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IMPACT OF MICROFINANCE ON RURAL WOMEN A COMPARATIVE STUDY OF SHG BANK LINKAGE PROGRAMME IN EAST GODAVARI AND CHITTOOR DISTRICTS OF ANDHRA PRADESH

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Abstract

Investing in women, has proven to be the most effective way to increase individual family expenditures on health and education, improve nutrition and food availability and begin the process of tackling the gender inequalities that hinder development in many countries around the world. Hence, the success of microfinance represents a paradigm shift in the development process. Microfinance programmes like Self-Help Group Bank Linkage Programme (SBLP) in India have been increasingly hailed for their positive economic impact and the empowerment of women. The objective of this study is to assess the performance of SBLP in Andhra Pradesh and its impact on the rural women. The present study is based upon primary data, which has been collected from the SHG members in East Godavari and Chittoor districts of Andhra Pradesh during the year 2012-13. The study reveals that SBLP has contributed the rural women in terms of bringing not only economic empowerment but also social and political empowerment.

Key words: *Microfinance, Self-Help Groups, Women empowerment, Andhra Pradesh, Impact*

1. Introduction

The Self-Help Group (SHG) movement originated in Bangladesh under the Leadership of Noble Laureate Mohamed Yunus. It is a noble mission- an innovative concept that has its roots in Bangladesh and also touched every part of the globe. In order to achieve the mission of reaching those families who did not access to credit by any formal financial institution and, therefore, were dependent on informal sources and moneylenders, the National Bank for Agriculture and Rural Development (NABARD) introduced the "SHG - Bank Linkage Programme" as a pilot project in 1992. Thereafter, RBI had suggested all the commercial banks to participate actively in this programme. Subsequently, this programme was further extended to all Regional Rural Banks (RRBs) and cooperative banks. SHGs through the network of commercial banks, RRBs, cooperative banks, NABARD and NGOs has been largely supply driven as well as a recent approach in the provision of financial

services to the poor. This paper is an attempt to analyze the SHG movement in Andhra Pradesh in India as this is helpful in order to alleviate poverty and women empowerment. The present study is analytical and based upon primary data which has been collected from SHG members, who are enjoying the benefits of the programme. The objective of this study is to assess the impact of self help group bank linkage programme on rural women.

1.1 Self Help Group

Self Help Group means a group of 15-20 members which have become a common vehicle of development covering various development programmes. Financial intermediation is not the only objective but the purpose behind this is to combine the access to low cost financial services with a process of self management and development. SHGs are usually formed and supported by NGOs or Government agencies. SHGs are small, informal and homogenous groups of not more than 20 members each. Any group larger than the size of 20 members has to be registered under Indian legal system. So it is recommended to be informal to keep them away from bureaucracy, corruption, unnecessary administrative expenditure and profit motive. Groups are also expected to be homogenous so that members can participate freely without any fear as well as conflict of interests.

1.2 SHG –Bank Linkage Programme

The Self-Help Group Bank Linkage Programme (SHBL) which started as a pilot programme in 1992 has developed at a very fast rate with time. SHG-Bank Linkage Programme was started on the basis of the recommendation of S K Kalia Committee. Though the SHG-Bank Linkage Programme contributed to improve economic conditions, social change was not as apparent, and there are concerns of sustainability and further development of self reliance of the institutions. The SHG-Bank Linkage Programme has the following objectives:

- To develop mutual faith and confidence between the rural poor and bankers.
- To combine sensitivity, flexibility and responses of the informal credit system with the strength of administration capabilities, technical strength and the financial resources of the formal financial institutions.
- To expand credit flow/ financial services to the rural poor with less transaction costs.
- To alleviate poverty and empower the women

In India, there are three kinds of SHG models have emerged. They are:

Bank-SHG-Members: The bank itself acts as a Self-Help Group Promoting Institution (SHPI).

Bank-Facilitating Agency-SHG-Members: Facilitating agencies like NGOs, government agencies, or other community-based organizations form groups.

Bank-NGO-MFI-SHG-Members: NGOs act both as facilitators and microfinance intermediaries. First they promote groups, nurture them, and train them, and then they approach banks for bulk loans for lending to the SHGs.

