

Micro Finance and Dimensional aspects of Poverty
A case study of Nizamabad District

G. SHANKER RAO

Research Scholar
Department of Commerce
Research & Development Centre
BHARATHIAR UNIVERSITY
COIMBATORE – 641046.
India

Dr. Kankipati Srinivasa Rao,

Asst. Professor of Commerce,
Vivek Vardhini college of PG Studies
Osmania University
Jambagh, Koti, Hyderabad
Telangana State
India

ABSTRACT

Micro finance in India is still in nascent stage to create a massive impact in poverty alleviation. Considering the entrepreneurial environment women's activities are very interesting as they have great source of knowledge and innovation. The objective of microfinance services is to help poor and marginalized people to come out of poverty by providing them small loans for productive purposes. Women are experienced in balancing and handling difficulties. The banks also play very important role by providing loans to SHG's at an amazingly low interest rate and Self-help groups can access loans from banks. Banks play a major role in empowering poor women by providing them dignity, self-esteem and economic independence. Banks are also benefitted as their loans get repaid in the process. The present paper analyses the economic impact of micro-finance services on poor women's households. The major variables of the study include annual household income, expenditure and asset positions. The changes in borrowers' annual income, expenditures and household assets have been analyzed using before and after joining micro-finance organizations. It is found that micro-finance services have helped to increase monthly income of women borrowers and thereby leading to increase in annual household income and expenditure. However, the impact of micro-loans on various assets like number of owned houses, area of house and cultivable land is not found to be significant.

Keywords: Micro finance, SHG's, Poverty, Women Empowerment

INTRODUCTION

Empowerment of women that will have lasting impacts must involve consciousness raising before the social construction of gender, which subordinates women in the family, class, caste, religion, or society, can be changed. The economic empowerment approach has relied on improving women's control over economic resources and strengthening women's economic security. The results also suggest that policies to rise women's age at marriage, enhance their educations and open greater employment opportunities will also help to empower them, at least in some respects. Our goal is to cause policy, institutional and individual change that will improve the lives of women and girls everywhere. India has also ratified various international conventions and human rights instruments committing to secure equal rights of women. The constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favor of women. Women's empowerment is an important agenda in the development efforts. There has been significant shift in approach of the district administration towards the development of women, especially the poor & the illiterate. When you train a woman, you help the entire family, the village and the nation. The current paper focuses on women's empowerment in the domestic sphere — that is, their freedom from control by other family members and ability to effect desired outcomes within the house hold. According to the Country Report of Government of India, "Empowerment means moving from a position of enforced powerlessness to one of power". The process by which people, organizations or groups who are powerless

- A) Become aware of the power dynamics at work in their life context,
- b) Develop the skills and capacity for gaining some reasonable control over their lives and
- C) Exercise this control without infringing on the rights of others and d) support the empowerment of others in the community

MICRO FINANCE INSTITUTION

Quite simply, a microfinance institution is an organization that offers financial services to the very poor. Most MFIs are non-governmental organizations committed to assisting some sector of the low income population. It is important to note that MFIs are not the only entities serving the financial needs of micro entrepreneurs. Commercial banks, cooperatives and savings institutions all have important roles to play in serving this market.

REVIEW OF LITERATURE

The review of literature focuses on the performance of the anti-poverty programs and issues emerged related to the program. A brief review of the studies relating to the evaluation of some of the programs is presented below:

Pascaline Dupas and Jonathan Robinson (2009) conducted a field experiment to test whether savings constraints prevent the self-employed from increasing the size of their businesses. They opened interest-free savings accounts in a village bank in rural Kenya for a randomly selected sample of poor daily income earners. Despite the fact that the bank charged substantial withdrawal fees, take-up and usage were high among women and the savings accounts had substantial, positive impacts on their productive investment levels and expenditures. These results implied that a substantial fraction of daily income earners face important savings constraints and have a demand for formal saving devices.

Jagapathi Rao G.V (2010) micro finance has gained a lot of significance and momentum in the last decade. The role of micro finance as the most suitable and feasible alternative in accomplishing the goal of growth and poverty alleviation is now well recognized. Micro finance institutions other than banks are engaged in the provision of financial services to the poor. Micro finance is one of the effective tools to help neglected groups of society.

Dayanandan R (2010) revealed that one of the problems poor people in the rural and urban areas face is lack of capital. Formal banking procedures marginalize the poor borrowers out of the picture. Poor borrowers want small and uneconomic sums which are exposed to high risks through the eyes of the formal banking system.

Malyadri P (2011) highlighted the positive vibes for Micro Finance of Union Budget-2011-12. He analyzed that the union budget creates an enabling environment for the economically poor and the business focused on them. To illustrate, creating a Rs. 500cr for women's Self Help Group development fund should expand the reach of the 4.6 million SHG's in India-25% of which are in Andhra Pradesh,-and help reduce their interest rates.

