
Chapter-1

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The Government of India (GoI) and the state governments have been investing substantial resources in rural poverty alleviation and economic empowerment programmes for several decades, most systematically since 1990s. In the 1980s, the GOI, in partnership with the state governments established the *District Rural Development Agency (DRDA)* at the district level and introduced special programmes for rural development, targeted at the poor such as *Integrated Rural Development Programme (IRDP)* focusing on BPL households. Several other related programmes such as *Development of Women and Children in Rural Areas (DWCRA)* and *Supply of Improved Toolkits to Rural Artisans (SITRA)*¹, *Ganga Kalyan Yojana (GKY)*, and the *Million Wells Scheme (MWS)*. SITRA have also been implemented as part of DRDA².

The Planning Commission set up a committee under the chairmanship of *Prof. S.R. Hashim* in 1997, to review and rationalize various Centrally Sponsored Schemes for Poverty Alleviation and Employment Generation³. The Committee recommended the integration of allied programmes with IRDP for better linkages and synergy. The report formed the basis for shifting from an individual beneficiary approach to a group approach for poverty alleviation. Based on the recommendations of the Planning Commission, the schemes of TRYSEM, SITRA, GKY, DWCRA and MWS were merged into a single self-employment programme viz., *Swarnjayanti Gram Swarozgar Yojana (SGSY)*, to be implemented by the States, with effect from April, 1999⁴. SGSY had the objective of improving the family incomes of the rural poor while at the same time, providing for flexibility in implementation.

¹ For details see www.indiastat.com .

² For details see www.rural.nic.in

³ For details see www.planningcommission.gov.in

⁴ For details see www.rural.nic.in/sites/programmes-schemes-sgsy.asp

Thus, in 1999, the GOI introduced the SGSY programme which maintained the features of IRDP, but moved to a SHG-centred approach to self-employment and poverty alleviation. The implementation of the centrally sponsored SGSY with the partnership of the states has contributed to the rapid growth of SHG movement in the country in general and the Southern States in particular. The *Radhakrishna Committee*⁵, however, brought out several deficiencies in the implementation of SGSY. Apart from significant inter-state and intra-state disparities in the promotion of SHGs and their federations, the committee brought out issues relating to lack of adequate capacity building for the SHGs, high attrition rates among SHGs, lack of professional support at the community level, inadequate financial assistance in the form of subsidy linked bank loans and lack of front-end support for livelihoods of the poor. Thus, on the recommendations of the *Radhakrishna Committee*, the GoI restructured the SGSY and launched National Rural Livelihoods Mission (NRLM) in 2011⁶. The NRLM seeks to mobilize all rural poor households into functionally efficient and sustainable SHGs which will act as mediating structures to promote the livelihoods of the rural poor. NRLM is built on the four key components of social inclusion, financial inclusion, economic inclusion and social development of the poor through their own institutions.

The NRLM has been designed and implemented primarily on the basis of the experience of Andhra Pradesh in implementing SHG-centred social mobilization and poverty alleviation model⁷. Starting from the year 2000, the undivided state of Andhra Pradesh has implemented SHG-centred innovative poverty alleviation initiatives such as the Andhra Pradesh District Poverty Initiatives Project (APDPIP)/*Velugu* and Andhra Pradesh Rural Poverty Reduction Project (APRPRP)/*Indira Kranthi Patham* (IKP) with the support of the

⁵ MORD, **Report of the Committee on Credit Related Issues Under SGSY**, Ministry of Rural Development, Government of India, 2009

⁶ <http://aajeevika.gov.in/>

⁷ The World Bank, **Project Appraisal Document (PAD) of National Rural Livelihoods Project (NRLP)**, Report No. 59393-IN, The World Bank, June 3, 2011.

World Bank⁸. The GOAP has invested substantial amount of resources in these programmes both from its own budgetary resources and with the support of the World Bank. The World Bank supported projects have created dedicated institutional architecture at the state, district and mandal levels and have deployed a huge army of trained community professionals for rural poverty reduction and empowerment of the poor. In addition, the NABARD-SHG bank linkage programme and the GOAP's interest subsidy programme implemented through SHGs have also contributed to the poverty alleviation programmes. The SHG-centred rural poverty alleviation programmes in the erstwhile combined state of AP have mobilized over more than 1.2 Crore rural households into the SHGs and their federations that have enabled them to access more than Rs.12,000 Crores of bank credit per annum and take up multiple livelihood opportunities⁹. The SHGs and their federations have contributed to building social, financial and economic capital of the rural poor.

The SHG-centred rural poverty alleviation programme in AP has achieved significant results in terms of increased savings, internal-lending among members, access to external finance/credit, livelihoods and public services and enabled increased public and private investment to flow into these households, communities and regions. These programmes have resulted in social empowerment of most vulnerable groups including the rural women, the Scheduled Castes and the Scheduled Tribes and enabled them to build social and financial capital and increase access to growth opportunities. The implementation of the programmes has had significant impact in the tribal and

⁸ Andhra Pradesh District Poverty Initiatives Project (APDPIP) was implemented from 2001 in select blocks of *Adilabad, Anantapur, Chittoor, Mahabubnagar, Vizianagaram and Srikakulam* with the support of the World Bank. The programme was extended to all districts and mandals from 2003 under Andhra Pradesh Rural Poverty Reduction Project (APRPRP) again with the support of the World Bank. The two programmes have been renamed and implemented as *Indira Kranti Patham (IKP)* under the Society for Elimination of Rural Poverty (SERP). For details see <http://www.serp.ap.gov.in>

