CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

The main objective of this chapter is to review the theoretical and empirical information available from similar or related studies. Any systematic, scientific research has its foundation built upon studies conducted in the past and relating its empirical findings with those of earlier investigations. It immensely helped the researchers’ deductive reasoning and fathom how micro-credit and micro enterprises have contributed towards rural development.

The main rationale of reviewing the literature is to determine what has already been done in the selected research area. Being familiar with previous research also facilitates interpretation of the results of the study. It helps to gain an in-depth knowledge of the topic and to confirm the need for the present study. The review of literature in the present context highlights and evaluates the empirical data to understand the relationship between micro credit and its impact in the development of the marginalized. The literature available in the areas of micro finance is generally grouped into five sections on the basis of its scope and relevance;

The role of Microfinance in Rural credit delivery, Micro finance and women empowerment, SHG-Bank Linkage programme, Micro finance and promotion of Income generation activities and the role of Micro finance in poverty eradication.
2.2. RURAL CREDIT DELIVERY

Puhazhendhi and Jayaraman (1999) made an attempt to document and evaluate the performance of informal groups promoted by NGOs, both in terms of empowerment of rural women through participation and employment generation. The study reports that the informal groups of rural poor with active intervention of NGOs, adequately supported by training and assistance, ensured and also significantly improved women’s participation both from economic and social aspects. They observed that there is a great potential for the group approach in future specifically income generation projects while conceptualizing and implementing any programme for the rural poor, especially women.

Karmakar (1999) in his book reviews the existing rural credit system in India, analyses its strengths and weaknesses, and prescribes various strategies and innovations which will enable the existing credit delivery system to emerge stronger and more viable. He argues that the dependence of the rural poor on non-institutional sources of credit is one of the causes that perpetuate their poverty and restrict surplus generation to maintain their meagre economic activities and households. He also focuses on the concept and function of self help groups with special reference to some foreign experiences. He argues that self help group concept helps members to develop both economic and social strengths and these initiatives should be replicated far and wide for the benefit of the marginalized poor.

Studies reveal that micro finance will be successful only if it is able to strike the right balance between the two frameworks – development and finance – that underline its practice. To define the relationship between micro finance and development, it is useful to identify how microfinance
directs itself towards development objective. There are three points at which development and microfinance intersect, and it is microfinance’s ability to connect in all three of these points that make it so compelling as a development strategy. These points are - Micro finance’s objective to alleviate poverty by providing productive capital, by creating private institutions that deliver financial services to the poor and regulating institutions that are part of the financial system. By intersecting themselves into the financial systems of their country, microfinance institutions deepen dramatically the reach of financial systems to populations previously excluded from banks and other financial institutions.

Shylendra (1999) has conducted a study to explore and understand the functioning and performance of the self help groups (SHGs) promoted by two leading NGOs namely SEWA and AKSP in Gujarat. The study revealed that self help groups are capable of playing an effective role as financial intermediaries for the poor. They helped the members in mobilizing considerable funds through small savings and their simple loan procedures made them attractive to the members than other sources of credit as the formalities are simple and the interest rate is comparatively low.

Singh (2000) in his paper attempts to look at the micro credit delivery mechanism especially the role of self help groups in rural Rajasthan. Formation of self help groups has led the empowerment of the poor in Rajasthan by providing rural credit delivery. They are serving dual purposes of bringing the poor together for self support and enhancing their capacities to raise family income. Further the micro finance under the scheme has the potential to impel the rural folks to ponder small scale productive ventures.
Nagayya (2000) in his article points out that self help groups can contribute towards improving the quality of lending by offering loans in prompt and simple manner, ensuring need-based loans, and keeping the loan size within the repaying capacity of the borrowers. So the self help groups can have the advantage of intimate knowledge about their members compared to the bank staff.

Kulshrestha (2000) highlights the various advantages of the microfinance programme and states that this development paradigm had concepts like self reliance, self sufficiency and self help as its core. For the socio-economic development of rural areas, steps taken for promoting microfinance, has a significant bearing on rural development.

