

Self Help Groups and Microfinancing: Insights from Aurepalle Village, Andhra Pradesh

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Abstract

Results of this investigation reflect that the microfinance through SHGs in Aurepalle has laid a firm foundation to change the village socio-economic system. The investigation indicated that previously the women in Aurepalle village were relegated to the background with little ability to raise their voice because of a mix of factors including their lack of education, conventional social barriers, no availability of employment, very low levels of incomes and inaccessibility to financial resources. The results of this study indicate that the SHGs have provided them with an effective institutional mechanism for unification of women on a common platform. Information gathered in this study showed that the SHGs have enabled the members in the SHGs to inculcate the savings habit which in turn has enabled to borrow from institutional finance at low interest rates, acquire information and knowledge on a number of village related activities, adopt income generating livelihoods and to achieve higher levels of incomes and better family welfare. The microfinance led group process has allowed the women members to take their own, informed decisions on issues affecting their own destiny. This in turn has provided substantial change at the household level as well as at the community level in Aurepalle village.

The study findings suggest several areas that may be adopted in Aurepalle for achieving better results. Such improvements include areas such as training the group members and office bearers on their roles and responsibilities, keeping accounts and maintain transparency and financial viability in their accounting systems in, building linkages between village level income generating activities to commercial activities outside the villages, exposure to good practices.

1. Introduction

Poverty and unemployment are major problems in most developing countries. In India at the end of ninth five year plan, 26.1% of the population was reported as living below poverty line. Poverty is particularly a critical problem in rural areas where 27.1% of the population is living under poverty and the overall unemployment rate in the rural areas is estimated to 7.3%. The female unemployment rate among the rural population in India is slightly higher (8.5%) than that of males and this appears to be rising. The rate of growth of women unemployment in the rural area is 9.8%. (Sabyasachi Das. 2003). The women population in the rural areas is also characteristic of their low levels of literacy. During the last 20 year period, one of the important basic development approaches used in India to reduce poverty and unemployment problem, among women in rural areas has been to adopt the strategy of establishing the Self Help Groups (SHGs). Currently, this approach is widely used as a means of poverty reduction in a number of countries outside India, including Sri Lanka. SHGs were first initiated in Bangladesh in 1975. This approach gradually adopted in India and in the 1990s it was extensively used as an efficient means of women empowerment. Currently it is a common approach in a number of states in India receiving major attention of large donors including The World Bank.

SHGs are primarily a village level; women based group activity based on three interrelated and closely linked functions: (i) savings, (ii) credit (Borrowings) and (iii) Income Generating activities (IGAs). It's functioning is based on micro-finance principles, and built on a smaller number of likeminded, socially homogeneous set of members with common interests. Each group typically comprises of about 15 women members who belong to the poorer families in the village. It is compulsory for all members to contribute weakly, a specific amount of money to the common fund within the group as their weekly savings. As the community savings become adequately large, the group is eligible to established linkages with the Banking system and to receive a loan from the Bank at a concessionary interest rate. The loan is then used to provide credit needs of the members who in turn would invest the money in income generating activities. The group if formed voluntarily on the foundation of trust and commitment. They mutually agree to save a small sum of money monthly in order to obtain a decent loan later on. The

trustworthiness and cohesiveness of the group ensure that the interest and loan installment are met at regular timings.

Currently, in India, most of the development agencies are implementing livelihood improvement and income generation activities supported by microfinance activities. In this approach, the establishment of Self Help Groups (SHGs) plays a key role by serving as an effective institutional base that will enable the poor households to work together and to mobilize their savings. The savings generated would then be used to by the women beneficiaries to obtain loans from formal credit sources. The process would enable the SHG members to invest on small scale income generating activities that will provide a regular source of income.

1.1 Study Scope and Genesis

The present study is basically designed to understand how the SHGs and micro finance activities are functioning in the village of Aurepalle and to see to what extent the SHGs and microfinance systems are helping the village population to improve their livelihood and to empower them. Aurepalle village is remote village, located in Mahabubnagar in Andhra Pradesh. It is one of the six villages included in the Village Level Studies (VLS) programme of ICRISAT and monitored over the past 30 years. The data gathered through the VLS suggests that in terms of women empowerment, Aurepalle village have a pioneering role.

