

# **Empowerment Of Women Through Microfinance - A Case Study Of Ranga Reddy District, Andhra Pradesh**

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## **INTRODUCTION**

In the process of socio - economic development of any country, the empowerment of women plays a major role. In the context of national development, women's participation in economic activity is of crucial importance. Though women comprise of 48% of the country's population (i.e. 496 million as per the 2001 census), yet they are among the poorest of the poor, they are among the malnourished and underfed. Most of them have no say in any matter in their household. Thus women, even today, continue to be the most hapless beings in the society. In general, banks or any financial institutions do not give money to the poor and women, in particular. It is mainly because women do not have any collateral securities to offer and they find the bank proceedings too complicated. With the increase in the literacy rate among the women, it necessitates the society to empower them and make them self-reliant.

The early nineties saw the reshaping of strategies of socio- economic development and the emphasis gradually shifted from '*development*' to '*empowerment*'. In this regard, the government of Andhra Pradesh has taken up the theme of women's empowerment as one of the measures to tackle the socio - economic backwardness.

Empowerment (Bhasin & Dhar, 1998) is an ongoing and dynamic process, which enhances women's and any other marginalized and alienated group's abilities to change the structures and ideologies that keep them subordinate. It is the process of making present power structures more inclusive, including all women and men, senior citizens, *dalits*, indigenous people and people with disabilities. Empowerment is, therefore, clearly concerned with power, and particularly with the power relations and distribution of power between individuals and groups.

Among the financial institutions serving poor households around the world, the micro finance programmes have emerged as important players. These programs typically make available small loans and sometimes large loans, available to households lacking access to formal sector banks. The premise behind such targeting are twofold:

**(1)** Micro finance is an effective tool in improving women's status and,

**(2)** Overall household welfare is likely to be higher when microfinance is provided to women rather than men.

In India, the Microfinance scene is dominated by self-help group (SHGs), which act as an effective tool for providing financial services to the poor, and Microfinance has been successful not only in meeting financial needs of the rural poor women, but also aids in strengthening collective self help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country.

## **MICROFINANCE: INTRODUCTION**

Micro Finance Institutions (MFIs) in India provide financial assistance to individuals or eligible clients who are poor, either directly or through a group mechanism. Among financial institutions serving poor households around the world, MFIs have emerged as important players. They typically provide small loans to households, lacking access to banks, for taking up self-employment to generate income and thereby, caring for themselves and their families. Thus, the poor people, who would normally be regarded as financial risks, and unable to obtain funds through conventional banks, get financial assistance from the MFIs. Most of the MFIs are in the form of Non-Government Organizations (NGOs), while there are some MFIs of companies.

Private money lenders charge exorbitant interest rates. Functionally, micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas. The typical client base of any micro finance institution is poor people, who do not have access to formal financial

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institutions. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing, petty trade, sewing, candle making, leaf plate making etc. In urban areas, micro finance activities are more diverse and include shopkeepers, service providers, street vendors etc. About 95% of the micro finance clients are women.

## BEGINNINGS OF MICROFINANCE IN INDIA

The first official interest in an informal group leading in India took shape during 1986-87 on the initiative of the National Bank for Agriculture and Rural Development (NABARD). As a part of this broad mandate, NABARD initiated certain research projects on Self Help Groups (SHGs) as a channel for delivery of micro finance in the late 1980s. Amongst these, the action research project sponsored by Mysore Resettlement and Development Agency (MYRADA) on “*savings and credit management of SHGs*” was partially funded by NABARD in 1986-87.

In 1988-89, in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association, NABARD undertook a survey of 43 NGOs in 11 states in India to study the functioning of micro finance SHGs and their collaboration possibilities with the formal banking system. These research projects were encouraging and NABARD initiated a pilot project called the SHG linkage project.

However, by then, micro financing by 'non-formal' financial organizations had already started. In this regard, micro finance in India can be traced to the initiative undertaken by the Self Employed Women's Association (SEWA), owned by women of petty trade groups, for providing banking services to the poor women employed in the unorganized sector of Ahmedabad.

Shri Mahila SEWA Sahkari Bank was set up by registering it as an urban cooperative bank. Since then, the bank has been providing banking services to the poor and self-employed, working as hawkers, vendors, domestic servants, etc. This MFI model has not been replicated elsewhere in the country, though the Working Women's Forum started promoting working women's cooperative societies in Tamil Nadu since 1980.

