

## **STRATEGIC ANALYSIS OF SELF HELP GROUP BANK LINKAGE PROGRAMS: A STUDY OF SOUTHERN HARYANA**

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**Abstract:** India has seen an impressive growth of microfinance activities over the past decade, of which the largest share belongs to the ‘Self Help Group (SHG) Bank Linkage Programs’ that originated in the early 80’s. The concept of an ‘Self Help Group Bank Linkage Programs’ is generally defined as an integrated approach to provide low-cost financial access combined with learning programs of financial management as well as of social development for those receiving loans. What is more particular about microfinance and SHG programs in India is that they are now not only increasingly used as a poverty alleviating tool, but as a gender equality-building strategy targeted at women to increase their social, political and financial power.

This study focuses on the effects of ‘Self Help Group Bank Linkage Programs’/microfinance activities on the empowerment of women in Southern part of Haryana. A field study survey was conducted in the Southern Haryana district of Mewat on female participants of Self Help Groups gives rise to find about the effects of microfinance on different dimensions of empowerment. The statement of the World Bank saying “societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance and a lower living standard for their people”. This statement is highly applicable to India, a country with a poverty rate of 33.5% and female adult literacy levels far below that of men. Putting women empowerment in India on the international development policy agenda therefore seems highly desirable.

The survey sample comprises of 66 women living in the all six blocks of Mewat district of Southern Haryana. The selection of the survey participants was performed randomly. The only selection criteria applied was that a reasonable balance between participants having received a first loan and participants having received a second loan existed in the total sample. The questionnaire consists of eight questions representing the eight indicators of women empowerment. Each of the questions has between 4 and 8 sub questions.

The field study conclusion is that microfinance has a significant positive influence on women empowerment, in particular on women’s economic security, their involvement in major decisions and their relative freedom from domination by the family. The alleged empowering effect of awareness programs is not confirmed but the results lead to the conclusion that microfinance does lead to women empowerment.

**Keywords:** Entrepreneur, Women Empowerment, Self Help Group (SHG).

### **Introduction**

With full achievement of the Millennium Development Goals in 2015 being questionable<sup>[1]</sup>, ideas for world poverty alleviation can be expected to be very much welcomed. One idea establishing at least the most hopes of being able to alleviate poverty, if not being very much

welcomed, is the idea of microfinance<sup>[2]</sup>. The successes of the micro-lending activities of the Bangladeshi **Grameen** Bank, stimulating economic independence among over 5 million (poor) borrowers while having repayment rates of over 95 per cent, led to increased international investigation into the possibilities of microfinance and became a model for subsequent microfinance initiatives<sup>[3, 4]</sup>. As a result, microfinance as a poverty alleviating tool was put on the agenda of development policy makers over the world. Its increased popularity was enhanced by the first Microcredit Summit held in Washington DC in 1997, after which many Summits followed. This gave rise to expectations of reaching accessible credit for at least 100 million poor households' worldwide.

At the same time though, the capacities of microfinance programs to alleviate poverty are very much debated and evidence is varied<sup>[5]</sup>. But this hasn't prevented experimentation efforts with microfinance programs in India. India has seen an impressive growth of microfinance activities over the past decade, which has also been termed a process of microfinanciarization<sup>[6]</sup>. What is more particular about microfinance in India is that it is now not only increasingly used as a poverty alleviating tool, but as a gender equality-building strategy targeted at women to increase their social, political and financial power<sup>[7]</sup>. This women empowerment is considered to challenge the existing female discrimination by institutions and within households, thereby setting a pace towards changing social roles to the benefit of Indian women<sup>[8]</sup>.

The largest share in India's microfinance activities belongs to the Self Help Group (SHG) Bank Linkage programs that originated in the 1980's in India<sup>[7]</sup> and have expanded widely ever since. Even the Indian government has taken up the programs as an approach in its poverty alleviating activities. The concept of an SHG Bank Linkage program is generally defined as an integrated approach to provide low-cost financial access combined with learning programs of financial management as well as of social development for those receiving loans<sup>[9]</sup>. The link between an SHG and a bank is established by a Non Governmental Organization (NGO) or a government agency who initiates the forming of the SHG and the application for a loan for the whole group<sup>[10]</sup>. They also perform a monitoring function in the loan repayments. SHGs comprise on average of 15-20 people who are usually women. Each SHG has regular meetings, usually monthly, in which the request or repayment of the group loan is discussed. With regards to repayment, a system of peer reviewing is applied, building on highly valued principles of honour and solidarity among the group members to secure individual repayments and establish group responsibility for the loan<sup>[11]</sup>.

The number of SHGs receiving loans in India has increased to 1.6 million in March 2005<sup>[9]</sup>. The SHG Bank Linkage programs have especially been established in Southern parts of Haryana, of which the district Mewat is one with a strong microfinance sector.

