The relationship between the financial system and economic growth has been scrutinized by a large number of studies in India and abroad. Financial development is considered as a cause of economic growth. Hicks (1969) argued that without financial innovation the industrial revolution would not have taken place. The level of financial development predicts future economic growth and future productivity advances. The financial deepening had increased from the mean of the slowest growing countries to the mean of the fastest growing countries; a country would have increased its growth rate by close to 1 percent per year. This accounts for a difference between the slowest growing countries and the fastest growing countries of around 5 percent. Improving the financial deepening variable would decrease the difference between the countries growth rates by 20 percent.

Microfinance has become, in recent years, a fulcrum for development initiatives for the poor, particularly in the Third World countries and is regarded as an important tool for poverty alleviation. The microfinance revolution, particularly the success stories of institutions like Grameen Bank in Bangladesh, Banco Sol in Bolivia, and Bank Rakyat in Indonesia, attracted several economists to study microfinance in the latter half of the 1990s.

In India also many studies are conducted by various autonomous agencies like NABARD, NEDFI, SIDBI, DRDA, RGVN etc. including RBI from time to time. These organizations practice microfinance. Most of the
studies are on the impact assessment of the beneficiaries of microfinance. Very few studies are conducted on microfinance at the NER level in India.

Sen (1990) found the fact that the decision making over the actual loan is likely to be shared by the induced borrower, her family members and BRAC depending on of the loan, it can be argued that it is more appropriate to focus on changes in the overall status of a women derived from the fact that she is the source of an important house hold resource.¹

Whites (1991) view that micro credit reinforces existing general patterns and inequalities by promoting traditional income generation activities, which they believe do little to alter the social status quo. ²

Lewis (1993) found that NGOs based on microcredit activities have mainly functioned in order to service the needs of the landless, usually with the foreign donor funding as a counter-point to the state efforts.³

Goetz, A.M. and R. Sen Gupta (1994) found that women often act merely as a collection agents for their husbands and sons, such that the men spend the money themselves while women are saddled with the credit risk. As a result, borrowers are kept out of waged works and pushed into the informal economy.⁴

Goetz and Gupta (1994) Microcredit is just another form of dowry. Anecdotal evidence from the Grameen Bank suggests that women who are unsuccessful in gaining a loan or who have to wait too long for their turn are experiencing increases in domestic violence from frustrated husband.⁵

Amin et als (1994) worked in thirty six villages in Bangladesh and showed that membership in BRAC positively affected a woman’s decision making role, her control over resources and mobility but less so on their attitudes regarding marriage and education of their daughters.⁶
Naved (1994) found that the women credit programme participants in her sample felt their status had improved within the household due to the fact that they were seen as income earners for the family through their access to credit. The woman conceptualized this improvement in status by stating that they were more active participants in household decision making and had more control over household income. The other benefits of the group was in terms of addressing social problems as a joint unit citing a number of incidents, where group pressure helped resolve family disputes.\(^7\)

Hashemi (1995) found that most NGOs related to micro credit in Bangladesh are heavily dependent on the donors for their funds. This creates uncertain supply of fund so that NGOs seek self reliance.\(^8\)

Ebdon (1995) found in the case of the Grameen Bank that most women would simply be given money by their household to cover the weekly repayments and hence their economic earns was not improved.\(^9\)

Montgomery et al (1996) argued that households need to have achieved certain economic level in order to use loans successfully to generate income and to protect their investments. They need reliance income, freedom from pressing debt, sufficient health to avoid incapacitated illness.\(^10\)

Montgomery et al (1996) found little evidence that BRAC’s client were attaining their structural position within the rural economy. They concluded that credit might be insufficient and inappropriate for alleviating extreme poverty.\(^11\)

Todd (1996) outlined the impact of the microcredit in terms of improvement in the living conditions and freedom from the clutches of the exploitative money-lenders.\(^12\)
Pitt and Khandker (1996) observed influence of borrowing from the group by both men and women on a variety of household and intra-household outcomes involving school enrolment of boys and girls, the labour supply of women and men, the asset building of women, recent fertility and contraceptive use, consumption and anthropometrics status of children.\textsuperscript{13}

