11. Micro-Finance, Poverty Alleviation and Empowerment of Women: A Study of Two NGOs from Andhra Pradesh and Karnataka

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Introduction

Micro-finance implies providing the poor in rural and urban areas, especially women, with savings and credit facilities to set up or expand business, invest in self-employment activities and increase household security. In India, such programmes are becoming increasingly popular. It is believed that they will lead to poverty reduction and empowerment of women. However, studies on micro-finance question this optimism. In this context, a study to determine the economic and social benefits of micro-finance programmes for members of micro-finance groups has been taken up.

Data and Methodology

The proposed study was based on primary data collected from the project areas of two NGOs in Karnataka and Andhra Pradesh, namely, Grama Vikas and Sanghamitra Service Society (Sanghamitra, hereafter), respectively. These two project areas are located in Kolar and Krishna districts, respectively. The data were collected, through survey, focus group discussions and semi-structured discussions. The study considers new entrants into SHGs as a comparison group. Accordingly, villages for the study were selected. The study was conducted in four villages in the two project areas of NGOs. T N Halli was selected from the project area of Grama Vikas. In this village, two SHGs were present, one nearly 10 years old and the other formed in 1999. The former was considered a member group, and the latter the control group. Three villages were selected from the project area of Sanghamitra: Bathinapadu, Kothapeta and S Amaravaram. Two SHGs in each of the villages of Bathinapadu and Kothapeta were more than nine years old. Thus, the members of these four groups were considered the member group. Since these two villages did not have relatively new groups, S Amaravaram was selected, where two groups were formed in 1998. The members of these two groups were considered the comparison group.

Findings

The selected programmes

The savings and credit programmes of Grama Vikas and Sanghamitra were evolving over a period of time. Both the programmes provided incentives to their members to participate.

The savings programme of Grama Vikas was larger than that of Sanghamitra. The lending programme of Grama Vikas was also comparatively larger. This was mainly because of the linkages with banks under NABARD's Bank-SHG linkage programme, which had been started as early as in 1992 in the district.

There were also differences between the NGOs in management of credit funds. The systems and procedures relating to the people's management of credit operations were more developed in the case of Grama Vikas. In the other NGO, while people participated in operation of revolving credit fund of SHGs at the village level, the NGO retained decision-making power in the case of the fund operated at the NGO level.

The group members in both the project areas had access to more than one revolving credit fund, and a particular type of credit need was met by a particular source. While savings fund at the village level was meeting the consumption needs of members (especially in the case of Grama Vikas), the federation/ banks in the case of Grama Vikas, and the NGO in the project area of Sanghamitra was meeting the production credit needs.

The members have had access to different credit sources to meet their various needs. With loans from savings fund, members accessed services in education and health. With loans from federation and banks, member households were making efforts to stabilise or improve agricultural production and/ or start income generation activities.

Economic Benefits

The condition of households in the member group was significantly better in regard to access to savings and credit facility. As for acquisition of productive assets, a relatively larger proportion of households from the member group had acquired livestock and land as compared with those in the comparison group. Most of the households in the member group had access to more than two livelihood sources, and were earning higher income, which had a favourable impact on the acquisition of consumer durables and expenditure on food, education and health.

While the micro-finance programme had a positive impact on member households, there were differences across the project areas. First, a relatively larger proportion of members had acquired productive assets in the project area of Grama Vikas as compared with those from the project area of Sanghamitra. Second, most of the loans had been taken for agriculture and livestock in both the project areas. However, the proportion of loans and amount taken for livestock rearing and agriculture was high in the case of households in the project area of Grama Vikas. Thus, the economic benefits were more pronounced in the case of households in the project area of Grama Vikas.

Social Benefits

While there were significant economic benefits to members of micro-finance groups, the social benefits seem to be marginal. Decision-making by women was confined to small and large purchases for the household. A majority of the women did not participate in decision-making on larger household aspects such as house repair, purchase of land, etc., as these areas were considered the domains of men in the household. The education levels of household members in the case of the member group were substantially better than those in the comparison group. However, a significant proportion of women from both the groups stated that girls should be married soon after puberty.

Most of the women from both member and comparison groups stated that they would give unlimited freedom for boys to pursue their education. It, therefore, appears that societal expectations of the age at which girls are to be married and whether women can undertake salaried employment determined the parental decision on whether girls should go to school or not. Thus, SHG membership had not made a significant difference to the value attached to children's education (especially girls). The observed differences in school attendance between member and comparison groups are therefore to be attributed to factors other than micro-finance.

Years of membership in micro-finance groups had made only a marginal difference to the participation of women in the political institutions, and their awareness of the important political leaders at the time of the survey. In this respect, the women from the project area of Sanghamitra were relatively better. The qualitative evidence on participation in political institutions indicates that SHG membership has not really contributed to generating awareness among women of their rights and how to utilize them.

Overall Conclusions

The study shows that micro-finance programmes do provide economic benefits to the people for whom the programmes were initiated. These benefits were mainly availability of savings and credit facility, access to credit for consumption and production, and use of credit for undertaking income generation activities. The finding that economic benefits were more pronounced in the project area of Grama Vikas points to factors other than micro-finance at work. These are availability of larger funds for income generation mainly due to NABARD's Bank-SHG linkage programme and donor funds, and the existence of infrastructure (dairy marketing outlets). This leads to the hypothesis that the ability of the micro-finance programme to provide economic benefits depends on whether the factors are conducive for members to undertake income generating activities with the help of credit.

Another important issue is sustainability of these programmes. Both the programmes depend somewhat heavily on donors for sustainability. The situation seems to be better in the project area of Grama Vikas largely due to the presence of well-functioning federation of SHGs, and larger amount of credit fund built with the help of donors and NABARD. Yet, the federation depends on NGO staff (paid by donors) for most day-to-day operations. Hence, sustainability is a point of concern if the donors withdraw support.

Nevertheless, it can be concluded that micro-finance programmes do provide the poor with access to credit, enable them to undertake income generation programmes and contribute to higher recovery rates. Considering that the formal banks have not had much success in improving the access to credit for the poor, the strategy of supporting the formation and nurturing of micro-finance groups for poverty alleviation is worth pursuing. However, responsibilities such as development of economic infrastructure and providing additional funds to micro-finance groups must be undertaken by the government as the micro-finance programmes alone cannot alleviate poverty.