### **Aim of research**

The underlying aim of this study is to stimulate (international) development policies being directed towards the empowerment of women, for which the expansion of SHG Bank Linkage programs can be a practical tool. This underlying aim is based on a personal notion that women empowerment is a normative value to be strived for in any society, especially in a society where male dominations make up for unequal societal structures. It is that lack of equality between men and women that goes against acceptable ethics. Also, the lack of female power in societies is strongly related to poverty, which is covered by the statement of the World Bank saying “societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance and a lower living standard for their people” (World Bank, 2001). This statement is highly applicable to India, a country with a poverty rate of 33.5% and female adult literacy levels far below that of men (World Development Indicators, 2007). Moreover, “discrimination against females in India is serious and extends beyond the familiar "economic" sense into physical violence”. Considering also the fact that the Indian population is the second largest in the world makes the issue even more salient in the global fight against poverty.

### **Research design and methodology**

The study was conducted in Mewat district of Haryana state. The district Mewat was selected purposively, as it has the history of SHGs work and have highest number of working women SHGs. There are six blocks in Mewat district (Nagina, Nuh, Ferozpur Jirkha, Punhana, Pinangwan and Tauru). From each block 11 respondents were selected randomly. Thus sample size of 66 respondents (6 x 11 in tern 66) was selected for collecting the data of the study. The only selection criteria applied was that a reasonable balance between participants having received a first loan and participants having received a second loan existed in the total sample. The main tool used for collecting data from the respondent in the present study was a structured schedule. The variables that will be included in the study are both Independent and dependent (Age, education, income, mobility, economic security, ability to make small purchases, ability to make large purchases, involvement in major decision, relative freedom from domination by the family, political and legal awareness, participation in public protests and campaigning). The collected data were coded, tabulated, analyzed and interpreted

according to the objectives of the present study with the help of appropriate statistical techniques.

## Results and discussion

**1. Non-rescaled Respondent Scores:** Table 1 presents the descriptive statistics of the non-rescaled respondent scores. The empowerment percentages, *i.e.* the conversion of the scores into 'empowered' or 'not empowered' have been presented in the Tables 2 and 3 for group 0 and group 1, respectively. The data from Table 2 and 3 depicts the most indicators groups are not very different in distribution of empowered and not empowered respondents, except for the indicators of economic security and the relative freedom from domination by the family. The second group respondents score much higher on these indicators than first group members. Also interesting is that none of the second microloan receivers have enough ability to make small purchases to be considered empowered, but only 8.33 per cent of them do larger purchases. A comparably large difference between scores on indicator 4 and 5 is also present in the first group of respondents.

Taking measurement criteria, it must be concluded that within the first group, 25% of the respondents can be considered empowered (overall) while 75% is not empowered. For the second group, these percentages are 67 and 33 per cent, respectively, indicating a strong intergroup difference (Table 4).

**Table 1:** Descriptive Statistics Non-rescaled Scores (N=66)

Variables	Mini.	Maxi.	Mean	Std. Devi.
Microloan	0.00	1.00	0.4545	0.50175
Age	23.00	65.00	39.0455	9.43387
Participation in awareness programs	0.00	3.00	1.2273	1.04948
Indicator 1: Mobility	1.00	7.00	3.9091	1.24934
Indicator 2: Economic security	0.00	4.00	.9545	.98343
Indicator 3: Small purchases	1.00	7.00	4.2576	1.42840
Indicator 4: Large purchases	0.00	10.00	6.6364	2.71541
Indicator 5: Involvement decision	0.00	10.00	3.2727	3.71916
Indicator 6: Freedom from domination by the family	0.00	4.00	3.3182	1.02521
Indicator 7: Political legal awareness	0.00	5.00	2.7576	1.51972
Indicator 8: Participation protests	0.00	7.00	3.7424	1.74806
Average score per respondent	1.63	5.38	3.6061	.85267

**Table 2:** Empowerment Score Percentages of First Microloan Receivers per Indicator

Variables	Average ES Per Indicator	
	First Microloan Receivers	
	Empowered (in %age)	Not empowered (in %age)
1. Mobility	80.56	19.44
2. Economic security	11.11	88.89
3. Ability to make small purchases	5.56	94.44
4. Ability to make larger purchases	91.67	8.33
5. Involvement in major decisions	30.56	69.44
6. Relative freedom from domination by the family	44.44	55.56
7. Political and legal awareness	38.89	61.11
8. Public protests/campaigning	91.67	8.33

**Table 3:** Empowerment Score Percentages of First Microloan Receivers per Indicator

Variables	Average ES Per Indicator	
	Second Microloan Receivers	
	Empowered (in %age)	Not empowered (in %age)
1. Mobility	93.33	6.67
2. Economic security	40.00	60.00
3. Ability to make small purchases	0.00	100.00
4. Ability to make larger purchases	83.33	16.67
5. Involvement in major decisions	56.67	43.33
6. Relative freedom from domination by the family	86.67	13.33
7. Political and legal awareness	33.33	66.67
8. Public protests/campaigning	100.00	0.00