Hashemi, Schuler and Reley (1996) reported social employment in their study. Microcredit programme had introduced some new forms of social activity among rural women such as weekly meetings where women collect and discuss loan proposals, the creation of a space where women can speak without men dominating the discourse and women are taught to sign their names on contracts.\textsuperscript{14}

Hashelin et al (1996) developed empowerment index based on eight indicators namely mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, participation in public protests and political campaigning, relative freedom from family domination and political and legal awareness. Their analysis established that a women contributing to her household’s income is a significant contributing factor towards her empowerment.\textsuperscript{15}

Holme and Mosley 1996; Zaman 1999 opines that the relationship between credit access and enhancement of income levels is mediated by a number of factors including pre-existing poverty levels of borrowers and their life circumstances can account of upper poor sections being better equipped to profit from enterprise opportunities relative to the bottom poor and conductive macroeconomic environments, pointing thereby to the content-dependent and contingent nature of the relationship.\textsuperscript{16}

Inquilab Newspaper (1996) reported that one SCF (UK) partner NGO had a total income of 384 thousand Taka from interest on their micro
credit and a total expenditure of 242 thousand Taka in the 1996-97 financial year which was 63 per cent of their income.\textsuperscript{17}

Lipton (1996) The feature of better off households the microcredit programme BRAC joining over time has also been noted as a general rule of thumb in many targeted anti-poverty programme worldwide.\textsuperscript{18}

Ackerhj. B (1997) his study is based on Bangladesh and highlighted the benefits of microcredit. Microcredit benefits the less poor more than the poorest of the poor. The well known experiments in Bangladesh too met with a limited success partly because of leaving out large sections of the hard core poor.\textsuperscript{19}

SCK (UK) partners (1997) found that the very small loans gave clients very little economic lift. With his nominal economic progress, other aspects of developed of their lives have remained largely ignored. One client reported to me that her husband had lost most of his money this year because of the low price of his products (Chilli). To repay her debts, her eldest son stopped attending school from (1997) to catch fish.\textsuperscript{20}

Bhatt (1997) found that micro credit has clearly made the relationship between the NGO and its clients primarily economic.\textsuperscript{21}

Schuler (1997) found that women’s access to credit augmented use of contraception.\textsuperscript{22}

Morduch (1998) found that microcredit had minimal impact on poverty reduction.\textsuperscript{23}

Zaman Hassan (1998) examined the extent to which microcredit reduces poverty and voluenerability through a case study of Bangladesh Rural Advancement Committee (BRAC), in Bangladesh. The data collected from 1072 households found that there are several channels by which microcredit services can reduce vulnerability and also poverty.\textsuperscript{24}
PKSF (1998) Rural Employment Foundation in English a quasi-government organization) lends money to NGOs at 4 per cent interest which their NGOs lend to their clients usually at from 12-16 per cent.\textsuperscript{25}

Ahmad and Townsend (1998) highlighted the role of the NGO based on microcredit in Bangladesh. They found the NGO initiatives in establishing income generating activities proved to be an effective alternative to top-down state programme of rural works. But the extremely low rates of return on such activities have caused many to question on their long tern sustainability.\textsuperscript{26}

Shahidur Khandeker (1998) is of the opinion that the appropriateness of microcredit as a tool, for reducing poverty depends on local environment. Many microcredit programmes have attained the outreach objective of reaching the large number of clients with small amounts of resources. However, studies of outreach fail to indicate who has benefited from the microcredit. In many countries, women are the main participants in microcredit programmes. It is thus, important to explore how women benefit from participation in microcredit programmes. Although microcredit generates benefit for women and the poor, it seems to benefits only that portion of the poor and women folks which is able to use loans productively. Majority of the cases, the husbands and male member of the family used the loans. In most instances, their husbands were day labourers and this allowed them to repay the weekly installments on the loans.\textsuperscript{27}

Hashemi (1998) argues that microcredit in Bangladesh, through Grameen Bank, BRAC, PROSHIKA, ASA and other governmental and non-governmental agencies has succeeded in reaching a quarter of all poor rural households. However, poverty still persists.\textsuperscript{28}
Schuler (1998) viewed that there may be a positive association between women’s contributions to family support and reduced domestic violence. This way only, such contributions reached high levels.  

