



## Impact of Microfinance on Household Welfare of Rural Women: Evidence from Haryana

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*Micro-finance programmes have recently become an increasingly important component of strategies to reduce poverty and vulnerability and to promoting micro and small enterprise development and women empowerment. However, knowledge about the achievements of such initiatives remains only partial and contested. There are controversies about whether and under which conditions microfinance can hold its assurance. Alongwith successful stories, uncertain, insufficient or undesired outcomes have been documented in many cases. Given this state of affairs, the assessment of microfinance programmes remains an important field for researchers, policymakers and development practitioners. The paper therefore analyses the impact of microfinance on household welfare. The research brings mixed results of the impact of microfinance on household welfare. The average level of income earned by members was found highest in SGSY groups as compare to other programmes. The study observed improvement in assets base among the members however many members had not purchased any productive items and loan amount from bank/ MFI as well as group was also the main source of finance to acquire these assets. Member experienced improvement in food, health and education expenditure but again in many cases, the loan amount had been providing main assistance rather than income. Further, on the level of improvement in these areas among these households, the satisfaction was quite below. Thus the study communicates a limited impact of microfinance on household welfare of rural women clients.*

**Key Words:** Microfinance, Women, Income, Expenditure, Assets, health, education

### Introduction

Gender equality is a constituent as well as instrument of inclusive development. In development research, gender concerns were missing from early growth-oriented strategies since these generally did not consider the 'human factor' in development. In the 1970s, however, when greater attention began to be paid to basic needs, rural productivity and informal sector activity, there was growing advocacy on the issue of women in development. The works of gender advocates and feminist academics have helped to keep gender issues alive in the development agenda since the 1970s and as a result different gender development approaches such as Women in Development (WID), Women and Development (WAD) and Gender and Development (GAD) have come into existence. In the recent period, policies of gender equality and gender mainstreaming are in main agenda at the public policy level and in international development organizations. The address to poverty with

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the gender dimension has also been clearly reflected in the United Nation's Millennium Development Goals. In this context of poverty and empowerment, different gender development initiatives have emerged. In these strategies, credit emerged as one of the main components, as studies found large scale exclusion of women from the formal financial sector as well as from government provision of credit for poverty reduction. The rationale behind these approaches is to strengthen the income generating capacity of women and equip them to access all the development requirements to escape the multifaceted dimensions of poverty and disempowerment. Microfinance which emerged in response to the failure of the formal financial system to reach the poor, has been reaching poor women through measures to address gender-specific constraints.

### **Emergence of Microfinance and Its Impact**

Modern microfinance emerged in the 1970s with a strong orientation towards private-sector solutions to rural credit markets. During the 1990s and in the current decade there has been an upsurge in attention to the provision of microfinance services to micro-entrepreneurs, especially those from poor households. Morduch (2000) points out that this kind of enthusiasm for microfinance rests on an attractive win-win model followed by microfinance institutions on the good banking principles. It is also important to note that the commercial approach to microfinance for the poor has been questioned by socially oriented service providers.

Apart from the purely economic rationales for microfinance services, different approaches have also come with developmental perspectives. Development policy analysts and community-based organizations have started considering microfinance as an effective means of poverty reduction and women empowerment since the 1990s, yet the knowledge about the achievements of these strategies remains only partial and contestable. There are studies which indicate that microfinance has positive impacts in reducing poverty (Hossain, 1988; Schuler, Hashemi and Riley, 1996; Puhaazhendhi and Satyasai, 2000; Khandker, 2003; EDA, 2006; NCAER, 2009). These studies indicate that microfinance is the best strategy that can protect poor people from poverty by diversifying and increasing their sources of income, smoothening consumption and reducing vulnerability. On the other hand, there are studies that indicate limited result on the impacts of microfinance towards reducing poverty (Rogaly, 1996; Buckley, 1997; Kabeer, 2005). Aghion and Morduch (2005) observe that microfinance can make a real difference in the lives of those served, but it is neither a panacea nor a magic bullet against poverty, and it can not be expected to work every where and for everyone.

Much as there have been mixed statistical impacts of microfinance, there has also been no widely acclaimed study that robustly shows strong impacts though many studies suggest the possibility of good welfare impact. However, while the broad components of a micro finance programme are more or less similar across countries and regions, the effectiveness of impact varies considerably, even within a country. More research should therefore be directed towards not just specific results but also the context within which particular results are expected. What worked in a particular socio-cultural and economic context may not necessarily work the same if the socio-cultural and economic conditions are changed in another context. In this context, it is useful to learn from different operational practices and approaches and role of the government, NGOs and the private sector in extending these kinds of financial services to rural women. Further, to justify the significant upsurge

and investment in the name of poverty reduction and empowerment compared to other alternative investments for the same cause in other programmes, it is important that the proposition that “microfinance reaches and helps the poor most” be proven and not just assumed.

### **Review of Literature**

Puhazhendhi and Satyasai (2000) assessed the impact of microfinance on the socio-economic conditions of 560 household members from 223 SHGs. The average value of assets per household was Rs. 6,843 during the pre-SHG period, which increased by 72.3 per cent to Rs. 11,793 in the post-SHG period. The average household saving was merely Rs. 460 during the pre-SHG period, which increased manifold to Rs. 1,444. Similarly, average borrowings rose from Rs. 4,282 during the pre-SHG period to Rs. 8,341 in the post-SHG period. Most significantly, this increase was spent for income generating purposes by a large number of households. The share of households within the SHG living below the poverty line was reduced from about 42 per cent to about 22 per cent in the post-SHG situation. As regards to employment performance, the study established that employment increased from 320 person days to 375 person days per household.

