

# Impact of Micro-Finance on Socio-Economic Status of SHG Women: A Study in East Godavari District, Andhra Pradesh

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## Abstract

Microfinance in India started in the early 1980s with small efforts at forming informal self-help groups (SHG) to provide access to much-needed savings and credit services. From this small beginning, the microfinance sector has grown significantly in the past decades. It is important to distinguish between the functions of microfinance and the potential it carries to improve the livelihoods of poor and vulnerable people. The core function of a microfinance programme is to provide financial services, to reach poor women and men and give them access to savings and credit. The main aim of this paper is to study the impact of micro-finance on the socio-economic status of SHG women. In this purpose East Godavari district in Andhra Pradesh has been selected and 5 mandals randomly observed for data collection and from which 400 SHG women randomly selected. However, the potential of microcredit goes beyond the provision of financial services to poor and vulnerable people. This distinction helps design microcredit programmes more effectively, because while the smooth functioning of microfinance is dependent on the stability of economic institutions such as banks and money-lending organizations, the potential of microfinance is dependent on the health of social and socio-economic institutions such as social norms, patriarchy and education. As women are the key actors in the microfinance system, this distinction becomes not just important, but necessary.

**Keywords:** Micro-finance, Self-Help Groups, social status, economical status

## Introduction

Women constitute around fifty percent of the total human resources in India. Yet women are the more poor and under privileged than men as they are subject to many socio-economic constraints (Mustard and Etches, 2003). The situation is more severe in the rural and backward areas. Women development activities must be given importance to eradicate poverty, increase the economic growth and for better standard of living. The Micro-Finance through Self Help Group Bank Linkage Programme is emerging as a cost effective mechanism for providing financial services to the “Unreached Poor” which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor, leading to their empowerment (Lipishree Das, 2012). Rapid progress in SHG formation by investing in women has now turned into an empowerment movement among women across the country and brings about a multiplier effect (Pranab Kumar Saikia, 2014).

The success stories of women denote that who not only are better off economically as a result of access

to financial services but also who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, self-confidence, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities because women tend to keep nothing back for themselves they contribute decisively to the well-being of their families (Susy Cheston and Lisa Kuhn, 2002). SHG by mobilizing women around thrift and credit activities have resulted in economic self reliance there by changing their social attitude and status in the family and society SHG has emerged as a key programming strategy for most of the women development activities. In this case the members of SHG pool their small savings regularly at a prefixed amount on daily or weekly basis and SHGs provide loan to members for a period fixed. SHGs are essentially formal and voluntary association of 15 to 20 people formed to attain common objectives (Anjugam and Ramaswamy, 2007). People from homogenous groups and common social back ground and occupation voluntarily form the group and pool their savings for the benefit of all of members of the groups. External financial assistance by Micro Finance Institutions (MFIs) or banks augments the resources available to the group operated revolving fund. Saving thus precede borrowing by the members. NABARD has facilitated and extensively supported a program which entails commercial banks lending directly to SHGs rather than via bulk loan to MFIs (Lipishree Das, 2012). If SHGs are observed to be successful for at least a period of six months, the bank gives credit usually amounting 4 times more than their savings.

### Literature review

During the course of the study, the study of several authors was referred and it is imperative that an outline of the literature survey is put to note and the following references are worth mentioning. Rekha Goankar (2001) in her study concluded that the movement of SHGs can significantly contribute towards the reduction of poverty and unemployment in the rural sector of the economy and the SHGs can lead to social transformation in terms of economic development and the social change. Naila kabeer (2005) in a study apparently concludes that while access to financial services can and does make important contributions to the economic productivity and social wellbeing of poor women and their households, it does not “automatically” empower women – any more than do education, political quotas, access to waged work or any of the other interventions. It has been observed by Anjugam and Ramasamy (2007) that socially backward, landless and marginal farm house holds participate more in the self help group programme. Possession of livestock and consumer goods by the member households has been found to deter the joining of group. Gladis Mary John (2008) found that membership in SHG inculcated a great confidence in the mind of majority of women to succeed in day to day life. Positive change was found in the attitude of relatives and friends towards the women in self help groups.