1.3 Progress of SHG Bank Linkage Programme in Andhra Pradesh:

The state of Andhra Pradesh is at the forefront in the implementation of the SHG-Bank Linkage Programme with 32.17 percent of the cumulative bank linkages in India with 14.01 lakh number of SHGs as on 31st March, 2012. Among which, the share of commercial banks in providing the loan to the SHGs is substantially high (70.19 per cent) followed by Regional Rural Banks (28.33 per cent) and Cooperative Banks (1.48per cent). Similarly, the total amount of loan disbursed by Commercial Banks is Rs. 11,17,475 lakh followed by Regional Rural Banks (Rs. 4,09,352 lakh) and Cooperative Bank (Rs.7,345 lakh).

**Table 1: Agency/Bank wise number of SHGs financed in Andhra Pradesh
(As on 31st March, 2012)**

Banks	No. of SHGs	% of total	Total loan (Rs. Lakh)
Commercial Banks	9,83,342	70.19	11,17,475
RRBs	3,96,921	28.33	4,09,352
Cooperative Banks	20,642	1.48	7,345
Total	14,00,995	100	15,34,172

Source: Status of Micro Finance in India, 2013, NABARD

2. Methodology and sampling design

Based on the socio, economic and cultural aspects, the Andhra Pradesh state has been divided into three regions i.e. Coastal Andhra and Rayalaseema. For the purpose of the study, two regions viz. Coastal Andhra representing considerably developed region and Rayalaseema representing considerably poor region have been selected. Multi-stage random sampling method is adopted for the selection of the sample households. In the first stage, one district is selected based on prevalence of highest number of the SHGs from each region. Accordingly, East Godavari representing Coastal Andhra, Chittoor representing Rayalaseema, are selected for the present study. In the second stage, three mandals are selected from each district and the selection was done by their performance in terms of SHGs which got highest number of loans so far, prevalence of SC, ST and BC etc. In the third stage, on an average three villages were selected from each mandal covering one from near to mandal head quarters, one from interiors and one from in between the two. In the fourth stage, three SHGs are selected from each village and in the fifth and final stage, on an average three members were selected from each SHG so that the total number of sample households is around 162 from 54 SHGs. The impact is measured in terms of comparison of changes in the socio-economic aspects of the SHG members before and after joining in the SHGs.

The study was based upon primary data. Primary data was obtained from SHG members as well as SHG leaders through structured questionnaires. The field study was conducted during March-April 2013. The reference year for the study was 2012-13 and all economic parameters for both pre and post SHG situations were valued at reference year.

Even though, at all India level there are three different models of bank linkage, in Andhra Pradesh the most prevalent model is the second model, (i.e. SHGs formed by formal agencies other than banks, NGOs and others but directly financed by banks). However, in the state of Andhra Pradesh, the state government itself acting as a facilitating role in formation of SHGs wherein the actual model, the NGO or any other formal agency will deliver those services. Therefore, the SHGs which have covered in this study are formed under the programme called Indira Kranthi Patham (earlier it is called as Velugu), under Ministry of Rural Development, Government of Andhra Pradesh.

3. Results and discussions

3.1 Years of Bank Linkage

Table 2: Average number of years of bank linkage per household

Sl. No.	District	Number of years of Bank linkage
1	East Godavari	9.8
2	Chittoor	8.2
	Total	9.0

The average number of years of bank linkage reveals that the overall average number of years of bank linkage of SHG members was 9.0 years. Among the selected districts, East Godavari has the highest years of bank linkage (9.8 years) compared to Chittoor district (8.2 years).

3.2 Age of the members

The major proportion of the sample SHG members (37.3 per cent) are in the age group of 36-45 years followed by the members in the age group of 26-35 and above 46 years. A similar pattern was observed across the SHGs in the selected districts. The proportion of the members in the age group of 36-45 was 37.6 per cent and 35.4 per cent in Chittoor and East Godavari districts respectively. An interesting observation was that the proportion of the SHG members in the age group of below 25 years was reported only 3.7 per cent, which indicated that SHGs did not prefer the unmarried members since they leave their native after they become married.

