

EMPOWERING WOMEN THROUGH MICROFINANCE: EVIDENCE FROM THE SELF HELP GROUP BANK LINKAGE PROGRAMME IN ANDHRA PRADESH

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Abstract: Empowerment of women is defined as the process in which women challenge the existing norms and culture to effectively improve their well-being. Microfinance is a powerful tool to assist the stumbling economies to recover and strengthen, thereby making lives of millions of poor people more self-respecting and dignified. A majority of the microfinance programmes target women with a goal to empower them in most of the countries in the world. SHG bank linkage programme in India is one such programme which target women to empower them both economically and socially. Andhra Pradesh state is the forerunner in the implementation of this programme efficiently and effectively. This paper discusses about the progress of SHG bank linkage programme in India as well as Andhra Pradesh and also presents the results of the sample study which was taken up in the three districts of Andhra Pradesh to examine how this programme helpful in bringing women empowerment.

Keywords: Bank linkage, Microfinance, Self-Help Group, Women empowerment

Introduction: Microfinance programs have been increasingly promoted in India for their positive economic impact and the belief that they empower women. Within the South Asian context, women empowerment is a process in which women challenge the existing norms and culture, to effectively improve their well-being. Most microfinance programs target women with the explicit goal of empowering them. However, their underlying premises are different. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged. Others believe that investing in women's capabilities empowers them to make choices, which will contribute to greater economic growth and development. Finally, some proponents emphasize that an increase in woman's resources results in higher well-being of the family, especially children.

SHG Bank Linkage programme is one of the prominent programme in India which is promoting socio, economic and political empowerment in the women by bringing significant changes in their lives. It has made a profound impact on the lives of the women in general and rural women in particular. The state of Andhra Pradesh is the forerunner in implementation of the bank linkage in India and became a role model for the other states to achieve women empowerment through effective implementation. This paper discusses about a brief overview of literature on the impact of microfinance on women's empowerment and the types of empowerment, the progress of women empowerment through SHG bank linkage programme in India as well as Andhra Pradesh and the results and discussions of the sample study which was taken in the year 2012-13.

Section -I

Review of Literature: "Empowerment" has been used to represent a wide range of concepts and to describe a proliferation of outcomes. The term has been used more often to advocate for certain types of policies and intervention strategies than to analyze them, as demonstrated by a number of documents from the United Nations (UNDAW 2001; UNICEF 1999), the

Association for Women in Development (Everett 1991), Feminist activist writings often promote empowerment of individuals and organizations of women (Sen and Grown 1987; Jahan 1995; Kumar 1993) but vary in the extent to which they conceptualize or discuss how to identify it.

Bennett (2002) has developed a framework in which "empowerment" and "social inclusion" are closely related but separate concepts. Drawing on Narayan (2002), Bennett describes empowerment as "the enhancement of assets and capabilities of diverse individuals and groups to engage, influence and hold accountable the institutions which affect them." Social inclusion is defined as "the removal of institutional barriers and the enhancement of incentives to increase the access of diverse individuals and groups to assets and development opportunities." Bennett notes that both of these definitions are intended to be operational, and describe processes rather than end points. The empowerment process, as she characterizes it, operates "from below" and involves agency, as exercised by individuals and groups. Social inclusion, in contrast, requires systemic change which may be initiated "from above." As Narayan (2002) and Ravallion and Chen (2001, in their discussion of "pro-poor growth") also argue, systemic change is necessary to sustain empowerment over time. It is through the process of social inclusion that the "rules of the game" are modified and institutions transformed so that economic growth is widely shared.

Bennett argues that the distinction between empowerment and social inclusion is important because the World Bank's comparative advantage is at the system or policy level. Several of the authors whose work we review in this paper argue that women's empowerment requires systemic transformation in not just any institutions, but fundamentally in those supporting patriarchal structures (Kabeer 2001; Batliwala 1994).