Several studies indicate that self help group programmes often in the form of credit or micro credit schemes and savings have succeeded in changing the lives of poor women by making way for enhanced income and increased self-esteem. This is evident from the mushrooming growth of self-help groups in the state. This study is undertaken to analyse the impact of Micro-Finance on Socio-Economic status of SHG women in general and East Godavari districts in particular.

### Objectives

1. To study the impact of Micro Finance on social status of SHG women;

2. To study the impact of Micro Finance on economical status of SHG women;
3. To examine the difference among various demographic groups of the SHG women towards their social and economical status;

**Methodology**

The study is analytical based on collection of data from both primary and secondary sources. Primary data is collected from well structured questionnaire, Secondary data is obtained from various published books, journals and research papers related to the Micro-Finance and Self-Help Groups. Since East Godavari district has been taken as study areas for investigation, the present study has taken a sample of 400 women SHG members who are living in five selective mandals of the district and performing their activities for their personal development through SHGs. There is restricted number of women respondents in taking sample from beneficiaries (who are linked with SHGs and avail micro-finance). It becomes possible for the sample to cover majority of the women SHG members who are married. Hence, the sample has been taken from five mandals of the district i.e. Kakinada (rural), Rajahmundry (rural), Pithapuram, Amalapuram and Prathipadu which are covered all corners of the district.

**Analysis of Data**

After data collected from the respondents through a questionnaire, it was processed through SPSS software and analysed. In this process average and percentage analysis was carried out to draw meaningful interpretation of the results. Thus, frequency and percentage analysis and ANOVA test has been used for data analysis. Hence, the output results are presented in the following tables and the findings from the data analysis are listed at the end.

**Table – 1: Distribution of sample respondents by their demographic variables**

<b>Demographic variables</b>	<b>Demographic groups</b>	<b>Frequency</b>	<b>Percent</b>
<b>Age of the respondents</b>	< 25 years	31	7.8
	26-35 years	169	42.2
	36-45 years	161	40.2
	> 45 years	39	9.8
<b>Education qualification</b>	Illiterate	72	18.0
	Primary	58	14.5
	Secondary	96	24.0
	Intermediate	57	14.2
	Graduation	64	16.0
	Post Graduation	53	13.3
<b>Occupation of the respondents</b>	Housewife	210	52.5
	Govt. Employee	25	6.3
	Private Employee	79	19.8
	Self Employee	19	4.8
	Wage labor	54	13.5
	Business	13	3.3
	<b>Total</b>	<b>400</b>	<b>100.0</b>

The Table-1 represents the demographic variable wise distribution of the samples. It is clear from the data that majority group of respondents are in the age group between 26 and 35 years, followed by 40.2 percent of the respondents who are in the age group of 36-45 years. There are however 9.8 percent and 7.8 percent of the respondents who are above 45 years and below 25 years respectively. From the above analysis, it can be concluded that majority of the respondents are in the middle-age group; who can lead their life actively.

Since, education is an asset bestowed by almighty on mankind and an educated person is more discriminative than an uneducated person, the distribution of SHG women by their literacy levels indicate that majority of the respondents studied upto secondary level education (24.0%), followed by graduation (16.0%), intermediate (14.2%), primary education (14.5%) and post graduation (13.3%). However, 18% of the SHG women are illiterates. It can be concluded from the above table shows that most of respondents are literates which is a healthy sign for the success of self-help group movement.

Distribution of sample respondents by their occupational status revealed that as many as 52.5% are housewives followed by 19.8 percent who are private employees and 13.5% who are Wage Labour. There are however 6.3% and 3.3% who are government servants and business entrepreneurs respectively. Thus it can be concluded that majority of the females in the sample are housewives.

**Impact of Micro-Finance on Social status of SHG women**

The Self-help Groups have been playing considerable role in training the women, infrastructure development, communication development of members, self confidence among the members, Resistance to family violence, frequency of interaction with outsiders, change in the saving pattern involvement in politics, achieving social harmony, achieving social justice, involvement in community activities, sustainable quality and accountability. There has been considerable interest among women for forming self-help groups to mobilize savings and foster social empowerment at the local level. The researcher made an attempt to conduct a household survey to assess the social impacts of the formation of self-help groups. Female social empowerment in program areas increased irrespective of participation status. Nutritional benefit was more pronounced for new participants than for members of pre-existing groups. Evaluation of such programs in ways that allow heterogeneity of program impact on social status can be explained with the Table-2.