1.2 Objectives of the Study:

The main objective of this analysis is to ascertain the functioning of the micro finance activities in the in the Aurepalle village.

More specifically, the investigation will seek to:

- I. Examine the Organizational, institutional, procedural and operational aspects of SHGs with a view to understand their effectiveness as tool for developing the economic and social well being of the poor women in Aurepalle village.

- II. Understand the operational and functional features of micro finance activities adopted by the SHG members in the village and also to examine the roles and responsibilities of the SHG members in carrying out micro finance activities in their village.
- III. Assess to what extent the strategy of introducing SHGs and Microfinance programme in Aurepalle village have contributed to uplift the livelihood activities and to improves the economic well being of the SHG members.
- IV. Identify the overall results emerging from implementing the SHGs and the micro finance programme in the village, key constraints/issues, and suggested solutions.

1.3 Research Hypothesis:

This paper will aim to test two research hypotheses:

- a. The model of SHGs is an effective tool for improving livelihood patterns and living standards of the women.
- b. Microfinance through SHGs is an effective mechanism of alleviating poverty.

1.4 Study Methodology:

Primarily because of the time and resource limitations and other logistical constraints, the case study approach involving a single village, will be adopted in this study. Information gathering was undertaken in the month of July 2009 with two visits to the village and to undertake Focus group discussions with two main groups: (i) women belonging to SHGs (ii) women who do not belong to any SHG programme and (iii) the spouses of the women who belong and do not belong to SHGs. The group interviews were undertaken through local interpreters using guided questionnaires prepared for the three groups. (Annex 1). Each discussion group consisted of about 15-18 women from different SHGs. The motivation for choosing the second group was to compare it with the group of the SHG beneficiaries and to get

the real impact of the SHG programme in the village. The spouses were interviewed for the purpose of identifying any external factor that persuades the women to join SHGs.

Mainly because of the nature of the issues investigated, most of the data gathered through the interview involved qualitative data. The data gathered from the group discussion were supplemented by the information provided by the resident data collectors in the village. In addition, the statistical information gathered through the VLS programme since 2005 as well as published documents were also used in this exercise.

1.5 Report Organization:

This report is organized in 5 main sections... The second section is devoted to a descriptive account of the social, institutional and economic and other key information on Aurepalle village with a view to serve as background information. The third section focuses on the details of the functioning of the SHGs and microfinance activities in the village. The fourth section of the report provides insights in to the operation of the micro finance organizations in Aurepalle and their functioning. The fifth and the final part deals with the summary of the findings, the lessons learned and suggestions for improvement.

2. A Brief Village Profile of Aurepalle

2.1 Employment Details:

In Aurepalle, 46% of the household population engages in agricultural activities and 25.3% engage in caste occupation as their main source of income. The prevailing water scarcity and receding water levels, inadequate income received from crop and livestock enterprises have resulted in the households to look for alternative occupations. Therefore 54% of the sample household population forms an informal service sector.

Table 1: Distribution of sample households by occupation, 2001-2004

Primary occupation	%
Agriculture	46 (46)
Labour	23(23)
Business	3 (2.7)
Service	0 (0)
Caste occupation	25 (25.3)
Others	3 (3)
Total	100 (100)

**figures in parentheses represent percentages to the column total.*

(Source: Rao and Kumar 2007)

2.2 Demographic Characteristics:

Aurepalle village has a small average family size of 4.41 when compared to the other 5 villages in the VLS survey. The average literacy rate in the village is 44%. However there is a visible gender inequality in education when compared to the other villages, especially in the district of Maharashtra.

