendment to the Indian Constitution provides 33% quota for women in local governing structures. These women have been using this opportunity to participate and get elected democratically. This has been very important contributing factor in building confidence of these women.

Background And Socio-Economic Context

Population

The state has 7 million Scheduled Tribes (STs) population with higher concentration in Southern Rajasthan. It accounts for 12.6% of the total population of 56 million. Out of these 7 million STs, 94.6% are inhabited in rural areas (GOI, 2001b). The state ranks 14th among 30 Indian states in Human Development Index (HDI). When compared to other countries on HDI, the state ranks at 129 with Bangladesh (GOR, 2002). Due to undulating terrain, which is the peculiarity of the area, the population is sparsely populated forming scattered form of inhabitation. Agriculture is the main economic activity with 69% of STs being cultivators, which is higher when compared to 44.7% for national average with 14% being agricultural laborers (GOI, 2001a). The forests and common lands, which constitute a large part of the total geographical area, are highly degraded. Of the total area under cultivation in the district, minimal percentage of the cropped has irrigation facilities. The earning of the members ranges from \$500 to \$1200 per annum with average earning around- \$600 per annum (Parekh, 2007).

Their livelihood portfolio comprises of agriculture, daily wages labor, migration, livestock rearing, non-timber forest produce and small shops. After 1947 CE, access of community to the common lands was restricted by the state through legislation. In the absence of a clear legal framework, neither community nor the encroaching household has any stake in the protection and development of the common lands (Nagda, 2004). Finally, the concentration of authority with the government has further disempowered the people and their institutions, making them increasingly dependent and vulnerable. Thus, creating the social and political conditions necessary for people to rebuild their solidarity and their institutions is of utmost importance.

Community based organizations are key to the development of remotely located communities. These CBOs operate within interplay of factors and political environment. Along with the decentralized government structure, CBOs have been instrumental in carrying the agenda of development through different programs. These grassroot organizations are also important in implementing different poverty reduction programs and livelihood promotion activities.

Economic Challenges

The area has hilly undulating terrain with patches of plains in some areas. The soil ranges from sandy loam and black cotton soil in certain areas. The average land holding is about half an acre per family, which does not even account for subsistence agriculture (GOR, 2002). All the families own some land and are involved in agriculture, most of it being rain-fed. The major crops during the Kharif (monsoon) season are maize in the flat land and pigeon pea on the slopes. In Rabbi (winter) season, though the number of families and area is extremely limited, the cropping has been found to be varied with wheat being the major crop, along with mustard, castor and fennel seeds (GOR, 2002). There is a substantial ownership of livestock but the quality and quantity is not of any significance. Though the area is famous for its breed of goat, people rarely keep them. Dependence on forest produce is high and major income in this sector is from the sale of firewood. There is a little or no evidence of any involvement in the non-farm sector.

A close look at the trend of income over expenditure shows a chronic deficit and this deficit used to fill through credit from moneylenders. The existing rates of interest of loans from the moneylender ranges from 48% to 100% per year depending on the collateral provided (Parekh, 2007). Most of the households studied had loans outstanding, which carried interest rates of 10% monthly (120 annually). This trend is being worked out on the response of 48 households with the average family size being 6 from different socio economic segments in irrigated and un-irrigated areas. It was discovered that the major factors affecting the livelihood scenario in the area is the low quantity and quality of land holding, lack of extension services to provide inputs for innovation in agriculture as well as other sub sectors, exploitative marketing practices, high priced credits, shortage of water, recurring draughts, limited skills and few sources of subsidiary income from the non farm sector (Parekh, 2007).

On the other hand the expenditure on social obligations was found to be extremely high (nearly 15%) due to some rigid practices in the tribal society. The expenditure of alcohol and tobacco accounted for another 15% of the total expenditure. It was reported that fighting which was aggravated by use of alcohol led to police and court interference was also of a substantial cost. Another area of high cost incurrence was the borrowing from moneylenders. All these costs put together accounted for nearly 35% of the total expenditure while the deficit is about 23%.

In recent years, migration is becoming a major source of livelihood with about 64% male members in this community migrate in search of employment every year to the nearby cities. Migration is on the peak during the months of November and December and they return back before Holi; main festival for these communities.

Macro Context

In alignment with the rest of economy, the Indian microfinance witnessed the growth till 2011. The concentration of microfinance has been skewed geographically. The commercial banks and government has been using self-help groups for credit disbursal and livelihood interventions (Srinivasan, 2010). The microfinance penetration among the poor in India can be illustrated using two indicators.

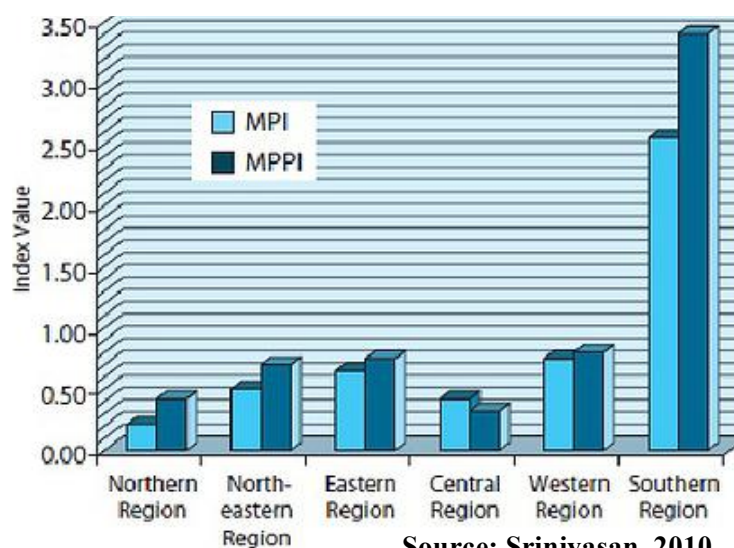
Table: MPI and MPPI Data for all Indian States