⁹ MIS, SERP at <http://www.serp.ap.gov.in>

extremist affected areas as well. The key lessons and benefits from SHG programmes in AP are reported to be the following¹⁰:

- building SHGs and their federations as institutional platforms of rural poor households;
- promotion of thrift and savings among the rural poor women
- linkage of SHGs with commercial banks for credit;
- building a reservoir of social capital in the form of Community Resource Persons (CRPs), Community Activists (CAs), Bookkeepers (BKs), Para Professionals (PPs) and other community specialists;
- enhancing economic capital of the poor households to produce and earn more from agriculture, dairying and other key livelihoods through improved productivity and value added activities;
- enhanced food security and livelihood diversification; and
- creating capacity among the poor women to exert their voice and increase their participation in local governance and create demand for public services.

The results of SHG-centred and poverty alleviation programmes in AP have contributed to the following results as at the end of May 2014, before the bifurcation of the state of Andhra Pradesh.

¹⁰ SERP, **Andhra Pradesh State Perspective and Implementation Plan (APSSIP)**, Volume submitted to NRLM, MORD, Government of India, 2013.

Table-1.1
Progress of SHGs and their Federations in Andhra Pradesh : March 2014

Sl. No.	Outcome Indicators	Achievement as on 31.03.2014
1.	Number of SHGs formed	10,62,000
2.	Number of SHG members	1,17,09,263
3.	Number of SHGs for PWDs	50,000
4.	Number of PWD Members	4,45,000
5.	Number of VOs	38,821
6.	Number of Mandal Samakhyas	1,098
7.	Number of Zila Samakhyas	22
8.	SHGs linked to Banks	4,42,032
9.	Amount of Bank Linkages (Rs)	21,722
10.	Amount of Vaddi Leni Runalu (Rs) (Interest Free Loans)	2,103.84
11.	SHGs Availing Vaddi Leni Runalu (Interest Free Loans)	13,54,014
12.	Acres of Land accessed by the Poor	8.76
13.	Acres of Land brought under sustainable agriculture	76
14.	Villages covered	26,000
15.	Beneficiary farmers under sustainable agriculture	38.07
16.	Bulk Milk Chilling Units established	374
17.	Village Milk Procurement Centres	8,450
18.	Milk producers Benefited	3,02,000
19.	Service Jobs created	2,74,050
20.	Agri / NTFP Marketing Beneficiaries	7.42
21.	Value of Collective Marketing	3,092.14
22.	VOs engaged in collective procurement and marketing	3,930
23.	Beneficiary Families under Insurance	218
24.	VOs covered under Health & Nutrition Services	14,600
25.	Mandals covered under Health & Nutrition	600
26.	Nutrition cum Day Care centres	12,528
27.	Mandal Level Social Action Committees Formed	2,199
28.	Family Counselling centres run by SHGs	1,707
29.	Cases resolved (by Family Counselling Centres etc.)	79,914
30.	Children in Early Childhood Education (ECE) Centres	83,065
31.	Social Security Pensioners	145.13
32.	Pension amount disbursed	4,503.35

Source: APSRLM, MIS

Notwithstanding the significant progress reported, there is no systematic evidence of the impact of the SHG-centred approach adopted on the extent of rural poverty reduction. In view of the massive amount of resources invested in the SHG-centred programmes, both directly through public outlays and indirectly through credit support programmes, it is only imperative that a detailed assessment of the impact of SHGs and their federations on the rural poor households is made. It is equally important to assess the impact of the programmes on the functional efficiency and sustainability of the community institutions created and their actual role in mediating the livelihood concerns of the rural poor. A study of the SHG-centred model of rural poverty alleviation programme in AP assumes significance as the entire NRLM framework is based on the reported success of the Andhra Pradesh model. Moreover, Andhra Pradesh accounts for nearly 50% of the total SHGs bank credit in the country, many states are trying to replicate the model of Andhra Pradesh.

As it can be observed from the following review of literature, there is an urgent need for undertaking a comprehensive study to assess the impact of SHGs and their federations in Andhra Pradesh not only in terms of their impact on poverty alleviation of the member households but also on the relevance, functional efficiency and sustainability of these community institutions. This assumes importance there institutions are expected to mediate the livelihood concerns of the rural poor in different parts of the state.

1.2 Review of Literature

An attempt is made in the following to briefly review the studies on SHGs in general and status undertaken with reference to the impact of SHGs on poverty and empowerment of the member households as well as the sustainability of the institutions. The studies on SHGs could be broadly divided into three categories *viz.*, studies on the impact of SHGs on empowerment of the poor/women, studies on the impact of SHGs on micro-finance, poverty alleviation and livelihoods of the poor. A brief review is presented in the following.

1.2.1 Studies on SHGs and Empowerment

More recent studies on empowerment dimension include those of Robert Hunter (2012)¹¹, Imran Shariff Chaudhry (2009)¹², UNICEF (2007)¹³, Murthy *et.al.*, (2005)¹⁴, D.B. Rao (2005)¹⁵, Rithu Jain (2005)¹⁶, Hemalatha Prasad *et.al.*, (2004)¹⁷, Singh (2003)¹⁸, Ramakrishna *et.al.*, (2003)¹⁹, Sarangi (2003)²⁰, D.V.Rao (2004)²¹, Dinne Mathew (2004)²², Eswara (2006)²³, Ghariyali (2004)²⁴ and Perumal (2005)²⁵. A few studies were also conducted on the functioning of groups promoted under DWCRA programme. But most of the studies were conducted prior to 2008.