Table 2: Family size and literacy levels of sample households, 2001-2004

Attribute	
Total family members	441
Average family size	4.41
Proportion of literates	43.71%
Distribution of literates (%)	
Primary school	57.07
Secondary schools	15.93
High school	17.99
Intermediate	7.39
Graduation	1.03
Post graduation	0.58
Literacy rate of young adults	70.73
Literacy rate of young females	51.44

**young adults are in the age group of 5-30 years*

(Source: Rao and Kumar 2007)

2.3 Incomes, Consumptions and levels of Poverty

Table 3: Share (%) of different sources of income of net annual income, 1975-78 and 2001-2004

Source of income	1975-78	2001-04
Crops	29.8	-4.5
Livestock	25.5	10.6
Farm labour	32.8	19.1
Non farm labour	11.6	8.9
Caste occupation	-	29.2
Migration	-	12.6
Other non farm activities	0.3	24.1
Total	100	100

(Source: Rao and Kumar 2007)

Table 4: Household and per capita income (Rs. per year), 1975-78 and 2001-04

	1975-78	2001-04	% increase
Net household income	16117 (2361)	25814	60.2
Per capita income	2883	5854	103

(Source: Rao and Kumar 2007)

Table 5: Estimate of income poverty

No. sample households	Number of poor	%
100	44	44

(Source: Rao and Kumar 2007)

(All households with an annual income of less than Rs. 20000 have been categorized as poor)

2.4 Labour Migration

Table 6: Migration of labour in Aurepalle

No. of migrants per household	0.4
Annual employment (days)	78
Annual income (Rs)	5103
Earnings per day (Rs)	65.4
Distance traveled (km)	18

(Source: Rao and Kumar 2007)

2.5 Health and Sanitation

Table 7: Nutritional status of households, 2001-04

	Calories	Protein (g)
Consumption per day	2409	50
Malnutrition level (% of households)	39	54

(Source: Rao and Kumar 2007)

- Malnutrition level is when calorie intake is lower than 2000 per day and protein in the than 50g per day.

3. The Functioning of SHGs

This chapter is designed to describe the operational features of the SHGs.

3.1 SHGs- a brief overview:

Andhra Pradesh is India's fifth largest State with a population of 76 million of which 3/4th live in 26500 rural villages. There are more than 25 lakh SHGs in the country, ninety percent of them are women Self-Help Groups. There are about 4.65 lakhs women SHGs in Andhra Pradesh covering nearly 61.7 lakhs poor women. Therefore Andhra Pradesh alone has about half of SHGs organized in the country. This research paper will analyze the microfinancing aspects these groups.

Women SHG models were initiated by the National Bank for Agriculture and Rural Development (NABARD) in the early 1990's with the primary aim of economically empowering women through methods of thrift and savings. SHGs are also popularly called DWCRA (Development of Women and Children in Rural Areas) groups. Since its inception these microcredit institutions have evolved to be an efficient and fast spreading tool for economic independence and empowerment of women. A majority of women lack the basic resources and assets required for general well being and economic upliftment. To fill in this void SHG emerged as a mean of providing economic independence, self employment, entrepreneurial development and a confidence booster. Since the SHG movement is mainly associated with microcredit and thrift and is therefore mostly examined in an economic framework.

As most poor women are illiterate with very low credit worthiness they resort to borrowing money from the local money lenders in times of need. These money lenders charge atrociously high interests rates which begin the vicious cycle of one's indebtedness piling on top of another.

The SHG model at Aurepalle functions in a simple manner. Two leaders are elected for the group on a consensus basis once every five years. The leaders play the most active role in collecting each member's monthly savings, opening accounts and depositing the savings and

finally distributing loans to group members. Due to the trust and cohesiveness of the group loan repayment is regular and periodic. As the group's fund grows, so does its credit worthiness which in turn finally results in Bank's granting them loans. In other words, SHG models have now formed as a link between the mainstream banking system and the women in rural areas.

The SHG model is also federated into larger organizations. About 15-50 SHGs make up a Cluster or Village Organization (VO) with either one or two representatives from each SHG. Depending on the spread of geography, several clusters or VOs come together to form an SHG federation. An SHG Federation can be categorized as a formal group of informal common interests groups. In Andhra Pradesh, the Village Organizations, SHG Clusters and SHG federation are registered under the Mutually Aided Co-operative Society (MACS) Act 1995.