**Table – 2: Impact of SHG membership on social status**

Sl. No.	Social Status	Increased	No change	Decreased	Total
1	Public relations	299 (74.7)	101 (25.3)	-	<b>400</b> <b>(100.0)</b>
2	Active participation in decision making matters	263 (65.8)	126 (31.4)	11 (2.8)	<b>400</b> <b>(100.0)</b>
3	Girl child development awareness	117 (29.3)	273 (68.3)	10 (2.4)	<b>400</b> <b>(100.0)</b>
4	Participation in Development Programmes	289 (72.3)	99 (24.7)	12 (3.0)	<b>400</b> <b>(100.0)</b>
5	Mobility	263 (65.7)	137 (34.3)	-	<b>400</b> <b>(100.0)</b>

6	Recognition in family	256 (64.0)	144 (36.0)	-	<b>400</b> <b>(100.0)</b>
7	Recognition in community	261 (65.2)	131 (32.8)	8 (2.0)	<b>400</b> <b>(100.0)</b>
8	Social status	239 (59.8)	159 (39.8)	2 (0.4)	<b>400</b> <b>(100.0)</b>
9	Interaction with outsiders	218 (54.5)	156 (39.0)	26 (6.5)	<b>400</b> <b>(100.0)</b>
10	Levels of Literacy / education	263 (65.8)	126 (31.4)	11 (2.8)	<b>400</b> <b>(100.0)</b>

The Table-2 represents the impact of micro-finance on the social status of SHG women in the study area. It is clear from the table that majority of the respondents have expressed that by becoming a member they have benefited a lot in respect of developing public relations (74.7%) getting active participation in decision making matters (65.8%), participated in development programmes (72.3%), getting recognition in the family (64%), getting recognition in society (65.2%), earning social status (59.8%), interaction with outsiders (54.5%), and improved literacy for self (65.8%). There are however some respondents who expressed that there is no impact on them by becoming SHG member. Such respondents varied from 25 percent to 39 percent on different social issues. Can the whole it can be concluded that there is an impact on the respondents with regard to social issues by becoming group member.

**Impact of Micro-Finance on Economical status of SHG women**

Microfinance has made incredible progress across the country for the development of poor women. It has become popular to the poor in view of the varied benefits reaped from microfinance services by the poor. Self Help Groups (SHGs) have turned out to be the familiar means of development process, encompassing all development programmes through which the SHG group members are strengthening not only in their sociological aspects but also in their economical aspects.

**Table – 3: Impact of microfinance in the economic status of SHG women**

Sl. No.	Economical Status	Increased	No change	Decreased	Total
1	Income levels	342 (85.5)	58 (14.5)	-	<b>400</b> <b>(100.0)</b>
2	Economic status	163 (40.7)	236 (59.0)	1 (0.3)	<b>400</b> <b>(100.0)</b>
3	Individual properties	157 (39.3)	242 (60.4)	1 (0.3)	<b>400</b> <b>(100.0)</b>
4	Bank balance	323 (80.8)	77 (19.2)	-	<b>400</b> <b>(100.0)</b>
5	Possessing of household goods	179 (44.8)	218 (54.4)	3 (0.8)	<b>400</b> <b>(100.0)</b>
6	Possessing of ornaments	171 (42.8)	224 (56.0)	5 (1.2)	<b>400</b> <b>(100.0)</b>
7	Access to credit sources	193	201	6	<b>400</b>

		(48.3)	(50.3)	(1.3)	(100.0)
8	Asset Building	245 (61.2)	155 (38.8)	-	400 (100.0)

Table-3 shows the impact of micro-finance on the economic status of SHG women in the study area. It is seen from the table that 85.5% opined that there is an improvement in their income levels by becoming SHG member, 80.8% expressed that their bank balance has increased by becoming group member, 61.2% revealed that they have bought assets after becoming group member. There are also respondents who opined that by becoming member in the group, their economic status has increased (40.7%), they have purchased properties (39.3%), possessed household goods (44.8%), possessed ornaments (42.8%), got access to credit sources (48.3%). There are however who revealed a negative opinion. That is there is no improvement on their economic status; after they become group member. Such respondents varied from 14.5% to 60.4% with regard to above economic status. Thus it can be concluded that by becoming member in the Group, majority of the respondents have improved their economic lot.