Shreyas in Kerala actively got involved in micro finance operations since 1988, with the objective of promoting people's cooperative habits of thrift and self-managing people's bank. At the national level, while the SHG movement had a longer history through the work of NGOs at the community level, the linking of SHGs to micro finance is of more recent origin, by channelizing micro finance through SHGs mobilized by the NGOs. MYRADA mobilized multi-purpose SHGs around group savings and introduced credit. Professional Assistance for Development Action, in a project at Madurai, formed women's SHGs to mobilize savings and rotate this as credit to group members, with the goal of forming a community banking system.

## REVIEW OF LITERATURE

✿ **Rajashekhar D. (2000)** conducted a study on “*Micro Finance Programmes And Women's Empowerment : A Study Of Two NGO's From Kerala*”, and found that Micro finance programmes are important institutional devices for providing small credit to the rural poor in order to alleviate poverty. Micro financing programmes initiated by SHGs and expanded by non-governmental organizations in several parts of India, have the potential to minimize the problem of inadequate access to banking services to the poor.

✿ **Dwarakanath H. D. (2002)** in his study analyzed the characteristics and development of self-help groups in the state of Andhra Pradesh and found that SHGs were mainly using the loan facilities from the cooperative credit banks, commercial banks, Mahila banks and Maheswaran banks, and had produced more than 50 varieties of products - such as candles, carpets, coir items, pickles, etc. In his study, the researcher found that women groups started to educate their own group members, and they also realized the importance of literacy. SHGs have a greater vision for their family, and also aimed to create awareness regarding the socio-economic and political conditions in Ranga Reddy District of Andhra Pradesh.

✿ **T. Anitha Prasad (2005)** in her study on “*Emerging trends in Micro Finance - A Case Study Of Swayam Krishi Sangam*” found that the requirements of rural poor are very small and often unpredictable. These people are bankable, almost all poor households need to save and have the inherent capacity to save, if they are properly motivated. There is increased competition among MFIs and hence, the interest rates charged have become cut-throat. It was found that Swayam Krishi Sangam has brought microfinance to the door steps of the rural poor, who otherwise had to be at the door steps of a bank. 90% of their employees were the rural poor, who understood the problems of their region, and

were willing to take initiatives for the socio- economic developments of their native place. Very young and enthusiastic employees who were in the age group of 22 to 28 years are a major strength of SKS. Their services are technology driven.

✿ **Shailaja Gajjala (2005)** in her study on “*Micro Finance: A Case Study*”, examined the differences between micro savings and micro credit. The findings of the study were mainly on Indian Public sector banks in the area of micro finance. The findings of the study revealed that micro finance gives banks link at the community level, from which financial and non financial benefits accrue to the bank, the borrower and the community. Andhra Pradesh is home to the most profitable micro finance organizations, and the maximum number of WSHGs (Women Self Help Groups) in the country.

## **OBJECTIVES OF THE STUDY**

- ✿ The objectives of the study is to assess the degree of women empowerment through micro finance schemes (SHGs in particular) in Ranga Reddy District of Andhra Pradesh and particularly :
- ✿ To analyze the role and effectiveness of SHGs in the process of Women empowerment.
- ✿ To analyze the socio-economic conditions of the members of SHGs after the formation of the group.

## **HYPOTHESES**

- ✿ **Revenue Divisions and loan amount availed by members of SHG are independent.**
- ✿ **The opinion on rise in standard of living and being a member of SHG are independent.**

## **SCOPE**

The area selected for the present study had been confined to Ranga Reddy District of Andhra Pradesh. The district occupies the 9<sup>th</sup> place in size of population as per 2001 census. The population of females to 1000 males in the district was 994 as per 2001 census. The District is divided into three revenue divisions Viz. Ranga Reddy, Chevella, and Vikarabad.

## **SAMPLING**

The study was conducted on the basis of stratified random sampling technique and a sample size of 300 women members of SHGs of Ranga Reddy District were selected. For coverage of each of the regions with equal weight, the total sample of 300 members was split into 100 members from each region.