The above majority of the studies simply demonstrate that SHG's are playing a vital role in extending macro-finance to the rural poor. The functioning of SHG's has been based on participatory mechanism and therefore the impacts of SHG's on its members in terms of empowerment, accessibility to credit, socio-economic change etc. Hence the present study was undertaken with an objective to fill the gap in the existing research. Therefore the present study differs from previous studies in terms of its nature, scope of the study.

OBJECTIVES OF THE STUDY

1. To study the impact of SHG bank linkage programme on women SHGs empowerment in Nizamabad District
2. To analyze the economic gains derived by the members after joining the SHGs.
3. To study the economic development of women through Self Help Groups in Nizamabad District

DATA COLLECTION

The study is based on both the primary and secondary sources of data. In order to collect and gather primary data, field observation and structured Questionnaire survey methods were employed. In addition, information was also collected through discussions and interviews with local NGOs. Secondary data gathered from the records of SHGs and Society for Elimination of Rural Poverty (SERP), District Rural Development Agency, District Statistical Hand Book, Director Census Operations, Govt. of TS Hyderabad and various websites.

METHODOLOGY & SAMPLE DESIGN

Nizamabad district in Telangana was purposefully selected for the study. The present study has covered 3 mandals in Nizamabad district that is Dichpally, Kamareddy and Banswada. The district is one of the pioneering districts for the implementation of Development of Women and Children in Rural Areas (DWCRA) as pilot project in the Telangana state. Multi-stage stratified random sampling technique used in the study.

Table 1: Sampling Frame of the Study

MANDAL	SHGs GROUPS	SHGs MEMBERS
Dichpally	2	15
Kamareddy	2	16
Banswada	5	29
TOTAL	9	60

Source: Primary Data

Table 2: Structure of SHGs in the study area

Particulars	Dichpally	Kama Reddy	Banswada	Overall
Membership Avg. No.	7.5	8.0	5.8	7.1
Savings per SHGs (in Rs.)	13633	6033	7150	8938.67
Loan Avg. (in Rs.)	17566	9954	12750	13423.33
Frequency of Group Meetings (Percentage)				
Weekly	12	8	16	12
Fortnightly	21	14	36	23.67
Monthly	14	10	64	29.33

Source: Primary Data

The structure and characteristics of Self -Help Groups in the study area is presented in Table No.2. It is noted that the average membership per SHG is 7.1 The study reveals that, the average membership of SHGs is highest in KamaReddy Mandal i.e. 8, and Banswada Mandal has lowest membership (5.8). Most of the members agreed that their motives in joining SHGs were to save money. Some of the members said, they were joined in the SHGs to get credit to meet the unexpected cash demand for Domestic consumption and other purposes. Few opined that it leads to social empowerment. The overall average savings per SHG was Rs . 8938.67. It varied from Rs. 6033 in Kama Reddy to Rs. 13633 in Dichpally Mandal. The average of savings per member Rs. 446.93 The percentage of frequency of group meeting by SHG indicated that, most of SHGs commonly followed fortnightly meetings which are arranged regularly by NGO and Groups. The absentee member has to pay a fine of Rs. 2 to the Group. The overall average amount of loans per SHG was Rs.13423.33 and the highest average loan held by Dichpally mandal i.e. Rs.17566 and the lowest of Rs.9954 in Kama Reddy Mandal.

Table 3: Purpose-wise Credit Demanded by SHG Members

Purpose of use (in percentages)	Dichpally	Kama Reddy	Banswada	Overall
Domestic Consumption	57.66	47.89	58.39	54.65
Health	3.73	8.87	4.6	5.73
Festivals	10.00	12.3	11	11.1
Redemption of Old Debts	23.12	22.56	18.12	21.27
Other purpose	5.49	8.38	7.89	7.25

Source: Primary data

Generally, after six months operations of savings account , the savings are pooled and used for internal lending among the members. The amount of loan and number of loans are decided by the members themselves depending on their needs and urgency. The purpose-wise credit demanded by the SHG members from the SHGs is given in Table No 3. It is observed that most of the members have demanded credit for domestic consumption purposes. It is highest in Banswada mandal (58.39%) followed by Dichpally (57.66%). Reasonable proportion of SHG members have demanded credit for other purposes. This percentage is highest in Kama Reddy (8.38%) and lowest in Banswarda Mandal (7.89%). A proportion of credit was demanded by the SHG members for repayment of old debts and a less proportion of loan is demanded for festival and health purposes. From the table it is clear that a larger share of credit demanded by SHG members is being utilised for domestic consumption purposes followed by repayment of debts and others.