Kabeer (1999) stresses that women's empowerment is

about the process by which those who have been denied the ability to make strategic life choices acquire such ability. According to her it is important to understand empowerment as a process and not an instrument form of advocacy, which requires measurement and quantification of empowerment. Kabeer (2001) defined empowerment as "the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them." This definition contains two elements, (i) the idea of process, or change from a condition of disempowerment, and (ii) the idea of human agency and choice. This helps in distinguishing empowerment from other closely related concepts like women's autonomy, gender equality, gender discrimination etc.

Hashemi et al. (1996) investigates whether women's access to credit has any impact on their lives, irrespective of who has the managerial control. Their results suggest that women's access to credit contributes significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness. They also found that access to credit is also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations. Holvoet (2005) finds that in direct bank-borrower minimal credit, women do not gain much in terms of decision-making patterns. However, when loans are channelled through women's groups and are combined with more investment in social intermediation, substantial shifts in decision-making patterns are observed. This involves a remarkable shift in norm-following and male decision making to more bargaining and sole female decision-making. She finds that the effects are even more striking when women have been members of a group for a longer period and especially when greater emphasis has been laid on genuine social intermediation. Social group intermediation had further gradually transformed groups into actors of local institutional change.

Section- II

Microfinance in India and Women Empowerment:

The Self Help Groups (SHGs) emerged as a component of the Indian financial system after 1996. They are small, informal and homogenous groups of not more than 20 members each. The size of 20 has been made mandatory because any group larger than this has to be registered under the Indian Societies Registration Act. Self-help groups intermediated by micro credit have been shown to have positive effects on women, with some of these impacts being ripple effects. They have played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge (Zaman 2001).

Several recent assessment studies have also generally reported positive impacts (Simanowitz and Walker 2002). In India, for example, microfinance is typically defined as the provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards (NABARD, 2004). In addition to promoting the establishment or growth of micro enterprises, microfinance can increase the standard of living of the economically active poor, improve their access to health care and education, reduce vulnerability and promote the empowerment of women and marginalized groups. In India, micro credit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans (Lalitha and Nagarajan 2002). Earnings generated from such undertakings have been instrumental in increasing the physical well-being of the household, often through better nutrition and sanitation. The household's asset base has also been enhanced by the addition of jewellery (a portable asset), improved housing and land purchase in some cases.

Progress of SHG Bank linkage Programme in India:

In India, NABARD led SHG bank linkage programme witnessed a significance progress since its beginning. By March 2010, banks had cumulatively lent Rs 53,596.81 Crore to 69,53,250 SHGs, providing with access to the formal banking system. The SHG-bank linkage model is one of the world's largest microfinance initiatives in terms of outreach. NABARD is the pioneering agency of the SHG-Bank Linkage Model. It partly finances the cost of SHG promotion, provides 100% refinancing to participating banks and offers revolving fund assistance on a selective basis to NGOs, SHG Federations, credit unions and other organizations providing microfinance for on-lending. NABARD also provides capacity building support to bank officials, NGO staff, government officials and SHG members. In addition to NABARD, several other apex bodies or wholesalers provide loans to financial intermediaries for on lending to SHGs. These include the Small Industries Development Bank of India (SIDBI), Rashtriya Mahila Kosh (RMK), Housing and Urban Development Corporation (HUDCO), Housing Development Finance Corporation (HDFC) and Friends of Women's World Banking (FWWB). Some donors and banks also provide grants and loans to microfinance institutions for on lending to SHGs and SHG federations.

Progress of SHG Bank Linkage Programme in Andhra Pradesh:

The state of Andhra Pradesh is at the forefront in the implementation of the SHG-Bank Linkage Programme with 30.33 percent of the cumulative bank linkages in India. The NABARD report indicates that the cumulative number of SHGs financed by banks till 31st March, 2010 is 14.71 lakh with an average loan per group is Rs. 79,791/-. The progress of SBLP in Andhra Pradesh state as reported by IKP as on 31st January, 2012 indicates that the total number of SHGs

were 36,24,647 with a credit linkage of 39,706.69 Crore. The average loan per SHG is reported as Rs. 1, 09, 546/- .

