

Institution: University of Liverpool
Unit of Assessment: 19 – Business and Management Studies
Title of case study: Shaping Policy on Microfinance in Rural India
<p>1. Summary of the impact</p> <p>Research by Dr Garikipati identifies that microfinance is most beneficial to women when it enables them to enhance their livelihoods and participate in the local enterprise economy. It also shows that over 80% of the microfinance loans in Andhra Pradesh, India, did not meet these conditions. Using these research findings, Dr Garikipati directly lobbied the Government of Andhra Pradesh (GoAP). This has had an impact on governmental organisations and other stakeholders within the microfinance industry and lead to the introduction of the <i>Livelihood Enhancement Plan (LEP)</i>, which is used at the time of loan application. Dr Garikipati collaborated with the GoAP in designing and implementing the <i>LEP</i>. It impacts 500,000 women per year who join the microfinance program and enables them to enhance livelihoods in keeping with the demands of the local economy.</p>
<p>2. Underpinning research</p> <p>Microfinance is a popular pro-poor policy intervention in several developing countries. Its main modality is to extend small loans to women with the intention that they create self-employment opportunities. Earning their own income is expected to enhance women’s confidence and status. Microfinance has experienced tremendous growth over the last two decades. By March 2011, worldwide, its beneficiaries are estimated to be in excess of 190 million clients, with over 85% of them being women (State of Microcredit Summit Campaign Report, 2013). However, microfinance’s true impact on women’s livelihoods and on their ability to participate in local entrepreneurship is a matter of intense debate in the literature.</p> <p>The research by Dr Garikipati (Senior Lecturer) – a member of the University of Liverpool Management School since August 2003 – is a major contribution to this debate. Drawing on extensive fieldwork in the state of Andhra Pradesh in India, Dr Garikipati carried out a stream of research consisting of several projects at Liverpool between 2003 and 2013. Three research insights are particularly pertinent to the impact of research described in Sections 1 and 4:</p> <ul style="list-style-type: none"> • First, microfinance is most likely to have a beneficial impact on women when used to enhance their livelihoods (Garikipati 2008; 2010 – Research Outputs 1 and 2). This research demonstrates the high transferability of women’s loans within the household. Drawing on data from rural Andhra Pradesh, India, it finds that over 80% of women’s loans are used to enhance their husband’s assets or in household consumption. In such cases microfinance may have a detrimental effect on women, mainly because of the repayment burden. Conversely, this research finds that women who use loans to start or enhance their own livelihoods benefit most in terms of retaining control over household finances. • Second, more emphasis needs to be placed on livelihood activities that enhance the value of women’s time and improve their participation in the local economy (Garikipati, 2012 – Research Output 3). This research finds that women who are involved in high value activities are more likely to be in control of their loans and their participation in the local economy is likely to result in better social ties which improve their bargaining power within the household. For instance, managing her own livestock to supply milk to the local dairy is likely to benefit a woman more than working on her husband’s farm. The focus must be on enhancing opportunities that link women with the local economy. • Third, the impact of microfinance on women’s livelihoods can be understood better by studying the ‘processes’ women engage in as a result of the loans (Garikipati, 2013 – Research Output 4). This research demonstrates that using simple ‘outcome’ measures like employment or income is insufficient to understand the true impact of microfinance. It is important to examine

Impact case study (REF3b)

the 'processes' that women engage in as a result of the loans. For instance, it is misleading to say that microfinance has resulted in enhanced livelihoods if the work women do is degrading and detrimental and done only to meet repayments. It is important to consider these differences when evaluating the livelihood enhancing capacity of microfinance programmes.

This stream of research has been rigorously reviewed prior to publication as evidenced by the sources listed in Section 3.