State	MPI	MPPI	State	MPI	MPPI
Andhra Pradesh	3.64	6.35	Madhya Pradesh	0.38	0.27
Arunachal Pradesh	0.44	0.70	Maharashtra	1.03	0.92
Assam	0.45	0.64	Manipur	0.44	0.69
Bihar	0.20	0.14	Meghalaya	0.29	0.43
Chandigarh			Mizoram	0.36	0.78
Chattisgarh	0.64	0.43	Nagaland	0.32	0.47
			Orissa	2.00	1.19
Delhi	0.11	0.20	Punjab	0.07	0.22
Goa	0.54	1.08	Rajasthan	0.34	0.42
Gujarat	0.26	0.43	Sikkim	0.50	0.69
Haryana	0.23	0.45	Tamil Nadu	2.27	2.77
Himachal Pradesh	0.57	1.57	Tripura	1.17	1.70
Jammu and Kashmir	0.03	0.13	Uttar Pradesh	0.38	0.32
Jharkhand	0.50	0.34	Uttaranchal	0.64	0.44
Karnataka	1.57	1.74	West Bengal	1.48	1.65
Kerala	1.36	2.49			

Source: Srinivasan, 2010

First, the intensity of penetration of microfinance among poor (MPPI) is derived by dividing the share of the state in microfinance clients by share of the state in population of poor. In the map, MPPI is represented by dots. A value of more than 1 indicates that clients acquired were more than proportional to the population. Higher the score above 1

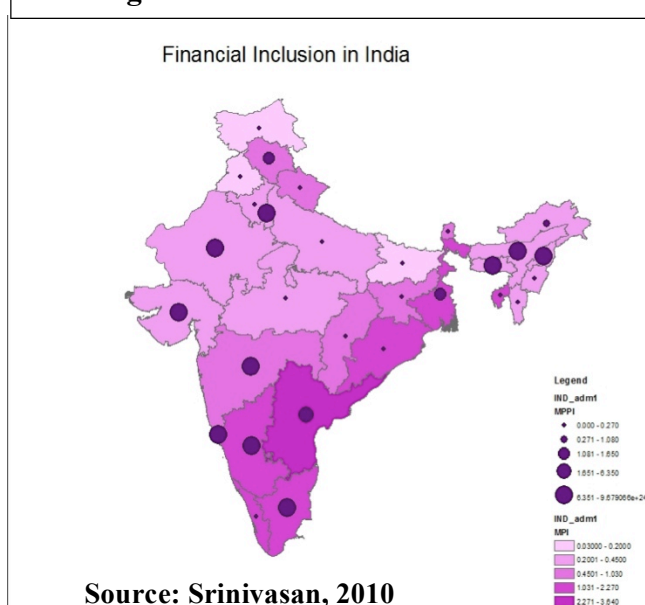
Fig 2: Penetration of Microfinance, Region-wise



better the performance. Secondly, the Intensity of Penetration of Microfinance (MPI) is computed by dividing the share of the state in microfinance clients with the share of population. The darker the color more is the MPI. Hence we can see MPI is higher in south India with Andhra Pradesh, Karnataka, Tamilnadu, and Orissa leading the MPI rates.

Four top states having high MPPI are from the southern India. Among low penetration states, Bihar, Rajasthan and Jammu and Kashmir figure under MPI and MPPI. Under MPPI, Madhya Pradesh, Rajasthan, Punjab and Uttar Pradesh are at the bottom in the list. Across regions apart from south, east seems to have done marginally well. The MPI is better than MPPI in eastern states. The central region comprising most of the poorest states has a long way to go in improving microfinance penetration level (Srinivasan, 2010).

Fig 3: Financial Inclusion in India



Methods

This section discusses various methods of research employed in writing this case study.

Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Soy, 2006). Major motivation for writing comes from my association and work experience with this case study. I have been working with this community based microfinance institution that promotes savings led microfinance amongst tribal women members.

Course Work

My course work at Heller School and the Massachusetts Institute of Technology, research seminars and discussions and talks attended during this time have assisted me to understand and formulate theoretical understanding about the development problem. Some of the courses that are relevant to the case study were social entrepreneurship, microfinance, leadership and organizational behavior, evaluating the survey data, advanced study seminar, gender analysis, ad gender working group discussions.

Literature Review

The University of Wisconsin Writing Center defines literature review as a “critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles” (Wisconsin, 2012). Benson (1992) states few functions that literature review does in the research. It puts forth the array of paradigms related to topic and gives theoretical base for the discussion. Literature review also helps in bringing the current status of knowledge on the topic and different competing ideas, questions and debates on the topic of the research (Benson, 1992). I think that literature review helps in connecting the past research with the future research. Thus it acts as a bridge providing perpetual learning.

The following literature was reviewed to understand the perspective and contemporary debates on the subject. The literature included research papers, relevant books, and commentaries of individuals, institutions and organizations of different levels, peer review articles, JPAL and IPA randomized control evaluations of microfinance programs, and microfinance India reports.

Business plan analysis and Study of Annual Reports: The important insights were gained through the analysis of business plan and annual report of the organization. A survey of sample villages, livelihood perspectives plan and different individual success stories were also analyzed.