Satish (2001) points out that self help groups promote savings among members and use the pooled resources to meet the emergency needs of their members, including consumption needs. They are able to provide banking services to their members, which may not be sophisticated but are cost-effective, simple, flexible, accessible to their members and above all without any default in repayments of loans. Linking self help groups to banks helps in overcoming the problem of high transaction cost to banks in providing credit to the poor.

Namboodiri and Shiyani (2001) conducted a study to examine the potential role of self help groups in terms of reach linkage with banks for savings and credit for the weaker sections of the rural households. They conclude that the system evolved through the self help groups for collecting savings, group consumption credit, integrating social and economic goals among small groups has the potential not only for financial deepening in the rural areas but also for the empowerment of women in particular.
Datta and Raman (2001) are of the view that the success of the self help groups in terms of high repayment is mostly related to the exploitation of prevailing social ties and social cohesion among women members. The long term stability of the group depends on the members’ loyalty to it in turn to the adequacy of self help groups to meet the growing needs of their members. Members’ loyalty to self help groups is likely to undergo a transformation due to their inherent design feature of small size of the group and the limited saving capacity of marginal groups.

Gaiha (2001) has conducted a study about the implementation of Maharashtra Rural Credit Project in Pune District, focusing on the targeting of the poorest, women’s control over the assets acquired, and trade-offs between coverage of the poorest and sustainability of the project. He opines that exclusion of the poorest was partly a result of their own lack of awareness about their ability to repay loans. The financial discipline demonstrated by the SHGs was impressive. He concludes that the effectiveness of microcredit scheme is likely to depend on whether it has the flexibility to induce the participation of the poorest and whether it enables them to acquire the basic skills of benefit from them.

It is evident that the self help groups’ helps to reduce the transaction cost to the minimum in the following ways: a) the loan is taken by SHG is taking the loan from the Financial Institution undertaking the responsibility to repay. b) As the member transacts at the group level only, the cost will be minimum at the member level. c) As the bank extends credit in lump sum amount and the group uses the amount according to the members’ needs, the mismatch between demand and supply is reduced. When both the financial institution and the SHG grow in mutual trust that relation helps the SHGs to avail of more amount as loan from the Financial Institution and it will create
a sustainable financial relationship between the financial institution and the poor at a reasonable cost.

Rutherford (2003) in his study analyses the money management behavior of 42 low income Bangladeshi households, he states that the outreach of Microfinance Institutions into these households is excellent but their share of the total money management activities of the household is small. He points out that understanding the micro finance market, product flexibility and reliability are the solutions for this problem. The paper concludes that both MFIs and poor households would benefit if MFIs achieved a better understanding of current and potential demand for financial services by the poor and tailored products and delivery system accordingly.

Sinha and Patole (2003) studied the role of micro finance and formal financial institutions in providing access of financial services to low-income families in the slums of Delhi and two backward villages. The study shows that micro finance and formal financial institutions do not fully meet the needs of low income families. The poor needs finance with greater accessibility and high degree of flexibility. The availability of flexible finance, virtually at the door step, rather than its cost is the critical factor.

Studies reveal the role played by the banking sector in lending to the poor associating it with the importance of SHGs thereby highlighting the empowerment of women and the inculcation of financial training and discipline amongst the poor which undoubtedly lead to long term socio-economic benefits. The principles of self help and micro credit thus holds the key to economic and socio-cultural freedom for India’s downtrodden opening the gates of a hitherto untapped reservoir of human enterprise.
Daniels (2004) evaluated the demand and supply side aspects of the formal Micro-credit sector in South Africa and the environment in which the sector is regulated. The growth of the micro-credit sector contributed to greater access to credit for the lower categories of income distribution, which had both positive and negative implications. On the positive side, lower income groups now have access to finance that was previously not available and on the negative side, a lack of awareness among consumers of debt caused people to be debt ridden.