3. References to the research

- 1) Garikipati, S (2008) 'The Impact of Lending to Women on Household Vulnerability and Women's Empowerment: Evidence from India', *World Development*, Vol.36, No.12. [REF2 output] DOI: 10.1016/j.worlddev.2007.11.008
Quality Indicator: Journal Rank: 1; Citation Score: 6.04; cited by 93 (Google Scholar)
- 2) Garikipati, S (2010) 'Microfinance and Women's Empowerment: Understanding the 'Impact Paradox' with Particular Reference to South India', In Chant, Sylvia (Ed.) *International Handbook on Gender and Poverty*, London: Edward Elgar.
ISBNs: Hardback 978 1 84844 334 1
Paperback 978 1 84980 095 2
Ebook 978 1 84980 516 2
- 3) Garikipati, S (2012) 'Microfinance and Women's Empowerment: Through the Lens of Time Use Data from Rural India', *Development and Change*, Vol.43, No.3.
[REF2 output] DOI: 10.1111/j.1467-7660.2012.01780.x
Quality Indicator: Journal Rank: 8; Citation Score: 1.89
- 4) Garikipati, S (2013) 'Microfinance and Women's Empowerment: Have We Been Looking at the Wrong Indicators?' *Oxford Development Studies*, Vol.41, No.1.
DOI: 10.1080/13600818.2012.744387
Quality Indicator: Journal Rank: 3; Citation Score: 4.90

Note: For journal quality indicator, the [Development Studies Journal Ranking Table](#) has been used.

4. Details of the impact

The Context: One of India's largest states, Andhra Pradesh (AP) has around 57 million rural inhabitants. Lack of financial institutions meant that the rural poor, especially women, had few opportunities to enhance their livelihoods. In response to this, the State Government started a microfinance programme in 1990. Referred to as the Self-Help-Group (SHG) programme, its main remit is to extend small loans to groups of poor rural women to help enhance their livelihoods. It is administered by the state's apex rural bank – Andhra Pradesh Grameen Vikas Bank (APGVB). The livelihood wing of the bank is supported by a unit within the State Government's Department for Rural Development – Society for Elimination of Rural Poverty (SERP). SERP operates in all the 22 rural districts of AP and implements the Indira Kranti Patham (IKP) – a programme with the remit to enhance the livelihoods and empower the women of rural AP. By March 2013, the SHG programme had over 10 million members with a further 500,000 women joining every year.

The Problem: Despite these initiatives, until around 2009, the administrative culture surrounding microfinance in AP was mainly focused on loan repayments, irrespective of how repayments were made. There was little attention paid to how loans were used and even less to whether loans were used to enhance women's and their household's livelihoods. For instance, [APGVB's SHG Loan Application](#) – a 19 page document – did not have a single question on loan use or livelihoods. Instead the focus was entirely on loan repayments.

The Effort: Using this research and its policy related messages, Dr Garikipati actively lobbied practitioners and policy makers since 2003 for changes to the policy and practices surrounding

loan disbursement to poor rural women. She attended and presented at several meetings with SERP, APGVB and the National Bank for Agriculture and Rural Development (NABARD) from August 2009 to July 2013. Dr Garikipati has nurtured a long term collaborative relationship with these institutions, especially with SERP. These efforts have contributed to a shift in thinking among policy-makers and practitioners in the microfinance industry in AP and resulted in changes to the loan application procedure in terms of explicitly linking loans to enhancement of livelihoods. The research has also featured in several influential workshops organised by NABARD, the British Council and the Institute of Financial Management and Research between August 2009 and November 2012. It is acknowledged by the United Nations Research Institute for Social Development (UNRISD) as a major contribution and stimulus to the debate and features in one of their podcasts, entitled '[Feminization of Agriculture in a neoliberal India](#)' (9 August 2012).

The Change: Specifically, these efforts have led to the introduction of the *Livelihood Enhancement Plan (LEP)* – which was designed and developed by Dr Garikipati. The implementation of *LEP* was supported by SERP and APGVB. The main emphasise in designing *LEP* was to simplify the survey instruments to facilitate its implementation. All the *LEP* documents described below are submitted as corroborating evidence (Source 1).

The *LEP* Framework, also developed by Dr Garikipati, introduces *LEP* and details its implementation methodology. *LEP* has two components. (1) *Village Investment Opportunity Survey (VIOS)* and (2) *Household Livelihood Plan (HLP)*. Both are administered by the Livelihood Assessment Officers, who are IKP employees and trained by SERP.