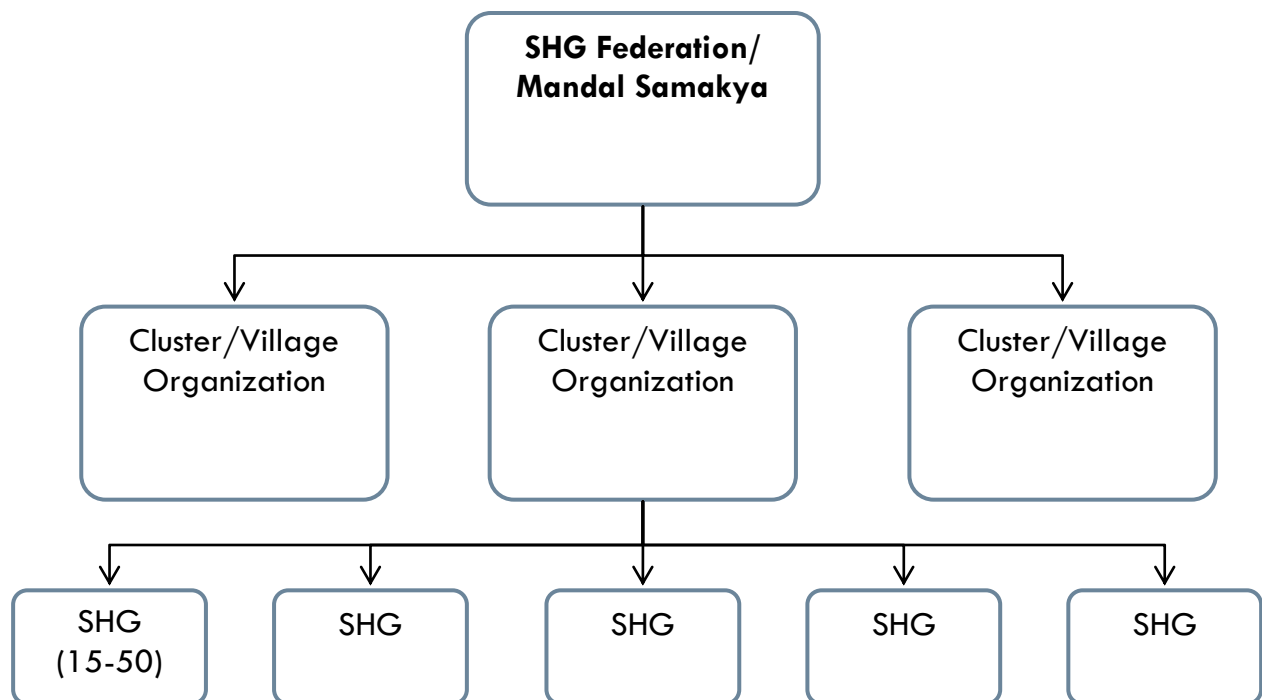


Figure 1: Organizational Structure

At the cluster and federation level there are inter-group borrowings, exchange of ideas, sharing the costs and discussion of common interests. There are typically various sub committees that deal with a variety of issues including loan collections, accountings and social issues.

The Aurepalle women have a mandatory savings of Rs.100 per month to the capital fund during peak labour season. This fund is then rotated internally among members and the loans are used for consumption needs or investing activities ranging from their children's education, agricultural activities, livestock and tailoring. In this way SHGs have become one form of implementing microcredit schemes to address poverty.

However, the evaluations of SHGs are a contested terrain because data and outcomes will have various meanings, depending on the particular situations or perspective. Poverty is generally measured in terms of absolute or relative poverty. Absolute poverty refers to a set standard which is consistent over time and between countries. Relative poverty views poverty as socially defined and dependent on social context, hence relative poverty is a measure of income inequality. Usually, relative poverty is measured as the percentage of population with income less than some fixed proportion of median income. However, a more relevant poverty indicator in terms of SHG movements is Sen's (1999) classification between income poverty and capability poverty. Income poverty refers to income level and deprivation while capability poverty refers to inadequacy in capabilities, human capital (skills) and social capital (community networks and strength of support). Eliminating capability poverty is essential for effective female poverty alleviation. Community development such as the ability to exercise one's rights, make choices, exercise power and increased participation paves way for alleviating capability poverty (Rees 1991). Rees states that the capacity to change or influence structures that affect one's living conditions and well being is called empowerment.

