

IMPACT OF MICRO FINANCE ON WOMEN'S EMPOWERMENT IN ANDHRA PRADESH, INDIA

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Abstract

This study is a part of the doctoral work of the author based on over 25 years of banking experience focused on Micro Finance (MF) and its impact on women's empowerment. The study is aimed at bringing out options for revolutionary changes currently required for sustaining the troubled MF system in India particularly in Andhra Pradesh (AP). A sample of 900 people selected from three regions viz, East Godavari in Coastal region, Nalgonda in Telangana region and Chittoor in Rayalseema regions, in AP, India. The study comes out with useful conclusions and recommendations in terms of Govt. policy measures, better legislation, stricter controls, a suitable legal framework, with a concerted approach. This would help MF system to come out of the existing mess and move forward to create a sustainable system of MF by which the economically resource poor people particularly women can attain financial liberation.

For continuous and further strengthening of the scheme it is recommended that MF beneficiaries to produce income generating activities, standard products with quality so that Govt. can help them by making tie ups market links and organizational links for their products marketing. Further, for improving the skill developments of the members, capacity building programmes can be given by bank's training institutes and organization like National Institute of Rural Development (NIRD).

The survey also comes out further with suggestions for overcoming high interest rates, social issues and middlemen, in a bottom up feedback system whereby the beneficiary drives the functioning of MF system. This could be well integrated from banks, through Micro Finance Institutes (MFI)/Non Government Organizations (NGOs) down to Self Help Groups (SHG) by involving the post office net work for delivery.

In the ultimate analysis the study calls for complete takeover of the MF system by the Govt. with progressive elimination of private hands by bringing suitable legislation, controls, education, and feedback mechanisms so that the MF system perpetually vibrates like a self supporting mechanism under the umbrella of the Govt.

Key Words

Micro Finance (MF), Self Help groups (SHG), Micro Finance Institutions (MFI), Impact and Legislation

Back ground

Micro credit conceptualized by Mohammad Yunus (1983) of Grameena Bank in Bangladesh, a noble peace prize winner developed its own methodology for lending by creating Self Help Groups (SHGs) as the nucleus for the lending programme, and credit was given at a rate that was commensurate with the sustainability of the programme being undertaken by the group. Self Help Groups have gained prominence as effective tools for poverty eradication and as also efficient delivery mechanism for sustainable livelihood to the rural poor. The objective of micro finance is not commercial lending in a rural background, but to reach out to sections of society who are unable to engage in an economic activity, help them by giving credit and other inputs and earn returns and built assets, at the same time encouraging the habit of savings.

The concept of microfinance can be best described by Bouman' book (1990), "Small, Short and Unsecured". Microfinance is the provision of very small loans that are repaid within short periods of time, and is essentially used by low income individuals and households who have few assets that can be used as collateral. The aspect of microfinance that has contributed to its success with 'credit-plus' approach where the focus has not only been on providing adequate and timely credit to low income groups, but to integrate it with other developmental activities such as community organizing and development, leadership training, skills and entrepreneurship management, financial management etc.

Self Help Group Bank linkage is being adopted by the banks/various organizations / institutions and was successful in reaching the poor rural women and their empowerment. Micro Finance is usually associated with very small loans, no collateral, borrowers from among the rural and urban poor, loans for income-generation through market-based self-employment, the formation of borrower

groups and privatization, generally through the mechanism of NGO control over disbursement and the determination of the terms and conditions attached to each loan.

Introduction

Most poor people manage to mobilize resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. However, conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore the fundamental problem is not so much of unaffordable terms of loan as the lack of access to credit itself.

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. Bankers tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation. Normally people in India get finance from formal and informal institutions.

The Formal Sector Institutions

Traditionally, the formal sector banking institutions in India have been serving only the needs of the commercial sector and providing loans for middle and upper income groups. As far as the formal financial institutions are concerned, there are Commercial Banks (CBs), Housing Finance Institutions (HFIs), National Bank for Agriculture and Rural Development (NABARD), Rural Development Banks (RDBs), Land Development Banks and Co-operative Banks. As regards the Co-operative Structures, the Urban Co-op Banks (UCB) or Urban Credit Co-op Societies (UCCS) are the two primary co-operative financial institutions operating in the urban areas.

The Government has taken several initiatives to strengthen the institutional rural credit system. The rural branch network of commercial banks have been expanded and certain policy matters were imposed in order to ensure greater flow of credit to agriculture and other preferred sectors. The commercial banks are required to ensure that 40% of total credit is provided to the priority sectors out

of which 18% in the form of direct finance to agriculture and 25% to priority sector in favour of weaker sections besides maintaining a credit deposit ratio of 60% in rural and semi-urban branches. Further the IRDP introduced in 1979 ensures supply of credit and subsidies to weaker section beneficiaries.

Although these measures have helped in widening the access of rural households to institutional credit, vast majority of the rural poor have still not been covered. Also, such lending done under the poverty alleviation schemes suffered high repayment defaults and left little sustainable impact on the economic condition of the beneficiaries. The amount lent by the formal institutions is not sufficient to the needy people hence, they are approaching informal institutions.

The Informal financial sources

The informal financial sources generally include funds available from family sources or local money lenders. The local money lenders charge exorbitant rates, generally ranging from 36% to 60% interest due to their monopoly in the absence of any other source of credit for non-conventional needs. Chit Funds and Bishis are other forms of credit system operated by groups of people for their mutual benefit which however their own limitations have.