Section-III

Analysis of women empowerment through a sample study: A sample study was taken up in the selected districts of Andhra Pradesh to examine how the SHG bank linkage programme helpful in bringing social and economic empowerment in the rural women.. Primary data was obtained from SHG members as well as SHG leaders through structured questionnaires. The field study was conducted during March-April 2012. The reference year for the study was 2011-12 and all economic parameters for both pre and post SHG situations were valued at reference year.

Methodology and sampling design: Based on the socio, economic and cultural aspects, the Andhra Pradesh state has been divided into three regions i.e. Coastal Andhra, Rayalaseema and Telengana. For the purpose of the study, two regions viz. Coastal Andhra representing considerably developed region and Rayalaseema representing considerably poor region have been selected. Multi-stage random sampling method is adopted for the selection of the sample households. In the first stage, one district is selected based on prevalence of highest number of the SHGs from each region. Accordingly, East Godavari representing Coastal Andhra, Chittoor representing Rayalaseema, are selected for the present study. In the second stage, three mandals are selected from each district and the selection was done by their performance in terms of SHGs which got highest number of loans so far, prevalence of SC, ST and BC etc. In the third stage, on an average three villages were selected from each mandal covering one from near to mandal head quarters, one from interiors and one from in between the two. In the fourth stage, three SHGs are selected from each village and in the fifth and final stage, on an average three members were selected

from each SHG so that the total number of sample households is around 162 from 54 SHGs. The impact is measured in terms of comparison of changes in the socio-economic aspects of the SHG members before and after joining in the SHGs.

Even though, at all India level there are three different models of bank linkage, in Andhra Pradesh the most prevalent model is the second model,(i.e. SHGs formed by formal agencies other than banks, NGOs and others but directly financed by banks). However, in the state of Andhra Pradesh, the state government itself acting as a facilitating role in formation of SHGs wherein the actual model, the NGO or any other formal agency will deliver those services. Therefore, the SHGs which have covered in this study are formed under the programme called Indira Kranthi Patham (earlier it is called as Velugu), under Ministry of Rural Development, Government of Andhra Pradesh.

Results and Discussions

Changes in distribution of income: There are a number of activities in which household members engaged themselves to derive income. The interviewed households indicated that they derive incomes from several sources viz. Self-employment in agriculture, Livestock, Wages (farm/non-farm), Salaries, Self-employment in non-farm and other sources such as rent, interest, dividend and other social assistance, subsidies etc.

The distribution of income by sources for households (Table 1) in the pre and in the post-SHG period (reference period) revealed that there is significant decline in the share of income in agriculture and agricultural labour. A shift was noticed which includes agricultural livestock (from Rs. 4,234 to Rs.9, 679), wages (from Rs. 2, 588 to Rs. 5, 879) and self employment (from Rs.5, 286 to Rs. 15, 418) which includes petty business, tailoring etc.

Source of income	Share (%)		Difference
	Pre-SHG	Post-SHG	
Agriculture	27.2	22.8	-4.5
Livestock	11.5	13.3	1.8
Agricultural labour	33.6	28.5	-5.1
Wages	7.1	8.1	1.0
Self employment	14.4	21.2	6.8
Others	6.2	6.2	0.0
Total	100.0	100.0	

Source: Sample survey

Changes in Annual income and expenditure: The income and expenditure patterns of the SHG households (Table 2) reflect their standard of living before and after they have joined in the SHGs. It was observed that there is a moderate increase the income levels of SHG members after they joined in the SHGs with an annual growth rate of 7.8 per cent. A considerable growth has been registered in the consumption expenditure in the case of food (7.5 per cent), non-food (9.7 per cent) and health (7.3 per cent).

