A REVIEW | International Journal of Commerce and Business Management ; Vol. 4 Issue 1 (April, 2011) : 191-202

Microfinance, self-help groups and empowerment in Marathwada : A critical discussion

A.V. TAK AND V.B. TAK

Received : October, 2010; Accepted : November, 2010

Tak, A.V. and Tak, V.B. (2011). Microfinance, self-help groups and empowerment in Marathwada. *Internat. J. Com. & Bus. Manage*, **4**(1): 191-202.

Key words : Microfinance, Self-help groups, Empowerment

The 1990s were marked by partial deregulation of interest rates, greater competition in the banking sector, and a new nationwide microfinance initiative linking banks, NGOs and informal local groups (self-help groups of SHGs).2 Better known as 'SHG Bank Linkage', it is expected to become to have a strong presence in rural India, delivering finance to the poor as a vast majority of them still lack access to formal sources of finance. A major challenge therefore is to widen access to finance of the rural poor especially women as a highly disadvantaged and deprived group to meet their diverse needs (e.g. savings, credit, insurance against unexpected events) through flexible products at competitive prices.

The present study assesses the benefits of microfinance through self-self groups, based on a specially designed survey in selected villages in Prabhani. While the benefits in terms of higher income, consumption and saving matter for the poor, the focus here is broader, as an attempt is made to also assess some key dimensions of empowerment, following Narayan (2005), empowerment is defined as "increasing poor people's freedom of choice and action to shape their own lives" (p4). The focus therefore is on the opportunity structure and agency of the poor. In the present context, some key questions are. (i) whether access to microfinance-particularly microcredit- has given women greater autonomy in household decisions relation to allocation of resources, savings and investment; (ii) whether it has helped broaden their role in the public sphere-participation in village panchayats campaigns for village hygiene and sanitation, strengthened bonding among members of diverse social and economic backgrounds; (iii) whether density of social networks has been an important factor in the success of SHGs; and , finally, (iv) how sustainable is this form of access to finance.

The analysis is based on a small but detailed survey of members of SHGs in six villages in Pune district, a control group, and representatives of implementing agencies (banks, NGOs, official agencies, panchayats). Two features distinguish distinguish it from others. One is that it uses a combination of methods and data (*i.e.* quantitative and qualitative); and the second is the elaboration of the forms and processes of empowerment. Through several different exercises and a wide range of indicators, important findings from household responses are validated.

Overview:

India has a deep financial system, with the share of financial assets in GDP being 93 per cent. This is much higher than corresponding shares in other Asian countries such as China (42.5 per cent) and Korea (64.7 per cent). This is largely a result of India's vast network of financial institutions. Following the bank nationalization in 1669, there was a rapid expansion of banking in rural India (6.4 per cent), urban (7.8 per cent) and metropolitan areas (7.5 per cent) during 1973-1985 .

The share of banks in total rural household debt was barely 2.4 per cent until 1971. Following the bank nationalization, the share rose to 29 per cent in 1981 and that of all formal or institutional sources (including cooperatives) reached 61.2 per cent in 1991. Disbursement per hectare increased from Rs. 72.3 in 1980-81 to Rs. 275.13 in 1999-2000 (at constant prices), a substantial increase over 19 years (Dasgupta, 2005).

As no comprehensive survey of rural access has been conducted since 1991, a World Bank- NCAER Rural financial access survey (RFAS-2003) in two states, Uttar Pradesh, facilitates some comparisons over 1991-2003.

About 41 per cent of the rural households have

Correspondence to:
A.V. TAK, Department of Agricultural Economics and Statistics, Marathwada Agricultural University, PARBHANI (M.S.) INDIA

Authors' affiliations:
V.B. TAK, Department of Agricultural Economics and Statistics, Marathwada Agricultural University, PARBHANI (M.S.) INDIA