Table 3: Distribution of SHG members by age

Age	East Godavari	Chittoor	Total
<25 years	1.5	6.5	4.0
26-35	26	30.1	28.0
36-45	37.1	37.6	37.3
>46	35.4	25.8	30.6
Total	100.0	100.0	100.0

3.3 Level of literacy:

An analysis of literacy levels of sample households (Table 4) revealed that about 26 per cent of the respondents were illiterate. About 31 per cent of the sample households could only do their signature. Members who studied up to primary and secondary levels are reported 24.1 per cent and 18.5 per cent respectively. It was observed that most of the members realized the importance of education after they join in the SHGs, which resulted in increase the number of members being able to sign.

Table 4: Distribution of SHG members by level of education

Level of Education	East Godavari	Chittoor	Total
Illiterate	33.3	19.8	26.5
Literate	24.7	37.0	30.8
Primary education	23.5	24.7	24.1
Secondary	18.5	18.5	18.5
Degree and above	0.0	0.0	0.0
Total	100.0	100.0	100.0

3.4 Social group of the members:

SHG Bank Linkage Programme envisages the covering of socially and economically weaker sections, particularly social groups like SC, ST and Backward Classes. The distribution of sample households according to social groups (Table 5) revealed that the proportion of the members belongs to Backward Classes accounted for 52.7 per cent followed by Other Category (25.9 per cent) and Scheduled Class/Scheduled Tribes at 20 per cent. The district wise data indicated that the SHG members belongs to Backward Classes are more in East Godavari District compared to Chittoor district whereas the SHG members belongs to Other Category are more than double in Chittoor district compared to East Godavari District.

Table 5: Distribution of SHG members by community

Community	East Godavari	Chittoor	Total
Scheduled Caste	20.5	18.5	19.5
Scheduled Tribe	2.4	1.2	0.6
Backward classes	59.7	45.7	52.7
Others	17.3	34.6	25.9
Total	100.0	100.0	100.0

3.5 Occupational status

The data on occupational status (Table 6) revealed that 26.5 per cent of the households are exclusively agricultural labour and about 21 per cent of the households are only self-employed and similarly about 10.4 per cent of the households are only farmers. Very few households (3.1 per cent) of farmers are only wage employed. Some of the respondents have both occupations like farmer & agricultural labour, wage employed & agricultural labour and self employed agricultural labour. About 13 per cent of the households are both farmer & agricultural labour, similarly about 14.4 per cent of the households are both wage employed & agricultural labour, further about 11.6 per cent of the households are both self employed and agricultural labour.

Table 6: Distribution of SHG members by occupation

Occupation	East Godavari	Chittoor	Total
Only Farmer	12.3	8.6	10.4
Only Agri. Labour	38.3	14.8	26.5
Only Self employed	14.8	27.2	21.0
Farmer & Agri. Labour	6.2	19.8	13.0
Agri. labour/wage employed	14.2	14.5	14.4
Agri labour/self employed	10.5	12.7	11.6
Wage employed	3.7	2.5	3.1
Total	100.0	100.0	100.0

District wise data indicated that the proportion of only agricultural labour in East Godavari district is considerably high compared to Chittoor District whereas the proportion of only self employed in Chittoor district is significantly high in compared to East Godavari District. Even though it is a good sign for development, the reason might be that Chittoor district is more drought prone area due to that the members who are self employed are more in this district.

4.4 Changes in Annual net household income

Household income and its distribution are central to any economic impact analysis. It is one of the most important indicators of development. Member of SHGs are expected to be able to increase their income generating activities and subsequently the income of their households through improved access to financial services.

An analysis of net income data collected from households (Table 7) revealed that households increased their net incomes over the pre and post-SHG situation from Rs.39, 123 to Rs. 74,850. The annual growth of household income was 7.5 per cent after the SHGs linked up to banks. The district wise analysis indicated that the rate of growth in annual income of the households in Chittoor (7.7 per cent) district is slightly more compared to East Godavari (7.3 per cent) district.

Table 7: Growth in annual net household income

District	Income per household (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	31790	64315	7.3
Chittoor	46456	85384	7.7
Total	39123	74850	7.5

4.6 Changes in the pattern of expenditure

The expenditure on consumption covered in this related to both food and non-food items. The expenditure on food covered cereals, pulses, edible oils, vegetables, milk and milk products, meat and fish, sugar and other items. Expenditure on non-food covered clothing, footwear, consumer durables, health, education and ceremonies.