A large number of studies on empowerment primarily focused on the impact of SHGs on the status of women. The contribution of SHG membership to the knowledge and awareness of women and their autonomy in domestic decision making formed the primary area of focus. Some of these studies have examined the impact of SHG membership on the household decisions as well as autonomy of the members. Some studies have examined the impact of SHGs on

¹¹ Robert Hunter, *International Review of Applied Economics*, 2012, Vol.26 (3): pp.223-239.

¹² Imran Shariff Chaudhry, *Women Empowerment in Contemporary Development Policies*, World Development, 2009, Vol.29, p.4

¹³ UNICEF, *Report on Women's Economic Empowerment*, UNICEF, 2007

¹⁴ S. Murthy, *Women and Empowerment*, RBSA Publishers, Jaipur, 2007.

¹⁵ D.B. Rao, *The Forces of Community Awareness and Social Mobility* (UNDP Sponsored Project), Rawat Publications, New Delhi, 2005.

¹⁶ Rithu Jain, *Women Empowerment Challenges and Strategies*, Vistar Publications, New Delhi, 2005.

¹⁷ C. Hemalatha Prasad, *Social Mobilization, Employment and Empowerment of Women through SHGs*, NIRD, Hyderabad, 2006.

¹⁸ S. Singh, *Dynamics of Self Help Group Formation*, Ph.D. Thesis, Kerala Agriculture University, 2003.

¹⁹ R. Ramakrishna *et.al.*, *Micro-Credit for Rural Youth through SHGs, Cooperative Perspectives*, Vol.38 (3), pp.48-59.

²⁰ P. Sarangi, *Self-Help Groups – An Experiment in Orissa*, Kurushetra, Feb.2003, pp.30-32.

²¹ D.V. Rao, *Emancipation of Women through Self-Management – A Study in Andhra Pradesh*, *Man and Development*, 26(1), pp.115-134.

²² Dinney Mathew, *A Study on SHGs for Empowerment of Rural Women*, Discovery Publishing House, New Delhi, 2004.

²³ Eswara, *A Study on Self Help Groups and Tribal Development in Mizoram*, Deep and Deep, New Delhi, 2006.

²⁴ G.K. Gariyali *et.al.*, *Women's Owned the Self Help Movement of Tamil Nadu*, Vetri Publishers, 2004.

²⁵ Perumal, *Empowerment of Women through SHGs*, Sage Publications, New Delhi, 2005.

the adoption of family planning. A few studies have assessed the actual process of empowerment undertaken through the SHGs and their impact on the capacities of women to realize their full potential. Using simple methodologies involving comparison of the status of pre-SHG and post-SHG, the studies found improvements in the empowerment status of women both within the household and at the community level. A few other studies have examined the impact of SHGs on the ability of the members to participate in panchayat bodies and also access public services and entitlements²⁶.

More specifically, Robert Hunter (2012) in his evaluation of the impact of economic and non-economic factors on empowerment of women through self-help groups, concluded that SHGs have a significant impact on the economic empowerment of women²⁷. Using a structural equation model and employing a time series and cross-section data analysis model, Hunter found that SHGs also contribute to greater autonomy of women and a change in their social attitudes.

Imran Shariff Chaudhry examined the determinants of women empowerment using a regression model on data collected from a district in Punjab²⁸. Chaudhry sought to assess the impact of SHGs on personal autonomy of women household decision making, role in domestic economic decisions and political autonomy. The empirical analysis conducted by him however shows diverse results for urban, rural and tribal areas. The study found that among other factors empowerment status of women is influenced by education, access to media and socio-cultural norms of the society. The study based on primary

²⁶ M.Parvin Razia, *Empowerment of Women : Strategies and Systems for Gender Justice*, Dominant Publishers and Distributors, New Delhi, 2005.

B.K.Singh, *Wome Empowerment through Self-Help Groups*, Adhyayan Publishers and Distributors, New Delhi, 2006.

G.Sreeramulu, *Empowerment of Women through Self-Help Group*, Eastern Book Corporation, 2006.

R.Venkata Ravi *et.al.*, *Empowerment of People-Grassroots Strategies and Issues*, Kanishka Publication, New Delhi, 2004.

Vijayanthi, *Women's Empowerment through Self-Help Group: A Participatory Approach*, Indian Journal of Gender Studies, 2002, pp.263-273.

²⁷ Robert Hunter, *op.,cit.*,

²⁸ Imran Shariff Chaudhry, *op.,cit.*,

data collected from SHG women belonging to 1,000 households saw merit in delegating authority to regional and local authorities in setting priorities and innovating approaches to empowerment of rural women, particularly, through ICT.

The study of Lalima (2009) found that to escape from poverty and hunger, the rural poor needs to be provided access to product resources such as land, finance, technology, agricultural inputs, livestock support, public irrigation, marketing opportunities and off-farm employment. However, some of these inputs and services can be effectively provided only through a network of SHGs.

The UNICEF study of 2007 concluded that women's economic empowerment primarily depends on access to financial resources²⁹. The study based on *Indira Kranthi Patham* in Andhra Pradesh found that access provided to women through SHGs has been successfully promoting such economic empowerment.