## **DATA COLLECTION**

The data for the present study was collected through a questionnaire (Primary study) and secondary sources.

## **LIMITATIONS**

The study is mainly based on the information supplied by the respondents through questionnaires by direct interview method, rather than by direct observation - i.e. the researcher had not physically seen how members of the groups had been benefited by joining the SHGs. The possibility of mis-interpreting the responses also exists, because in many rural areas, the respondents were not able to understand the questionnaire, which was in English language, and had to translated to telugu. Hence, the possibility of loss of meaning during translation is present.

## **DATA ANALYSIS AND INTERPRETATION**

In the present study, the demographic factors such as age, family income, educational qualifications, and family size were studied. According to the age groups of the respondents (Refer To Table 1), the majority of the respondents belonged to the age groups of 30 to 40 years. i.e., 60 % of total respondents belong to this age group. This was followed by 22% of the respondents in the age group of 20 to 30 years. 12% of the respondents belonged to the age group of 40 - 50 years, and the balance 6% of the respondents belonged to the age group of 50 years and above.

**Table 1: Distribution Of Sample Respondents By Age**

Division/Age	20-30 years	30-40 years	40-50 years	50 and above	Total
Ranga Reddy	20(20)	60(60)	15(15)	5(5)	100(100)
Chevella	24(24)	57(57)	11(11)	8(8)	100(100)
Vikarabad	23(23)	61(61)	10(10)	6(6)	100(100)
<b>Total</b>	<b>67(22.33)</b>	<b>178(59.33)</b>	<b>36(12)</b>	<b>19(6.33)</b>	<b>300(100)</b>

Source: Field Investigation ; Note: Figures in brackets denote percentage to their respective totals.

The family income and empowerment are interrelated. The annual family income of the respondents is given in Table 2. Majority of the respondents belonged to the income level of ₹ 50,000 (i.e. 39% of the total respondents belonged to this income level). In Ranga Reddy division, 39% of the respondents belonged to the income group of above ₹ 50,000, followed by 23% of the respondents, who fell in the income bracket of ₹ 25,000 to ₹ 50,000 and ₹ 12,000 to ₹ 25,000 each and the balance 15% belonged to income level of less than ₹ 15,000 per annum. In Chevella division, 42% of the respondents belonged to the income level of ₹ 50,000 and above, and 15% of them belonged to the income group of less than ₹ 12,000. In Vikarabad division, 36% of the respondents' income level was above ₹ 50,000 and in the case of 20% of the respondents, income level was less than ₹ 12,000 per annum.

**Table 2: Distribution Of Sample Respondents By Family Income**

Division/Income p.a.	Less than ₹ 12,000	₹ 12,000 to ₹ 25,000	₹ 25,001 to ₹ 50,000	₹ 50,000 and above	Total
Ranga Reddy	15(15)	23(23)	23(23)	39(39)	100(100)
Chevella	15(15)	20(20)	23(23)	42(42)	100(100)
Vikarabad	20(20)	24(24)	20(20)	36(36)	100(100)
<b>Total</b>	<b>50(16.67)</b>	<b>67(22.33)</b>	<b>66(22)</b>	<b>117(39)</b>	<b>300(100)</b>

Source: Field Investigation ;Note: Figures in brackets denote percentage to their respective totals

In the process of women empowerment, educational qualification plays a vital role. The distribution of the sample as per the educational qualification is given in the Table 3. From the Table 3, it can be inferred that majority of the respondents have studied upto 10<sup>th</sup> class. In Ranga Reddy division, 51% of the respondents had studied upto 10<sup>th</sup> class. In Chevella Division, 48% of the respondents had studied upto 10<sup>th</sup> class and in Vikarabad Division, 49% of the respondents had studied upto 10<sup>th</sup> Class. The percentage of respondents who had studied upto the intermediate and above degree level was almost the same.

The duration for which the respondents had been the members of self- help groups is given in Table 4. Among the total respondents, 14.67% of the respondents joined the group during the last year, 16.67% of the respondents had been the members of the group from past 1 to 3 years, 58.67% of the respondents had been the members of the self help groups from the past 3 to 6 years, and the remaining 10% of the respondents had been the members for more than 6 years.