Lately, few of the Non Governmental Organizations (NGOs) engaged in activities related to community mobilization for their socio-economic development has initiated savings and credit programmes for their target groups. These Community based financial systems (CBFS) can broadly be categorized into two models i.e. Group Based Financial Intermediary and the NGO Linked Financial Intermediary. While a census of NGOs in micro-finance is yet to be carried out, there are perhaps 250-300 NGOs are existing and each having 50-100 Self Help Groups (SHGs). In India other agencies also exists which provides bulk funds to the system through NGOs. Thus organizations engaged in micro finance activities in India may be categorized as Wholesalers, NGOs supporting SHG Federations and NGOs directly retailing credit borrowers or groups of borrower.

The Wholesalers will include agencies like National Bank for Agriculture and Rural Development (NABARD), Rashtriya Mahila Kosh, New Delhi and the Friends of Women's World Banking in Ahme dabad, India. Few of the NGOs supporting SHG Federations (10-20 SHGs federates in to organization which are called SHG Federations

) in India includes Mysore Resettlement and Development Agency (MYRADA) in Bangalore, Self Employed Women's Association (SEWA) in Ahmadabad, and Professional Assistance for Development Action (PRADAN) in Tamil Nadu and Bihar etc. While few of the NGOs directly retailing credit to Borrowers are SHARE Microfinance Limited (SHARE) in Hyderabad and The Activists for Social Alternatives (ASA) in Trichy.

The informal sector world over has led to the concept of MF starting with Bangladesh and mandated by the world bank as the grass root development model for poorer nations. India also has adopted this concept and has been experimenting at various levels. The state of AP has taken lead in this respect.

Origin of Micro Finance in India

In India, micro finance has been described as the way to go with respect to rural banking for the poor and it is one of the largest potential markets for micro finance in the world since still, 36 percent of rural poor are not getting access to services through the financial system. There is wide gap between demand and supply. The micro finance is popular in few states such as Andhra Pradesh, Gujarat, Tamilnadu and Rajasthan in India due to respective State Governments' encouragement. Among the different models of micro finance, SHG-bank linkage programme in India has emerged as the major micro finance programme in the country, which is being adopted by commercial banks, RRBs and cooperative banks. The impact of micro finance has been significant on women development, poverty reduction, which is an integral part of the rural development in this country.

The Self Help Group (SHG) Bank Linkage, pilot project of Microfinance by National Bank of Agriculture & Rural Development (NABARD) in 1992 is considered as a landmark development in banking with the poor. The informal thrift and credit groups of poor came to be recognized as bank clients under the pilot phase. Setting up of a working Group followed the pilot phase on NGOs and SHGs by the Reserve Bank of India in 1994.

Over the last ten years, however, successful experiences in providing finance to small entrepreneur and producers demonstrate that poor people, when given access to responsive and timely financial services at market rates, repay their loans and use the proceeds to increase their income and assets. This is not surprising since the only realistic alternative for them is to borrow from informal

market at an interest much higher than market rates. Commercial banks, NGOs and grass root savings and credit groups around the world have shown that these microenterprise loans can be profitable for borrowers and for the lenders, making microfinance one of the most effective poverty reducing strategies. The flow chart of micro finance can be shown in Figure I. The banks will lend to MFIs/NGOs, MFIs/NGOs lend to SHGs and they further give the amount to members/ individuals basing on the needs.

Progress of Micro Finance

In India, almost 27.09 percent of the rural population and more than 23.62 percent of the urban population are below the poverty line. In India, demand for micro-credit is estimated between Rs.15,000.00 crores and Rs.45,000.00 crore. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the growth of SHG Bank Linkage has been truly remarkable, particularly since the late 1990s. In 2003, the number of SHGs linked to banks was close to 800,000, compared to just 33,000 in 1999. SHG Bank Linkage reaches some 12 million women and their households. But outreach is still modest in terms of the proportion of poor households served, covering less than 5 percent of India's rural poor. The latest position of SHGs i.e. 31.3.2010 is shown in Table I.

Objectives

1. To study the adequacy of Govt. policies, legislation, controls and legal frame work and identify areas of improvement.
2. To evaluate the impact of the existing MF system on SHGs for poverty alleviation and financial emancipation of the economically resource poor.
3. To identify the problems in micro-finance encountered by SHGs and offer suggestions to improve the systems and procedures

Methodology

A Stratified convenient sample of 900 people was selected from various sectors like bankers (including managers, field officers, lead district managers (LDMs)), Govt. Officials (RBI, NABARD, Ministry of Finance, Government of AP, Animators), MFIs, SHG members, Academicians and filed experts who are working on MF.

Sampling was done at lower, middle and top levels of the strata to interview with a structured questionnaire in three districts of Andhra Pradesh picked up from three regions viz, East Godavari in Coastal region, Nalgonda in Telangana region and

Chittoor in Rayalseema regions. Group samples have picked up viz., homogeneous groups, SC groups, minority groups, BC groups, heterogeneous groups and groups promoted by NGOs, banks, District Rural Development Agency (DRDA) and others.

Responses received from them have been analyzed scientifically and summarized for the ready reference

Review of literature

The concept of impact of micro finance on women's empowerment is studied so far by the following scholars:

Mohanani (2000), in his study on "Micro-Finance and Empowerment of Women: Role of NGOs" observed that micro-credit system has particular relevance to women and their empowerment, considering the historical perspective of the involvement of women in the thrift and credit activity. The role of NGOs is more significant and pronounced in the sphere of micro-credit. The rich experience of NGOs in the sphere of credit union and their gross root level involvement with the poor and their problems is a potential factor that affirms their elevated role in the sphere of micro-credit which is continued by Banerjee.