Mishra and Hossain (2001) in their study assessed the impact of mahila mandals’ rural SHGs, in Orissa in the pre- and post-SHG periods. The study concluded that there was a considerable increase in the revolving funds, loans extended, grants availed, savings accumulated etc. The loans were given both for consumption and social obligations. There was a considerable improvement in the socio-economic status in terms of literacy, housing conditions, food security to manage the lean season, nutritious level of food etc in the post-SHGs situation compared to pre-SHG period.

Rangi, *et.al.* (2002) studied the impact of SHGs on savings and income level of rural women in Fatehgarh Sahib District in the state of Punjab. On the savings front, about 15 per cent of SHGs in the district had savings between Rs. 5000 and Rs. 7500, 27 per cent had between Rs. 7500 and Rs. 10000, 44 per cent had between 10000 and Rs. 17500 and 15 per cent had between Rs. 5000 and 7500. More than 52 per cent of SHGs had availed credit, which was linked with their savings. About 44 per cent of the respondents had additional income between Rs. 500 and Rs. 750 per month, about 33 per cent had between Rs. 250 and Rs. 500 and 11 per cent had between Rs. 750 and Rs. 1000. The average additional income per respondents was about Rs. 514 per month. The study found that SHGs had saved members from social and economic exploitation by moneylenders, big landlords and others.

Nirmala *et al.* (2004) studied the factors determining the earnings of SHG members in Pondicherry. The study showed that around 80 per cent of the SHG members had initiated income generation activities and the majority of them were engaged in non-farm activities that were traditional and less remunerative. Marketing of goods and less availability of raw material were the main problem. They argued that nature of occupation, higher asset possession and large amounts of credit reduced members’ monthly earnings. This may have been because of the installment-based repayment and loans being taken again immediately after borrowing when the investment was not generating earnings. Thus their borrowings had a negative effect on their earnings such that members did not have any incentive to make investments in income generation activities. The higher income of a

husband provided financial support in production activities resulting in an increase in the level of income.

Narayanaswamy *et al.* (2005) found that the average saving of each group was Rs. 28,000. The majority of the loans were used in animal husbandry (24 per cent), household expenses (17 per cent) medical expenses (16 per cent) and micro-enterprises (13 percent). The net return on investment was highest in case of pottery followed by garments, sale of dates and garlic, brick chamber, masla powder making, flour-making, vegetable vending, and meat shop. More than 70 per cent members saw an increase in income of Rs. 2000 per month and remaining reported from Rs. 1000 to Rs. 1500 per month. The authors concluded that mere skill-imparting and credit- disbursing alone can not contribute to the well-being of the people. Entrepreneurship development efforts should be initiated to cultivate the risk-bearing ability among the members of the groups.

Murthy *et. al.* (2005) studied the South Asia Poverty Alleviation programme in Andhra Pradesh. It was observed that members of SHGs had better access than non-members with respect to almost every basic need. There was substantial reduction in poverty and causes of poverty and gender disparities among members were less than non-members. However, there was uneven access to basic needs between different castes, classes and religions. The power of women members increased in terms of mobility, resource and control of their labour and reproduction. The collective power of women members also increased in family, community level and in market organization.

Panda (2009) in a study of Orissa found that microfinance interventions had led to a positive impact on the socio-economic development of poor villagers in the state. The probit model was used to understand the impact of explanatory variables like income, literacy and migration on the probability of participation of households in the group-based microfinance programmes. The annual average income of the participants was significantly higher (11.41 per cent) than that of the non-participants. Alongwith the income effect, the assets position registered 9.75 per cent higher in the microfinance client group. The clients also had a significant growth in saving 42.53 per cent over the non-clients. The annual average employment days were found to be 20.43 per cent higher in the target households as compared to those of the non-participant households, which was statistically significant. The expenditure pattern was changed for members and more impact was placed on expenditure on productive assets and household consumables followed by house construction and repair. However, the impact was the least but positive in the case of the food expenditure.

### **Objectives of the Study**

**The specific objectives of the paper are:**

1. To study the impact of microfinance on income level of the beneficiaries
2. To analyze the impact of microfinance on Assets base of Households
3. To study the impact of microfinance on household on consumption expenditure
4. To study the impact of microfinance on the dependency on moneylenders

### **Data and Research Methodology**

The study is empirical in nature mainly based on primary data collected through field surveys. The selected schemes are the Swaranjayanti Gram Swarozgar Yojana (SGSY),

Swayamsiddha and one community based organization in the southern part of Haryana named as Social Centre for Rural Initiatives and Advancement (SCRIA). A multistage sampling method was adopted for the study. At the first stage districts were identified and categorized based on programme availability, presence of community- based organizations and regional representation. A total of nine blocks were covered. After the selection of blocks, the list of villages was prepared with comparatively high numbers as well as matures SHGs. Through geographical clustering exercise, villages were randomly selected.

SHGs were selected through screening of a list provided by different government and NGO officials. A total of 90 SHGs were selected from all the three districts of the Haryana state. A purposive and random sampling technique was used to select SHGs. For this, separate lists of SHGs, under SGSY, Swayamsiddha and SCRIA were prepared. Out of these lists, those SHGs which had existed for two or more years on 1.1.2009 were separated out to form the lists of SHGs eligible to be selected for this study (assuming that the benefits from the microfinance programmes are more or less stabilized). From these two lists, 48 SHGs operating under the SGSY guidelines, 22 SHGs operating under the Swayamsiddha guidelines and 20 under SCRIA were randomly selected for the study. SHG members were selected from each of the selected SHGs randomly. A total of 360 SHG members spanning over 90 SHGs became the final sample frame. The empirical analysis of the study is conducted descriptive statistics.

