INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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MICRO-FINANCE: A CHANGING PARADIGM IN THE NEW ECONOMIC SCENARIO IN THE CONTEXT OF WOMEN EMPOWERMENT

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ABSTRACT

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse, as most of the women who were engaged in various self employment activities have lost their livelihood. Despite the tremendous contribution of women to the agriculture sector, their work is considered just an extension of household domain and remains non-monetized. Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. Micro finance has the potential to have a powerful impact on women's empowerment. Empowerment tries to encompass self strength, control, self power, self reliance, own choice, life of dignity in accordance with ones values, capable of fighting for ones rights, independence, own decision making, being free, awakening and capacity building. Empowerment depicts expansion of freedom of choice and action. This new paradigm stresses on financial intermediation with self sustainability of institutions and qualitative and quantitative outreach to the poor. It marks a paradigm shift from induced development to initiated development highlighting the changing role of credit in addressing and adequately meeting the needs of the poor women. The focus of this paper in on reviewing the evidence of empowerment gained through access to microfinance services by women. It puts forward how micro finance institutions have received recognition as a strategy for economic empowerment of women. This paper also seeks to examine the impact of micro finance with respect to poverty alleviation and socioeconomic empowerment of women.

KEYWORDS
Micro finance, MFI, Gender Development, Empowerment, Domestic Violence, Sustainability, Poverty Alleviation

INTRODUCTION
Microfinance" is often defined as financial services for poor and low-income clients offered by different types of service providers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as "microfinance institutions" (MFIs). These institutions commonly tend to use new methods developed over the last thirty years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. It is a movement that envisions a world in which low-income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to finance income-producing activities, build assets, stabilize consumption, and protect against risks. These services include savings, credit, insurance, remittances, and payments, and others.

MICROFINANCE INSTITUTIONS
A microfinance institution (MFI) is an organization that provides microfinance services. MFIs range from small non-profit organizations to large commercial banks. Between the 1950s and 1970s, governments and donors focused on providing subsidized agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. This particular form of lending has existed in the world for quite some time, though formalized by Mohammed Yunus in Bangladesh during the 1970's.During the 1980s, micro-enterprise credit concentrated on providing loans to poor women to invest in tiny businesses, enabling them to accumulate assets and raise household income and welfare. These experiments resulted in the emergence of nongovernmental organizations (NGOs) that provided financial services for the poor. In the 1990s, many of these institutions transformed themselves into formal financial institutions in order to access and on-lend client savings, thus enhancing their outreach. MFIs include Commercial banks, Local non-bank financial institutions, Cooperatives, A wide variety of microfinance institutions, including NGOs, foundations, savings and credit associations, and a range of government owned institutions. In addition, there are also informal sources of financial services, such as moneylenders, self-help groups, shopkeepers and traders, outside of these microfinance sub-sectors.

WHY MF IS DISCOURAGED?
"Credit is available from informal commercial and non-commercial money-lenders but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and mutual insurance societies that have a tendency to be erratic and insecure." .The nature of microcredit - small loans - is such that interest rates need to be high to return the cost of the loan. "There are three kinds of costs the MFI has to cover when it makes microloans. The first two, the cost of the money that it lends and the cost of loan defaults, are proportional to the amount lent. "The third type of cost, transaction costs, is not proportional to the amount lent. Loans require roughly the same amount of staff time for meeting with the borrower to appraise the loan, processing the loan disbursement and repayments, and follow-up monitoring. When loan sizes get very small, transaction costs loom larger because these costs can't be cut below certain minimums." For three decades, microfinance institutions have given out small loans to the world's poor — mostly women — and amassed hundreds if not thousands of case studies showing that the loans help alleviate poverty, improve health, increase education and promote women's empowerment.

PROFITABILITY AND SUSTAINABILITY OF MFIs
Some worry that an excessive concern for profit in microfinance will lead MFIs away from poor clients to serve better-off clients who want larger loans. It is true that programs serving very poor clients are somewhat less profitable than those reaching better-off clients. MFIs serving the very poor are showing rapid financial improvement. Microfinance programs like Bangladesh Rural Advancement Committee and ASA in Bangladesh have already demonstrated that very poor people, with access to savings, credit, insurance, and other financial services, are more resilient and better able to cope with the everyday crises they face. Even the most rigorous econometric studies have proven that microfinance can smooth consumption levels and significantly reduce the need to sell assets to