**Table 3: Distribution Of Sample Respondents By Educational Qualification**

Division/Educational Qualifications	Illiterate	Upto Xth Class	Intermediate	Degree and above	Total
Ranga Reddy	13(13)	51(51)	19(19)	17(17)	100(100)
Chevella	15(15)	48(48)	18(18)	19(19)	100(100)
Vikarabad	16(16)	49(49)	20(20)	15(15)	100(100)
<b>Total</b>	<b>44(14.67)</b>	<b>148(49.33)</b>	<b>57(19)</b>	<b>51(17)</b>	<b>300(100)</b>

Source: Field Investigation

Note: Figures in brackets denote percentage to their respective totals.

In all the divisions, when respondents were asked what factors motivated them to join as the member of the self help group, (refer to Table 5), 61% of the respondents stated that they had joined the group due to the motivation of group members. 30% of the respondents had joined the group due to the motivation of friends and relatives. Radio and

television advertisements inspired 8% of the respondents to join the group. The remaining 1% of the respondents joined the group due to other factors like self motivation.

**Table 4: Distribution Of Sample Respondents On The Basis Of Membership In The Group (No Of Years) - Division Wise**

Division/Member of the group ( in years)	Less than one year	1 year and less than 3 years	3 years and less than 6 years	Above 6 years	Total
Ranga Reddy	15(15)	19(19)	56(56)	10(10)	100(100)
Chevella	14(14)	19(19)	59(59)	8(8)	100(100)
Vikarabad	15(15)	12 (12)	61(61)	12(12)	100(100)
<b>Total</b>	<b>44(14.67)</b>	<b>50(16.67)</b>	<b>176(58.66)</b>	<b>30(10)</b>	<b>300(100)</b>

Source: Field Investigation; Note: Figures in brackets denote percentage to their respective totals.

**Table 5: Factors That Motivated Members To Join Self Help Groups - Division Wise**

Division/Factors	Friends and Relatives	Group Members	Newspapers	Television & Radio	Others	Total
Ranga Reddy	33(33)	60(60)	0(0)	5(5)	2(2)	100(100)
Chevella	28(28)	64(64)	0(0)	8(8)	0(0)	100(100)
Vikarabad	29(29)	59(59)	0(0)	11(11)	1(1)	100(100)
<b>Total</b>	<b>90(30)</b>	<b>183(61)</b>	<b>0(0)</b>	<b>24(8)</b>	<b>3(1)</b>	<b>300(100)</b>

Source: Field Investigation ; Note: Figures in brackets denote percentage to their respective totals

To avail the credit, the members joined the self help group (V. M. Rao, 2002), which can be said to be true from the following information, which is presented in the Table 6 and 7. Out of the total respondents, 14.33% of the respondents had availed loan of less than ₹ 5,000. 18.33% of the respondents had availed the loan between ₹ 5,000 and ₹ 10,000. 19.33% of the respondents had availed the loan ranging between the amount of ₹10,000 to ₹ 15,000, 10.67% of the respondents availed of the loan ranging between ₹ 15,000 to ₹ 20,000, and the balance 47.33% of the respondents have taken the loan of above ₹ 20,000. As far as the difficulty of raising the loan amount is concerned, a majority of the respondents felt that there was no difficulty in availing the loan. In all the three divisions of Ranga Reddy District, it was found that majority of the members of the self-help groups were engaged in small-scale business activities such as candle making, vegetable selling, paper plate making, soft toy making, basket making, embroidery, etc.,

The members of the self help groups felt that their standard of living increased by joining the self help groups. In Ranga Reddy division, out of the 100 respondents, 98 respondents felt that their standard of living got enhanced after joining the group. In Chevella division, out of the 100 respondents, 97% of the respondents felt that their standard of living got enhanced after becoming the member of the self - help group. In Vikarabad division, 95% of the respondents felt that their standard of living was enhanced after joining the self help group.

**Table 6: Amount Of Loan Availed By The Members Of The Group**

Division/Factors	Less than ₹ 5000	₹ 5,000 to ₹ 10,000	₹ 10,001 to ₹ 15,000	₹ 15,0001 to ₹ 20,000	Above ₹ 20,000	Total
Ranga Reddy	3(3)	20(20)	20(2)	10(10)	47(47)	100(100)
Chevella	5(5)	18(18)	17(17)	10(10)	50(50)	100(100)
Vikarabad	5(5)	17(17)	21(21)	12(12)	45(45)	100(100)
<b>Total</b>	<b>13(4.33)</b>	<b>55(18.33)</b>	<b>58(19.33)</b>	<b>32(10.67)</b>	<b>142(47.33)</b>	<b>300(100)</b>

Source: Field Investigation ; Note: Figures in brackets denote percentage to their respective totals.