## **Results and Discussions**

### **Age Distribution, Religion and Caste of the Respondents**

The age of the respondents may be considered an important parameter of participation and activeness as taking up income generation activities depends on the age profile to a large extent. The mean age of the group members was 41.2 years and 42.2 years for non-members. SGSY restricted its membership to those above 55 years of age, but in case of Swayamsiddha and SCRIA, there was no such restriction. The average age of the respondents in SGSY was 41.4, 42.5 years in Swayamsiddha and 39.14 years in SCRIA (Table 1). Caste is an important social factor in our society, and has a lot of socio-economic and political implications. The data reported in Table 1 shows that Scheduled Caste (SC) respondents constituted 54.7 per cent of the total sample, followed by Backward Castes (33.6 per cent), General Caste (10.0 per cent) and Other Backward Castes (1.7 per cent). The programme-wise pattern shows that SGSY-supported SHGs have more membership from the SC community followed by Backward Caste, General and Other Backward Castes (1.6 per cent). The same pattern was found more or less in all programmes.. The distribution brings to light the distinctions viz. SC members are the primary beneficiaries in the case of SGSY, followed by SCRIA and Swayamsiddha. These distinctions appear to be the product of the SHGs policy of SGSY programme. In this case, the SHG members or Swarozgaris must come from the list of below poverty line (BPL) families and the minimum percentage of SC, ST Swarozgaris should be 50 per cent. In contrast to this, in the case of Swayamsiddha and SCRIA SHGs, while those below poverty line were not ignored, others who are also very poor (though not included in the BPL list) were encouraged to form SHGs irrespective of their caste and community.

**Level of Education and Marital Status of the Respondents**

The level of education or formal schooling of SHG members is an important characteristic for the functioning of the group. Table 1 shows that 47.5 per cent of members were illiterate. In control group 44.4 per cent of respondents were illiterate followed by education upto primary level (32.2 per cent), middle class (12.2 per cent), high school (6.7 per cent) and graduate (1.1 per cent). The percentage of illiterate members was highest in SGSY (60.4 per cent), followed by SCRIA (35.0 per cent) and Swayamsiddha (30.7 per cent). After illiterate members, the next highest percentage fell into the category of primary education, as 21.1 per cent of members had received education up to the primary level. The highest percentage was in Swayamsiddha (26.1 per cent) followed by SGSY (20.3 per cent) and SCRIA (17.5 per cent). Very few members had acquired high-level education and there were only two members who were post graduate; these were in SCRIA groups.

The marital status of the sample SHG members was studied to observe the participation of married, unmarried and vulnerable groups like widows and divorcees in the SHGs. Table 1 shows that among the SHG members, 88.6 per cent were married and 11.4 per cent were widows. In the SGSY-promoted SHGs, 84.9 per cent were married and 15.1 per cent were widows. In the SHGs promoted by Swayamsiddha, 92.0 per cent were married and 8.0 per cent were widows. In the SHGs promoted by SCRIA, 93.8 per cent members were married and 6.2 per cent were widows.

**Table : 1**  
Distribution of SHGs by Characteristics of Members

Particulars	SGSY	S.S	SCRIA	Total
Average age of the member	41.48	42.50	39.14	41.21
Distribution of members by Caste				
SC	116(60.4)	38(43.2)	43(53.8)	197 (54.7)
BC	60(31.3)	33(37.5)	28(35.0)	121 (33.6)
OBC	3(1.6)	3(3.4)	0(0.0)	6 (1.7)
General	13(6.8)	14(15.9)	9(11.3)	36 (10.0)
Distribution of members by level of Education				
Illiterate	116(60.4)	27(30.7)	28(35.0)	171 (47.5)
Can Sign	7(3.6)	5(5.7)	4(5.0)	16 (4.4)
Can Read	2(1.0)	2(2.3)	0(0.0)	4 (1.1)
Primary	39(20.3)	23(26.1)	14(17.5)	76 (21.1)
Middle Class	13(6.8)	16(18.2)	16(20.0)	45 (12.5)
High School	13(6.8)	13(14.8)	14(17.5)	40 (11.1)
S. Secondary	2(1.0)	2(2.3)	2(2.5)	6 (1.7)
Graduation	0(0.0)	0(0.0)	0(0.0)	0 (0.0)
P.G and above	0(0.0)	0(0.0)	2(2.5)	2 (0.6)
Distribution of members by marital status				
Married	163(84.89)	81(92.0)	75(93.8)	319 (88.6)
Widow	29(15.10)	7(8.0)	5(6.3)	41 (11.4)

Source: Computed from Field Survey

**Household Facilities and Economic Status of the Respondents**

Under household facilities and status of the families of the respondents, the present study looked into the ownership and type of house, water, electricity, cooking devices, assets,



sanitation facilities and agricultural land, etc. As regards the ownership of the house, the majority of the members (99.4 per cent) lived in their own houses and only 0.6 per cent lived on rent. In case of SGSY, 98.9 per cent lived in their own houses and 1.1 per cent lived on rent. In Swayamsiddha, all members lived in their own houses. In SCRIA, 99.4 per cent lived in their own houses and 0.6 per cent lived on rent (Table 2).