meet basic needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets.
Access to credit allows poor people to take advantage of economic opportunities. While increased earnings are by no means automatic, clients have overwhelmingly demonstrated that reliable sources of credit provide a fundamental basis for planning and expanding business activities. Many studies show that clients who join and stay in programs have better economic conditions than non-clients, suggesting that programs contribute to these improvements. A few studies have also shown that over a long period of time many clients do actually graduate out of poverty.
"By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from "every-day survival" to "planning for the future." Households are able to send more children to school for longer periods and to make greater investments in their children's education. Increased earnings from financial services lead to better nutrition and better living conditions, which translates into a lower incidence of illness. Increased earnings also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates."
"Empirical evidence shows that, among the poor, those participating in microfinance programs that had access to financial services were able to improve their well-being-both at the individual and household level-much more than those who did not have access to financial services.

- Microfinance helps very poor households meet basic needs and protect against risks
- The use of financial services by low-income households is associated with improvements in household economic welfare and enterprise stability or growth;
- By supporting women's economic participation, microfinance helps to empower women, thus promoting gender-equity and improving household well-being;
- For almost all significant impacts, the magnitude of impact is positively related to the length of time that clients have been in the program.

REVIEW OF LITERATURE
The review of literature provides a researcher an insight into the chosen field. A brief survey of the studies conducted in this area has been presented in the following paragraphs.
Copestake et al (2001) analyze the impacts of microfinance on firms and individual wellbeing. Copestake focuses on business performance and household income to establish a link between the availability of microfinance and overall wellbeing of the poor. Evans et al (1999) approach the microfinance question at a slightly different angle however. They seek to explain nonparticipation in the microfinance revolution, stating that while microfinance is used as a viable tool in fighting poverty, more than 75% of the poor individuals choose not to participate for various reasons. Kabeer (2001) provides a meta-analysis of microfinance and focuses on women empowerment, intending to show why various studies conflict in their conclusions as to the impact of microfinance on women empowerment. Finally, Park (2001) evaluates the actual microfinance programs in China using three key measures (targeting, sustainability and overall impact).
State of the Campaign Report: Two major studies strongly suggest that microfinance works better for the poorest than the less poor. Second, there is strong evidence that female clients are empowered, though the data on increased adoption of family planning is less clear. Third, society-wide benefits that go beyond clients' families are apparently significant – Fourth, even in cases when women take but do not use the loan themselves, they and their families benefit more than if the loan had gone directly to their husbands.
One of the first comprehensive microfinance impact assessments was "Credit for the Alleviation of Rural Poverty: The Grameen Bank in Bangladesh," (1988) by Mahabub Hossain. He warned that it was likely that his impact findings would be overstated, however, because Grameen members were found to be younger and better educated than nonmembers who were more likely to be landless. This type of difference between participants and comparison households is prevalent among microfinance impact evaluations and limits the conclusions.
Mayoux (2002) explains that the micro finance programmes have assumed to bring out vitreous spirals by assisting poor women to access credit. Women's access to credit and savings will help them, take a bigger role in decision making, which further help them to optimize their own as well as their family's welfare. Investment in women's activities is also likely to enhance employment opportunities of women and increase the income at the household level. Access to savings and credit results in improving skills, mobility, knowledge and the support network. Group formation also leads to wider social and political movement and help women up grade their status at home as well as in their community.

MACRO ECONOMIC CRISIS -1991
The macroeconomic crisis of 1991 forced India to address problems of non viability and inefficiency across a number of sectors of the economy, including the financial sector. In India, the government owns the majority of the formal banking sector which consists of Commercial Banks, Co-operative Banks (both rural and urban) and Regional rural Banks. The existence of large number of loss-making units with the extensive state rural banking system gave cause for particular concern. The study by Thankom Arun with Paul Mosley (Sheffield University) and Samuel Maimbo (World Bank) examines the ability of the Indian rural financial sector to meet the credit needs of lower income groups, and, in future, those who are currently financially excluded. The Problems associated with Micro Finance are:

- Lack of financial viability across much of the Indian rural credit system
- Continuing financial exclusion of many poor people and
- The need of poor people for flexible, easy to access financial services which protect against risk.

MICRO FINANCE AND NUTRITION
"Credit Programs for the Poor and the Health Status of Children in Rural Bangladesh" (2003) by Pitt, Khandker, Chowdhury, and Millimet, found substantial impact on children's health (as measured by height and arm circumference) from women's borrowing, but not from male borrowing, which had an insignificant or even negative effect.