Murthy *et al* (2005) identified access to information and organization of collectives as two important enabling factors for women's empowerment. Women's involvement in SHGs is viewed as a chief vehicle of accessing both information and economic empowerment³⁰. The study observed that most of the members of the SHGs received benefit from income generating activities only after their getting organized into SHGs and their federations.

The review of Malhotra (2002) based on 45 different studies concluded empowerment can take place both at the individual household and household levels only through collectivization.

²⁹ UNICEF, *op.,cit.*,

³⁰ Murthy *et., al., op.,cit.*,

Kalpana Simha (2001) studied the experiences of Bangladesh, Sri Lanka, India, Canada and Australia in respect of women empowerment in general and women entrepreneurship in particular³¹. The study underlined the need for organizing women to promote self-employment. The study of Suguna (2001) underscores the need for adopting a proper process of empowering women and found that SHGs act as a very important vehicle of empowering women through a systematic process of capacity building.

Longwe (2001) viewed empowerment as a long process involving improvement in the ability of women to realize the individual and collective reality³². D.V. Rao (2004) studied the development of SHGs in Andhra Pradesh and observed an overall increase in the level of awareness of women after joining the SHGs³³. Rao found an increase in the enrolment of girl children and their school attendance as a result of the mother's joining to SHGs. The study also found an increased role for women in household decision-making.

Sunder and Asokan (2004) analyzed the performance of cooperative banks in financing women SHGs in India. The study found that in Karnataka Cooperative banks financed a huge number of SHGs unlike in the Northern states. Hemalatha Prasad et al., (2004) argued that SHGs require better infrastructure support not only in the form of market complexes, work sheds, good roads, better transport but also in the form of better backward and forward linkages and institutional support³⁴. In view of the liberal economic policies, she argued that technology support to SHGs assumes importance.

Singh (2003) studying the experience of MYRADA in fostering SHGs found that SHGs with proper nurturing and capacity building support perform extreme well in terms of savings, inter-lending and utilization of loan funds for

³¹ Kalpana Simha, *Empowerment of Women in South Asia*, Publication AMDISA and SAARC, Hyderabad, 2001.

³² Longwe, *Empowerment as a Process and a Self-Reinforcing Cycle*, 2001.

³³ D.V. Rao, *op.,cit.*,

³⁴ Hemalatha Prasad et. al., *op.,cit.*,

sustainable development³⁵. Ramakrishna et.al (2003) analyzed the role of SHGs in empowering women in select areas of Andhra Pradesh. The study concluded that SHGs have a positive impact on beneficiaries in terms of their ability to access government programmes, loans and other services.

Sarangi (2003) studied the success stories of SHGs in the spheres of micro-credit and entrepreneurship development in select districts of Orissa³⁶. Kalyan (2001) examined resources, agency and achievements, their reflections on the measurement of women empowerment and suggested that emphasis should be given first to make the rural women come out of their domestic set up and to join Self Help Groups. Then according to their needs, interest, skills and feasibility they should be encouraged to undertake the micro enterprise in the concerned field.

Laxmi R.K. (2001) studied Self Help Groups as innovations in financing the poor and revealed that a large number of institutions are at present providing credit to the rural and tribal poor. Yet it is inadequate. The SHGs can create unique alternative, need-based credit delivery mechanisms by pooling their meager resources for catering to their consumption and occupational requirements.

Dogra Bharat (2002) studied women Self Help Groups as kindling spirit of entrepreneurship and examined with the results of many credit programmes. He found that the dissatisfaction with the experiences has demanded new modalities to provide effective financial services to rural poor. Research in various countries have brought to light the fact that SHGs play a significant role in mobilizing substantial amount of savings. Prasant Sarangi (2002) observed SHGs in Orissa state and reported that the SHGs in our country have become a source of

³⁵ Singh, *op.,cit.*,

³⁶ Sarangi, *op.,cit.*,

inspiration for women welfare³⁷. Nowadays, formation of SHG is a viable alternative to achieve the objectives of rural development programmes. SHG is also a viable organized set to disburse micro-credit to the rural women and encouraging them to enter into entrepreneurial activities.

Awasthi et al (2002) explored the working and impact of SHGs on economic status of women in watershed areas of Madhya Pradesh and pointed out that the SHG members suffered from lack of motivation, backward and forward linkages, inadequate provision for marketing and availability of inputs, lack of systematic monitoring and follow-up of the activities.

Rao V.M. (2002) examined empowerment of farm women through dairy cooperatives in Andhra Pradesh and stated that the SHGs collect the deposits from their members and lend to the needy members for production purposes and also for subsistence and consumption needs. It takes loans from banks or voluntary agencies or self help promoting institutions to meet the needs of the members. SHG itself with the help of NGO make assessment of individual credit needs of its members and submits to the bank for sanction of collective loans in its name. NGO helps the SHG in procuring raw material and also marketing of the produce. SHG collectively ensures repayment of bank loans. Entire loan amount disbursed to SHGs is refinanced by NABARD to the financing bank.

It could be noticed from the above studies that an ideal SHG should frame and abide by certain rules to be strictly followed for the success of it. By being a member of SHG there is possibility for better participation, decision making, planning for future etc. There is a need to equip them in developing management skills especially in financial issues.