Table 2 shows that the majority of the respondents (79.2 per cent) lived in semi-pucca houses, while 10.6 per cent in pucca houses and the remaining 10.3 per cent in kutcha houses. Programme-wise distribution showed that in SGSY, 79.7 per cent of members lived in semi-pucca houses followed by kutcha houses (15.6) and pucca houses (4.7 per cent). In Swayamsiddha, 76.1 per cent of members lived in semi-pucca houses followed by pucca houses (20.5 per cent) and kutcha houses (3.4 per cent). In SCRIA, 79.2 per cent lived in semi-pucca houses followed by pucca houses (10.6 per cent) and kutcha houses (10.3 per cent). This analysis showed that number of families living in kutcha houses was found to be greater under SGSY than Swayamsiddha and SCRIA. As a whole the housing condition of the respondents was found satisfactory.

Out of the total members surveyed, 81.1 per cent were from the BPL families and remaining 18.9 per cent were from APL families. In SGSY, 94.8 per cent were from the BPL families followed by SCRIA (66.2 per cent) and Swayamsiddha (64.8 per cent). This result reflects the fact that SGSY targeted families living below the poverty line, whereas the rest of the programmes, there was no specific target and only women were the target group and the poverty criteria was not used.

Asset ownership may be one of the indicators of living standard of the people and a main determinant of poverty and social status. Therefore, it is important to understand the asset ownership of the members. Buffalo, television, mobile phone, fan, cycle, radio, sewing machine and chair were the main household assets in the households surveyed. As high numbers of members in SGSY were from BPL categories, their main assets were not so expensive: buffalo, chair, sewing machine, cycle and fan were the main items. In Swayamsiddha, apart from these items many household had assets such as a washing machine, cooler, buffalo, domestic *atta chakki*. The assets base in SCRIA households also included such items (Table 2).

Size of the land is another important factor that indicates the economic status of the respondents. In the sample, 86.1 per cent members were found to be landless and 13.9 percent of the SHG members were landholders. The average size of land holding was highest in Swayamsiddha (5.4) followed by SCRIA (2.8) and SGSY (1.4). This indicates that Swayamsiddha and SCRIA have been liberal in the formation of SHGs in respect of economic status of the members.

### **Impact of Microfinance on Household Welfare**

Improvement in household welfare may be observed from trends in diversification of income sources, assets acquired, food consumption patterns, expenditure on the education of children, access to health facilities and dependence on moneylenders. However, the aforementioned factors are not solely affected by improvement in income. Therefore, an attempt has been made to look into the possible ways of measuring the impact of microfinance on the members so as to make robust conclusions.

**Table : 2**  
Household Facilities and Economic Status of the Respondents

Particulars	SGSY	S.S	SCRIA	Total
Ownership of House				
Own	190(98.9)	88(100)	80(100)	358 (99.4)
Rented	2(1.1)	0(0.0)	0(0.0)	2 (0.6)
Type of House				
Kutcha House	30(15.6)	3(3.4)	4(5.0)	37 (10.3)
Pucca House	9(4.7)	18(20.5)	11(13.8)	38 (10.6)
Semi Pucca House	153(79.7)	67(76.1)	65(81.3)	285 (79.2)
Electricity				
Yes	177(92.18)	86(97.7)	78(97.5)	341 (94.7)
No	15(7.8)	2(2.3)	2(2.5)	19 (5.3)
Toilet Facility				
Yes	44(22.9)	45(51.1)	31(38.8)	240 (66.7)
No	148(77.1)	43(48.9)	49(61.3)	120 (33.3)
Agriculture Land				
Yes	20(10.4)	14(15.9)	16(20.0)	50(13.9)
No	172(89.6)	74(84.1)	64(80.0)	310(86.1)
Average Size of Land	1.4	5.4	2.8	3.2
Economic Status				
Below Poverty Line (BPL)	182(94.8)	57(64.8)	53(66.2)	292(81.1)
Above Poverty Line (APL)	10(5.2)	31(35.2)	27(33.8)	68(18.9)

Source: Same as Table 1

### **Involvement in Income Generation Activities**

Questions were asked about the initiation of income generation activities after involvement in the groups. Table 3 shows that 61.4 per cent of the members in all the groups had started income generation activities at the time of sampling, 38.6 per cent had not started. The highest number of members who had started income generation activity were in Swayamsiddha (89.8 per cent), followed by SGSY (55.2 per cent) and SCRIA (46.2 per cent). The high level of percentage in Swayamsiddha was likely only because of the policy change in the ICDS department as they made instructions to Anganwadis to prepare cooked food and this put these women into that business. Table 3 shows that the highest numbers of women members were involved in ration-making (36.6 per cent), followed by buffalo-rearing (28.5 per cent), investment in husband/son's business (15.3 per cent) and self-employment through bangles shop (4.9 per cent). A few members were also involved in activities such as sewing, bead making and goatry, etc.

In SGSY, 51.0 per cent of members had purchased buffalo. In 20.7 per cent of cases, women gave the loan amount to their husband/son to start or invest in their own business followed by opening of bangle shop for self-employment (10.3 per cent). 7.5 per cent of women were involved in wooden bead-making followed by ration-making at Anganwadi (7.5 per cent). Very few women members had adopted bee-keeping and goatry as a livelihood activity. In Swayamsiddha, 92.4 per cent of members adopted ration-making in Anganwadi as income generation activity. This was followed by investment in husband/son's business (3.7 per cent) and buffalo-rearing (2.5 per cent). In SCRIA, the main activities adopted by the members' households were buffalo-rearing (31.4 per cent), followed by husband/son's business activity (23.6 per cent), goatry (21.0 per



cent), sewing (10.5 per cent) and handloom (5.2 per cent). Very few households invested the loan amount for agricultural development, live stock such as camel and horse.