Professional Work Experience

My reflection on professional work experience has helped to conceptualize the various aspects of exclusion, gender empowerment, and discrimination. Focus group discussions (FGD) with women and men in the case study area helped in exploring the issues in depth. The time spent in

conducting group meetings, traveling to the villages and participating in cultural events with these indigenous people was also an opportunity for direct observation. Further, discussions with management and governing board members, professionals of NGOs and government agencies involved in development projects in the case study area added to my understanding of the contextual situation and challenges. These discussions and direct observations have been helpful in understanding the following aspects of the area and the people in the case study.

1. Power structures, present status of women in society, political economy and sociocultural aspects and aspirations of these communities to participate and take charge of development and of their life in general, household level power relations, gender perceptions, and strategies of survival during difficult times.
2. Local political forces, external environment, and pull and push factors.
3. Cultural practices and spending behavior during community ceremonies, the mapping of major expenditures, savings practices and food habits.

Limitations of the Methods

This paper is based on the professional and personal experience, literature review, online research, FGDs during work, and information from selective individuals. The Research has tried to be objective in understanding the problem, data and interpretation of literature. Genuine efforts have been made to keep away the personal biases from this study.

Literature Review

This section aims to understand and elaborate on different relevant approaches towards microfinance in practice and programs to be adopted for case study areas to address the issue of financial exclusion and institutional weaknesses. The relevant literature was reviewed and it is presented in four broad thematic areas.

1. Microfinance and sustainable livelihood approaches
2. Microfinance as a tool for women empowerment
3. Institution building and policy framework
4. Evaluations of the microfinance and different critics and debates

Evolution of Microfinance towards Sustainable Livelihoods Approaches

The sustainable livelihood approach (SLA) emphasizes a realistic understanding of the livelihoods of the poor people and works towards improving the livelihoods. There has been a lot of knowledge that has been created with the experience of implementing sustainable livelihood approaches in the area of poverty reduction in different contexts. SLA as a way of thinking and approach to development has no clarity in its methodology and there are multiple versions of this approach in practice. It draws methods from other disciplines and hence there arises the need to learn and work with others. Some of the examples of areas of mutual interest are governance, right and power issues and economic and market analysis (Carney, 1998). It is a broad framework and hence encourages flexibility and openness for professionals to design in a very contextual way. The new thinking in SLA is to focus on rights and power issues so that we can help poor to improve their livelihoods by claiming rights and place in existing power structure. The approach places lot of responsibility on the part of the poor for improvement in livelihoods.

Serrat (2008) stated that, “the sustainable livelihoods approach is a way of thinking about the objectives, scope, and priorities for development activities. It is based on evolving thinking about the way the poor and vulnerable live their lives and the importance of policies and institutions”. This approach further helps to formulate development activities that are people-centered, responsive and participatory, multilevel, public and private partnership, dynamic and sustainable. According to Serrat (2008), the approach tries to make connections between people and overall environmental factors that further influences the outcomes of livelihood strategies. One of the important characteristics of the framework is to expand the present assets, which households have. The assets which poor possess and make trade off are human capital, social capital, natural capital, physical capital, and financial capital.

Olivier Serrat (2008) further emphasizes the role of policies and institutions in livelihood outcomes; especially the structures, which include public and private sector organizations that carry forward the policy and deliver services and perform the functions that influence livelihoods. Policies are ineffective in the absence of appropriate and strong institutions and processes through which policies can be implemented (Serrat, 2008). The approach further reiterates how processes are significant in granting or denying access and transforming one type of asset to another. Sometimes the processes may systematically deny the poor unless governments adopt pro-poor policies. Describing implications the author suggests that SLA encourages out of the box thinking by freeing practitioners from conventional approaches that

help in identifying and finding solutions (Serrat, 2008). The framework encourages to look at the contexts and relationships to make development activities more process-oriented. The approach specifically emphasizes on significance of institutions by mapping the institutional framework and linking the micro to macro level. Thus, it calls for context-specific approaches rather than universal prescriptions.

Dhiraj Kumar Horo (2012) in his master's paper submitted to the Heller School discussed the strategies to make women associations and business groups of marginalized population in India sustainable and empowering. Bringing in evidence from different sources he states that the strategy of self help groups and business groups has been effective in reducing poverty and empowering for its members (Horo, 2012). The average income of its members and spending on children's education has increased when compared to non-members (Horo, 2012). The author finds that this strategy can yield more fruits if it is integrated with other aspects that contribute to multidimensional aspects of poverty. Moving on to the next level, the author suggests that these groups be organized at secondary level of federation managed by women themselves. As a federation of large number of women, they have advantage of economies of scale and bargaining power that can be leveraged to deal with risks in enterprises. These findings support and are encouraging towards community driven enterprises. The approach of addressing the issue through group or cooperative strategy is relevant in the context of indigenous people.

Karenzi's (2005) master paper delves into the potential and possibility for microenterprise development through associations of farmers and women in combating the issue of food security. It also extrapolates the role of microenterprises in reducing gender inequality and women empowerment by engaging women in productive economic activities. The important findings from the study are from the area of building social capital and food security in the community. The Author says that formation of associations helped these women to develop a sense of hope and instilled confidence in returning to normal life. They could find friends and share stories that assisted in fighting the trauma and loneliness. The perceptions of women about the benefits of the associations also revealed that women benefitted a lot in terms of increased savings, individual income-generating activities, putting children in school and increasing farm yields using fertilizers (Karenzi, 2005). The priority identification by women suggests that women want to improve their incomes by acquiring and investing in new skills. These findings and approach are relevant and supportive of entrepreneurship as a tool to address livelihood and increasing food security for indigenous populations.