³⁷ Prasant Sarangi, *op.,cit.*,

Ramalakshmi C.S. (2000) highlights the role of an innovative saving/credit programme called Podupu Lakshmi that had been successfully launched and carried out in Nellore district of Andhra Pradesh. She noticed that Podupu Lakshmi is based on a very simple principle of saving a rupee per day/per member. The erstwhile submissive, docile, silent and meek women changed their psyche into assertive, confident, mobile, articulate, questioning and demanding pressure lobby groups. The aspirations of women for economic prosperity went up and they started climbing up the social ladder through the programme. The other factor for the success was the timely intervention of the government machinery. The careful identification of key government functionaries also led to the success of the programme.

Her study on DW CRA as a successful experiment to emancipate rural women in Andhra Pradesh and concluded that with the support from the Government of Andhra Pradesh, the rural women have now transformed their lives into full time and active entrepreneurs with lot of hope and are able to lead a life with self-esteem. Once they were passive recipients of Governments dolbs, but now they are active participants and stakeholders in the programmes. They have risen to the levels of self-management. They have realized the importance of their numbers and have become capable of asking for their rights/entitlements like equal wages, better working conditions, health, education, nutrition for their children etc. Thus, DW CRA has become a powerful tool in bringing women together in the remote rural areas and thus helped to emancipate the once mute sufferers in silence to march forward towards collective community progress/development on a substantial basis.

Sebastian T. (2002) pointed out that the SHG members suffered from lack of motivation, backward and forward linkages, inadequate provision for marketing and availability of inputs, lack of systematic monitoring and follow-up of the activities. The government and NGOs have thought it fit to encourage women to start micro-enterprises. The rural women have shown that they are creditworthy

and can handle money responsibility and work as teams. Chiranjeevi T. (2003) conducted a study on empowering women through SHG and found that women have developed abundant self-confidence and self-esteem through SHGs movement. Not only economic poverty but also social and gender issues can be tackled effectively through this process.

Prasant Sarangi (2003) stated that women lead SHGs in many parts of the country have achieved success in bringing the women to the mainstream of decision-making³⁸. SHGs are also available organized set up to disburse micro credit to the rural women and encourage them to enter into entrepreneurial activities. The women lead self help groups in village of Purushottampur block of Ganjam district of Orissa state have successfully demonstrated how to mobilize and manage thrift appraise credit needs, maintain linkage with the banks and enforce financial self-discipline.

1.2.2 Studies on Micro Finance

The second category of studies focused on the contribution of SHGs to meeting the micro-finance requirements of the member households. The studies in this category have examined the role of SHGs in promoting savings, thrift, inter-lending and access to external sources of finance such as bank loans. Some of these studies have also examined the role of SHGs in promoting the livelihoods of the rural poor through micro-finance activities. The important studies in this category include the studies of Srinivas Reddy (2011), Shinde (2011), Vinayak Murthy (2009), Vijay Mahajan (2008), Prabhu Ghate (2007), UNICEF (2007), D.V.Rao (2004), Singh (2003) and several others.

The study of Srinivasa Reddy (2011) entitled "Women's Empowerment through SHGs" reveals that SHGs contribute to both economic and social empowerment. The study of Vinayak Murthy (2009) found that SHGs in North Tamil Nadu contributed significantly to household incomes and consumption

³⁸ P. Sarangi, *op.,cit.*,

expenditure. The study also found that SHGs have contributed to good repayment behaviour by the SHG women. However, it is important to enforce both democratic and financial norms in the SHGs. The study of Vijay Mahajan (2008) examined the factors contributing to sustainability of micro-finance institutions and the factors contributing to the sustainability of SHGs and other micro-finance players. The study examined the potential of SHGs to contribute to the livelihoods of the rural poor, particularly in southern states where SHGs are growing stronger.

The study of Prabhu Ghate (2007) reported that Indian micro-finance sector faced the challenges associated with rapid growth³⁹. The study opined that self-execution as well as exclusion by existing group members and self-help promoting agencies is practiced for much the same set of reasons such as difficulty in conducting meetings, meeting saving obligations, and in keeping with loan repayment obligations. The study raised the difficulties faced by the members attending regular meetings, especially women belonging to agricultural households. The study has also drawn attention to the importance of keeping group records in a transparent and accountable manner. Kanungo et al (2006) undertook a study of SHGs and their role in tribal development in Mizoram and reported that SHGs for emerging as major agents of development and empowerment of weaker sections of India. The role of SHGs in improving the access of the women to bank finance was particularly emphasized by the study.

Sanjeev Kumar Sharma (2005) examined the role of self-help group in watershed management⁴⁰. The study found that SHGs were contributing to thrift activities and meeting the critical credit requirements of SHGs by enabling their access to banks. Most significantly, the SHGs were found to be influencing the income generating activities of SHG women households. Therefore, the study advocated the need for mainstreaming the role of SHGs in the implementation of all government programmes.

³⁹ Prabhu Ghate, *Op. Cit.*,

⁴⁰ Sanjeev Kumar Sharma, *Op. Cit.*,

Rao (2005) in his study found that the forces of community awareness and social mobilization for development unleashed by the UNDP sponsor project contributed to the growth of SHGs in Garhwal region⁴¹. The study also found that a vast majority of women were interested in organizing themselves into SHGs and take up economic activities such as vegetable cultivation, pickle making, leaf plate making, petty trade etc. The study advocated the need for providing seed money to the SHGs to catalyze their development. The study of Narayana Swamy (2005) brought out how SHGs have contributed to the growth of micro finance in rural India and how they could act as vehicles to access bank finance and technical support from the government agencies.