Out of the total female population of India, 77% live in rural villages (Raveendaran et al 2002). Due to practices such as female foeticide and infanticide there are relatively fewer females than males. The general stereotype of a rural woman is one of which when she gets married, the woman is treated as an economic commodity in the husband's family (the dowry system), education is not considered a priority for women, women eat their meals last after ensuring that

the family had access to nutritional food first and so forth to name a few. However these features are more poignantly seen in rural caste women. These women with insignificant economic status are much ignored by development programmes. Shiva (1998) refers to this phenomenon as ‘maldevelopment’.

Hence the initiation of SHG challenge the oppression, more access to resources and gives additional benefits to their families and communities. The general objectives of the SHG programme in India relate to social empowerment (equal status, participation in decision making), economic empowerment (access to and control over resources, reduced vulnerability and increase in income) and capacity building (Increased skills, knowledge, self and mutual help and leadership roles) (TNCDW 2000). In conclusion SHGs have become more than just a financial intermediary, instead they have emerged into a more political and social unit in society.

3.2 SHGs in Aurepalle

The women of Aurepalle began SHGs in 1995 mainly to obtain a systemized process of saving and to obtain credit facilities. There were 5 groups at its inception and currently its formation has expanded to 24 groups.

Table 8: Functioning SHGs in the Aurepalle village

Average maximum loan obtained by a SHG (Rs.)	No. of SHGs
40,000-50,000	2
60,000-70,000	5
80,000-90,000	11
100,000- 110,000	3

(Source: Primary data 2009)

3.3 Working of SHGs

The group formation is based on mutual trust and commitment. The members come together based on their friendship with one another. There are no class or caste barriers for membership as long as members are between the ages of 18-59 years. Two group leaders are elected per group on a consensus basis once every five years. The group meets for discussion once in 2 weeks to discuss group funding, loan repayments, new credit lines and improved livelihoods. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment (N.Lalitha) The women deposit their savings at the State Bank of Hyderabad, Madgula branch. The leaders of the groups have received a training form the government officials as how to open up accounts, depositing cash and the process of obtaining loans.