MICRO FINANCE PROGRAMMES & THE PRESENT SCENARIO
Microfinance programs have the potential to transform power relations and empower the poor—both men and women. In well-run microfinance programs, there is a relationship of respect between the provider and the client that is inherently empowering. This is true regardless of the methodology or approach. As a consequence, microfinance has become a central component of many donor agencies and national governments gender, poverty alleviation, and community development. According to the State of the Microcredit Summit Campaign 2001 Report, 14.2 million of the world's poorest women now have access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other nonbank financial institutions. These women account for nearly 74 percent of the 19.3 million of the world's poorest people now being served by microfinance institutions. Most of these Women have access to credit to invest in businesses that they own and operate by themselves. The vast majority of them have excellent repayment records, in spite of the daily hardships they face. Contrary to conventional wisdom, they have shown that it is a very good idea to lend to the poor and to women
Although women's access to financial services has increased substantially in the past ten years, their ability to benefit from this access is often still limited by the disadvantages they experience because of their gender. Some MFIs are providing a decreasing percentage of loans to women, even as these institutions grow and offer new loan products. Others have found that on average women's loan sizes are smaller than those of men, even when they are in the same credit program, the same community, and the same lending group. Some differences in loan sizes may be a result of women's greater poverty or the limited capacity of women's businesses to absorb capital. But they can also indicate broader social discrimination against women which limits the opportunities open to them, raising the question of, whether micro enterprise development programs should do more to address these issues?

MICRO FINANCE - DEVELOPMENT STRATEGIES
Several studies and the experiences of a number of MFIs have shown, however, that simply putting financial resources in the hands of poor women is not enough to bring about empowerment and improved welfare. Microfinance institutions around the world have been quite creative in developing products and services that avoid barriers that have traditionally kept women from accessing formal financial services such as collateral requirements, male or salaried guarantor requirements, documentation requirements, cultural barriers, limited mobility, and literacy. Nevertheless, in a number of countries and areas few or

no institutions offer financial services under terms and conditions that are favorable to women. Together, these findings confirm that the type of products offered, their conditions of access, and the distribution of an institution's portfolio among different products and services affect.

MICRO FINANCE AND GENDER DEVELOPMENT

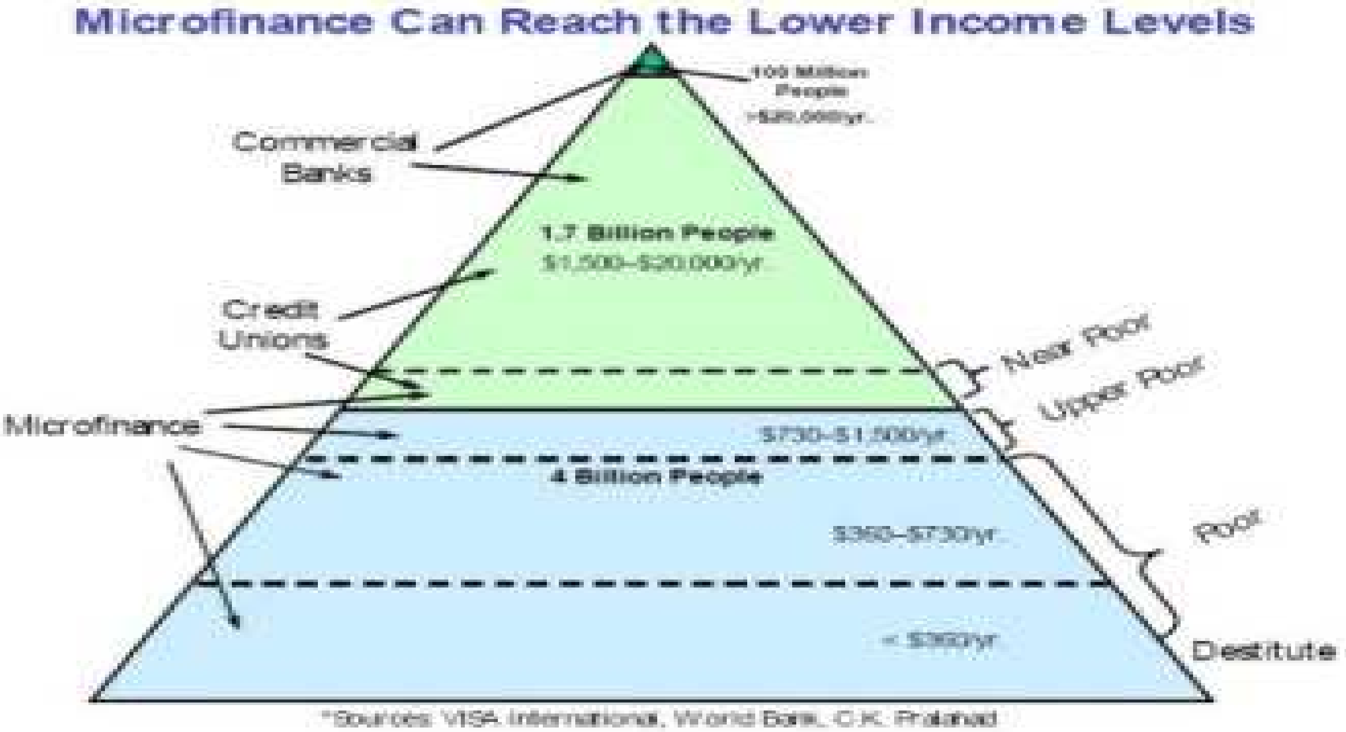
Research done by UNDP, UNIFEM, and the World Bank, among others, indicates that gender inequalities in developing societies inhibit economic growth and development. For example, as per recent World Bank report which confirms that, societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people. The UNDP found a very strong correlation between its gender empowerment measure and gender-related development indices and its Human Development Index. Microfinance has come to play a major role in many of these donors' gender and development strategies because of its direct relationship to both poverty alleviation and women. By giving women access to working capital and training, microfinance helps mobilize women's productive capacity to alleviate poverty and maximize economic output. In this case, women's entitlement to financial services, development aid, and equal rights rests primarily on their potential contribution to society rather than on their intrinsic rights as human beings and members of that society. Women who are empowered will have the power to make the life choices that are best for them, and although many empowered women will choose to invest in their families, they do not have access to easy finance.