In a significant development, the ministry of rural development in India has designed a new project named as National Rural Livelihoods Project (NRLP) with the \$ 1 Billion loan assistance from the World Bank. The project aims at states in India with the large population living below the official poverty line. One of the objectives is to organize the rural populations especially women into strong grass institutions. It makes an assumption that these strong grassroot institutions will be able to exert their voice for rights and accountability from providers of services like education, health, nutrition and financial services. The grassroot institutions envisaged are self-help group federations and producer collectives. These institutions will then be provided support with trained personnel at the local level in identifying and developing livelihoods. The project also aims at convergence with other entitlements and programs like access to credit. There is provision of special clusters for developing enterprises. The outcomes

planned in the project are designed with the Sustainable Livelihood Approach (Singh, 2011). The project goals are lofty and the logic behind achieving the goal of sustainable livelihood through organizing poor in institutions is tested and experienced in few other cases. The framework also need to take into consideration contextual analysis and should come up with local solutions than proposing an umbrella solution for whole country.

In an article From Microfinance to Livelihood Finance (Mahajan, 2005) claims that microcredit itself cannot promote economic growth and advocates for new paradigm of livelihood finance that demands larger levels of resource allocation. The article lists some of the limitations of microcredit and states that there is risk in assuming that microcredit is a enough of a strategy for poverty alleviation. A survey by Basix; an NGO involved in microcredit revealed that only 52% of three year plus microcredit clients reported increase in income, 23% reported no change and surprisingly 25% reported decline in income (Mahajan, 2005). The analysis of the results showed that reasons were low productive in crop cultivation and livestock rearing, inability to get good prices from the input and output markets and un-managed risk.

The article proposes livelihood finance replacing microcredit as a paradigm shift (Mahajan, 2005). This new paradigm raises new questions about scale of funding for livelihoods of the poor. The present funding pattern from microfinance institutions and banks and government is not enough. This leads us to look for capital markets to look for financing opportunity. There is a risk involved for the poor themselves and the institutions investing. The poor have a wish and will to come out of poverty but lacks market information and skills to reach out to the markets and hence the risk involved for the poor are even bigger as a single shock can push them into cycle of poverty.

Microfinance as a Tool for Women Empowerment

Microfinance programs have been linked with women empowerment along with poverty alleviation. Increasing the access to credit and savings services was seen as an important to increase the ability of women to earn an income and increase in their status and autonomy (Mayoux, 2009). But, women are not a homogenous group and there are more income and class stratifications. As Ashe (2007) points out that the very fact that the microfinance institutions target the poor and not very poor again limits the impact of this tool for empowerment of women from lower income groups.

Most microfinance institutions will continue to reach the poor and the very poor, that is, those below the poverty line in their countries, but not those in the lower half below the poverty line. Even with subsidy and technology, we expect that at the end of the decade there will still be a challenge to reach the poorest, rural, and most remote clients (Ashe, 2007).

The credit led microfinance institutions chose women as a target to promote credit uptake. The assumption underlying involvement of women is that women are better at managing money and they can be trained in practicing financial discipline like timely repayment and better use of loans. Following on this approach some important questions being asked about the actual impact of microfinance. The doubts included how can we infer women's well-being from impact on household income or even increased income and do really changes in women's earnings lead to

either changes in gender roles or wider social, political or legal empowerment (Mayoux, 2000).

Institution Building

World Bank in its Strategy paper (2000) states that poorly functioning public institutions and weak governance are major constraints to growth and equitable development in many developing countries. The World Bank states further that building effective and accountable institutions to address development issues will reduce poverty in borrowing countries (Bank, 2000). The strategy paper states that the bank has been helping countries to build effective budgeting and expenditure management systems and it is helping to build institutions that allow public and private actors to enter the market and that encourage them to provide services efficiently and equitably (page 12).

National policy of Government of India on the Voluntary Sector (2007) emphasizes on strengthening the voluntary sector. The policy has provided tax concessions to facilitate untapped potential to channel private wealth for public service. The policy also envisages to train the human resources needed for the sector to bring in the efficiency and better management to the voluntary sector. The policy's scope extends to voluntary organizations engaged in social, economic and political issues. The definition of voluntary organizations in the policy includes community-based organizations, NGOs, federations and networks. The policy aims at creating an environment for stimulating enterprises and safeguarding autonomy of these organizations. It also aims to help organizations to mobilize various ways of funds and explore partnerships with government and private sector (Commission, 2007).

A master's paper by Surin (2012) looks at sustainability of smallholder poultry farming as a livelihood for poor women. The study says that the members of the cooperative haven't benefitted and cooperative organizations are incurring losses. The important outcome out of this enterprise as a process is to increase in confidence levels of farmers (Surin, 2012). The women members are now more confident and taking up other responsibilities outside of the home. The paper analyzes the environment both internal and external to the organization, the structure of cooperative organizations, which are implementing this poultry farming, the governance and market forces impacting the business (Surin, 2012). In view of this, the author argues for scaling up of operations with technology and training inputs.

The findings are important and motivating for community driven enterprises promoted and mentored by non-governmental organizations. These enterprises have positive outcomes for women in particular in reducing gender inequities.

Measuring Impact of Microfinance

Sebstad and Chen (1996) concluded that microcredit program participants had positive effects at the enterprise, household and individual levels. A professor of the University of Reading found in Bolivia that microfinance is successful in reducing poverty for those who are near the poverty line, but ineffective in reducing extreme poverty (Mosley, 1999). Hulme and Mosley (1996) in another study of 12 programs of microcredit from seven developing countries demonstrated that

there is an increase in household income due to microcredit program participation. The authors claimed that the increase of income was dependent on their pre-existing socio-economic condition. A randomized control trial (RCT) conducted by Abdul Latif Jameel Poverty Action Lab (JPAL) in India to measure the impact of microfinance concluded that there was no evidence found to suggest that microcredit empowers women or improves health or educational outcomes. In the RCT, women in treatment areas were no more likely to be make decisions about household spending, investment, savings, or education (Banerjee & Duflo, 2010).