Fisher and Sriram (2004) in their book analyzed Indian Micro finance in-depth to explore new development that can be put back into micro finance. They stated that how micro finance can be designed in practice, to contribute to a wide range of development objectives, including providing social and economic security, promoting livelihoods, building democratic people’s organizations, empowering women, and changing wider systems within society. The analysis covers the great diversity of micro finance practice in India, and its many innovative products and organizational features. It looks in detail at the fast expanding movement of saving and credit or “self help groups” in India, and compares and contrasts these with groups promoted by the Grameen Bank in Bangladesh

Armendariz and Morduch (2005) discuss the different aspects of micro finance and demolish many myths surrounding it. They explain issues such as group lending, saving and insurance, the role of women, impact measurement, subsidy and sustainability and management of microfinance with data.

Micro credit itself cannot lead to economic growth because of the important limitations of micro credit. Micro credit converted to livelihood
finance which includes financial services, agricultural and business development services as well as institutional development services is an asset for economic growth. There should be a shift of micro credit and SHG-bank linkage programme to a more holistic concept of livelihood finance. There is a wide held criticism that the micro finance movement in India failed to reach the poorest of the poor and was able to reach only those near and above the poverty line. Relevant data highlights that microfinance remains concentrated in the southern states of India (65 per cent of the SHGs linked and over 75 per cent of the total amount of loan distributed). The coverage of North-eastern states as well as the eastern region accounts less than 13 per cent of linkage and 6.2 per cent of the loans distributed.

In his paper Sriram (2005) reviews the performance of formal financial institutional channels of micro finance and discusses the emergence of new forms of collaboration in the delivery of micro finance services. As the micro finance market expands and becomes more complex it is necessary to formulate uniform regulation for coordinating them.

Muhumuza (2005) argues that NGO credit programmes when implemented in Uganda were only partially successful in addressing their proclaimed objectives. They managed to fill the vacuum caused by neglect of the poor in the remote parts of the country by formal financial institutions and government. They also simplified access to credit for the rural poor but failed to translate into meaningful economic empowerment due to their top-down approach.

Sreenivasan (2005) in his study tried to compare the various activities of Kalanjiam Community Banking Programme with such projects operated by others. His study shows that the groups are successful in mobilizing vast
funds for various purposes through the groups and reduced the dependence of the money lenders. The group is seen as an institution for savings, loans and insurance activities by the members apart from taking up considerable social development activities. However the easy access and availability of cheap credit is a boon for the marginalized.

Sinha (2005) is of the view that the performance of the SHG model is exceptional in providing a savings-based mechanism for internal group credit to meet household needs. This mechanism also serves to facilitate access to credit by poorer clients, who are more likely to need small amounts of credit for immediate household purposes but appear less creditworthy for larger MFI loans. He concludes that microfinance is making a significant contribution to both savings and borrowings of the poor in the country and as such it considerably facilitates improving the living standards of the low income families.

Hannover (2005) opines that there is a shift in the borrowing pattern of the members from consumption loans to loans for income generating purposes. Internal savings and capital formation improved the self sufficiency capacities and even out of the household’s cash flow. The access to formal financial services also contributes to a strongly reduced dependency on informal money lenders with positive effects on the reduction of capital costs.

Sriram and Parhi (2006) had conducted a village level study in Udaipur district of Rajasthan for identifying the financial status of the rural population. The funds flow indicated that the overall asset-saving-income profile of the rural poor was not alarming. However, most of the assets and savings are liquid, forcing the poor to borrow at high cost. They argue that
one of the most important reasons for saving by the poor is to face risks. They emphasize that credit and savings are equally important and one cannot survive without the presence of another. The study indicates the failure of institutions including micro finance mechanism like self help groups to penetrate the savings in loan market.

Kalpana (2006) is of the opinion that for the effective performance of self help groups the fundamental issues like inclusion and retention of the poor, financial services at the needs of the borrowers and keeping the costs affordable are more important than the model of SHG (Whether SHG or the Grameen).