**Difference in demographic groups of the SHG women towards their social status**

The following tables represent the level of difference among various groups of demographic variables among SHG women with reference to impact of micro-finance on social status.

**Table – 4: Significant difference among respondents of different age groups on social status**

Age	N	Mean	Std. Deviation	Std. Error	f-value	p-value
< 25 years	31	17.45	1.710	0.307	**22.604	0.000
26-35 years	169	16.26	1.582	0.122		
36-45 years	161	15.31	1.463	0.115		
> 45 years	39	16.26	1.229	0.197		
Total	400	15.97	1.633	0.082		

\*\*Significant at 1% level.

It shows that the mean value of below 25 years age group respondents (17.45) found significantly higher than 26-35 years age group (16.26), 36-45 years age group (15.31) and above 45 years age group respondents (16.26). Therefore the tested f-value 22.604 found significant at 1% level because the p-value is 0.00. Hence, the above analysis shows that there is a significant difference among different age group respondents towards the impact of SHG membership, where, lower age group respondents found more impact of SHGs than others.

**Table – 5: Significant difference among respondents with different educational background on social status**

Education Qualification	N	Mean	Std. Deviation	Std. Error	f-value	p-value
Illiterate	72	15.33	1.644	0.194	**9.584	0.000
Primary	58	15.34	1.384	0.182		
Secondary	96	16.05	1.644	0.168		
Intermediate	57	16.00	1.488	0.197		

Graduation	64	16.23	1.779	0.222		
Post Graduation	53	17.02	1.135	0.156		
Total	400	15.97	1.633	0.082		

\*\*Significant at 1% level.

The average performance of post graduate respondents (17.02) found higher than the SHG members who are qualified graduation (16.23), secondary education (16.05), intermediate (16.00), primary education (15.34) and illiterates (15.33). The tested f-value 9.584 found significant at 1% level because the p-value is 0.00. Therefore, it infers that there is a significant difference among different educational group SHG members, where, the post graduate SHG members are more positive towards social status.

**Table – 6: Significant difference among respondent with different occupational background on social issues.**

Occupation	N	Mean	Std. Deviation	Std. Error	f-value	p-value
Housewife	210	16.09	1.596	0.110	**4.351	0.001
Govt. Employee	25	16.64	0.757	0.151		
Private Employee	79	16.04	1.864	0.210		
Self Employee	19	14.74	1.240	0.285		
Wage labor	54	15.50	1.668	0.227		
Business	13	16.15	1.144	0.317		
Total	400	15.97	1.633	0.082		

\*\*Significant at 1% level.

The average perceptions of government employment towards social issues (16.64) found higher than business people (16.15), housewives (16.09), private employees (16.04), wage labours (15.50) and self employees (14.74). Here the tested f-value 4.351 found significant at 1% level because the p-value is 0.001. Therefore, the analysis infers that there is a significant difference among different occupational group respondents on social issues, where, the government employees are comparatively higher than others.

**Difference in demographic groups of the SHG women towards their Economical status**

The following tables represent the level of difference among various groups of demographic variables among SHG women with reference to impact of micro-finance on economical status.

**Table – 7: Significant difference among respondents with different age groups on economical status**

Age	N	Mean	Std. Deviation	Std. Error	f-value	p-value
< 25 years	31	16.26	1.264	0.227	**10.161	0.000
26-35 years	169	16.17	1.889	0.145		
36-45 years	161	15.15	1.765	0.139		
> 45 years	39	16.10	2.023	0.324		
Total	400	15.76	1.874	0.094		

\*\*Significant at 1% level.

It is clear from the table that the average perceptions of below 25 years age group of respondents towards economical status (16.26) found higher than 26-35 years age group (16.17), 36-45 years age group (15.15) and above 45 years age group (16.10) respondents. While tested f-value 10.161 found significant at 1% level, it infers that there is a significant difference among different age group SHG members on the impact of SHG on economical status, where lower age group respondents are high.