**Table 7: Difficulty In Availing The Loan**

Division / Difficulty in availing the loan	Yes	No	Total
Ranga Reddy	4(4)	96(96)	100(100)
Chevella	0(0)	100(100)	100(100)
Vikarabad	2(2)	98(98)	100(100)
<b>Total</b>	<b>6(2)</b>	<b>294(98)</b>	<b>300(300)</b>

Source: Field Investigation ; Note: Figures in brackets denote percentage to their respective totals.

## **HYPOTHESIS: 1**

There is no relationship between the regions (revenue divisions) and the loan amount availed by the members of the self help group.

**H0: Revenue divisions and loan amount availed by the members of the SHGs are independent.**

**Table 8 : Revenue Divisions And Loan Amount Availed By The Members Of The SHGs**

Revenue Division/ Loan availed	Less than ₹ 5000	₹ 5000 to ₹ 10,000	₹ 10001 to ₹ 15,000	₹ 15,001 to ₹ 20,000	Above ₹ 20,000	Total
Ranga Reddy	3 (4.33)	20 (18.33)	20 (19.33)	10(10.67)	47(47.33)	100
Chevella	5 (4.33)	18(18.33)	17(19.33)	10(10.67)	50(47.33)	100
Vikarabad	5 (4.33)	17(18.33)	21(19.33)	12 (10.67)	45(47.33)	100
<b>Total</b>	<b>13</b>	<b>55</b>	<b>58</b>	<b>32</b>	<b>142</b>	<b>300</b>

Source: Field Investigation amount in brackets indicate the expected frequencies.

The chi-square calculated value is 1.83. The tabulated value of chi-square at 8 d.f and 0.05 significance level is 15.507. Since the chi-square calculated value is less than the tabulated value, the hypothesis is accepted and the researcher concludes that the revenue divisions and loan availed by the members of SHGs are independent.

## **HYPOTHESIS : 2**

**Ho: The opinion on rise in standard of living and being the member of SHGs are independent.**

**Table 9: Opinion On Rise In Standard Of Living And Being The Member Of SHGs**

Division / Improved standard of living	Yes	No	Total
Ranga Reddy	98 (96.66)	2 (3.33)	100
Chevella	97 (96.66)	3 (3.33)	100
Vikarabad	95 (96.66)	5 (3.33)	100
<b>Total</b>	<b>290</b>	<b>10</b>	<b>300</b>

Source: Field Investigation amount in brackets indicate the expected frequencies.

The chi-square calculated value is 1.44. The chi-square tabulated value at 2 d.f. and 0.05 significant level is 5.991. Since the chi-square calculated value is less than the table value, the researcher accepts the hypothesis and it can be concluded that the opinion on rise in standard of living and being the member of SHGs are independent.

## **SUGGESTIONS**

✿ All the members of the Self Help Groups are not equally educated, so they may not have the same level of expertise or understanding capacity. Therefore, the NGOs should play a significant role in providing the basic education, and training for the empowerment of the women.

✿ The Government should encourage more number of women to join the self help groups (SHGs).

- ✿ The District Rural Development Agencies (DRDA) should organize various campaigns to create awareness of self help groups, and should also spread awareness about various schemes available to the members of the self help groups.
- ✿ Training to the women entrepreneurs can be provided through SISI or through separate schools for the better performance of their business activities.
- ✿ The field officers at the Government level and NGOs have to participate actively in improving the economic and social conditions of the women entrepreneurs at each district.
- ✿ Since the repayment of loan among the members of the self help groups is quick, therefore, the banks may reduce the rate of interest on such a loan.
- ✿ The Government should try to organize small fairs at regular intervals of time to market the products produced by the members of SHGs.
- ✿ In order to enhance competition and motivation among the SHG/DWCRA, the Government may announce presentations and awards to the best performing group at the district and state level.

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