Shah et. al. (2007) are of the view that micro finance has entered into the vacuum created by the withdrawal of the State in the rural credit. The bureaucratic functioning and negative attitude of the officials made banks highly unapproachable to the poor. In this situation micro finance offers a new ray of hope for the rural poor. It makes finance accessible, available for consumption needs, and free from collateral security.

Saha (2007) makes an analysis of the Self Help Group movement in India, and compares it with other available models of micro finance. It is pointed out that the SHG movement has had a considerable positive impact on the social, economic and political lives of the rural poor in the country. It has not only increased the level of prosperity in rural India by increasing the access to credit but has also helped to bring about cohesion within rural communities and has increased political participation of marginalized.

Sriram (2007) evaluating the rural financial market using some primary data argues that it is not practically possible for a single source of finance to cater to the diverse needs of the rural population. Rural credit
needs are met mainly by borrowing from social networks, borrowing from money lenders, formal financial institutions and from self help groups. Forming SHGS and carrying financial intermediation through them disproves the notion that the poor cannot save. The procedure is minimum, collateral is absent and interest margins remains within the community.

Ramesh (2007) observed that the growth of the self help group movement is concentrated in four states - Andhra Pradesh, Karnataka, Kerala and Tamil Nadu, which accounts for almost 54 per cent of SHGs but more importantly, for almost 75 per cent of the bank credit. He highlights the role of panchayats and SHGs - Panchayats are institutions of representation and self help groups are institutions of participation. These are the twin pillars on which India’s globalization strategy should rest.

Bera (2008) made an attempt to analyze the practice and diverse experiences of micro finance around the world. He is of the opinion that the success of micro finance experiences owes much to the dedicated practitioners working close to grass root realities and states that it cannot be expected to work everywhere and for everyone. Brook et.al. (2008) reported that after implementation of the micro finance programme the poor moved above the state poverty level and their household savings increased tremendously. More than 77 per cent of the funds mobilized through this programme were raised through SHG subscriptions and the rest came from linkages with banks. He concluded that the NGO-mediated SHG-model of community mobilization and microfinance provision was largely successful in terms of increasing social, human and financial capital.

Micro finance has become one of the most effective interventions for economic empowerment, poverty alleviation and rural development. Success
of self help groups in both urban and rural areas had a very high positive effect on poverty alleviation. The essence of success of micro finance lies in its voluntary character which shows that the risk can be minimized through mechanisms like doorstep banking, group collaterals, flexible and innovative products, repayment in small amounts and greater frequency. Micro finance has produced positive impacts on two vital areas of national development – alleviation of poverty and women empowerment.

Pandey (2009) is of the opinion that Indian model of micro finance offers greater promise and potential to address poverty as it is focused on building social capital by linking the downtrodden with the mainstream. More than 65 per cent of the financial needs of the rural people are being met by informal entities. The formal banking sector in India should join with micro finance initiatives to make their business and become partners of the development of poor people.

Das (2009) points out that the objective of the micro finance initiatives must be to upscale the bankable clients to creditworthy clients, thus making concerns about poverty irrelevant. Micro finance will continue to be an important delivery mechanism to reach out to the poor, to achieve financial inclusion and empower women.

Reji (2009) pointed out that there are some positive changes in the levels of living of the self help group members after joining in the programme. The economic impact is visible in terms of saving habit, increased credit accessibility, contribution to household income and acquisition of household assets. The impact is also positive on the social front in terms of increased role in household decision making, improved
status and self confidence, ability to deal with adversities and community involvement.

Venkatesh (2009) in his article says that micro finance programmes through self help groups introduced and expanded by NGOs not only provide small scale financial services to the weaker sections but also enable them to participate in larger developmental activities thereby increasing their economic status and promoting sustainability.

Vimala (2009) has made an attempt to study the impact of the activities of Kudumbashree mission on the member households in Kerala state. Her study highlights that the most important striking advantage of NHGs was the thrift component which acted as an informal bank at their door steps. She concludes that Kudumbashree constitutes a dynamic entity which enhances the scope of women’s contribution to economic and social development of the state.