Banerjee (2002), in 'Evaluation Study on Self-help Groups: Participation Women in SHGs' observed that the SHGs made a significant impact on their empowerment both in social and economic aspects. Most of women were able to increase their income level manifold and contributed to development of their family and it is further studied by Lalitha Nagaraja

Lalitha Nagaraja (2002) have showed that impact assessment studies point to asset creation as one of the main indicators, measurable by empirical data. Field visits and various documented sources, especially micro credit, provided to self-help groups have brought about an increase in household income. It is further studied on the improved assets by Shetty

Shetty(2002) while summarizing the working and impact of rural self-help groups has stated that micro finance institutions have improved the asset base and also brought a sea change on the levels of the living of the beneficiaries. Further, the women participation has also improved in thrift and credit options. Moreover the author stressed the need for micro level field studies to examine the working of SHGs which is stressed by Vijayanthi.

Vijayanthi (2002) in her research paper has analyzed awareness levels of women after joining the SHGs. The study also focused on the impact of

SHGs on individual and group empowerment. For this purpose a sample survey (covering 102 members) was conducted with the help of a structured interview schedule. The study results have shown positive changes. The resource base of the SHGs has been strengthened which led to self-reliance. The women members have benefited through savings and acquired management skills as the SHGs have allowed women to plan and execute their ideas. More over the women have come in contact with the government departments and financial institutions. The SHGs also have facilitated the women in acquiring the skills leading to community skills leading to community and self-development programmes. NABARD also has taken up study on the same grounds.

A study conducted by NABARD (2002) covering 560 households from 23 SHGs in 11 States of India elucidated that there has been a positive result in enhancing the standard of living of SHG members in case of asset ownership, savings and borrowing capacity, income generating activity and income levels. The average value of asset including livestock and consumer durable has increased considerably. The housing condition of the people is improved, from the mud walls to thatched roofs to brick walls and tiled roofs. Almost all members developed saving habit in the post SHG. The trend of consumption loans come down in contrast the loan for income generating purpose has increased considerably during the pre-SHG period. Similarly the overall repayment of loans improved and the average net income per household has increased about 33%. The employment increased by 18% between the pre and the post SHG conditions. It should be noted that after association with the SHGs, there have improved their self-confidence, self-worth and communication. In addition to this, they involved in addressing various social evils and problems of the society. It is further explored by Pallavi chavan and Ramakumar.

Pallavi chavan and Ramakumar (2002), in their study on a "Micro-credit rural Poverty" reviews empirical evidence on NGO-led micro-credit programmes in several developing countries, and compares them with state-led poverty alleviation schemes in India. The study shows that micro-credit programmes have been able to bring about a marginal improvement in beneficiaries income. However, they have not gained much by way technological improvements as given emphasis on 'survival skill'. Galab and Chandrasekhara Rao further studied on

strategy for poverty alleviation and women empowerment.

Galab and Chandrasekhara Rao (2003) in their article "Women's Self Help Groups, Poverty Alleviation and Empowerment" have written that in its strategy for poverty alleviation and women empowerment, the Government of Andhra Pradesh has provided considerable space for women's self help groups. The promotion of women's groups under 'Development of Women and Children in Rural Areas' (DWCRA), adoption of the South Asian Poverty Alleviation Programme (SAPAP), Andhra Pradesh District Poverty Initiatives Project (APDPIP), and Andhra Pradesh Poverty Reduction Project (APPRP) are a testimony to this further studied by Ramakrishna and Krishnamurthy.

Ramakrishna and Krishnamurthy (2003) have examined the impact of SHGs on the social and economic empowerment of the sample households and studied the role of SHGs in obtaining formal credit and found that the SHGs have a Positive impact on women beneficiaries. The study results have also shown positive impact on the economic conditions of the beneficiaries. Further, the living standards of the beneficiaries in terms of food intake, children education, health status, and financial independence have also been improved. Studies taken up on impact of microfinance is done by Punithavathy and Eswaran.

Punithavathy and Eswaran's (2008) study 'Targeting Women for Credit Programmes' began to receive serious consideration at international women conference in Mexico City in 1975. To find out the impact of micro-credit the Sedapatti block at Madurai District, Tamil Nadu, India, where 191 SHGs are functioning, have been selected. 100 Women respondents who had availed micro-credit were chosen, using no random sampling method from various villages of Sedapatti block. They concluded that credit provided is micro in nature and it has produced macro changes in the lives of the women who received it.

Case Study from three Districts of Andhra Pradesh

In the light of the aforesaid background, a study has been made India, in three districts of Andhra Pradesh, India selected from the three regions such as East Godavari in Coastal region, Nalgonda in Telangana region and Chittoor in Rayalseema regions. The reason for selecting these districts is that the maximum SHGs exist in their respective regions. This study has mainly focused on

underdeveloped villages of these districts.

Sampling, Questionnaire and Primary data

The primary data was collected by selecting a stratified convenient sample of 900 people from various sectors like bankers (includes managers field officers, Lead District Managers (LDMs), second line officers), Govt. Officials (RBI, NABARD, Ministry of finance, Government of Andhra Pradesh, includes Animators Asst Project Officers-APOs), Micro Finance Institutions (MFIs), SHGs and members, Academicians and field experts in MF. The type of sample, sample size, questions and options were tabulated and kept as Annexure I. Questions were deliberately kept simple and multiple choices based to keep the basic direction of the study intact. The questions were administered into local languages like Telugu and Hindi. It was the author's opinion that open ended questions might lead to diversified and directionless answers, as seen in many studies.