Households in treatment areas spent no more on medical care and sanitation than do comparison households, and were no less likely to report a child being sick. Among households with school-aged children, households in treatment areas are also no more likely to have children in school- although school going rates were already high in the treatment and comparison groups (Banerjee & Duflo, 2010).

This study raised questions for the big claims of microfinance as a women empowerment tool. Though these findings can be contested, the impact of microfinance in terms of increasing mobility of women and taking interest in financial matters can be seen as positive outcomes. Another RCT study by JPAL at MIT suggests that microcredit does have important effects on business outcomes and the composition of household expenditure. Moreover, these effects differ for different households, in a way consistent with the fact that a household wishing to start a new business must pay a fixed cost to do so. This makes it somewhat hard to assess the long run impact of the program. However, at least in the short-term (within 15-18 months), microcredit does not appear to be a recipe for changing education, health, or women's' decision-making. Microcredit therefore may not be the miracle that is sometimes claimed on its behalf, but it does allow households to borrow, invest, and create and expand businesses (Banerjee & Duflo, 2009).

Substantive Discussion

Microfinance has come to be referred to as small-scale financial services provided to people who work in agriculture, fishing and herding, who operate small or microenterprise; who provide services; who work for wages or commission; and other individuals and groups at the local levels of developing countries both rural and urban (Robinson, 1996). The journey of microfinance has been evolving continuously with increasing demand forces. The old paradigm of microfinance envisaged providing credit to poor people basically residing in rural and semi-urban areas at subsidized rates of interest through public or government financial institutions with donor support in general (Kaladhar, 1997). This model was basically subsidized and politically motivated. There were large default rates. The new microfinance paradigm has seen significant departure from the old methods. The new microfinance models also targets the rural and urban poor households, with emphasis on women borrowers, but it has more emphasis on creation of assets, standardizing the processes and achieving the scale (Micro Credit Summit 1997, Draft Declaration).

This new paradigm also claims high repayment rates, quick disbursement and graduation of loan amount. This model basically looks at human being as objects. The process of bringing financial discipline in members compromises their basic human rights. Employees are instructed not to develop any relationship or rapport with the members, which would result in a conflict of interest. There are no discussions other than loan repayments and disbursement in meetings and meetings are conducted in a mechanized way. The whole process of credit delivery and collection practices does not provide dignified experience for the members. In contrast, the Apno Bank model of reaching and empowering women through microfinance is simple and holds potential. The program has been successful in saving culture, generating interest earnings along with growing leadership skills and empowerment. The model also tried to reinforce the values of solidarity and mutual assistance in the community. Evaluators and critics sometimes neglect the value of this social capital. For these community members, the social capital is valued more than the savings and lending.

The best way to reach the poorest is to involve virtually every eligible person in a community, be it a rural village or an urban slum (Ashe, 2009). There is a great sense of ownership in this model. The cooperative structure gives every member equal value and share in profits and participation in decision-making. The governing board is elected democratically from the members. The important policy decisions are made in consultation with broader consensus. The important decisions about procedures, new rules, interest rates, profit sharing, and day-to-day operations are transparent. Since there is no external capital in the bank, there is minimum external influence. The member's decision to join the cooperative is self-motivated and it builds on trust and group liability or community liability, which are already the values in these villages. This makes outreach possible and easier. The feeling of ownership also reduces practices like bad debts, delinquency, late payments and misappropriation of any amount of money by employees who handle the money.

Each model of development is a partial representation, relevant in some settings and less so in others. Each empirical finding is a product of the specific context in which it was derived (Rodrik, 2010). As development problems are complex and multidimensional, they need a

multitude of solutions or models that works. It is also a process that is continuously evolving and iterative. Presently there are a number of microfinance models exist in India. Most of these models are designed to achieve economies of scale and profits for the promoters. The most popular methods of microfinance may be participative but may not be always empowering. The microfinance, which provides credit and expects women to invest in small enterprises and start paying back within a month' time is one of the kind which increases burden and delivers less on impact. When these community-based organizations associate with funders for grants, they have to deal with agenda of scaling up and standardizing the processes. The increased pressure to achieve outreach in terms of reaching to more people in the short period of time adds to the burden. There is a danger of shift towards achieving 'numbers' and sidelining the original objective of creating social impact.

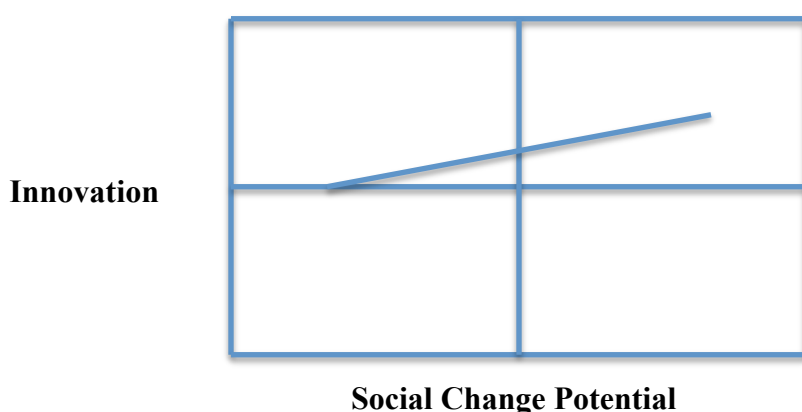
Analysis of Organization

Articulation of its Mission:

Apno Bank's mission is to meet the community's prioritized financial & livelihood needs to improve living standards, evolving and sustaining a qualitative financial institution, through collective ownership and efforts of the most deprived sections of the society, especially women. The mission also seeks to understand the process of development, empowerment and creating platforms and spaces where communities can participate. Briefly, the mission is to increase an access to microfinance services and in the process create a strong community-owned institution that is empowering and inclusive for its members.

