

# Women's Credit Groups in Rural South India: An Evaluation

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## *Abstract*

*Microcredit is a recent addition to India's poverty-alleviation strategy. Studies evaluating the effectiveness of the scheme at the grass-root levels have mainly been sponsor-led. This study provides an alternate insight into the working of the scheme specially its poverty alleviating and empowerment potentials. Evidence suggests that the programme has been successful in reaching the poorest (defined as those 50% below the poverty line) – however it has been less successful in improving the lives of the women concerned, especially of its poorest clients. We find that although most loanee households do better than their control group counterparts on various diversity and risk management indicators, the poorest women do a lot worse on empowerment indicators. For various compelling reasons (mainly poverty) these women part with their loan money for the larger good of the household, but in the process lose control over it and badly damage their ability to repay loans. This not only affects their credibility within the group, but also reflects on their relative power in domestic relations, especially in their say over sale of assets and decision on allocation of their labour. This differs from the situation in less poor households where women retain control over their loans and are able use it to further a productive venture. However even they barely generated enough money to repay their loans and none could guarantee a regular income, mainly because of competing investments. The only women who have done well (left with a positive income after repayments) are those who have pooled in their loans and started joint ventures. Targeting poor women does help their households but if improving the welfare of the women is a concern then supplementary steps need to be taken. Loans need to be backed by insurance and social security as appropriate and women need to be educated in hitherto little explored loan-financed livelihood generating options. Also if women and their households are to be lifted out of poverty then typical loan amounts have to be increased dramatically.*

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