**Table – 8: Significant difference among respondents with different educational background on economical status**

Education Qualification	N	Mean	Std. Deviation	Std. Error	f-value	p-value
Illiterate	72	15.00	2.283	0.269	**4.824	0.000
Primary	58	15.52	1.709	0.224		
Secondary	96	16.08	1.614	0.165		
Intermediate	57	15.70	2.244	0.297		
Graduation	64	15.81	1.246	0.156		
Post Graduation	53	16.45	1.738	0.239		
Total	400	15.76	1.874	0.094		

\*\*Significant at 1% level.

The mean score perceived by post graduates (16.45) found higher than secondary level education (16.08), graduates (15.81), intermediate (15.70), primary level education (15.52) and illiterates (15.00) respondents. Here the tested f-value 4.824 found significant at 1% level because the p-value is 0.00. Therefore, the above analysis indicates that there is a significant difference among different educational group SHG members, where the post graduate respondents are more perceived on economical status than others.

**Table – 9: Significant difference among respondents with different occupational background on economical status**

Occupation	N	Mean	Std. Deviation	Std. Error	f-value	p-value
Housewife	210	15.98	1.871	0.129	*2.992	0.012
Govt. Employee	25	15.84	1.313	0.263		
Private Employee	79	15.24	1.936	0.218		
Self Employee	19	14.79	1.619	0.371		
Wage labor	54	15.89	1.997	0.272		
Business	13	16.00	1.472	0.408		
Total	400	15.76	1.874	0.094		

\*Significant at 5% level.

It is clear from the table that the average perceptions of SHG members who are doing business (16.00) found higher than housewives (15.98), wage labourers (15.89), government employees (15.84), private employees (15.24) and self employees (15.24). Hence, the calculated f-value 2.992 is significant at 5% level because the p-value is 0.012. Therefore, the above analysis infers that there is a significant



difference among different occupational group SHG members in their perceptions towards economical status, where business people perceived higher than others.

### Findings

1. It is observed from the data that more than fifty percent of the SHG members have taken loans to productive purpose or empower themselves and out of them majority are cleared their loans. This indicates that most of the women SHG members are properly utilizing the loan amount for productive purpose and they are regenerating the revenue with self employment.
2. The data shows that some of the SHG members only took loan through bank linkages for productive purpose or empower themselves and out of them majority have cleared their loans. This indicates that the women SHG members who have taken loans through bank linkages are properly utilizing the loan amount for productive purpose and they are regenerating the revenue with self employment. Their repayment both for group loan and bank loan performance is also found to be laudable.
3. The data analysis shows that there is a significant difference in impact of social status among different age group, educational groups and occupational group SHG members, where lower age group, post graduates and the SHG members who are working in government sectors are found more impact of SHGs on social status than other groups.
4. According to the opinions of the respondents it is found that there is a significant difference in the perceptions of different age groups, educational groups and occupational groups of SHG members on the impact of economical impact of SHGs, where lower age group, post graduates and business persons perceived higher economical impact than other groups.
5. There is a need to develop services for very disadvantaged groups of women. Although micro-finance provision for very disadvantaged groups is inevitably more costly, micro-finance services are more useful contribution to empowerment of these groups: labourers in towns and cities may need savings facilities to prevent high seasonal fluctuations in incomes; savings facilities are necessary for women to prevent at the time of non-availability of work, fall in sick, children education, functions at house, etc. Women labourers may need loans for purchase of labour-saving technology or improved housing.

### Conclusion

Microfinance in India started in the early 1980s with small efforts at forming informal self-help groups (SHG) to provide access to much-needed savings and credit services. From this small beginning, the microfinance sector has grown significantly in the past decades. It is important to distinguish between the functions of microfinance and the potential it carries to improve the livelihoods of poor and vulnerable people. The core function of a microfinance programme is to provide financial services, to reach poor women and men and give them access to savings and credit. However, the potential of microcredit goes beyond the provision of financial services to poor and vulnerable people. This distinction helps design microcredit programmes more effectively, because while the smooth functioning of microfinance is dependent on the stability of economic institutions such as banks and money-lending organizations, the potential of microfinance is dependent on the health of social and socio-economic institutions such as social norms, patriarchy and education. As women are the key actors in the microfinance system, this distinction becomes not just important, but necessary.

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