Assessment of the Organization and Model using the Frameworks

1. Innovation/Social Change Framework

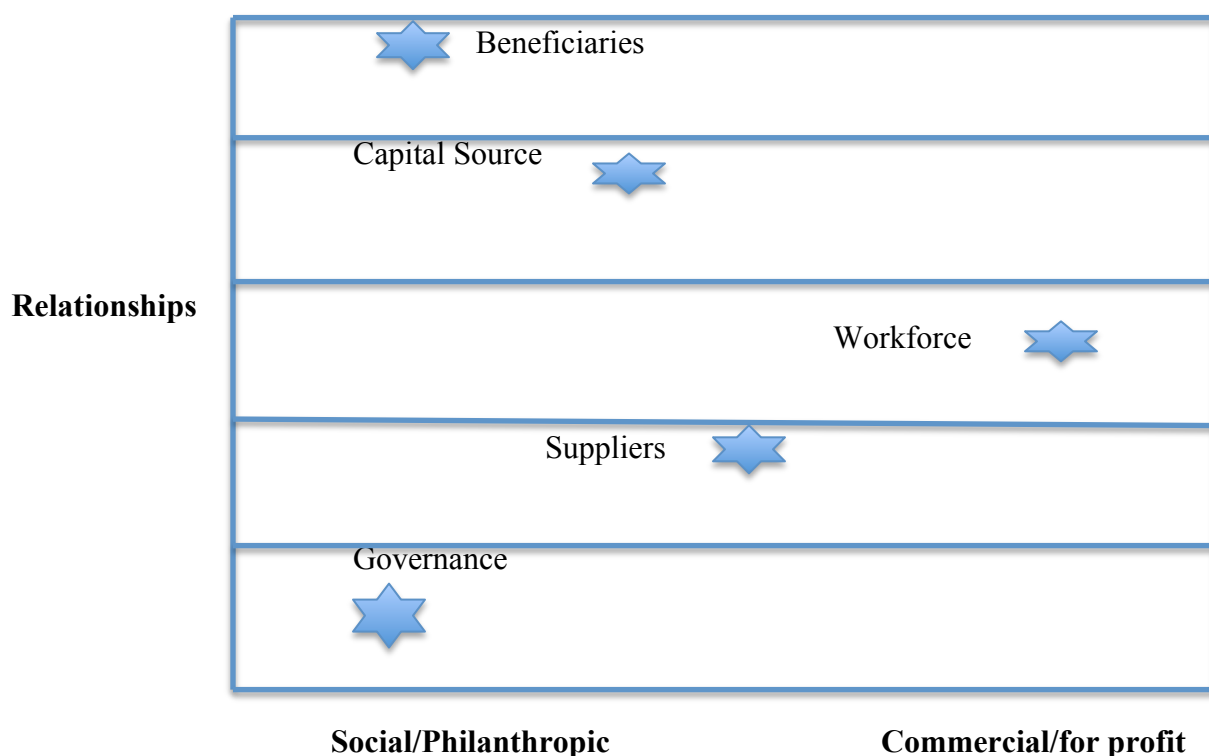


Apno Bank is quite innovative in its strategies. It has been partnering with funding agencies, national networks, the banks and government. It advocates this model of savings led microfinance from a rights perspective. Arguing for financial services as a right has been quite a new perspective. Mohammad Yunus of Grameen Bank and Nobel Prize Winner states that credit is a right and governments have obligation to reach unserved with credit products (Pastor, 2011).

The model comprises of microfinance + services where a self-help group acts as a platform and opportunity for improving the services in the village. The groups take active interest in village school monitoring, mid day meal program, public distribution system (PDS) and other issues, which show concern for women. Some other issues addressed by these SHGs are banning sale of alcohol, forming joint forest management (JFM) committees, and tackling teacher absenteeism, regularizing PDS in villages etc. The model has huge a potential for impacting social change with its demonstrated and proven experience, knowledge base, networking with larger society and deeper understanding of the issues concerning the area.

2. Continuum Framework

1. **Beneficiaries** of the organization are philanthropic. The beneficiaries are mostly women from indigenous communities inhabiting remote locations. The services are offered without any charges but the loans are charged interest.



2. **Capital Sources**: The capital sources are mostly social/philanthropic and few of the sources have been from commercial/for profit sector. The capital sources come in the form of grants and seed capital from international funding organization. There is also an effort to leverage funds from government. Commercial sources are financial institutions and banks.

3. **Workforce**: The workforce is the mix of commercial and philanthropic. The regular staff members are paid on the monthly basis.

4. **Suppliers**: The suppliers are largely commercial but the organization also receives supplies from philanthropic organizations.

5. **Governance**: The governing board is philanthropic. The board members are elected from general body of members. The governing body members serve on board for a 3 year term period. An advisory committee consisting of experts in banking, accounting, law and cooperative movement has been in place. The advisory board is also philanthropic.