The first type sample includes bankers with a sample of 200 who are having vast experience in SHG bank linkages from various pockets of the districts which includes Managers of public sector and Grammena banks since their presence is more in these districts. The sample also includes field officers who visit the villages identify the groups for linkages. SHGs are doing operations at the bank branches. The Lead District Managers (LDMs) of the Districts who consolidate the data and organize Joint Mandal level banker's committee (JMLBC) meetings where the progress for linkages will be reviewed and problems of bankers will be sorted out under the chairmanship of Project Directors (PDs).

The second type includes Govt. Officials with a sample of 200 who are working in MF from various pockets of the districts. In Andhra Pradesh Govt. is acting as big NGO. Hence the sample selected from Government of Andhra Pradesh like Asst Project Officers (APOs) who works on MF review the progress on day to day basis visits the villages and assists animators to form the groups and linkages. The animators were selected since they are the people who work at the villages with SHGs. Book keepers who maintain the records of groups at villages since majority of group members are illiterates. Few NABARD, RBI and Ministry of Finance people were interviewed who are working in MF.

The third type includes Micro Finance Institutions (MFIs) with a sample of 100 who are working in MF from various pockets of the districts. Now a days the SHGs are financed by banks, NGOs

and MFIs. Hence, the sample was selected. In these districts spandana, Basix, share micro, trident, etc. are giving finances. However met MFI officials in the districts also at State capital i.e. Hyderabad, India.

The fourth type includes Self Help groups (SHGs) with a sample of 200 who are existing in the villages. A sample of SHGs is chosen cutting across three geographical regions of Andhra Pradesh namely, Coastal, Telengana and Rayalseema of which three districts where maximum SHGs are available were selected groups samples are picked up viz. homogeneous groups, SC groups, Minority groups, BC groups heterogeneous groups and groups promoted by NGOs, banks, Government/ DRDA, and others, groups of first, second, third, fourth, received under debt swapping bridge loans, total financial inclusion and groups of various sizes, different amount of savings. SHG Members of OCs, SCs, STs, BCs, minorities, leaders, educated members, illiterates, who are agricultural laborers, different ages, different house hold sizes, different land holdings, types of houses were selected for the study.

The fifth type includes NGO with a sample of 100 who are working at the villages and some NGOs from nearby districts are also picked up. The sixth and seventh type includes Academicians of 75 and field experts of 100 were selected for the study.

The consolidated sample size, type of the sample and questions and options asked are appended in Annexure I and the questionnaire is appended in Annexure II.

Analysis and Findings

With reference to the microfinance and its suitability to the Indian conditions the survey made finds that it is suitable and be continued. The respondents to the extent of 93% felt that it is appropriate in the Indian scenario and recommended to continue and strengthen the existing system and it is shown in Figure II.

The survey made to what extent the upliftment of women can be possible through MF and 77% respondents felt that MF can help in upliftment of women. The same is shown in Figure III hence, recommended to further continue and strengthen the programme.

With reference to the women empowerment the survey made which includes 87% of people felt that the women got empowered through this scheme though financial, social freedom and got self confidence. Hence, recommended to promote MF which can bring about financial social freedom and

gives self confidence for women which is shown in Figure IV.

With reference to the gut feel of MF's impact on Indian women in Indian conditions the survey made finds that 49% felt that it has impact on 20% Indian women, it is shown in Figure V and recommended to further strengthening of the system.

Regarding to the obstrucles of Women empowerment through MF in India the survey found that four types like i.e. 23% felt due to high interest rates 27% felt that due to, lack of organized MF system, 21% due to social issues and middlemen, finally 29% felt due to inadequate Govt. policies which is shown in Figure VI. Since the above reasons are felt equally by the respondents for the growth hindrances for the women empowerment and people were asked further critical questions and analyzed on each point.

The survey made on first obstrucle i.e. rate of interest with types of controls to be, made. According to the survey, 60% felt that the Govt. has to make policies to control. Other 40% respondents felt to make changes in MFI level controls, resistance from SHGs, legal restrictions and punishment systems and it is shown in Figure VII. Hence, it is recommended that Govt. must in force the policy controls and facilitate restrictions at MFI level and legal frame work, along with a feedback mechanism from SHG upwards for continuous monitoring.

With reference to the second reason lack of organized MF system 63% respondents felt to make suitable legislation which is shown in Figure VIII. Hence, the survey concludes that Govt. legislation coupled with social audit, controls and awareness programmes would mature into a well organized MF system for our country.

With reference to types of Social issues and involvement of middlemen the survey has been done on empowerment at SHG level, punishment system, closer monitoring of MFI performance Govt. interventions. According to the survey, all the points mentioned above got equal importance and to be improved which is shown in Figure IX. Since the social issues and middlemen have wrecked the MF system in AP of late, it is recommended that the Govt. should intervene immediately with suitable legislation, empowerments and restraints, at various levels, notwithstanding the smaller and inadequate instruments of control affected so far.

The survey also made on reasons for lack of Govt. policies on MF which includes legislation,

people's pressure on Govt. and people's awareness. According to the survey, 61% respondents felt to improve to create legislation, people's pressure on Govt., people's awareness. The survey finds out by majority of 61% for legislation, people pressure and awareness programmes as shown in Figure X. This can be possible only by a massive programme of awareness creation at the bottom level of the society. It is recommended to use the post office network in the country to root the MF programmes, funds and controls so that it can reach the nook end corner of the country without creating fresh infrastructure. This would also reduce or eventually eliminate in future the dependence on private MFI groups which are the root cause of exploitation as per the personal and confidential opinion of many respondents who confided with the researcher.

With reference to the people's perceived extent of coverage of financially needy women covered under MF the survey reveals that 72% respondents felt that around 30% women covered with their financial needs through micro finance. There is enough scope of up to 70% of the women's needs yet to be fulfilled by MF. The same is shown in Figure XI.