On the issue of selection process of IGAs, 40.7 per cent of members stated that the activity was assigned by DRDA/ICDS and the remaining 59.3 per cent of members mentioned that they had decided the activity in consultation with family members. No member claimed any discussion in the groups (Table 3). In SGSY, 84.0 per cent of members mentioned that they decided the activity after the consultation with family members and in 16.0 per cent of cases, the activity was assigned by the DRDA. In Swayamsiddha, 93.6 per cent of members submitted that ICDS authorities instructed them to join the income generation activity of preparing food in Anganwadi. Only 6.4 per cent of members claimed that they made discussions within the family. In SCRIA, all the members decided in consultation with family and there was no role of SCRIA. All the respondents who had initiated the income generation activity were doing on an individual basis.

**Table : 3**  
Income Generation Activities after Group

Particulars	SGSY	S.S.	SCRIA	Total
Selection of IGA				
Yes	106(55.2)	78(89.8)	37(46.2)	221(61.4)
No	86(44.8)	10(10.2)	43(53.8)	139(38.6)
H <sub>0</sub> = Selection of IGA is independent of Programmes $\chi^2 = 38.44$ , significant at 5% significance level Hence Null Hypothesis cannot be accepted.				
Kind of IGA	SGSY	SS	SCRIA	Total
Buffalo rearing	54(50.9)	2(2.5)	9(23.6)	63(28.5)
Goatry	1(0.9)	0(0.0)	8(21.0)	9(4.1)
Camel	0(0.0)	0(0.0)	1(2.6)	1(0.4)
Handloom	0(0.0)	0(0.0)	2(5.2)	2(0.9)
Ago Development	0(0.0)	0(0.0)	1(2.6)	1(0.4)
Padi	0(0.0)	0(0.0)	3(7.8)	3(1.3)
Horse	0(0.0)	0(0.0)	1(2.6)	1(0.4)
Bee keeping	1(0.9)	0(0.0)	0(0.0)	1(0.4)
Bangles Shop	11(10.3)	0(0.0)	0(0.0)	11(4.9)
Husband/son business	22(20.7)	3(3.7)	9(23.6)	34(15.3)
Sewing	0(0.0)	0(0.0)	4(10.5)	4(1.8)
Ration Making	8(7.5)	73(92.4)	0(0.0)	81(36.6)
Wooden beads	8(7.5)	1(1.2)	0(0.0)	9(4.1)
Khachhar	1(0.9)	0(0.0)	0(0.0)	1(0.4)
How select the activity				
Assigned by DRDA/ICDS	17(16.0)	73(93.6)	0(0.0)	90(40.7)
Consultation with family members	89(84.0)	5(6.4)	37(100.0)	131(59.3)

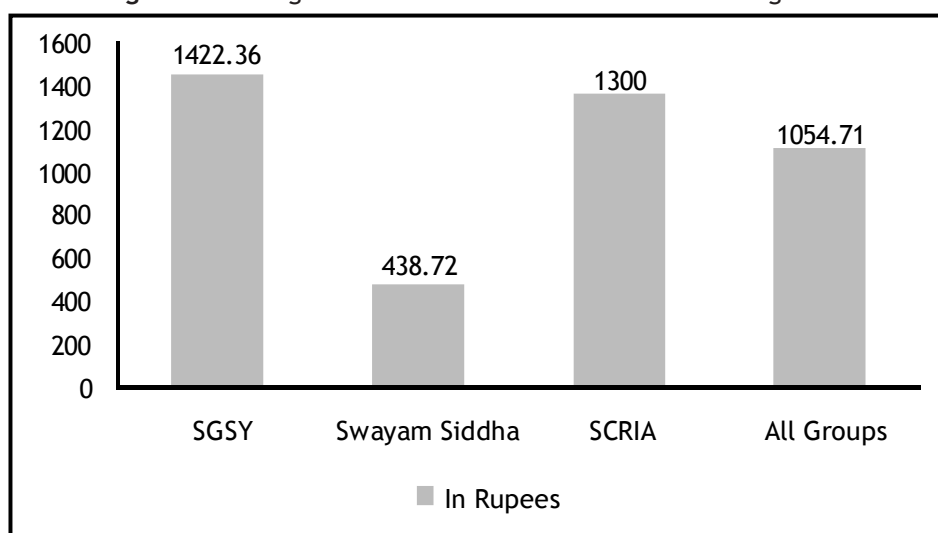
Source: Same as Table 1

### Microfinance and Income Level

Household income is central to any economic impact analysis of microfinance programme. It is one of the most important indicators of development. Members 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. In order to assess this dimension of the programmes, respondents were asked about their experiences in the

changes in the levels of income. Table 4 and Figure 1 show that highest mean income was observed in SGSY (Rs. 1442.36) followed by SCRIA (Rs.1300) Swayamsiddha (Rs. 439). The results of Tukey test shows the significant difference in the level of income earned in the programmes. An analysis of net household income programme-wise revealed that the nature of IGA and income differ significantly. In the case of SGSY, the improvement in income resulted mainly from the livestock activities. In case of Swayamsiddha, the respondents improved their income through working in the Anganwadi centre and in case of SCRIA; it occurred mainly through livestock and non-farm activities.