MICROFINANCE AND EMPOWERING WOMEN

"Microfinance programs have generally targeted poor women. By providing access to financial services only through women-making women responsible for loans, ensuring repayment through women, maintaining savings accounts for women, providing insurance coverage through women-microfinance programs send a strong message to households as well as to communities.

Many qualitative and quantitative studies have documented how access to financial services has improved the status of women within the family and the community. Women have become more assertive and confident. In regions where women's mobility is strictly regulated, women have become more visible and are better able to negotiate the public sphere. Women own assets, including land and housing, and play a stronger role in decision making. In some programs that have been active over many years, there are even While non-financial services should be provided by separate institutional providers, there are clear, complementary links with the demand for and impact of microcredit. For example, improved access to market opportunities stimulates - and depends on - securing credit to cover the costs (product design, transport, etc.) of taking advantage of those opportunities. Legal and institutional reforms can create incentives for microfinance by improving the operating environment for both microfinance providers and their clients.

FIG. 1



Last, but not least, one of the often articulated rationales for supporting microfinance and the targeting of women by microfinance programs is an effective means or entry point for empowering women. By putting financial resources in the hands of women, microfinance institutions help the level playing field and promote gender equality. Empowerment is about change, choice, and power. It is a process of change by which individuals or groups with little or no power gain the power and ability to make choices that affect their lives. The structures of power—who has it, what its sources are, and how it is exercised—directly affect the choices that women are able to make in their lives. Microfinance programs can have tremendous impact on the empowerment process if their products and services take these structures into account. To make woman to be empowered, she needs access to the material, human, and social resources necessary to make strategic choices in her life. Not only have women been historically disadvantaged in access to material resources like credit, property, and money, but they have also been excluded from social resources like education or insider knowledge of some businesses. Access to resources alone does not automatically translate into empowerment or equality, however, because women must also have the ability to use the resources to meet their goals. Naila Kabeer uses the term agency to describe the processes of decision making, negotiation, and manipulation required for women to use resources effectively. Women who have been excluded from decision making for most of their lives often lack this sense of agency that allows them to define goals and act effectively to achieve them. However, these goals also can be heavily influenced by the values of the society in which women live and so may sometimes replicate rather than challenge the very existence of women.

Many microfinance institutions focus their attention on women's use of the loan and ability to make decisions about her business as the most direct impact of their program. Nirdhan Utthan Bank, Ltd. in Nepal found that most of their women clients were making decisions about business investments jointly with their husband, which represents a step forward because previously these women's husbands would have made such decisions alone.