The survey made on ways to improve women coverage in MF through popularization, education, outreach and financial benefits. According to the survey, all the options got equal response, i.e. 24% for popularization of the scheme, 27% for educating the people, 23% for outreach and 29% for financial benefits which is shown in Figure XII. Therefore the women felt that their position can be improved through MF education, MF outreach and improved inclusion. Hence, recommended as such.

The survey has done on ways to improve Women empowerment through MF like inclusion, benefits, social support and policy support. According to the survey, amongst all the options benefit shown 43% because some of the earlier groups got revolving fund from Andhra Pradesh Govt. At present the AP Govt. is giving 'pavala vaddi' scheme (means, out of the interest charged by the banks ¾th amount will be reimbursed for prompt payment groups). It is followed by policy support with 22% and inclusion and social support shown 16% and 19% respectively it is shown in Figure XIII. So ultimately women in majority looked for financial liberation through MF but this could be achieved by various other support systems highlighted in the first eleven questions herein above.

Recommendations:

1. MF is recognized as the instrument of salvation to bring about social freedom, self confidence and financial liberation to the women, by rise in income levels up to 30% as felt by the respondents, and therefore MF stands out as the most proven system of poverty alleviation compare to all other schemes of the Govt. hence, concerted approach will be more useful to assist and support till they develop necessary competencies to handle their affairs independently, rather than campaign type approach that deals only with figures, targets and results.
2. The survey confirms MF as the most effective system, to ensure financial liberation of women and therefore Govt. should strengthen MF system through better policy controls, restrictions at MFI level, improved legal frame work, a strong feedback mechanism from SHG upwards with continuous monitoring.
3. In this study the women in majority looked for financial liberation through MF and hence, recommended that the Govt. should continue schemes like pavalavaddi scheme (¾th interest will be reimbursed by the Govt. in AP) and come out with better schemes on an ongoing basis to ensure a higher level of financial positions of women on a sustained basis
4. Govt. may also contemplate legislation coupled with social audit, controls and awareness programmes which would mature into a well organized MF system for our country.
5. It is recommended to use the post office network in the country to root the MF programmes, funds and controls so that it can reach the nook and corner of the country without creating fresh infrastructure. This would also reduce or eventually eliminate in future the dependence on private MFI groups which are the root cause of exploitation as per the personal opinion of many respondents who confided with the researcher.
6. For continuous and further strengthening of the scheme it is recommended that Mf beneficiaries to produce income generating activities, standard products with quality so that Govt. can help them by making tie ups market links and organizational links for their

products marketing. Further, for improving the skill developments of the members, capacity building programmes can be given by bank's training institutes and organization like National Institute of Rural Development (NIRD).

7. The survey brings out that the MF chain from top to bottom is suffering from social issues and excessive roll of middlemen hence, recommended for policy measures and restraints, at various levels over and above the existing ones since women felt that their position can be improved through MF education, MF outreach and improved inclusion hence, recommended as such.
8. The principal bottlenecks in MF development are recognized as high Interest Rates, lack of organized MF system, social issues and middlemen and inadequate Govt. policies. The survey pin points focus on policy controls, legal frame work, feedback mechanism and continuous monitoring for success. Respondents felt that the MFI originated most of the problems. Hence, policy options could explore lesser and dependence on MFIs possibly removal /elimination in MFIs by rooting the system through banking and postal Departments.

Limitations

- The study is limited to 900 respondents in three Districts of, Andhra Pradesh one district each from each region. It may not represent all India feedback however the basic issues are brought out for further studies at national level.
- This is a focused study on SHGs as micro-finance institutions (MFIs) and SHG bank linkage programme as community-based lending. Those SHG operations other than micro-finance are outside the purview of the study.

Conclusion

Self help groups are graduating into promoting micro enterprises. Though micro enterprises are not a panacea for the complex problems and chronic unemployment and poverty in rural and urban areas, yet promotion of micro enterprises is a viable and effective strategy for achieving significant gains in income and assets for poor and marginalized people as compared to any other schemes of the Govt. as validated by this study.

In the private meetings SHG women

confided that the availment of increased finances various MF schemes have brought them out of clutches of private money lenders, they could build some assets, educate children and have a stand by means of supportive income to the family. This means to them that their quality of the life has improved. However, such salvation has occurred only for a small % of women while vast majority in rural areas still need financial liberation which is not happening due to systemic failure highlighted in this survey.

For continuous and further strengthening of the scheme it is recommended that Mf beneficiaries to produce income generating activities, standard products with quality so that Govt. can help them by making tie ups market links and organizational links for their products marketing. Further, for improving the skill developments of the members, capacity building programmes can be given by bank's training institutes and organization like National Institute of Rural Development (NIRD).

During the survey it was found that there is scope for improvement in terms of Govt. policy measures, better legislation, stricter controls, a suitable legal framework, with a concerted approach. This would help MF system to come out of the existing mess and move forward to create a sustainable system of MF by which the down trodden people particularly women can attain financial liberation. To this end, specific suggestions are made for overcoming high interest rates, social issues and middlemen, in a bottom up feedback system whereby the beneficiary drives the functioning of MF system. This could be well integrated from banks, through MFI down to SHG by involving the post office net work for delivery.

In the ultimate analysis the study calls for complete takeover of the MF system by the Govt. with progressive elimination of private hands by bringing suitable legislation, controls, education, and feedback mechanisms so that the MF system perpetually vibrates like a self supporting mechanism under the umbrella of the Govt.