Zaman 1998, Halder and Hussian 1999 found that not only to the poorest join BRAC’S credit programme, but their borrowing pattern is similar to better off members of their group. The poorest households use a larger share of their loans for consumption purposes compared to better off households.

Karmakar (1999) found that the members of self group of microcredit programme pool their savings and lend within the group to meet the credit needs of the members and issuance of loans with minimum documents and often without any security.

Shlendra (1999) found that SHGs programme under microcredit is capable of mobilizing considerable funds through small savings to meet the increased credit requirements of their members.

Puhezhendhi and Jayarama (1999) noticed that till recently, women were not able to actively participate in income generating economic activities mainly due to historical and socio-cultural reasons, including gender bias the low social status of women stem from the insignificant economic status ascribed to them in the rural society resulting in their continued economic dependence on the male members of the household. Therefore, there is need for empowerment of women economically.

Kabeer (1999) analysed in his study that children of women borrowers with SEDP were more likely to be at school than children of male borrowers.

Puhezhendi (2000) Found a significant change in the overall socio-economic status of the members in terms of increase in income,
improvements in literacy level, improvement in housing facilities and increased level of food security.\textsuperscript{35}

Mokbul Morshed Ahmad (2000) presents experiences of implementing Microcredit Finance Programme among the poor in Bangladesh through (NGOs) based on what academics have written and what NGO field workers have conveyed to the researcher in the light of their experiences in different regions of Bangladesh. The paper concludes that vast majority of the poorer among the poor are not yet covered by NGOs. Microcredit is necessary for the poor to take up income generating activities but it is no panacea. NGO should provide microcredit along with other services.\textsuperscript{36}

Hunt and Kasynathan (2001) found that microcredit has helped change the status of women. A direct relationship between access to credit and rise in the status of women, both within the families and communities has been observed.\textsuperscript{37}

Copestake, Bhalotra and Johnson (2001) found that micro credit is an effective means and a tool for the alleviation of poverty but it is not suitable for all categories of the poor.\textsuperscript{38}

Synghal (2002) argues that women are small borrowers and need to be easily excluded. From participating in programs that require a minimum size of loan, which is beyond their capacity to absorb usefully. For the really needy women, a loan without subsidly is better than a loan from the money lenders. Usually land ownership was an integral part of being eligible for such loans. As a result the landless poor and women were side lined.\textsuperscript{39}

Thingalaya (2002) through his study reveals that encouragement given to thrift has resulted in the women members saving some small amounts, which find their way to the banks. He suggests that for obtaining
better and long lasting results there is a need to coordinate the efforts of the developmental agencies including the NGOs at the grass root level.\textsuperscript{40}

Swaminathan S. Anklesaria Aiyar (2002) found that microcredit aids only those people have the risk taken inclination or capacity required for successful entrepreneurship. The result need alternative strategies of poverty alleviation.\textsuperscript{41}

Sudhirendra (2002) reported that the entire microcredit movement is a part of globalization standards, may put the rural poor in debt traps, over indebtedness and increased consumption are the risks of microcredit and pose a threat to sustained livelihood.\textsuperscript{42}

Sudhirendra (2002) in same article has reported that easy access (collateral free) credit will push the borrowers into a vicious cycle of debt.\textsuperscript{43}

Shetty (2002) suggests that it is necessary to encourage different institutions/agents/providers/such as commercial banks, Regional Rural Banks (RRBs) cooperatives, district and block development officers and NGOs to serve SHGs. The practice on the part of the public institutions to frame targets of achieving a given number of SHGs in a given rigid time frame should be given up. Such a tendency gives rise to forced achievement of targets and they also produce many healthy results associated with such forced achievements.\textsuperscript{44}

Sheela Purohit (2003) Opines that availability of timely and adequate credit is essential for women to undertake any income generating activity rather than credit subsidy and there is a positive correlation between credit availability and women employment through employment, not just self employment but also wage employment. A majority of poor people particularly the poorest wants steady wage employment on or off farm and microcredit helps a lot in this regard.\textsuperscript{45}
Oladimeji and Ajisaje (2003) studied the role of NGOs engaged in micro-credit delivery across the country. The results show that membership and outreach of these institutions have been expanding greatly; however, the overall effective cost of credit from these institutions are too high to encourage entrepreneurs. While they advice on the need to encourage the establishment of more of these institutions, they submitted that the poor are illiterate, sometimes unskilled but are engaged in viable entrepreneurial activities. MFIs have much do in this regard.