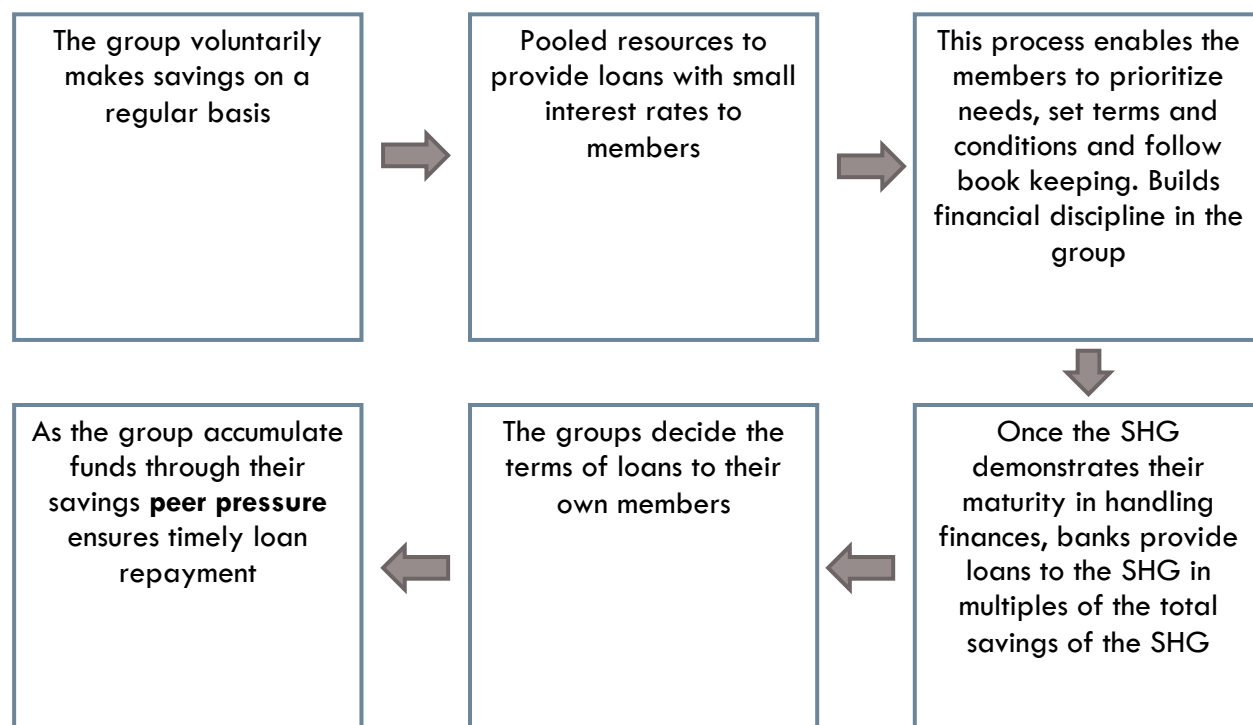


Figure 2: Process of obtaining credit

There was no report or any drop outs of members after some time. The longer a woman is a member in a SHG the higher the benefits received will be. Especially in terms of pension schemes (Abhaya Hastham scheme). There were only two incidents reported of two SHG groups which ceased to function. The leaders of the 2 groups had moved to another village with the group's funds. Since this incident the members of that group have been reluctant to invest their savings again in a new group due to the fear of being cheated again.

Due to the benefits received to SHG members the continuity of the group is sustained. Almost all groups have the maximum number of members a group can have. Non SHG women are keenly looking for a group to join.

3.4 Functions of SHGs

- Each member saved Rs.100 a month as compulsory savings. This is included to the group's savings fund.
- Loans are provided on very concessionary interest rates. Such as loans for livelihood diversification at 6%, other loans provided by the Govt at 12% and loans based on each groups capital funds at 24%
- Loans of Rs.10,000 with no interest charge for each person (only the initial few groups receive this)
- LPG gas cylinders are given to SHG members
- Loans to buy grains for household consumption
- Housing loans
- Rations cards

In 2009 are there 3 more added benefits to SHG members:

- Abhaya Hastham- this is a pension scheme for SHG members who are over 60 years of age. Each member receives a minimum pension of Rs.500 per month. For members who were in the group since the age of 18 are entitled to a bonus of up to Rs.2200 per month.
- Scholarships are given to the children of SHG members from 9th standard up to graduation
- In the case of death of an SHG member the groups' savings, the recent loan amount taken and a waiver of loans is given to the member's family.

Due to these functions there has been a rapid expansion of SHGs in the village with 8-10 groups forming over the last 2 years. The women state that they are more economically empowered with increased confidence levels and their ability to contribute to the household economy. The women present at the group discussion strongly recommended that other women in the village should also become members of a group.

3.5 The results of the SHGs in Aurepalle:

This investigation was directed to see what benefits it has accrued to the village. Evidence gathered on SHGs and microfinance suggest that with the help of these micro credit schemes, in particular, rural women becoming more independent and are empowered to make their own decisions.

The improvements on their socio-economic conditions can be summarized as follows:

- For the first time in their lives, disadvantaged rural women have organized themselves into groups.
- Promotions of savings and credit in IGA's and SHGs have brought more economic development and independence to these women and their families.

- Formations of SHGs have facilitated participatory activities and social interactions. Provides a forum to initiate many participatory activities.
- With increased incomes children are receiving a better education.
- Provide higher confidence and social status, to women in their communities. Encourage women to participate and contribute to social matters in their village.
- They now have a role in the decision making process in the household level as well as the village level- fund collection, allocation and usage. Women now contribute to household income.

These studies also suggest that the SHGs in fact are enabling the women in Aurepalle to have a better control of their lives in general, and to access to a wider set of decisions that make the standards of life better. Data gathered also suggested that SHGs assist the households too substantially to increase their household incomes.

4. The Organization of Microfinance in Aurepalle

4.1 Microfinancing and SHGs:

Over the past quarter century, microfinance activities have evolved across India into various operating activities with varying degrees of success. One such scheme is the SHG model of microcredit.