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Glossary

- Asst Project Officers (APOs)
- Commercial Banks (CBs)
- Community based financial systems (CBFS)
- District Rural Development Authority (DRDA)
- Government (Govt.)
- Housing Finance Institutions (HFIs)
- Joint Mandal level banker's committee (JMLBC)
- Lead District Managers (LDMs)
- Micro finance Institutions (MFIs)
- Non Government Organizations (NGOs)
- National Bank for Agriculture and Rural Development (NABARD)
- Project Directors (PDs).
- Rural Development Banks (RDBs),
- Self Help Groups (SHGs)

Table I: Position of SHGs as on 31.3.2010

Total number of SHGs savings linked with banks	69.53 lakh
Out of total [of which] exclusive Women SHGs	53.10 lakh
Total number of SHGs having loans outstanding	48.51 lakh
Of which exclusive Women SHGs	38.98 lakh
Total savings amount of SHGs with banks	6198.71 crore
Out of total savings of exclusive Women SHGs	4498.66 crore
Total amount of loans outstanding against SHGs	28038.28 crore
Out of total loans o/s against Women SHGs	23030.36 crore

Fig I: Flow chart of micro finance:

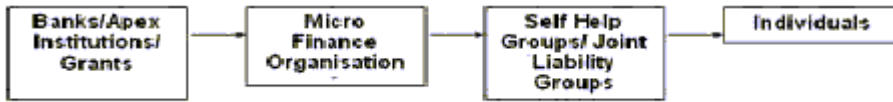


Fig II : Suitability of MF in Indian Conditions (Percentage):

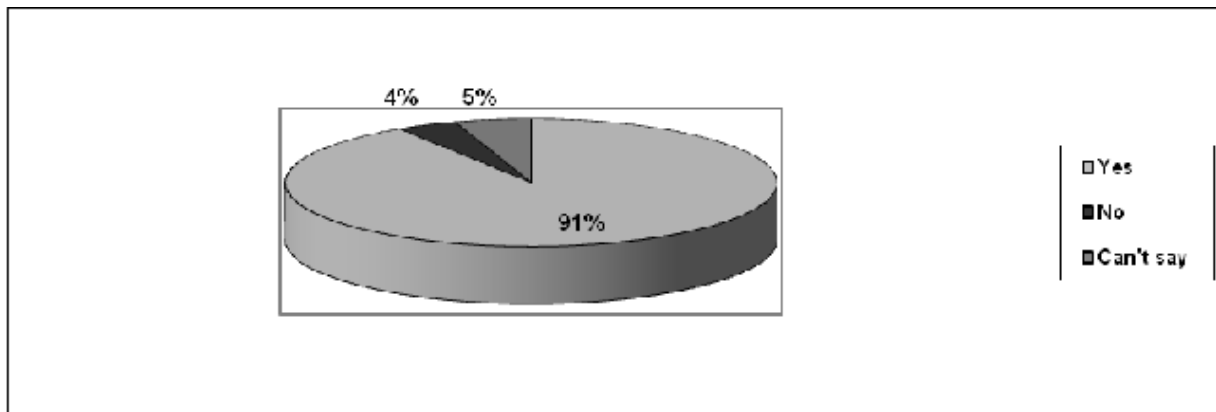


Fig III: Up -liftment of women through MF in Indian Conditions (Percentage):

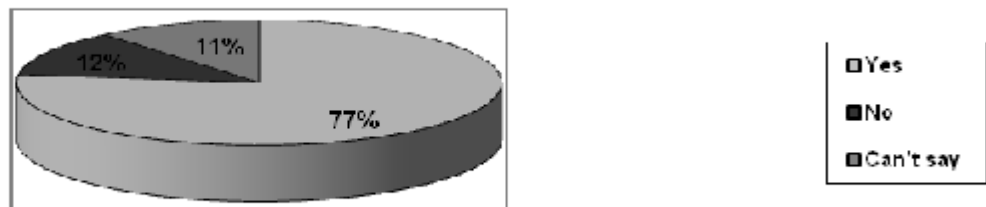


Fig IV: Types of empowerment of women through MF (Percentage)

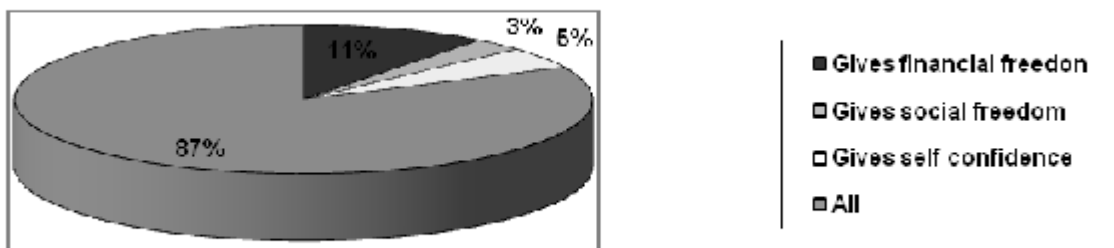


Fig V: Gut feel of MF's impact on Indian Women (Percentage)

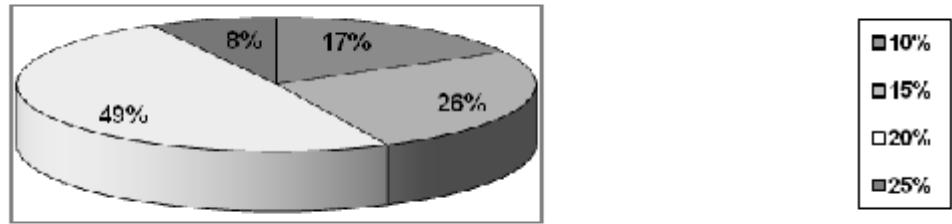


Fig VI: Types of obstructs women empowerment through MF (Percentage)