**Figure 1: Average Income Earned from IGA under All Programmes**



In the study, it was commonly found that those households who purchased livestock, especially buffafo, could not make the purchase solely with the loan amount. The households then arranged the remaining amount of money from other sources. So it is very difficult to conclude that whatever the increase in the income level these households experienced was only because of microfinance. In the case of other non-farm activities, the impact is clear and easy to calculate as the amount of investment required on petty business and other self-employment activities was comparatively low. For example, many of the SCRIA members purchased buffalos and then sold it. The amount of profit these households gained was calculated on a yearly basis and then averaged amount was calculated on monthly basis.

**Table : 4**  
Income earned from the Activity

Income	SGSY	SS	SCRIA	Total
Mean Income (in Rs.)	1422	439	1300	1055
Standard Deviation (in Rs.)	533	227	761	677
Coefficient of Variance (in %age)	37.5	51.7	58.5	64.2

$H_0$  = Mean Values of Income are same between the Programmes  $W = 264$  ( $\alpha = 0.05$ ) (Tukey Test) which is lower than the largest difference between means i.e. 983, Hence mean values differ significant at 5% significance levelHence Null Hypothesis is not accepted.

Source: Same as Table 1

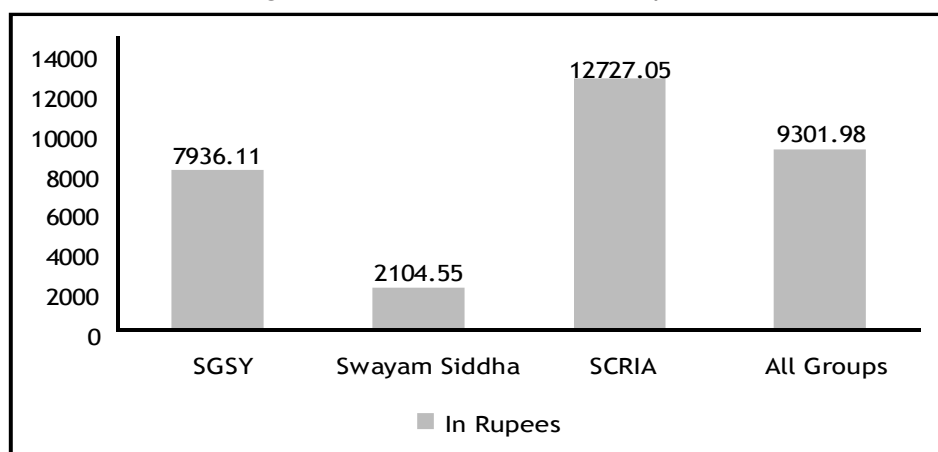
### Accumulation of Productive and Physical Capital

Lack of assets is one indicator of deprivation for low-income households. Productive assets represent an economic opportunity to improve income. Improved housing and the ability to purchase household assets reflect consumption to enhance quality of life. As indicated in the literature section of the thesis, microfinance is expected to improve the long-term economic welfare of clients' households with respect to accumulation of assets. In this study, an attempt was made to examine whether this scenario ascertains in Haryana. The type of assets reported range from chairs, tables, fans, gas-stove, animals and additional room in the house, etc.

A high proportion (53.6 per cent) of member households had not acquired any assets and the remaining 46.4 per cent members claimed to have acquired assets. The highest percentages of the members in SCRIA groups (76.2 per cent) reported an increase in assets base, followed by SGSY (49.5 per cent) and Swayamsiddha (12.5 per cent). The chi-square test shows the significant difference among the programmes (Table 5).

The distribution and volume of assets in the SCRIA groups was comparatively high. The mean value of the assets acquired in was Rs. 9302 in all the programmes. Figure 2 shows that the highest mean value of the assets was found under SCRIA groups (Rs. 12727) followed by SGSY groups (Rs.7936) and Swayamsiddha (Rs. 2104). The Tukey test shows the significance difference among the programmes (Table 5).

Figure 2: Mean Value of Assets Acquired



The study further distinguished the source of income for acquiring these assets. 49.7 per cent of members claimed that their households acquired the assets from the income they earned from the activity and 41.3 per cent of member stated that they acquired the assets using the bank/MFI/group loan. Only 8.9 per cent of households claimed that they had acquired the assets from the income they earned from the economic activities due to loans.

Programme-wise classification shows that in SGSY, 69.4 per cent of members acquired assets from income, 21.1 per cent from loans and 9.4 per cent from both sources. In Swayamsiddha groups, 81.8 per cent of members acquired assets from the income earned

mainly from cooking food in Anganwadi, 18.1 per cent from the loan amount and no member claimed any assets acquired from both the sources. In SCRIA groups, only 13.1 per cent of members acquired assets from the earned income, 77.1 per cent from loan amount and 9.8 percent from both sources. The results show that SCRIA members acquired the assets mainly from the loan amount, and members of Swayamsiddha and SGSY from earned income.

**Table : 5**  
Source of Finance and Mean Value of Assets Acquired

Source of Finance	SGSY	SS	SCRIA	Total
From Income	66(69.4)	9(81.8)	8(13.1)	83(49.7)
From Loan	20(21.1)	2(18.1)	47(77.1)	69(41.3)
From both Income and Loan	9(9.4)	0(0.0)	6(9.8)	15(8.9)
H <sub>0</sub> = Sources of Finance to acquire the assets are independent of Programmes $\chi^2 = 42.22$ , significant at 5% significance level Hence Null Hypothesis cannot be accepted.				
Mean Value of Assets Acquired (in Rs.)	7936	2105	12727	9302
Standard Deviation (in Rs.)	8031	1495	8728	8544
Coefficient of Variance (in %age)	101.2	71	68.6	91.9

H<sub>0</sub> = Mean Values of Assets Acquired are same between the Programmes W = 6624 ( $\alpha = 0.05$ ) (Tukey Test) which is lower than the largest difference between means i.e. 10622, Hence mean values differ significant at 5% significance level Hence Null Hypothesis is not accepted.