4.6.1 Changes in expenditure on food

The annual consumption expenditure on food per household pre and after SHG and their annual growth rates are presented in the table 8. The overall annual growth rate in food expenditure was 7.9 per cent. It has been increased from Rs.10, 490 during the pre-SHG period to Rs. 20,965 during post-SHG period. It was found that a significant growth rate in food expenditure was recorded in Chittoor district (10.4 per cent) compared to meager 5.9 per cent in East Godavari District.

Table 8: Annual per household consumption expenditure on food

District	Expenditure per household (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	11469	20411	5.9
Chittoor	9511	21518	10.4
Total	10490	20965	7.9

4.6.2 Changes in expenditure on non-food

Table 9: Annual per household consumption expenditure on non- food

District	Expenditure per household (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	1752	6869	14.7
Chittoor	2596	5035	6.9
Total	2174	5952	11.8

The overall annual growth rate in non-food expenditure was 11.8 per cent. The highest annual growth rate in non-food expenditure in households was recorded in East Godavari district, is more than double (14.7 per cent) than the Chittoor district (6.9 per cent). On the whole, it was noted that the growth rates in food expenditure were found to be higher than the non-food expenditure in all the selected districts. The overall growth rate of expenditure on non-food was higher (11.8 per cent) than that on food items (7.9 per cent).

4.6.3 Changes in expenditure on education

It was observed that there is a substantial increase in the expenditure on education of the households during post-SHG period. The overall annual growth rate of expenditure on education was 8.3 per cent for selected households. It was also observed that the overall annual growth in expenditure on education was higher than the overall expenditure on food and non-food. The district wise analysis reveals that the annual growth rate of expenditure on education was highest in Chittoor district (8.0) per cent compared to East Godavari (5.7) district.

Table 10: Annual per household consumption expenditure on education

District	Expenditure per household (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	1401	2438	5.7
Chittoor	4425	9563	8.0
Total	2913	6001	8.3

4.6.4 Changes in expenditure on health

The overall annual growth rate of expenditure on health was 5.8 per cent for selected households. The district wise analysis reveals that the growth rate of expenditure on health was highest in East Godavari district (9.8 per cent) compared to Chittoor (4.6) district.

Table 11: Annual per household consumption expenditure on health

District	Expenditure per household (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	1296	3284	9.8
Chittoor	5223	7608	4.6
Total	3260	5446	5.8

4.7 Changes in savings and borrowings practices

4.7.1 Changes in average amount of savings

Under SBLP, greater emphasis is placed on savings. The philosophy of the programme is “savings first and credit next”. Saving and credit are two sides of the same coin. One saves and uses the savings for acquiring an asset. Alternatively, one acquires an asset by borrowing and later pays the same from future savings. It rests on the premise that members would need to develop the habit of thrift before availing loans. The people learn financial discipline by regularly saving and the regular savers are more likely to maintain regular repayment of loans. In this section, an attempt is made to estimate the annual savings per household during the pre and post- SHG situations. The savings in this study include both financial and physical savings measured through changes in investment in physical assets. The financial savings include savings in SHGs, Banks, Post offices, Co-operative societies, Life insurance and Cash in hand. The physical savings include purchase of gold and jewellery, silver and imitation jewellery etc.

Table 4.12: Annual average level of savings per households

District	Annual savings (Rupees)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	6957	13876	7.2
Chittoor	5087	10840	9.6
Total	6022	12358	8.3

The analysis on average level of savings per households revealed that in comparison to pre-SHG period, the households were generated more than doubled their savings from Rs. 6,022 to Rs. 12,358. The overall annual growth rate of savings per household was 8.3 per cent. It was observed that Chittoor district had the highest annual growth (9.6 per cent) than the East Godavari (7.2 per cent) district.