VIOS is a village level survey and is administered when a village is enrolled in the SHG programme. It captures the existing profile of the village and helps identify livelihood opportunities in the local enterprise economy. *HLP* is similar to the *VIOS*, but at the household level. It is administered in relation to a SHG member when she applies for a microfinance loan. It has two further sub-components (1) *Household Information Survey* and (2) *Household Appraisal Form*. The first component is used to construct a detailed profile of the household, with a focus on livelihood activities. It also captures how the applicant intends to use the loan for livelihood enhancement. The second component has three forms: for Farm activities, for Agro-Allied activities and for Non-Farm activities. Depending on the profile of the household and the applicant's plans for the loan, an appropriate form is selected. This form is used to capture the current activities of the household in the relevant area and explores the possibilities of enhancing livelihoods in that area. All the processes and forms under *LEP* were developed by Dr Garikipati.

The Beneficiaries: *LEP* has been in use by SERP via its IKP programme since 2009. *LEP* was first introduced in three semi-arid districts and was rolled out to all 22 rural districts of AP by April 2012. *LEP* has contributed to a change in loan disbursement culture both within SERP and APGVB. Letters from the Director of SERP and the Chairperson of APGVB have been submitted as corroborating evidence (Sources 2 and 3).

The other beneficiaries of *LEP* are the IKP officers, who work at the grassroots to improve rural livelihoods. *LEP* has given them a structured way in which to work towards enhancing women's livelihoods. They use *VIOS* to carry out the village level surveys to understand the structure of the local economy and identify livelihood enhancing opportunities. The IKP officers interact with the SHG-women when they come to apply for loans at APGVB's rural branches. They use this opportunity to administer *HLP*, with a view to understand how women intend to use their loans, especially their livelihood plans. The IKP officers then link these plans with the needs of the local enterprise economy. The IKP officer's perspective on *LEP* has been submitted as corroborating evidence (Source 4).

SERP has carried out studies which suggest that *LEP* has had a beneficial impact on the entrepreneurial behaviour of SHG-women and has resulted in enhanced livelihoods in rural AP (Source 2). In SERP's official e-newsletter (2013), the present state of the SHG bank linkage project includes the implementation of *VIOS* "to identify all investment opportunities in the village

Impact case study (REF3b)

economy” (Source 5). Since April 2012, *LEP* is estimated to have been used on 500,000 new women who join the SHG programme every year (Source 4). Dr Garikipati has initiated negotiations with government organisations to roll out *LEP* at the all India level.

5. Sources to corroborate the impact (indicative maximum of 10 references)

1. [Copies of all LEP documents](#): Framework for *Livelihood Enhancement Plan*; *Village Investment Opportunity Survey*; *Household Information Survey*; *Household Appraisal Form* for Farm, Agro-Allied and Non-Farm activities.
The forms developed for *LEP* reflect the findings of Dr Garikipati’s research. In each form, the focus is on identifying the skill set of the woman and her household and on using the loan to enhance their livelihood opportunities. The emphasis is on opportunities that link women to the local enterprise economy.
2. Corroborating statement from the Director of SERP, detailing Dr Garikipati’s role in the development of *LEP*. It also outlines its implementation in the 22 rural districts of AP.
3. Corroborating statement from the Chairman of APGVB, detailing the collaboration between SERP and Dr Garikipati for the development of *LEP* and its implementation so far. APGVB also has a significant role in the implementation of *LEP*. The IKP officers use APGVB’s rural branches to make contact with SHG-women and initiate *LEP*.
4. Corroborating statement from an Officer at APGVB, detailing the views of IKP officers. At the grassroots, it is the IKP officers who administer *LEP*. They carry out the village investment opportunity survey and initiate *LEP* with the SHG-women. This statement outlines how the introduction of *LEP* has given them a structured way in which to work towards enhancing the livelihoods of women and their households.
5. [The Official Newsletter of SERP](#). Section on Present Status of SHG Bank Linkage Project, pages 5&6 confirms the use of the *Village Investment Opportunity Survey (VIOS)*.