Ritu Jain (2005) in her study entitled "Women Empowerment Challenges and Strategies" has narrated the basic principles of SHGs and identify the factors which contribute to their sustainability such as group cohesiveness, spirit of thrift, demand base lending, collateral free loans, peer group pressure in repayment, skill training and capacity building. The study of Behuria (2004) assessed the contribution of SHGs to economic empowerment of women in two districts of Uttaranchal. The study of Tripathy (2004) reported that the quality of groups is more important than their numbers. Therefore, the study advocated the need for continuous nurturing and capacity building of SHGs. The studies of Srinivas, Satish and Das Gupta (2004) examined the contribution of SHGs to the promotion of NABARD Bank linkage programme and its impact on the economic status of the households⁴². The study of Dogra (2002) brought out how SHGs in Saharnapur district of Uttar Pradesh was successful in breaking the strangle hold of money lenders, by enabling access to cheaper credit. Devasia Leelamma (2001) that SHGs contribute both economic empowerment of women as well as their attitudinal change. Agarwal Deepthi (2001) examined how SHGs woven around micro credit have contributed to the change in the status of women in terms of their self-perception, identity and access to finance.

⁴¹ Rao, *Op. Cit.*,

⁴² Srinivas *et. al.*, *Op. Cit.*,

1.2.3 Studies on Livelihoods

The third category of studies includes those that have examined the impact of SHGs on the livelihoods of the rural poor. Important among these studies are the impact evaluation studies of APDPIP and APRPRP conducted by Centre for Economic and Social Studies (CESS) and a series of process monitoring and impact evaluation studies conducted by Society for Human Rights and Social Development during 2002 to 2014⁴³. There were also studies conducted on the basis of APDPIP and APRPRP data, which have estimated the incremental income attributable to these projects⁴⁴.

There were a few other studies based on small samples and covering specific aspects of the impact of SHGs. Such studies include Hunter (2012), Shinde (2011), Laalima (2009), Perumal (2005), Sinha (2004), Seshadri and Agarwal (2004), and Vasudeva Rao (2004) which have already been reviewed in the earlier sections.

Shinde (2011) studied the impact of SHG bank linkage and observed that banking sector stood to gain from two angles viz., fulfilment of social goals and achieving operational efficiency in terms of externalizing a part of their

⁴³ CESS, *Report of Baseline Survey of APDPIP, Report of Mid-line Survey of ADPIP, Report of Baseline Survey of APRPRP, Reports of Impact Evaluation of APDPIP and APRPRP*, CESS, Hyderabad (various years).

⁴⁴ Klaus Deininger et al (2013), *Economic and Social Impacts of an Innovative Self-Help Group Model in India*, World Development Vol.43, pp.149-163, (<http://dx.doi.org/10.1016/j.worlddev.2012.09.019>)

Dev, M. S., Kanbur, R., Galab, S., & Alivelu, G. (2012). *Organization, Poverty and Women: Andhra Pradesh in Global Perspective* (pp. 1–12). New York: Academic Foundation Press.

Swain, R. B., & Wallentin, Y. (2009). *Does Microfinance Empower Women? Evidence from Self Help Groups in India*. World Development, 37(10), 1674–1682.

Swain, R. B., et al (2009) *Does Self Help Group Participation Lead to Asset Creation?* World Development Vol. 37, No. 10, pp.1674-1682.

Europe PMC Funders Group (2013), *Women's Groups Practicing Participatory Learning and Action to Improve Maternal and New Born Health in Low-Resource Settings: A Systematic Review and Meta-Analysis*", Lancet. May 18; 381 (9879): 1736-1746. doi:10.1016/S0140-6736(13)60685-6.

Pop Council Evaluation (2015), *Self-Help Groups in Development: Evidence from South Asia and Sub-Saharan Africa*, EPAR-UW, 2015.

transactional cost. Tracing the rapid growth of NABARD Bank linkage programme, both in numbers of SHGs linked and quantum of credit provided, particularly, in southern states, the study advocated the need for expansion of the programme in the other parts of the country.

The study of Chandran and Seilan (2005) studied that the empowerment of women to self-help groups would lead to benefits not only the individual women but also to the families and community. The SHGs contribute to the self-confidence of women and enable them to realize their potential through collective bargaining power. Thus, empowering women is not just for meeting their economic needs but more importantly for holistic social development. The study conducted in Kanyakumari district examine how SHGs contributed to the savings, inter-lending, bank linkage and productive investment by the members.

The study of Perumal (2005) examined the impact of SHGs on the household expenditures and incomes⁴⁵. The study observed that incremental income has not only enhanced the consumption expenditure of the household but also promoted their savings. More importantly, empowerment of women as a greater positive impact on the community level changes. The SHG movement tends to remove the obstacles confronting women at the community level.

The study of Sinha (2004) argue that SHGs improve the ability of women in investment decision-making. Further, the study observed that the women tend to spend more on essential aspects of consumption such as food, health, education of children *etc.* Seshadri and Agarwal (2004) found that dependence on money lenders recorded a steep decline in areas where SHGs were robust.