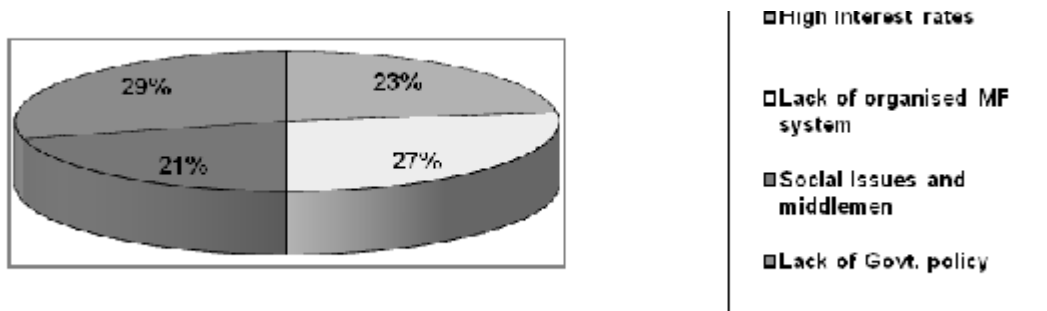


Fig VII : Types of interest rate solutions in MF (Percentage)

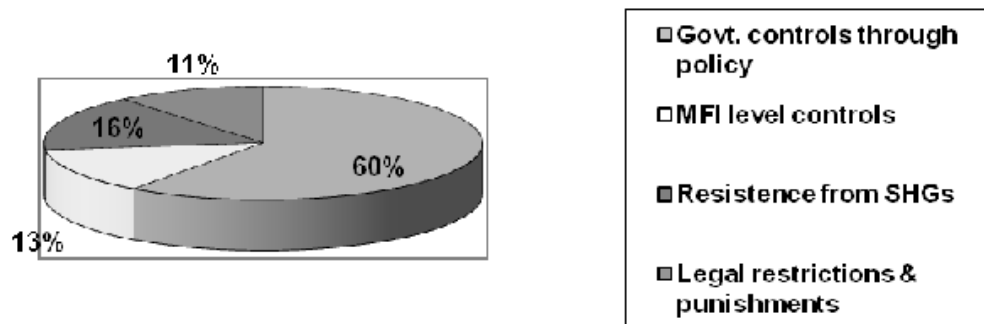


Fig VIII: Reasons for lack of organized MF system (Percentage)

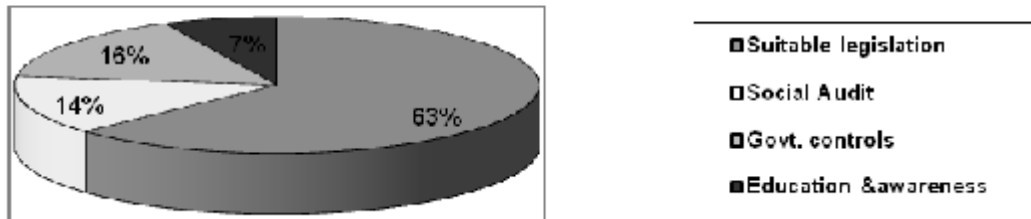


Fig IX: Types of Social Issues and involvement of middlemen (Percentage)

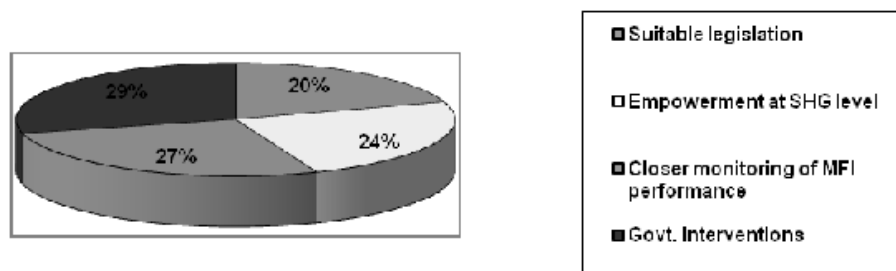


Fig X : Reasons for lack of Govt. policies (Percentage)

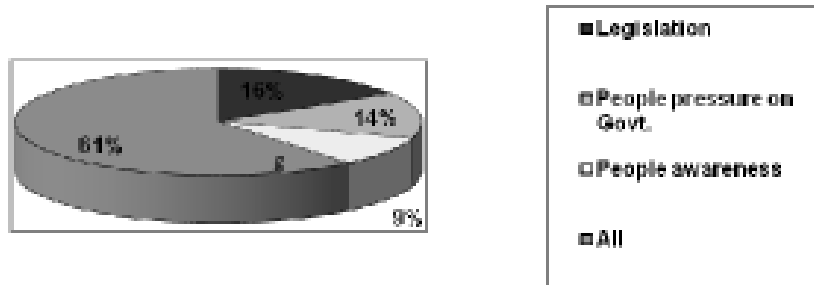


Fig XI: Extent of coverage of financially needy women under MF (Percentage)

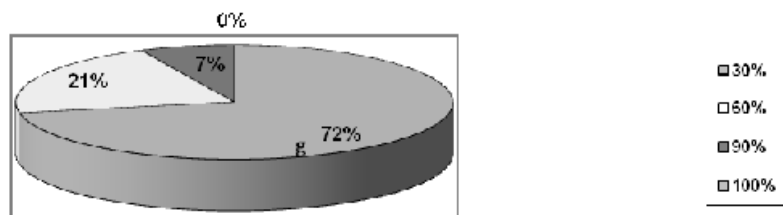


Fig XII: Ways to improve women coverage under MF (Percentage)