**Table 4:** Empowerment Percentages per Group

Group	Total empowerment percentages	
	Empowered (in % age)	Not empowered (in % age)
First Microloan Receivers	25	75
Second Microloan Receivers	67	33

**2. Rescaled Respondent Scores:** Table 5 presents the descriptive statistics of the rescaled respondent scores that were used for the regression analysis. All variable scores were rescaled to a 0-10 scale, but that not all maximums are 10. It means that regarding question 1, 3 and 5, no respondent scored the maximum score (as opposed to regarding the other questions). At the same time, the respondents did not score the minimum of 0 on questions 1 and 3 either,

while for all other questions they did. This table merely contains the descriptive statistics of the rescaled respondent scores.

**Table 5:** Descriptive Statistics Rescaled Scores (N=66)

Variables	Statistics Rescaled Scores			Std. Devi.
	Mini.	Maxi.	Mean	
Age	23.00	65.00	39.0455	9.43387
Participation in awareness programs	0.00	3.00	1.2273	1.04948
Indicator 1: Mobility	1.25	8.75	4.8864	1.56167
Indicator 2: Economic security	0.00	10.00	2.3864	2.45857
Indicator 3: Small purchases	1.11	7.78	4.7302	1.58992
Indicator 4: Large purchases	0.00	10.00	6.6364	2.71541
Indicator 5: Involvement decision	0.00	7.69	2.5175	2.86089
Indicator 6: Freedom from domination by the family	0.00	10.00	8.2955	2.56302
Indicator 7: Political legal awareness	0.00	10.00	5.5152	3.03945
Indicator 8: Participation protests	0.00	10.00	5.3463	2.49723
Average score per respondent	2.59	6.96	5.0397	1.01677
Microloan	0.00	1.00	.4545	.50175

Table 6 shows how group averages differ per indicator. Although this information tells us nothing about the effects of the microloans or the influence of age or awareness programs, it does give an indication of the reality that surrounds the respondents as far as their societal power is concerned. This is necessary in order to complete the picture of the empowerment of the respondents, so that not only we learn what the effects of microloans and awareness programs on women empowerment are, but also how far this empowerment actually reaches. In other words, knowing that a maximum score is 10 and the second group scores on average 3.52 on the involvement in major decisions, while the first group even scores only 1.63, this already tells us that decision-making power among the respondents is very limited (compared to the other empowerment dimensions).

**Table 6:** Average Rescaled Respondent Scores on All Indicators

Indicators	Average respondent scores (0-10)	
	Group 1	Group 2
Mobility	4.96	4.80
Economic security	1.79	3.06
Ability to make small purchases	4.98	4.44
Ability to make large purchases	7.00	6.00
Involvement in major decisions	1.63	3.52
Relative freedom from domination by the family	7.36	9.35
Political and legal awareness	5.60	5.42
Participation in public protests and campaigning	5.18	5.53
All indicators	4.81	5.26

## **Major Findings**

The conclusion drawn from the field study analysis is that increased microfinance overall leads to higher women empowerment, if women empowerment is measured by all eight indicators (mobility, economic security, the ability to make small and large purchases, involvement in major decisions, relative freedom from domination by the family, political and legal awareness and participation in public protests and campaigning) together. Looking at the effects of increased microfinance on the empowerment indicators as separate dimensions, it can be said that increased microfinance leads to more economic security, involvement in major decisions and more relative freedom from domination by the family. It does not however lead to increased mobility, the ability to make small or large purchases, political and legal awareness or participation in public protests and campaigning. With increased microfinance, women receive a second loan over a first loan. Overall, age does not influence women empowerment. The only indicator of women empowerment on which age was found to have a significant positive impact is the indicator of mobility. This means that the older participants enjoyed better mobility than the younger participants.

The respondents' participation in awareness programs overall does not have a strengthening affect on women empowerment. It only does significantly with regards to women's participation in public protests and campaigning. Women's participation in awareness programs significantly increases their participation in public protests and campaigning. Also, participation in awareness programs has an influence women's political and legal awareness, but this influence is negative, meaning that according to the outcomes awareness programs make respondents less politically and legally aware.

## **Conclusion**

It must however be noted that it is very difficult to draw straightforward conclusions simply by looking at the significance of relations between independent and dependent variables. It is by no means that the variables included in this analysis have full explanatory power to determine causality. Many other factors could be of influence on the different empowerment scores. This is an ever returning feature of social science research, because it is never possible to have a group of respondents resembling a whole population. At best research can learn us only part of what is going on in the real world. The field study conclusion is that microfinance has a significant positive influence on women empowerment, in particular on women's economic security, their involvement in major decisions and their relative freedom from domination by the family. The alleged empowering effect of awareness programs is not

confirmed but the results lead to the conclusion that microfinance does lead to women empowerment.

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