The study of Nirmla Benerjee and Joyanti Sen (2003) however concluded that in West Bengal the funding pattern of SHGs was not transparent and multiple agencies were found to be the funding SHGs resulting in certain

⁴⁵ Perumal, *Op. Cit.*,

misutilization of refunds. Moreover, the role of NGO promoters is not always healthy. The study advocated the need for a process oriented approach to the formation and strengthening of SHGs. Laliitha and Nagarjuna (2002) reported that earnings generated from household dairy farming had been instrumental in increasing not only the financial returns but also the well-being of the household members through better nutrition.

The study of Vasudeva Rao (2001) on the functioning of SHGs organized by the Scheduled Caste women found a significant improvement in the wage and non-wage benefits to women. The study brought out the role of SHGs in fighting against the social practices of child marriage, dowry, and alcoholism.

A critical review of these studies indicates that most of them were primarily focused on empowerment aspects of SHGs, and not on their role in mediating the livelihood issues of the rural poor. None of these studies with the solitary exception of impact evaluation and process monitoring studies commissioned by the Society for Elimination of Rural Poverty (SERP) has examined the economic impact of SHGs and their federations on the livelihood portfolio of the poor. Even the impact evaluation studies commissioned by the SERP had their own limitations, having been designed only to assess the impact of the World Bank supported components of the programme at three points of time. A majority of all the studies reviewed are not only dated, but have adopted small samples and methodologies which are not robust. Most of these studies have examined certain specific individual aspects of the SHG-centred programmes rather than examining the totality of their impact on the rural poor and their livelihoods. More significantly, none of these studies has examined the functional efficiency and sustainability features of SHGs and their federations which directly and indirectly impact the member households. Only when the community institutions are efficient in their functioning and sustainable, they can facilitate the livelihoods of the poor. These aspects have not been addressed by the studies.

Apart from methodological and sampling related limitations, the individual studies suffer from problems associated with partial coverage of SHGs. Almost all individual studies have not examined the inter-relationship between SHGs and their higher level federations. The functioning of SHGs in AP is largely influenced by their federations. Similarly, the financial resources of the SHGs are influenced by both the transfers from federations and the bank loans. The impact of these resources on the poor households has not been explored. Further, the regional dimensions in the impact of SHGs on the rural poor have not been brought out systematically in any of these studies. Finally, the social background of the members of SHGs also has an impact on their functioning. No study has brought out the socio-ethnic background of the members and impact on their functioning. The present study has been undertaken in order to address the above gaps in the literature.

1.3 Objectives of the Study

The primary objective of the study is to assess the economic impact of SHGs and their federations in Andhra Pradesh. While assessing the economic impact, the study also seeks to assess the functioning of the SHGs and their three higher level federations viz., Village Organizations (VOs), Mandal Samakyas (MSs) and Zilla Samakyas (ZSs) from the point of view of self-reliance and sustainability. More specifically, the objectives of the study are the following:

- (i) to examine the growth of SHG movement in Andhra Pradesh with particular reference to SHGs and their federations in different parts of the state (the successor state of Andhra Pradesh);
- (ii) to assess the functioning and performance of SHGs;
- (iii) to critically examine the functioning of village organizations and their inter-relationship with the SHGs;
- (iv) to understand the functioning and performance of Mandal Samakyas;
- (v) to assess the functioning and performance of Zilla Samakyas;

- (vi) to assess the benefits received by SHG member households and in particular the impact of SHG membership on household income and assets; and
- (vii) to examine the impact of SHG membership on the status of women in the households.

1.4 Hypotheses

In order to study the above objectives, the following hypotheses were formulated and tested:

- (i) the SHGs and their federations have no impact on social inclusion and financial inclusion of the poor;
- (ii) the SHGs promoted do not exhibit features of functional efficiency, self-reliance and sustainability;
- (iii) the VOs do not exhibit features of functional efficiency, self-reliance and sustainability;
- (iv) the MSs and ZSs are not effective in terms of their apex role and self-reliance and sustainability;
- (v) membership of SHGs has no significant impact on the income status of the member households; and
- (vi) the SHGs and their federations have no significant impact on the empowerment status of the women members.

1.5 Methods, Sample and Tools

The study has adopted a 'mixed-method approach' involving both household survey and study of SHGs, Village Organizations (VOs), Mandal Samakyas (MSs) and Zilla Samakyas (ZSs). A comprehensive survey of sample households of SHG women was conducted. In addition, specially designed tools to assess the functioning, performance, self-reliance and sustainability of SHGs and their federations were used. In addition, Focus Group Discussions (FGDs)

were conducted with sample groups of SHGs, VOs, MSs and ZSs to supplement with qualitative information and to capture the perceptions of different stakeholders. Detailed FGD guides were prepared for this purpose. Key Informant Interviews (KIIs) were also conducted to assess the views of programme staff, bankers and other stakeholders. All the tools used were pre-tested before conducting the survey. The field study was conducted during 2013-14, prior to the bifurcation of the state, but the sample area falls within the successor state of Andhra Pradesh. Historical data was collected for the SHGs and their federations from the books of accounts for a comparable period, starting from the most recent year for which recorded data was available *i.e.*, for the years of 2012-13, 2011-12 and 2010-11. For the household survey, the latest year for which data were collected relate to 2012-13 with a common recall period for all households.