3. Sahlman/Wasserman Framework

a. People

The field workers associated with the organization are from the local context except professionals. The retention rate is quite high amongst the community workers. Employees are skilled at working with the communities and the understanding of the issues is high. The organization facilitates exposure, training and different skills to the employees. The high level of retention tells us that people are quite committed.

b. The Context:

The environment in which the Apno Bank is operating is dynamic. The organization operates in the area with difficult terrain and scarcely distributed indigenous communities. The government has been making effort to reach out to these communities. The competitors are rural banks that are located in urban locations. There are other small organizations working on and focused on the specific issues like education and natural resources. The context is ever changing. Public sector bank National Agricultural Bank for Rural Development (NABARD) has SHG-bank linkage program. Most of the SHG members of Apno Bank were previously part of this program. They decided to join Apno Bank as they had bad banking experience with banks.

c. The Deal:

The organization has good pool of savings collected from members. There have been considerable efforts to bring savings into the pool. Apno bank has created a good brand image in the area and has been successful in increasing savings deposits. Apno Bank also gets operational support from its parent organization Jan Chetna, which operates in the same area.

d. Opportunity:

The organization has been working in 80 villages of a district. Though there is market outside of the block in the district, the organization has focused on creating value in the same area. Based on its current strong position it has opportunity to involve in and influence the implementation decisions of the local government in the area. The organization is part of some networks and partnering with few organizations outside of the state for sharing knowledge and experience.

Evaluation of Other Elements of Success/Failure

Scaling Up: Apno Bank has been in operation since the last seven years in the same district. The learnings and experience have been huge but the organization hasn't developed the capacity to move out of the comfort zone and take risks to expand in other states. It learnt from its long experience in forming self help groups, training the groups, promoting savings and lending from

these savings pool. It always focused on creating value and a model rather than standardizing or scaling up.

Partnerships: Very successful partnerships have been built with state and national networks and local government. The partnership with the government is not very successful, as it could not use its unique and valuable position to leverage funds from government.

Second-line of Leadership: The governing board members are elected from its members and there have been efforts of training and increasing the capacity of these women members in the areas of financial literacy and day-to-day affairs of the bank. The bank also takes steps in nurturing second-generation leadership. The acceptance for the “outside” professionals in leadership positions is low in the employees. There is an aspiration in the community to take charge and lead the affairs and management of the institution.

Migration and Livelihoods: There haven’t been substantial efforts in developing forest-based livelihoods and improving the income generating skills. Hence, youth and men are involved in seasonal migration to the neighboring state.

Measuring the Impact: Apno Bank’s funders were interested in evaluation of the program. A computerized management information system has been in the process of evolution. The data is collected every month from the field and analyzed. The periodic evaluation by Credit Rating and Information Services India Limited (CRISIL) has been helpful in identifying operational issues. These recommendations have been incorporated into the program to improve the design of the products and services and organizational learning systems.

The Roles and Responsibilities: As organization has multi-focused approach to development, animators and cluster managers have to deal saving, lending, insurance and other programs and this has increased the burden and resulted in lack of clear sense of direction and straightforward objectives.

Evaluation of how it is Positioned Vs. Other Organizations with Similar Missions or Target Stakeholders

1. Apno Bank targets the very poor in the interiors of Sirohi district. Given the remoteness and inaccessibility of the area, there are very less chances of mainstream microfinance institutions entering into the district and competing with Apno Bank. Organization has been able to create the working and learning opportunities for its staff and village people. This created a feeling of trusteeship for the responsibilities.
2. Some of the organizations are working on rights-based approach. Sometimes, the beneficiaries of these different organizations are the same. These different approaches create confusion amongst beneficiaries. One example is asserting rights over forest. As a result, some of the beneficiaries started exploiting forests in place of conservation.
3. The organization is strongly positioned with its long presence in the area. The relationship with local communities has been strong and hence sometime the funders seek advice of this organization before funding other organizations in the area.

Assessment of the Key Strategic Challenges/Tradeoffs it is likely to face over the Next 5 Years

- The organization will face the challenge of increasing demand for short-term loans and livelihood finance from members and it will be difficult to meet these needs with the present asset quality. In view of this demand, the organization needs to work on its strategy of building good savings base and explore more ways of increasing capital.
- Improving the Services: In order to improve the current self-help group program, organization needs to expand the services including expanding insurance coverage, providing financial literacy and livelihood promotion.
- Standardization vs. Autonomous Working Environment: By standardizing the processes, program and staff will have clear and concise objectives to be met. However by creating standardization, the program may lose the flexibility and the staff may lose certain level of autonomy. The organization has to trade off between these two objectives by positioning itself.
- Sustainability: Apno bank need to take strategic decisions on for increased sustainability. It needs to bring in external long-term capital that will provide stability. There is a trade off in this decision as it may increase external influence. The present legal form of cooperative structure is not the best for attracting capital as it has bad reputation in the banking sector. It needs to explore more of legal forms and look for more suitable one without compromising on its present strengths.

Recommendations

The recommendations are arrived based on the challenges and analysis of the institution. The following recommendations are related to the strategic growth, strengthening, and increasing sustainability of the institution.

- **Processes and Controls:** As operations scale up there arises the need for more standardized process and controls and the credit appraisal process. Developing a culturally competent and understandable processes and controls is a requirement to increase efficiency.
- **Governance Structure (The Board):** There is a need for the management to ensure that people with vested interest do not get elected on to board and hijack its agenda. The organization has challenge to choose right candidates to represent them on the cooperative's board.
- **Concentration Risk:** Apno Bank faces significant concentration risk as it limits its operations and portfolio is spread in one geographical area. A broader survey of MFIs in India shows that a concentrated portfolio tend to be impacted significantly in the event of natural calamities, political intervention, communal disruptions and rebellion by staff. There is a need to diversify the savings products and small income generating activities of members.
- **High Dependence of Savings Could Result in Susceptibility:** Apno Bank is entirely dependent on savings and deposits and it has not accessed any commercial borrowings. The assumption is true that the number of saving clients will always be more than the borrowers. This assumption also has an inherent susceptibility to the liquidity risks in the absence of borrowings from banks and financial institutions. This diversification of funding profile would be crucial to avert any potential liquidity risks arising from funding advances through savings.
- As cooperatives become strong and powerful, there is a tendency in India towards politicizing these institutions to gain political advantage. As the scale of operations and its visibility increases, the organization may attract undue political attention and action. Thus, there is a need to strengthen governance practices.
- There is increased mobile network connectivity in remote locations. There is a good opportunity in the near future to use mobile technology to capture information on a timely basis that could help organization to manage its operations in an efficient way.