Table 4: Economic Activities of SHG Members

Economic Activities (in percentages)	Dichpally	Kama Reddy	Banswada	Overall
Collection and marketing of Minor Forest Products	61	58	62	60.33
Individual Business	9	14	11	11.33
Dairy	13	17	12	14
Others	2	3	5	3.33

Source: Primary data

Table No.4 Economic Activities reveals that, most of the SHG members are engaged in the collection and processing of minor forest products. These products include broom making, cashew, turmeric, tamarind, khalli (leaf plates), raw broom, amla, etc. Some of the members are engaged in individual businesses like preparing pickles, papads, haldi powder, wax, making bags, vegetable business, tailoring, pan shop, etc. They are also engaged in poultry, dairy and goatery business. Some are engaged in other activities. As there is a good demand for milk products, they are preparing sweets with milk, ghee, etc. and are getting good price. They earn about Rs. 600 to Rs. 1000 per month through these activities.

Table 5: Benefits Derived by SHG Members

Benefits (in percentages)	Dichpally	Kama Reddy	Banswada	Overall
Habit of Savings	31	32	34	32.33
Economic Independence	23	19	21	21
Self-Confidence	13	16	13	14
Social Cohesion	11	5	15	10.33
Freedom from Debts	10	8	7	8.33
Additional Employment	5	6	3	4.67
Asset Ownership	7	14	7	9.33

Source: Primary data

Table no. 5 reveals that, various benefits reported by all the members is mobilising creating an interest for saving of money (32.33%) ranked first, followed by Economic Independence (21%), Self-Confidence (14%), social cohesion (10.33%), asset ownership (9.33%) freedom from debt (8.33%), , additional employment (4.67%).

WOMEN EMPOWERING ACTIVITIES:

1. Overcoming the resistance from husband and other members of the family to join the SHG.
2. Increased participation in decision-making within the household to issues that were usually considered outside the domain of woman.
3. Improved status and increase in respect within the household.
4. Feeling fearless, open and confident.
5. All group members learn to sign their names and some have joined adult literacy programs.
6. Adopting family planning measures.
7. More mobile, can move out of the house and the village more frequently.

8. Talking to the male persons in their village, which they were not confident to do before because of cultural reasons.
9. They have more information about the government programmes due to their exposure and can apply them for their own betterment and the benefit of the community.
10. Actively participating in the decision to send their children to school.
11. Some women can actively engage in the decision of their marriage with the elders in her household.
12. Awareness about politics and engaged in political participation by way of voting or directly, by standing as a candidate in the local elections.

FINDINGS OF THE STUDY

Based on the interviews and discussions with the group members, NGOs field workers and questionnaire survey results, the following findings emerged.

1. The social profile of SHG members indicates that, more than 50% of members are tribal, The overall literacy rate is only 7.43 percent.
2. It is found that the operational efficiency and group dynamics of the SHGs are not same in all Mandals. This could be attributed to several factors like background of SHG formation, internal problems, effective leadership etc.
3. It is observed that the average membership in SHG was around 7%. The members had joined the group in order to earn more income, promote savings habits and to develop collective economic and social activities. So far as the frequency of group meetings are concerned, it is observed that fortnightly meetings were the most common.
4. These Groups maintains cashbook, bank accounts and attendance registers. The member's in-charge of accounts are being given training in bookkeeping by the CCD. But the member who looks after all these secretarial work is not paid any financial incentive.
5. From the study, it is found that individual members contribute Rs. 10 to Rs.100 per month. 70 percent of SHG circulated thrift and their period of circulation was monthly. Accumulated savings of members distributed as loan to needy member at lowest rate of interest.

SUGGESTIONS

1. Literacy and numeric training is needed for the poor women to get benefit from the micro-credit schemes. Training in legal literacy, rights and gender awareness are important complements to micro-credit for the empowerment of women. The members should be given necessary training and guidance for the successful operation of the group.
2. The bank should be advance adequate credit to the SHGs according to their needs. The procedure of the banks in sanctioning credit to SHGs should be simple and quick.

3. Marketing facilities for the sale of products of SHG may be created. Periodical exhibitions at Mandal level may be organized where the products of SHG can be displayed.
4. Meetings and Seminars may be organized where the members will get a chance to exchange their views and opinions to develop their group strength by interactions.
5. Active intervention by district administration, professional bodies and voluntary organizations is precondition for the successful concept ion of micro enterprises in terms of skill training, designing products, providing new technology and access to market.

CONCLUSION

Various government departments have been spending lots of amount on various developmental schemes devised for the benefits of the rural poor. But the ground reality is that despite spending massive resources, the government departments often fail to provide the desired results targeted for the poor and the only reason for their failure is that these development programs are implemented without sharing of the vision by the stakeholders. Success stories spread all over the country amply prove that SHG model can be very effectively used for poverty reduction especially in rural areas.

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