Variable	Pre-SHG	Post-SHG	CAGR
Net household income	36680	72781	7.8
Household expenditure on food	9629	18617	7.5
Household expenditure on non-food	2443	6151	9.7
Household expenditure on health	2704	5164	7.3

Source: Sample survey

Changes in savings, asset value and average amount of loan obtained through bank linkage: Under SBLP, greater emphasis is placed on savings. The philosophy of the programme is “savings first and credit next”. The SHG members learnt the financial discipline by regularly saving their petty earnings and repay the loans obtained through bank linkage as on time. The analysis on average level of savings per households (Table 3) revealed that in comparison to pre-SHG period, the households were generated more than doubled their savings during post-SHG period which have been increased from Rs. 5,857 to Rs. 12,798. The overall

annual growth rate of savings per household was 8.9 per cent. The increasing savings facilitates the SHG members to purchase more consumer durable assets for the household management as a result the value of the assets has been increased from Rs. 2,345 to Rs. 11,921 during pre-SHG and Post SHG period. The accessibility of credit to the SHG members is significantly increased after the formation SHGs. The study reveals that the average amount of loan obtained is Rs. 22,462 in the pre-SHG period and it has been increased to Rs. 1,11,767 in the post-SHG period.

Variable	Pre-SHG	Post-SHG	CAGR
Annual savings	5857	12798	8.9
Average value of assets	2345	11921	19.6
Average amount of loan	22,462	1,11,767	19.2

Source: Sample survey

Source of borrowing: The pattern of borrowings by source (Table 4) reveals that the money lenders were the most important source in the pre-SHG situation. Before the SHG formation, about 60 per cent of the households obtained loans through money lenders, followed by relatives and friends (22.5 per cent) and banks (10.6 per cent). A significant reduction in obtaining the loan from

the friends and relatives (from 22.5 – 5.3 per cent) was also observed in the households. The major sources of loans in the post-SHG situation are SHGs and Banks. About 62 per cent of the sample households reported that their major source of loan was SHG and about 25 per cent of the sample households informed that their major source of loan is bank.

Source of borrowing	Pre-SHG	Post-SHG
SHG	-	61.8
Banks	10.6	25.0
Money lenders	60.1	4.9
Relatives/Friends	22.5	5.3
Others	6.8	2.9

Source: Sample survey

Change in incidence of poverty: The government undertakes several self-employment as well as wage employment programmes to eradicate poverty from among the masses. The SHG Bank Linkage programme is one such programme, which has its impact on poverty alleviation through group effort, which emanates from their own savings and timely credit from various institutional agencies. The present study computed poverty level income of the households as a product of the cut off levels of monthly per capita consumption

expenditure and the number of consumption units in the households. A total of 177 households out of a sample of 243 households, i.e., 73 per cent were below poverty line in the pre-SHG situation compared to 65 households, i.e., 26.6 per cent in the post-SHG situation. Out of those below poverty line in the pre-SHG situation, 46.4 per cent have moved above poverty line (in a period of 9.1 years of bank linkage).

Social empowerment: One of the objectives of the SBLP is to enhance social empowerment, which includes

developing the self-confidence of members of rural households, especially women through promotion of group and own activities and the conduct of training, organised mainly by SHPIs. The indicators of social empowerment studied in this report are viz. Self confidence, abilities to face problems, control over use of money, decision making, participation in public affairs, ownership of productive and consumer assets etc. The female SHG members were asked to indicate their perceptions on whether their membership in SHGs had any impact on their empowerment in general and on various social matters as per the indicators specified above.