4.7.2 Changes in average value of consumer durable assets

The net changes in the value of consumer durables owned per household and their annual rate of growth are presented in table 13. The net change indicates the difference in the value of assets owned in pre and post-SHG periods. The average net change in the magnitude of the value of assets was Rs. 10,476 per household at the overall level and the rate of growth per annum was significantly high at 21.2 per cent. The district wise analysis reveals that Chittoor district (22.6) records a highest annual growth rate than East Godavari (19.9 per cent) district.

Table 13: Average value of assets by SHG households

District	Asset Value (Rs.)			CAGR
	Pre-SHG	Post-SHG	Net change	
East Godavari	1892	11491	9599	19.9
Chittoor	2623	13975	11352	22.6
Total	2258	12733	10476	21.2

4.7.3 Changes in borrowing habits

4.7.3.1 Average number of loans

Through bank linkages, SHG members improved their access to credit service substantially. Table 14 shows the average number of loans obtained through SBLP per household. On an average, the number of loans obtained through SBLP at the overall level is 4.68 times. Among the selected districts, East Godavari has obtained the highest average number of loans (5.08) than Chittoor (4.28) district.

Table 14: Average number of loans obtained through bank linkage per household

Sl. No.	District	Number of loans obtained
1	East Godavari	5.08
2	Chittoor	4.28
	Total	4.68

4.7.3.2 Average loan amount

The data pertaining to the average amount of loan obtained by sample households revealed that on an average, the households borrowed a total of Rs. 1,17,266 in the post SHG period (with about 9 years bank linkage), compared to a total of Rs. 22, 481 in the pre-SHG situation. The average loan taken by the household was growing at an annual rate of about 20 per cent. The annual growth rate for the average loan taken by the households is 20.3 per cent in Chittoor district compared to 19.6 per cent in East Godavari district.

Table 15: Average amount of loan obtained through bank linkage

District	Average loan (in Rs.)		CAGR
	Pre-SHG	Post-SHG	
East Godavari	21853	128680	19.6
Chittoor	23108	105852	20.3
Total	22481	117266	20.1

4.7.3.3 Source of borrowing

The attempt to analyse the pattern of borrowings by source reveals that the money lenders was the most important source in the pre-SHG situation. Before the SHG formation, about 60 per cent of the households obtained loans through money lenders, followed by relatives and friends (23.8 per cent) and banks (10.6 per cent). The major sources of loans in the post-SHG situation are SHGs and Banks. About 62 per cent of the sample households reported that their major source of loan was SHG and about 25 per cent of the sample households informed that their major source of loan is bank. The proportion of friends and relatives also decreased significantly i.e. from 22.5 – 5.3 per cent.

Table 16: Percentage distribution of borrowers by source of loan

District	SHG	Banks	Money lenders	Relatives/ Friends	Others
East Godavari					
Pre-SHG	-	13.0	57.2	24.0	5.8
Post-SHG	42.9	41.6	4.3	6.8	4.4
Chittoor					
Pre-SHG	-	8.2	62.0	23.6	6.2
Post-SHG	85.2	6.5	4.3	2.4	1.7
Overall					
Pre-SHG	-	10.6	59.6	23.8	6.0
Post-SHG	64.05	24.05	4.3	4.6	3.05

4.9. Social empowerment

One of the objectives of the SBLP is to enhance social empowerment, which includes developing the self-confidence of members of rural households, especially women through promotion of group and own activities and the conduct of training, organized mainly by Self Help Group Promoting Institutions like Andhra Pradesh Mahila Abhivridhi Socitney (APMAS), District Rural Development Agencies (DRDA) etc..

The indicators of social empowerment studied in this report viz. Self confidence of female members,

- Abilities to face problems,
- Control over use of money,
- Decision making, Participation in public affairs,
- wnership of productive and consumer assets

At the field level, the female SHG members were asked to indicate their perceptions on whether their membership in SHGs had any impact on their empowerment in general and on various social matters as per the indicators specified above.