IMPACT ON SELF-CONFIDENCE

Self-confidence is one of the most crucial areas of change for empowerment, yet it is also one of the most difficult to measure or assess. Self-confidence is a complex concept relating to both women's perception of their capabilities and their actual level of skills and capabilities. It is related to Kabeer's concept of

agency that allows women to define and achieve goals as well as the sense of power women have within themselves. Jeffrey Ashe and Lisa Parrott's study of the Women's Empowerment Project in Nepal showed that an increase in self-confidence and enlarged spheres of influence were the top two changes reported by 200 sampled groups.
URWEGO in Rwanda found that the greatest impact of its program on empowerment had been on self-esteem, with sixty nine percent of clients reporting increased self-esteem. Self-esteem and self-confidence are closely linked with knowledge as well. Fifty-four percent of URWEGO clients reported an increase in their level of knowledge about issues that affect themselves and their families, and thirty eight percent of clients reported an increase in business knowledge.

MICRO FINANCE AND SUSTAINABILITY
Arguments have been made for and against targeting women on the grounds of efficiency and sustainability. Proponents of targeting women on the grounds of sustainability cite women's repayment records and cooperativeness. A collective wisdom has emerged that women's repayment rates are typically far superior to those of men. Lower arrears and loan loss rates have an important effect on the efficiency and sustainability of the institution. Many programs have also found women to be more cooperative and prefer to work with them for that reason as well. In spite of the large number of institutions serving exclusively or predominantly for women while maintaining high levels of financial sustainability, some people argue that institutions that place a priority on serving women also have a tendency to place social goals ahead of efficiency, leading to poorer financial performance.

WOMEN'S RIGHTS PERSPECTIVE
Women's equal access to financial resources is a human rights issue. Because access to credit is an important mechanism for reducing women's poverty, it has been an explicit focus of a variety of human rights instruments. Both the Convention on the Elimination of Discrimination Against Women (CEDAW) and the Beijing Platform for Action (BPFA) address women's access to financial resources. International and national instruments that establish women's rights to credit promote government responsibility and accountability in meeting commitments to women's rights.

MICRO FINANCE AND DOMESTIC VIOLENCE
Although there are many good reasons for MFIs to be watchful for potential rises in domestic violence, the bulk of the evidence and experience thus far seems to point to the conclusion that participation in microfinance strengthens and improves family relationships rather than destroying them. Poverty, scarcity, and feelings of helplessness take an undeniable toll on personal relationships. Many practitioners have found that family relationships can be strengthened when the home becomes a more comfortable place to be, and when each member of the family feels secure in his or her ability to contribute productively to the family.

IMPACT ON WOMEN'S INVOLVEMENT AND STATUS IN THE COMMUNITY
Several microfinance and microenterprise support programs have observed improvements in women's status in their communities. Contributing financial resources to the family or community confers greater legitimacy and value to women's views and gives them more entitlements than, they would otherwise have. Studies of microfinance clients from various institutions around the world show that the women themselves very often perceive that they receive more respect from their families and their communities—particularly from the male members—than they did before joining a microfinance program. Where women have the freedom to move about publicly, their success in business is often highly visible in the community. Their success can pave the way for them to become respected and valued members of society. Although time is precious and scarce for many poor women, it is one resource that most women can utilize to gain access to financial services. It is a key factor in facilitating cost-efficient delivery of services.
There are concerns, however, that MFIs are increasing women's work burden by involving them in time-consuming meetings and income-generating activities without taking any action to reduce their traditional responsibilities. Many women report an increased workload and responsibilities as a result of their loans. Several cases of women suffering ill health and exhaustion as a result of overwork have been reported. In other cases, though, women report that they are more than happy to assume the extra burden because of the respect, personal satisfaction, and improved standard of living they experienced as a result of their income-generating activities.

MICRO FINANCE AND BUSINESS IMPACT
Running a successful business not only contributes to women's improved welfare, it contributes both directly and indirectly to their empowerment. The studies showed that through program, women's businesses became more successful in the following ways: an increase in working capital, improved relationships with suppliers and customers, more strategic planning and pricing, and diversification and expansion into more profitable product lines. The increase in working capital is particularly important for women's empowerment. Adequate credit by banks and MFI would facilitate the women to purchase stock of raw materials for their uninterrupted operations..