Matinand Hulme (2003) Microcredit is an effective means and a tool for the alleviation of poverty, it is not suitable for all categories of the poor.

Scully (2004) reveals that microcredit does not reach the poorest of the poor.

Chavan, Pallavi and Ramkumar (2004) are of the view that microcredit institutions are not under the control of any interest rate regulation. That is why, presently, MFIs in India are charging high interest rates in ranges of 24 to 36 per cent per annum.

Archna Sinha (2004) emphasizes the need for “Empowerment strategy”. She suggests that a judicious mix of microcredit along with other activities with emphasis on development and empowerment strategies and processes would certainly make microcredit an effective instrument of social and economic development particularly of the women section in a holistic and integrated manner.

Zaman (2004) reported that the evidence of microcredit contribution to mitigation of household vulnerability is stronger than the evidence that links it to the mitigation of income poverty.

Cortijo and Kabeer (2004) both found that SHARE membership had a positive effect on boys education. It had almost no effect on girls. They
reported involvement in waged labour and other forms of paid work as a primary occupation for girls and less likely to report schooling as a primary or secondary occupation. The finding suggest that SHARE was contributing to its reduction. Its effect was confined to boys’ labour.\textsuperscript{52}

Kabeer and Matin (2004) found high levels of trust in group members of BRAC. The study also found that years of BRAC membership increasing level of trust expressed in locally elected male as well as women members increased of the union parishad and its chairman and reduced the likelihood of having paid a bribe in the past year-although not of “ever” having paid a bribe. It also increased likelihood of access to government programmes, of voting in national and local elections and accurately naming the local level election women representative.\textsuperscript{53}

Nair (2005) noticed that no systematic enquiries had been made so far on the linkage between microcredit supported enterprises and the larger issues of productivity and employment.\textsuperscript{54}

Sridhar Seetaraman (2005) assessed the socio-economic impact of SHGs under micro credit through field level data. Study revealed that creation of income-generating activities through loans availed of from banks has made a significant impact on the overall economic status of the group members. Additional employment generated through the groups collective functioning has provided scope for increasing household income.\textsuperscript{55}

Frances Sinha (2005) examined the impact of microcredit services on clients dependence on informal sources of credit. The study found a lower incidence of borrowing from informal sources and the percentage of households borrowed at high interest rates comparatively lower.\textsuperscript{56}

Yunus (2005) “viewed the poor themselves can create a poverty free world” Microcredit can create self employment instantaneously. Why wait for others to create a joy for you.\textsuperscript{57}
Yunus (2005) expressed his view on the basis of the experience of Grameen Bank Bangladesh that there was direct relationship between micro credit and self employment.\textsuperscript{58}

Chavan and R. Ram Kumar (2005) examined interest rates on microcredit projects in India and found that the cost of microcredit are high.\textsuperscript{59}

R. Sooryamoorthy (2005) his paper is based on a study of 60 SHGs microcredit programme initiated by a prominent NGO in Kerala India. The study shows that the loans did not fully benefit the women members. Woman had taken loans mostly for their parents, brothers, sisters, friends and neighbours. Mostly loans are used domestic and household needs not for production work.\textsuperscript{60}

Basu and Srivastava (2005) reported that the Self Help Group Bank linkage model of microfinance programme in India has resulted that the country’s rural poor who had very little access to finance from formal sources, had succeed in filling the gap substantially.\textsuperscript{61}

Cole, Hanna and Topalova (2006) advocated that microfinance is not only a solution to poverty alleviation but also helps in reducing migration through provision of credit, saving and remittance services in under developed states.\textsuperscript{62}