As the SHGs and their federations have been promoted across the state, 'control' group could not be established and studied to assess the differential impact on the rural poor households. However, the methodology was so designed to capture the pre and post comparison of the status of rural households, using recall method. Care was taken to ensure that recall related problems are minimized. For this purpose, information collected from different sources using different methods was triangulated to arrive at the contribution of SHGs and their federations to the livelihoods of the rural poor. In respect of assessing the functional efficiency and sustainability aspects of the community institutions, information was collected from the historical data available with them for a comparable period across the study area comprising the sample districts of *Chittoor, Kadapa, Prakasam, and Vizianagaram*. The sample covered 4 ZSs, 8 MSs, 24 VOs, 72 SHGs and 290 member households of SHGs.

1.6 Analysis

The researcher has analyzed the quantitative data collected from households and SHGs and their federations using Statistical Package for Social

Sciences (SPSS). The quantitative data has been analyzed and presented in the thesis using simple bi-variate and multivariate tables and graphics.

For assessing social inclusion of SHGs and their federations, the social background of members has been taken into account. The proportion of the SC, the ST and the minority group members has been considered as an indicator of inclusion at the SHG, VO, MS and ZS levels. The functional efficiency of the SHGs has been assessed on the basis of their adherence to *Panchsutras viz.*, regular attendance of members, regular contribution of savings, regular inter-lending, regular repayment by members and up to date bookkeeping. In addition, the velocity of fund rotation, the leveraging of external funds by SHGs from banks, and the access of individual members to total funds have also been examined. The ratio of idle funds to the total funds has also been examined to assess the efficiency in fund management. The social activities undertaken by the SHGs have also been examined to assess the social contribution of the SHGs to the larger community.

A similar analysis has been undertaken for the VOs, MSs and ZSs. For the VOs, the regularity in the conduct of GB and EC meetings and the member (SHG) attendance at them has been examined. The finances of the VOs have been analyzed with reference to their receipts and payments account, income and expenditure account and assets and liabilities account (balance sheet). The VO-SHG financial and non-financial relations have also been analyzed with reference to the financial transfers in terms of CIF disbursed and recovered from SHGs. Savings of SHGs made in the VOs have also been examined as part of assessing the VO-SHG financial relations. The social activities taken up and resolved by the VOs are also examined as part of the analysis.

The functional efficiency of MSs has been examined with reference to the regularity in conduct of EC meetings, VO attendance at the meetings, CIF and other funds disbursed and recovered, economic and non-economic activities

taken up for the benefit of the SHG members. The financial status of the MSs has been examined with reference to their receipts and payments account, income and expenditure account and assets and liabilities. The self-reliance of MSs has been analyzed with reference to their own income during the study period. The sustainability of MSs has been examined with reference to both the quality of democratic functioning and financial strength (own income). The quality of leadership and inclusiveness of the MSs have also been considered.

In respect of ZSs, apart from the regularity of meetings and attendance of the MSs at them, the financial status has been examined with reference to annual financial statements (receipts and payments, income and expenditure and assets and liabilities). The trends in income have also been considered as an indicator of the financial strength. The potential self-reliance and sustainability have been examined with reference to the amount of income as well as the quality of leadership. The social relevance of ZSs has also been examined with reference to the social activities undertaken and resolved by them.

The impact of SHG membership of the households has been analyzed in terms of the contribution to the size and composition of income, size of wage and self-employment, access to credit and reduction in high cost debt and asset creation in sample households. Finally, the contribution of community institutions to empowerment of the poor in general and women in particular has been examined with reference to the extent of participation of women in intra-household and community level decision making. The contribution of SHGs to larger social group has also been considered as an indicator of empowerment.

1.7 Outline of the Thesis

The thesis is presented in 9 chapters. *Chapter-1* is introduction to the thesis, wherein, the importance, objectives and methodology of the study are outlined. The second chapter presents growth of SHGs in Andhra Pradesh.

Chapter-3 presents sample details of SHGs, VOs, MSs, ZSs and Households. Functioning of sample SHGs is presented in *Chapter-4*. *Chapter-5* presents a detailed discussion on functioning of sample VOs. This is followed by a chapter on performance of Mandal Samakyas. In *Chapter-7*, the functioning of ZSs is discussed. In *Chapter-8*, the impact of SHGs on the member households is presented. *Chapter-9* presents summary and conclusion.

1.8 Limitations of the Thesis

Every effort has been made by the researcher to draw evidence based inferences. Despite all the efforts, there could be certain limitations arising out of methodology, sample design, data and cross-section as well as time series comparisons. First, the data required for the study has been collected from the books of accounts and other records of sample SHGs, VOs, MSs and ZSs. It is possible that some of the books may not have been updated correctly, completely and consistently. Further, the sample SHGs and their federations may not be entirely representative of the universe. Second, perceptions of the sample members and leaders have been assessed on the basis of their recall. There could be a certain amount of memory lapse and inter-temporal myopia. Some members may have had a tendency to discount the past and overrate the present. Third, no 'control' group sample could be chosen as the SERP's SHG programme has spread to the entire state. Therefore, the study is entirely based on the 'treated' group responses. To a certain extent, it is possible that there could be some impact due to contemporaneous changes not specifically attributable to the programme. Further, individual study conducted by a Ph.D. student has certain inherent limitations. It is possible that some respondents would not have revealed the entire information. The researcher has made all efforts to minimize the impact of all these limitations on the quality of the study. However, such limitations are not unusual of an individual study conducted by a Ph.D. researcher.