MICRO FINANCE AND LITERACY LEVELS
Women's general education and literacy are important if they are to reach their full potential and become empowered. Illiteracy creates a situation of dependency on others that can limit an individual's prospects for empowerment. Many MFIs have found illiteracy to be a major stumbling block for their clients. Many MFIs use participatory training techniques that do not require literacy to educate clients, but very few are able to offer literacy training since most methods for providing it are relatively expensive and time-intensive for both staff and clients. Although many illiterate entrepreneurs are able to keep accounts in their heads, their ability to interact with the formal sector will always be limited. Some NGOs such as World Education and Women's Empowerment Project in Nepal have come up with innovative and low-cost methods of training women in literacy that have significantly enhanced the empowerment benefits of the savings and credit groups to which the women belong. By using existing lending groups and providing materials for women to train themselves, the literacy programs have grown rapidly for a relatively low cost in contrast to many literacy initiatives. These programs have shown that literacy and education contribute powerfully to empowerment and complement the financial independence that microfinance provides.

BALANCING FAMILY AND WORK RESPONSIBILITIES THROUGH MICRO-FINANCE
In addition to educational disadvantages, one of the most difficult challenges that many women face as they start or expand businesses is the balancing of their increasing business responsibilities with their household responsibilities. Although the ultimate goal may be for household responsibilities to be shared between the men and women in the household, this sharing never happens overnight. In many cases, women's businesses remain small and concentrated in less profitable sectors in large part because of the time constraints that women's domestic responsibilities create. Not only do women have limited time to spend on their business activities, but often they also must be able to abandon them altogether for periods to deal with family crises or children's illnesses. As a result, many women's employment opportunities are limited to those that can be done on a part-time and often irregular basis. The experiences of Opportunity International's partners have demonstrated that women often need help to develop strategies for managing and meeting the expectations of family and community members while still having the time and energy to run their businesses well. Women also need support in negotiating the complex changes in gender roles that must ultimately take place in order to succeed as micro entrepreneurs.

MANAGING THE CHALLENGES OF RAPID GROWTH
As the industry grows and matures, women may be adversely affected by institutional changes resulting from rapid expansion, consolidation, and commercialization. Opportunity's experience is that several partners have provided a lower percentage of loans to women as they have grown. This is, of course,

not all bad news: in the context of aggressive growth, the absolute number of women receiving services grows, even if the percentage of women clients decreases. Yet there are some trends that should be monitored, such as the tendency to drop group loans in favor of individual loans. Again, this is not all bad--as long as the individual loan product is thoughtfully designed with women's needs in mind and as long as the poorest and most marginalized women are not left behind.

The consolidation issue likewise has pro's and con's. Opportunity's recent experience with a few consolidations shows that, as with any consolidation, it is a delicate matter to bring together different systems, policies and products. The blended organizational culture may be stronger in gender sensitivity and gender equity--or it may be weaker. And, as MFIs transform into regulated financial institutions, they must meet the demands of the supervising authority, creditors, and investors. Pressure to select the most financially profitable products and delivery systems may reduce the accessibility and benefits for women. Part of the pressure is to increase loan sizes and women, who are disproportionately among the poorest, have a greater need for smaller entry level loans. Therefore, in the midst of this growth, it is important to develop client-centered products that acknowledge not only women’s economic needs but their potential for empowerment as well.

MICRO FINANCE AND DESIGNING OF PRODUCTS TO MEET WOMEN’S NEEDS

Through impact assessments, monitoring, market research, and client feedback, many MFIs have begun to develop and adapt new products to address the shortcomings of their traditional products and keep pace with clients’ changing needs. Women’s businesses was not improving dramatically, nor were women able to access larger individual loans, which often require assets as collateral or a guarantor. In some cases, this hindrance was due to policies requiring loans to be used for working capital only, but in others, it was due to loan terms, amounts, and repayment schedules that did not allow for the purchase of a long-term asset. What is required is combining a longer repayment period, group guarantee, and flexible disbursement schedule.

CONCLUSIONS

Microfinance has the potential to have a powerful impact on women’s empowerment. Although microfinance is not always empowering for all women, most women do experience some degree of empowerment as a result. Empowerment is a complex process of change that is experienced by all individuals somewhat differently. Women need, want, and profit from credit and other financial services. Strengthening women’s financial base and economic contribution to their families and communities plays a role in empowering them. In some cases, access to credit may be the only input needed for empowerment. But power is deeply rooted in our social systems and values. Women often value the non-economic benefits of a group-lending program as much as or more than the credit. Some of the most valued benefits include expanded business and social networks, improved self-esteem, increased household decision-making power, and increased respect and prestige from both male and female relatives and community members. Targeting women continues to be important in the design of products and services, both because women by default have less access to credit and because they face constraints unique to their gender. By building an awareness of the potential impacts of their programs, MFIs can design products, services, and service delivery to the benefit of women under micro finance programs.

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