In the SHG model around 15-20 women form a small cohesive group built on mutual trust and reciprocity. Each member contributes a monthly sum towards the group's fund and once a sufficient amount has been collected the group will distribute it as loans among the members. Due to the foundation of trust within the group, each member pays back the loan periodically and diligently. Once the capital fund has expanded into a credible amount the mainstream Banks will grant the group a larger sum of loans. Thus SHG have emerged as an efficient tool for reducing poverty level.

The Government of India announced 2005 as the Year of Microfinance. The policy environment has been extremely supportive for the growth of micro finance institutions and hence there has been an expansion in the spread of SHG across India. Credit came to be recognized as a remedy for many ills of poverty. This included credit packages and programmes customized to the perceived needs of the poor. In 2005, the annual budget also mentions that microfinance institutions are eligible for external commercial borrowings which would allow them and Banks to do business thereby increasing the capacity of micro finance institutions. Also the budget states that there are plans to introduce a microfinance act that would provide some regulation on the sector. At present, SHGs and micro finance institutions are two dominant forms of microfinance in India.

A milestone in the SHG movement was when NABARD launched the pilot phase of the SHG Bank Linkage Programme in 1992. This was the first instance of SHGs that were directly financed by a Commercial bank. The informal thrift and credit groups of poor were recognized as bankable clients. Soon after, the Rural Bank in India advised Commercial banks to consider

lending to SHGs as part of their rural credit operations thus creating SHG Bank Linkage. The linking of SHGs with the financial sector was good for both sides. The banks were able to tap into a large market, namely the low-income households, transactions costs were low and repayment rates were high. The SHGs were able to scale up their operations with more financing and they had access to more credit products.

The following is an extract of a study conducted by the Andhra Pradesh Mahila Abhivurdhi Society (MASAP) during 2003. Here a bank linkage in Andhra Pradesh covering a sample of 400 banks linked SHGs. The study clearly indicated that the repayment rates were high and that the bank linkage made difference in the lives of the SHG members. However, the study also pointed out certain issues that require attention. These include adequacy of loan size, timeliness of credit and also the need for branch manager or the promoter undertaking a rating before the SHG is bank linked. The following were the major findings of the study:

- Average Savings per SHG – Rs. 23,000, average loan size Rs. 31,000.
- 50% of SHGs practice equal distribution of bank loan.
- Only 50% SHGs felt that the loan size was adequate and 54% studied SHGs were first time linked.
- It takes more than four months for an SHG to get a bank loan.
- No post linkage follows up by banker and others.
- Only 22% of bank linked groups are apprised by banker, etc.
- Idle fund of bank linked SHGs average – Rs. 5,300
- Leaders dominate and have 30% loan on them.
- 12% SHG default to banks – repayment problem.
- 10% SHGs reported that they were forced to take loan.
- High percentage of SHGs participates in Government Programs.
- Banker's attitude is still an issue.

(Source: Reddy and Manak 2005)

4.2 Microfinance as a strategy for empowering women

In the cultural context of India, most rural women are credit constrained, limited decision making and bargaining power within the household and they have limited access to the labour market. Some argue that women are amongst the poorest of the poor and the most vulnerable of the underprivileged and thus helping them should be a priority (Swain 2007). Hence providing microfinance to these rural women through the mechanism of Self Help Groups has been hailed for its positive economic impact and the empowerment of women.

The concept of empowerment has different dimensions of interpretation. Empowerment refers to increasing the spiritual, political, social or economic strength of individuals and communities. In economic development, the empowerment approach focuses on mobilizing the self-help efforts of the poor, rather than providing them with social welfare. The empowerment process enables one to gain power, authority and influence over others, institutions or society. Empowerment is probably the totality of the following:-

- Having decision-making power of one's own
- Having access to information and resources for taking proper decision
- Having a range of options from which you can make choices
- Ability to exercise assertiveness in collective decision making
- Having positive thinking on the ability to make change
- Ability to learn skills for improving one's personal or group power.
- Ability to change others' perceptions by democratic means.
- Involving in the growth process and changes that is never ending and self-initiated
- Increasing one's positive self-image and overcoming stigma
- Increasing one's ability in discreet thinking to sort out right and wrong

In short, empowerment is the process that allows one to gain the knowledge, skill-sets and attitude needed to cope with the changing world and the circumstances in which one lives.