Table 4.17: Indicators of change in social empowerment of SHG members (percentages)

Indicator of change	East Godavari		Chittoor		Overall	
	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
Self confidence						
Travelling alone to the nearest town	7.7	91.4	0.9	54.5	8.15	72.9
Going alone to the hospitals	6.8	80.4	1.3	49.6	7.45	65.0
Handling certain amount of money	2.7	65.9	2.7	32.7	4.05	49.3
Addressing a forum	5.0	22.3	7.5	19.5	8.75	20.9
Behavioural changes						
Resolving disputes	1.2	16.0	6.2	17.3	4.3	16.65
Facing financial crisis in family	4.9	21.0	7.4	21.0	8.6	21.0
Facing health problems	1.2	18.5	1.2	16.3	1.8	17.4
Decision making capacity						
Joint decisions on purchase of household assets	2.5	7.4	4.9	21.0	4.95	14.2
Joint decisions on social matters like education of children and their marriage	2.5	48.1	0	54.3	2.5	51.2
Joint decisions on accessing loans and usage	4.9	14.8	2.5	18.5	6.15	16.65
Communication skills and						
Attending village meetings	4.9	66.7	1.2	53.1	5.5	59.9
Approaching Govt. Officials	8.6	67.9	4.0	45.2	10.6	56.55

It was observed from the table 4.17, the level of self confidence in terms of travelling alone to the nearest town, going alone to the hospital, handling a certain amount of money, addressing forum has significantly improved. Only 8.15 per cent of the sample households exuded confidence to travel alone to the nearest town during pre-SHG period, which improved to about 72.9 per cent during post-SHG period. Similarly, there was an improvement in the confidence level of going alone to the hospital. About 65 per cent of the respondents reported that they are going to the hospitals alone during the post-SHG period, which was only 8.5 per cent during the pre-SHG period. Further, the ability of women to handle certain amount of money has been increased from 4.05 per cent during pre-SHG period to 49.3 per cent. Similarly the confidence level of the women to address a forum is considerably increased from 8.7 per cent during pre-SHG period to 20.9 per cent during post-SHG period.

It was also observed that there is a notable improvement in the behavioural changes of the women during the post-SHG period. There is considerable increase in the ability to resolve the disputes which frequently occurs in the family, capacity to overcome financial crisis and health crisis in the family etc. About 17 per cent of the households reported that their ability to resolve the disputes in the family is increased while 21 per cent of the households informed that their capacity to overcome the financial crisis in the family during post-SHG period. Similarly, 17.4 per cent of the households reported that their capacity to face the health problems has been increased during post-SHG period, which was only 1.8 per cent during pre-SHG period.

Various SHG activities resulted in improving the decision making capacity of the SHG members. Accordingly, it has its impact on decision making in household matters as well. While about 4.9 per cent of the members were jointly taking decisions in the household economic matters in the pre-SHG period, it improved to about 14.2 per cent in post-SHG period. Similarly, the decision making capacity of the members on various social matters in the family like education of the children, marriage etc. improved considerably. About 51.2 per cent of the sample households reported that they were jointly taking decisions in the matters related to their children education, marriage and other social functions. The joint decision making relating to the accessing loan and its usage has considerably increased from 6.15 per cent in pre-SHG period to nearly 17 per cent during post-SHG period.

The level of communication skills also improved in the post-SHG situations. Majority (60 per cent) of the sample households reported that they are able to communicate properly when they are attending the meetings in their villages which was only 3.2 per cent in the pre-SHG period. Similarly it was found that they were able to approach the Government officials without any fear. About 45 per cent of the sample households informed they are approaching the Government officials without any fear after joining in the SHGs, which was only 4 per cent during pre-SHG situation.

Conclusion

It can be concluded that the women in rural areas were empowered through Self Help Groups not only economically and but also socially and politically. SHG Bank linkage programme has helped immensely to develop thrift among rural women as a group and these accumulated savings were used to provide a loan to a needy member in that group or to start an entrepreneurial activity or by lending to a person who is outside of the group for interest. As result of increase in the income level of the group members, their expenditure on food and non-food, education, health have been increased and it leads to increase their standard of living.

It was found that SHG federations and Banks replaced traditional money lenders and traders for the source of borrowing and these are providing loans to the members at lower interest rate rather than exorbitant interest rates by the money lenders in the rural areas. The average amount of loan obtained by the members from SHG federations and banks has been significantly increased after the implementation of SHG bank linkage programme in rural areas. Above all, the members of SHGs were empowered socially and politically and now they are being stakeholders in majority of the activities which are being taken place in most of the villages.

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