Conclusion

There is increased need to strengthen and nurture local organizations in the face of globalization. The local institutions are also facing increasing challenges in maintaining their competitive advantage and their relevance in the changing context. At the same time there is increasing advocacy and need for decentralization in India. These small community based institutions can play a big role in addressing the issues of access to services. CBOs have advantages of operating in a local context and they have competitive advantage in knowing their beneficiaries and stakeholders well, can navigate in the local political environment and are culturally more competent. Savings led microfinance through a cooperative of women is an example of participatory, empowering and dignified institutional service delivery for the remote located and vulnerable communities in India.

These local institutions are also important for leadership nurturing, inculcating culture of saving and promoting livelihood activities like vegetable cultivation, non-timber forest produce based activities, traditional crafts and solving issues of conflict. The groups at the village level are also acting as platforms for fighting gender based violence, domestic violence, alcoholism, access local political clout, and accessing benefits from government welfare schemes. There are few inherent risks in pooling the savings and forming the federation. There are some members in the groups who are more vocal and active. These members tend to take loans first and benefit thus it may favor the better off. There are also operational costs involved in maintaining the accounts, cash and transactions. The question of who will pay these costs in the absence of external funds is always lingering around.

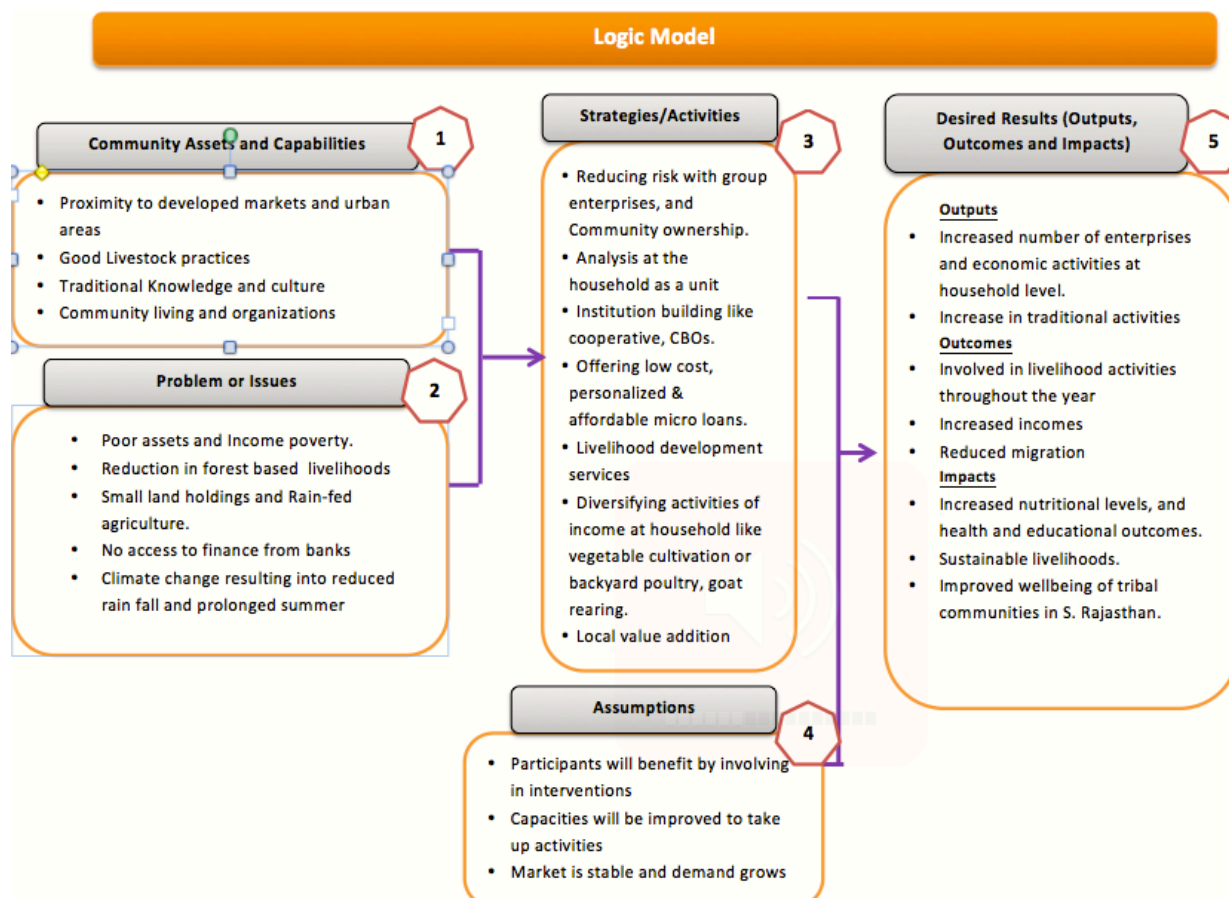
Apno Bank over these years has been creating the value by engaging its members actively. The organization is at the crossroads with the changing context and policy environment. The challenge for the organization is to analyze its strengths and weaknesses and place itself strategically to benefit and contribute maximum to the change process. The way ahead is to increase the capacities of its members, build partnerships and leverage on the government funds for its members and increase operational efficiency.

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Annex 1. Logic Model



Annex 2. Self Help Group Meeting