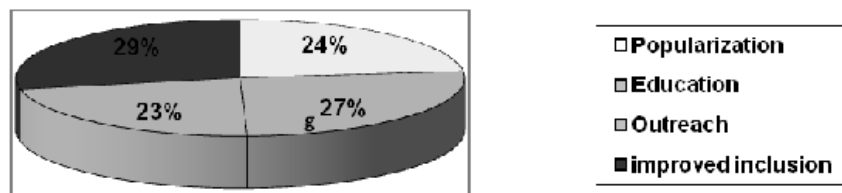
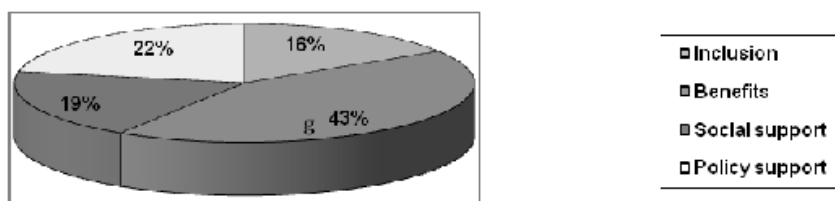


Fig XIII: Ways to improve women empowerment through MF (Percentage)



Annexure I: Details of Type and of the sample, Districts selected and Questions/Options

S N	Type of sample	Size of the sample	District Names	Questions/Options asked	Further Questions /options from earlier Q V (What obstructs Women empowerment through MF in India?)
1.	Bankers	200	East, Godavari, Rangaredyanchittoor	Q I: Do you think MF is suited for Indian Conditions? <ul style="list-style-type: none"> • Yes • No • Can't say 	<p>Q VI: How interest rate problem can be solved in MF?</p> <ul style="list-style-type: none"> • Govt. controls through policy • MFI level controls • Resistance from SHGs • Legal restrictions and punishment systems <p>Q VII: Lack of organized MF system</p> <ol style="list-style-type: none"> 1. Suitable legislation 2. Social Audit 3. Govt. Controls 4. Education and awareness <p>Q VIII: Social issues and middlemen?</p> <ul style="list-style-type: none"> • Empowerment at SHG level • Punishment system • Closer monitoring of MFI performance • Govt. interventions <p>Q IX: Lack of Govt. policies</p> <ul style="list-style-type: none"> • Legislation • People's pressure on Govt. • People's awareness • All
2.	Govt. Officials viz.RBI, NABARD, Ministry of finance, Government of AP	200		Q II: Do you think MF can help for up-liftment of women in India? <ul style="list-style-type: none"> • Yes • No • Can't say 	
3	MFIs	100		Q III: How MF can empower women? <ul style="list-style-type: none"> • Gives Financial Freedom • Gives Social Freedom • Gives Self confidence • All 	
4	SHGs	200			
5	NGOs	100			
6	Academicians	75		Q IV: What is the gut feel of MF's impact on Indian women? <ul style="list-style-type: none"> • 10% • 15% • 20% • 25% 	
7	Filed Experts	25			
	Total persons interviewed	900		<p>Q V: What obstructs Women empowerment through MF in India?</p> <ul style="list-style-type: none"> • High Interest Rates • Lack of organized MF system • Social Issues and middlemen • In adequate Govt. policies 	

Annexure II: Questionnaire

Name of the district: East Godavari / Nalgonda /Chittore Type of the Sample:

Name of the Person:

Name of organization:

Address:

Q No	Questions/Options asked	Answer (Tick)
Q I	Do you think MF is suited for Indian Conditions? <ul style="list-style-type: none"> • Yes • No • Can't say 	() () ()
Q II	Do you think MF can help for up-liftment of women in India? <ul style="list-style-type: none"> • Yes • No • Can't say 	() () ()
Q III	How MF can empower women? <ul style="list-style-type: none"> • Gives Financial Freedom • Gives Social Freedom • Gives Self confidence • All 	() () () ()
Q IV	What is the gut feel of MF's impact on Indian women? <ul style="list-style-type: none"> • 10% • 15% • 20% • 25% 	() () () ()
Q V	What obstructs Women empowerment through MF in India? <ul style="list-style-type: none"> • High Interest Rates • Lack of organized MF system • Social Issues and middlemen • In adequate Govt. policies 	() () () ()
Further Questions /options from earlier Q V		
QVI	How interest rate problem can be solved in MF? <ol style="list-style-type: none"> 1. Govt. controls through policy 2. MFI level controls 3. Resistance from SHGs 4. Legal restrictions and punishment systems 	() () () ()
QVII	Lack of organized MF system <ul style="list-style-type: none"> • Suitable legislation • Social Audit • Govt. Controls • Education and awareness 	() () () ()
QVIII	Social issues and middlemen? <ul style="list-style-type: none"> • Empowerment at SHG level • Punishment system • Closer monitoring of MFI performance • Govt. interventions 	() () () ()
QIX	Lack of Govt. policies <ul style="list-style-type: none"> • Legislation • People's pressure on Govt. • People's awareness • All 	() () () ()

Other Questions continued:		
QX	What is your perceived extent of coverage of financially needy women covered under MF? a. 30% b. 60% c. 90% d. 100%	() () () ()
QXI	How to improve women coverage in MF? a. Popularization b. Education c. Outreach d. Improved inclusion	() () () ()
QXII	How to improve Women empowerment through MF? a. Inclusion b. Benefits c. Social support d. Policy support	() () () ()