Hashemi et.al (1996) investigated whether women's access to credit has any impact on their lives, irrespective of who had 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 as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations.

Micro-financing by the SHGs has given the women in the village and their families a new gateway to create new livelihoods and a source of credit in case of emergency need. It has also created a foundation for the women in the village to be more empowered, take part in the decision making process in the household, contribute to the income stream in the household and put their talents to work in the mode of a livelihood.

The women of Aurepalle are very dynamic and tacitly knowledgeable. The women have mostly invested on their children's education or on income generating activities. Few were interested on purchasing jewellery or using the funds for consumption purposes.

Due do the loan installment being very small and a manageable amount every month, the probability of loan defaulting was very low. Also since the groups are formed cohesively on personal relationships the members of the group ensured that each member is keeping accordingly to the repayment requirements. Therefore the groups efficiently functions in terms of credit worthiness.

The rural women lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Therefore microfinancing through SHG is a provision for a wide range of financial services to the poor.

Another issue that needs further investigation is whether without change in the macro environment, microfinance reinforces women's traditional roles instead of promoting gender equality? A woman's practical needs are closely linked to the traditional gender roles, responsibilities, and social structures, which contribute to a tension between meeting women's practical needs in the short-term and promoting long-term strategic change. By helping women meet their practical needs and increase in their efficacy in their traditional roles, microfinance can help women to gain respect and achieve more in their traditional roles, which in turn can lead to increased esteem and self-confidence. Although increased esteem does not automatically lead to empowerment it does contribute decisively to a woman's ability and willingness to challenge the social injustices and discriminatory systems that they face (Cheston and Kuhn, 2002).

Finally, it is important to realize that empowerment is a process. A positive impact on women empowerment may take time.

5. Summary of Findings, Concerns and Suggestions for Improvements

- SHGs economically empower poor rural women to gain economic strength as a group
- SHGs reduce transaction costs for borrowers and lenders. Lenders now only have to handle one single SHG account rather than a numerous number of small individual accounts. SHG members can now borrow money with less traveling to the bank and less paperwork thus reducing the transaction costs on the borrower's side. The members also enjoy the advantage of reduced canvassing to obtain credit.

5.1 Concerns:

1. Elitism – Some groups seemed to have members who were relatively financially well off or belonged to a higher caste. Contradicts the main purpose of forming SHGs.
2. Leadership dominance
3. Domination by husbands
4. Some loans obtained through SHGs are used more by the husbands than the women itself.
5. Women who did not belong to SHGs are more of the backward and timid women. They find it more difficult to organize themselves into groups due to the social dynamics.

5.2 Suggestions:

1. Mere financial assistance does not necessarily help the women. Need for support such as training, skill, up gradation and marketing strategies.
2. Before introducing the credit programmes, officials first need to educate the group members on the principles of microfinance.

3. Members should be knowledgeable about group dynamics, democracy and electing leaders.
4. Transparency of SHG activities to every member- Equal access to information, regular meetings, announcements, maintaining open books, displaying the list of loans obtained and their repayment status.
5. Only the leaders of the group play the active role. Responsibilities should be delegated to other members as well.
6. Equity - Each member should benefit equally.
7. A third party audit should be performed at least once a year. Follow good accounting practices.
8. Group accountability should be practiced whenever possible.
9. Effectiveness of the SHG will be increased as the inclusiveness on the members is increased- no caste/class barriers.

5.3 Conclusion:

1. SHGs are an important strategy to mobilize savings, credit and to initiate IGA.
2. SHGs are an important vehicle for mobilizing women activities in the village and promoting social empowerment.
3. SHGs are an effective tool for implementing govt. welfare schemes.
4. In order to be effective, the process of SHG formation needs to be carefully mobilized in its early stages.
5. The effectiveness of the loan obtained varies from member to member depending on their backgrounds.

6. Microfinance in SHGs is the foundation for all round benefits (Information exchange, nutrition, health and sanitation etc).

SHGs have become a dominant, important and effective means for empowering women. When run on participatory lines and within enabling partnerships, they can enable the strengths of women in India to transform their position away from being marginalized and towards change agents and participating citizens.

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