It was observed from the table.5, the level of self confidence in terms of travelling alone to the nearest town, going alone to the hospital, handling a certain

amount of money, addressing forum has significantly improved. Only 6.9 per cent of the sample households exuded confidence to travel alone to the nearest town during pre-SHG period, which improved to about 69.7 per cent during post-SHG period. Similarly, there was an improvement in the confidence level of going alone to the hospital. About 59.9 per cent of the respondents reported that they are going to the hospitals alone during the post-SHG period, which was only 6.2 per cent during the pre-SHG period. Further, the ability of women to handle certain amount of money has been increased from 2.2 per cent during pre-SHG period to 43.4 per cent. Similarly the confidence level of the women to address a forum is considerably increased from 4.4 per cent during pre-SHG period to 15.8 per cent during post-SHG period.

Indicator of change	Pre-SHG	Post-SHG
(a) Self confidence		
Travelling alone to the nearest town	6.9	69.7
Going alone to the hospitals	6.2	59.9
Handling certain amount of money	2.2	43.4
Addressing a forum	4.4	15.8
(b) Behavioural changes		
Resolving disputes	2.8	11.7
Facing financial crisis in family	4.4	16.5
Facing health problems	3.2	21.4
(c) Decision making capacity		
Joint decisions on purchase of household assets	3.2	14.1
Joint decisions on social matters like education of	1.2	44.8
Joint decisions on accessing loans and usage	2.8	20.2
(d) Communication skills and public		
Attending village meetings	3.2	64.5
Approaching Govt. Officials	4.0	45.2

Source: Sample survey

It was also observed that there is a notable improvement in the behavioural changes of the women during the post-SHG period. There is considerable increase in the ability to resolve the disputes which frequently occurs in the family, capacity to overcome financial crisis and health crisis in the family etc. About 11.7 per cent of the households reported that their ability to resolve the disputes in the family is increased while 16.5 per cent of the households informed that their capacity to overcome the financial crisis in the family during post-SHG period. Similarly, 21.4 per cent of the households reported that their capacity to face the health problems has been increased during post-SHG period, which was only 3.2 per cent during pre-SHG period.

Various SHG activities resulted in improving the decision making capacity of the SHG members. Accordingly, it has its impact on decision making in

household matters as well. While about 3.2 per cent of the members were jointly taking decisions in the household economic matters in the pre-SHG period, it improved to about 14.1 per cent in post-SHG period. Similarly, the decision making capacity of the members on various social matters in the family like education of the children, marriage etc. improved considerably. About 45 per cent of the sample households reported that they were jointly taking decisions in the matters related to their children education, marriage and other social functions. The joint decision making relating to the accessing loan and its usage has considerably increased from a meager 2.8 per cent in pre-SHG period to 20.2 per cent during post-SHG period.

The level of communication skills also improved in the post-SHG situations. While majority (64.5 per cent) of the sample households reported that they are able to

communicate properly when they are attending the meetings in their villages which was only 3.2 per cent in the pre-SHG period. Similarly they also reported that they were able to approach the Government officials without any fear. About 45 per cent of the sample households informed they are approaching the Government officials during post SHG situations, which was only 4 per cent during pre-SHG situation.

Conclusion: From the above discussion, it can be concluded that the SHG Bank linkage programme has brought substantial changes in the livelihoods of women through good improvement in the level of income, assets and wealth and also increase in the accessibility of credit which in turn helpful in bringing economic empowerment of the women. From the sample study, it can be observed that the SHGs have brought higher psychological and social empowerment than economic

empowerment. In fact, age and education are not having any influence on empowerment as well as on managerial skill development among rural women. Further, impact of SHGs is appreciable in bringing confidence, courage, skill development and self worthiness in women. There is considerable development in planning, coordination, decision making and financial skills among the leader respondents, but the effect of SHG on communication, organizing, competency and technical, marketing skills and entrepreneurial skills is moderate only. Finally, there is a definite improvement of managerial skills, psychological well being and social empowerment among rural women as a result of participating in SHG bank linkage programme. Considering all these parameters of women empowerment it can be stated that the empowerment is achieved through SHGs among the rural women flock.

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