Mishra, A. (2006), Panda (2008). The provision of microfinance/micro credit programme had a significant impact on the poverty alleviation and reducing inequalities of income distribution among weaker sections of the societies in India.\textsuperscript{63}

Archna Jain (2006) gave more emphasis to interlinked micro credit with micro enterprises. This linkage may improve the socio-economic conditions of rural woman by enhancing their income earnings potential through financial support given to them.\textsuperscript{64}
S.K. Singh and Prem Narayan (2006) highlighted the incidence of debt on farmers in Andhra Pradesh. In their study they found that 70 percent borrowers farmers were found to be defaulters and 30 per cent borrows farmers were non-defaulters. S.K. Singh Prem Narayan Economic affairs, Vol. 51, qr.1 March, 2006.

Yunus (2006) in his study reported that the record of the Grameen Bank is impressive not least because of the scale of its operation in Bangladesh. As of May 2006, the Grameen had provided loans worth TK 290.03 million borrowers (97 per cent female) through 2,247 bank branches in over 72,000 villages, accounting for 86 per cent of village in Bangladesh.

Ghate (2007) highlighted the problem of borrowers. MFIs adopt abusive recovery practices which include-adjusting over dues against security deposits; holding the weakly meeting and MFI staff sitting in front of defaulters house, putting recovery notices in front of defaulters house, offensive language used by MFIs staff.

Mdhura Swaminathan (2007) In his article showed that NGO controlled microcredit organizations do not incur lower transactions cost than banks but they are able to transfer these costs to others donors and borrowers.

P. Chidambarm (2007) has admitted that “there is not clarity on the governments role in the microcredit sector.”

Gopika Somanath (2008) in her article, she highlighted the different methodology in wiping out absolute poverty by organizing through microcredit. She found microcredit activity has been identified as the strategic route towards the goal of poverty reduction since the empowerment of women is directly translated into the well being of their children family and in turn the society.
Dr. G.L. Gaur (2009) his article is based on secondary data. He has highlighted various dimensions of rural orientation of micro credit in India. He analysed the present environment of micro credit in rural area in India, impact and weaknesses of micro credit in rural agriculture context.\(^\text{71}\)

Dr. G.L. Gaur (2009) found that women loan holders from microcredit programme use their income on childre education, health of the family, nutritive food for children. Whereas men loan holders generally misuse their income in liquor consumption and other demonstrative consumption.\(^\text{72}\)

Lokhande (2009) study based on political empowerment. He reported that 19.54 % SHG members from 174 group members in Jalna district contested the elections and 6.32 % of SHG members were elected as a village sarpanchs and other political post. SHGs are encouraging the members to participate in politics for safeguarding the political interest of the poor.\(^\text{73}\)

Pushpa Sinha (2010) her paper puts forward how micro finance/micro credit has received extensive recognition as a strategy for economic empowerment of women. It examines the impact of micro finance with respect to poverty alleviation and socio-economic empowerment of rural women.\(^\text{74}\)

A.K. Panda, D.K. Panda (2010) the paper reveals how the microcredit interventions of syndicate Bank led to poverty alleviation, livelihood diversification, micro entrepreneurship development and woman empowerment.\(^\text{75}\)

Digvijay Bihari (2010) his study is based on secondary data. It indicates that the micro credit loans are very small in volumes and the income generated by these loans are also modest. This may not be able to pull the poor from the clutches of poverty.\(^\text{76}\)
Sudhi Kr. Berq (2011) found in his study that beside economic improvement the social outlook of rural women has undergone a radical change. As a result there was a fall in the incidence of family violence and social violence.77
End Notes


5 Ibid.


11 Ibid.


15 Ibid.


43 Ibid


55 Seetaraman, Sridhar (2005), ‘Quick study on performance of SHGs and Dwera Implemented by NGOs and Government’ NIRD, Hyderabad.


58 Ibid.


70 Gopika Somanth (2008), ‘Kudumbashree- A Microcredit facilitated women centered poverty eradication model’.

71 Gaur G.L. Dr. (2009), ‘Economic Affairs: Vol. 54 No. 1 and 2 pp 34-44.

72 Ibid.