Source: Same as Table 1

### **Expenditure on Food Items**

The qualitative aspect of food expenditure was also covered in this study. Questions were asked about the role of microfinance in improving access of households to food items<sup>1</sup>. The study found that that 66.9 per cent of the members claimed an improved expenditure on food items and 33.1 per cent of the members stated no improvement in food expenditure. To find out the factor behind the improvement, the study further investigated the source of increased access or expenditure. 59.7 per cent of members stated that the improved expenditure on food items was mainly because of income and 36.9 per cent claimed improved expenditure because of bank/MFI/group loans. 3.3 per cent of the members claimed that the increased expenditure was due to both the sources (Table 6).

Programme-wise analysis shows that in SGSY, 70.8 per cent of the members claimed an improved expenditure on food items and the remaining 29.2 per cent experienced no improvement. On the source of expenditure, 64.7 per cent of claimed the improved expenditure was because of increased income, 33.1 per cent from loan amount and 2.2 per cent from both the sources. In Swayamsiddha, 58.0 per cent of the members claimed an improved expenditure on food items and 42.0 per cent of members stated no improvement. In 68.6 per cent of cases, the improved expenditure was mainly because of increased income, 29.4 per cent from the loan amount and 1.9 per cent from both the sources. In SCRIA, 67.5 per cent of the members claimed an improved expenditure on food items and 32.5 per cent of members had experienced no improvement. 38.8 per cent of the members submitted that the improved expenditure was due to more increased income and 53.7 per

<sup>1</sup> While asking these questions, the researcher explained to the respondents the nature of food items. Expenditure on food covered cereals, pulses, edible oils, vegetables, milk and milk products, meat, sugar, gur and other items.

cent of respondents stated the improve expenditure was because of loans. Only 7.4 per cent of the respondents claimed the improved status from both income and loan.

The study further analyzed the degree of satisfaction about the improvement in the food expenditure. It was found that majority of the members (59.7 per cent) reported very limited improvement, followed by improvement to some extent (38.1 per cent) and very significant improvement (2.0 per cent). In SGSY, the majority of the members (62.5 per cent) accounted for very limited improvement followed by improvement to some extent (36.7 per cent) and significant improvement (0.7 per cent). In Swayamsiddha, the majority of the members (60.8 per cent) stated very limited improvement followed by improvement to some extent (37.2 per cent) and significant improvement (2.0 per cent). In SCRIA, 51.8 per cent of the members registered very limited improvement, followed by improvement to some extent (42.5 per cent) and significant improvement (5.5 per cent). The results shows that almost 60 per cent of the members reported very limited improvement, and this certainly minimized the impact.

### **Expenditure on Education**

All the selected households were asked to indicate their perception about the connection, if any, between improved expenditure on children's education and their becoming members of the SHG. Table 7 shows that 55 per cent of members claimed that they were in a better position to afford the expenditure on education and the remaining 45 per cent did not perceive any experience of improvement 52.0 per cent members claimed improved expenditure had occurred with the help of income earned, 43.9 per cent with loans and 4.1 per cent with both earned income and loans.

Programme-wise analysis shows that in SGSY groups, 53.6 per cent of members claimed improved expenditure: 67.0 per cent with earned income, 29.1 per cent with loans and 3.9 per cent with both income and loans. In Swayamsiddha, 47.7 per cent of the members registered improved expenditure, 59.5 from loan amounts and 40.5 per cent from the income earned. In SCRIA, 66.3 per cent of the members maintained the improved expenditure, 60.4 per cent with loan amount, 32.1 per cent with earned income and 7.5 per cent with both loan and income.

The level of satisfaction among the members was also studied. It was found that 50 per cent of the members were satisfied to some extent, followed by limited satisfaction (39.9 per cent) and significant satisfaction (10.0 per cent). In SGSY, 48.6 per cent were satisfied to some extent, followed by limited satisfaction (45.6 per cent) and significant satisfaction (5.8 per cent). In Swayamsiddha, 54.7 per cent were satisfied to some extent, followed by limited satisfaction (40.5 per cent) and significant satisfaction (4.8 per cent). In SCRIA, 49.1 per cent of the members were satisfied to some extent, followed by limited satisfaction (28.3 per cent) and significantly satisfaction (10.1 per cent). These results show that the highest level of satisfaction was among SCRIA groups and both SGSY and Swayamsiddha groups had good levels of satisfaction.

### **Expenditure on Health Care**

On the issue of access to health services and expenditure on health, 71.7 per cent of members said that they can put more expenditure into health services but with major assistance from loan amount and not from earned income as claimed by 65.1 per cent of

members. Only 29.8 per cent of the members submitted the increased expenditure through income and 5.1 per cent claimed from both loan and income (Table 8).

**Table : 7**  
Expenditure on Children Education

<b>More expenditure on education</b>				
Yes	103(53.6)	42(47.7)	53(66.3)	198(55.0)
No	89(46.4)	46(52.3)	27(33.8)	162(45.0)
H0 = Expenditure on Education is independent of Programmes $\chi^2 = 5.92$ , not significant at 5% significant level Hence Null Hypothesis can be accepted.				
Contribution in Education				
From income	69(67.0)	17(40.5)	17(32.1)	103(52.0)
From Loan	30(29.1)	25(59.5)	32(60.4)	87(43.9)
H0 = Contribution in Education is independent of Programmes $\chi^2 = 23.68$ , significant at 5% significance level Hence Null Hypothesis can not be accepted.				
Both	4(3.9)	0(0.0)	4(7.5)	8(4.1)
Degree of Improvement in Education				
Significant	6(5.8)	2(4.8)	12(22.6)	20(10.1)
Some extent	50(48.6)	23(54.7)	26(49.1)	99(50.0)
Very limited	47(45.6)	17(40.5)	15(28.3)	79(39.9)
H0 = Degree of Improvement in Education is independent of Programmes $\chi^2 = 13.94$ , significant at 5% significance level Hence Null Hypothesis can not be accepted.				

Source: Same as Table 1

Programme-wise findings show that in SGSY groups 79.6 per cent members claimed improved expenditure on health services: 64.7 per cent with loan, 32.1 per cent with earned income and 3.2 per cent with both the sources. In Swayamsiddha groups 61.4 per cent members claimed the improved expenditure, 63.0 per cent with loans, 27.7 per cent with earned income and 9.2 per cent with both the sources. In SCRIA groups, 63.8 per cent of members claimed improved expenditure, 68.6 per cent with loans, 25.4 per cent with earned income and 5.8 per cent with both the sources.

As regards the level of satisfaction with the group contribution to health services, 56.2 per cent of the respondents claimed improvement to some extent, followed by limited (35.3 per cent) and significant improvement (8.5 per cent). In the case of SGSY groups, 52.9 per cent of members submitted improvement to some extent, followed by very limited (37.3 per cent) and significant (9.8 per cent). In Swayamsiddha, 64.8 per cent of the respondents stated improvement to some extent, followed by limited (31.4 per cent) and significant (1.8 per cent). In SCRIA, 56.8 per cent of members reported improvement to some extent. This was followed by very limited (31.4 per cent) and significant (11.8 per cent).

### **Dependence on Money Lenders**

The members of the SHGs were asked to indicate whether their involvement has reduced the burden of household on the moneylender. Out of total sample, 45.8 per cent reported reduction in the dependence on moneylender 50.6 reported no change. In 3.6 per cent cases, the respondents were well off and never approached to moneylender. The dependence on moneylenders has reduced in all the groups however vary with degree. Members of SCRIA group were more satisfied as 53.8 per cent members claimed reduced dependence and 40.0 per cent claimed no change. In case of SGSY, 52.6 per cent members claimed



reduced dependence and 47.4 per cent claimed no change. In Swayamsiddha, only 23.9 per cent members claimed reduced dependence and 67.0 per cent claimed no change (Table 9).

**Table : 8**

**Expenditure on Health Care**

Particulars	SGSY	S.S	SCRIA	Total
More Expenditure on Health				
Yes	153(79.7)	54(61.4)	51(63.8)	258(71.7)
No	39(20.3)	34(38.6)	29(36.2)	102(28.3)
$H_0$ = Access to Health is independent of Programmes				
$\chi^2 = 13.16$ , significant at 5% significance level Hence Null Hypothesis cannot be accepted.				
Contribution in Health service				
From income	49(32.1)	15(27.8)	13(25.5)	77(29.8)
From Loan	99(64.7)	34(63.0)	35(68.6)	168(65.1)
Both	5(3.2)	5(9.2)	3(5.9)	13(5.1)
$H_0$ = Sources for contribution towards medical service is independent of Programmes				
$\chi^2 = 3.74$ , significant at 5% significance level Hence Null Hypothesis cannot be accepted.				
Degree of Satisfaction				
Significant	15 (9.8)	1 (1.8)	6 (11.8)	22 (8.5)
Some extent	81 (52.9)	35 (64.8)	29 (56.8)	145 (56.2)
Very limited	57 (37.3)	18 (33.4)	16(31.4)	91 (35.3)
$H_0$ = Degree of Improvement in Health is independent of Programmes $\div 2 = 5.33$ , not significant at 5% significance level Hence Null Hypothesis can be accepted.				

Source: Same as Table 1

**Table : 9**

**Change in Dependence on Moneylenders**

Particulars	SGSY	S.S	SCRIA	Total
Dependence on Moneylender				
Decreased	101(52.6)	21(23.9)	43(53.8)	165(45.8)
No Change	91(47.4)	59(67.0)	32(40.0)	168(50.6)
Not Applicable	0(0.0)	8(9.1)	5(6.3)	13(3.6)
$H_0$ = Dependence on Moneylenders is independent of Programmes $\div 2 = 19.82$ , significant at 5% significance level Hence Null Hypothesis can not be accepted.				

Source: Same as Table 1

## Conclusion

The study brings mixed results of the impact of microfinance on household welfare. The study observed improvement in assets base among the members however many members had not purchased any productive items and loan amount from bank as well as group was also the main source of finance to acquire these assets. Member experienced improvement in food, health and education expenditure but again in many cases, the loan amount had been providing main assistance rather than income. Further, on the level of improvement in these areas among these households, the satisfaction was low.

The study concludes that microfinance is a necessary but not a sufficient condition for household welfare. Other inputs, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages and infrastructure are also required. In the absence of these,

microfinance by itself works only for a limited and familiar set of activities such as livestock rearing and petty trading. Thus it is concluded that microfinance alone can not succeed as an intervention targeting the poor unless accompanied by efforts to address livelihoods in a comprehensive manner covering various aspects such as shift from individual-based income generation activities to group based activities, experiment with new livelihoods opportunities, inclusion of innovative financial products such as consumption loans, house loans, insurance, etc., micro-level planning to identify key livelihood activities including all stakeholders.

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