Gaonkar (2010) focuses on the issues confronting to the financing of self help groups by commercial banks and its socio-economic impact. The study reported that there are positive impacts in terms of increased income and savings, increase in income and living standards, business expansion, opening of bank accounts, increased deposits of self help groups and banks as well as expansion in the assets of group members.

Bateman (2010) argues that micro finance does not actually work; it has largely been built on a desire to advance a particular free market ideology, on exaggerated and egregious half truths. Using case studies from across the globe he exposes why most of its fundamental blocks are largely myths. He demonstrates that micro finance actually constitutes a major barrier to sustainable economic and social development, and thus also to
sustainable poverty reduction. He demands forcefully that the role of microfinance in development policy needs to be reconsidered.

Reddy & Reddy (2010) while examining the loan usage pattern of self help group members noticed that the sample members borrowed an average of 3.3 times from the internal funds, a loan of Rs. 8606/- per member and showed an average increase of Rs. 609/- per month. Most members invested a major share of their borrowings on traditional occupational activities rather than risk on new activities. Majority of SHG members reported purchasing or creating assets, either directly with the loan or from earnings out of the economic activity taken up. There was a positive impact on children’s education, household member’s health and repayment of old private debts.

Rath (2010) reports that there are positive results in impact on income, impact on savings, deployment of savings, impact on borrowings, impact on standard of living, impact on status in family and impact in participation in social life of the self help group members. He points out that the active role of women provides a gender dimension and it one of the reason for the success of SHGs. He is of the view that they can act as an alternative institutional asset up to tackle the problem of unemployment, poverty and gender justice.

Tripathy (2010) in his book made an attempt to give theoretical understanding of the rural problems and to explore the possibilities of meeting the credit requirements through microfinance. He says that microfinance provides the poor and the underprivileged, various ranges of financial services to be able to build assets, stabilize consumption and protect themselves against risks. The typical microfinance clients are low income
persons who do not have access to formal financial institutions. He argues that micro finance can help the poor to increase income, build viable businesses and decrease their vulnerability to external shocks.

D’espallier et al.(2011) makes a critical review to find the relation between MFI gender focus and repayment performance and confirms the argument that women are on average, good credit risks for MFIs. Despite women’s lower objective credit worthiness, they repay their loans better than male clients. They suggest that it may be worthwhile for MFIs to target women in order to reduce credit risk.

Sinha (2012) in his article points out some of the steps taken by the GOI and RBI to expand access to financial systems for the poor. It states that these measures include nationalization of banks, prescription of priority sector lending, differential interest rate schemes for the weaker sections and development of credit institutions such as RRBs etc. Despite these policy efforts, gap remains in the availability of financial services in rural areas. The dependence of the rural poor on money lenders continue, especially for meeting emergent requirements. Such dependence is more pronounced in the case of marginal farmers, agricultural laborers, petty traders belonging to socially and economically backward classes and tribes whose capacity to save is too small.

Nair (2012) points out that the pattern of funds flow during 2006 to 2010 to SHGs and MFIs reveals that the commercial banking system had steadily shifted its patronage to large MFIs from the middle of 2000 onwards. She argues that if the pro-profit MFIs are not properly controlled and regulated, that will adversely affect the sustained livelihoods and
dignified existence of the poor. She demands for closer scrutiny of the access of affordable credit to the poor and rural households by the for-profit MFIs.

2.3 WOMEN EMPOWERMENT

Mayoux (1998) identified three contrasting approaches to microfinance and women’s empowerment: (a) the financial sustainability approach – where empowerment is defined in individual and economic terms. (b) The integrated community development approach – where empowerment is defined in terms of community self-reliance and decreased vulnerability. (c) The feminist empowerment approach – where empowerment is seen as transformation of gender and class relations. She further made a frame for analyzing women’s empowerment as follows. (i) Power within / or increased will for change for individual women. (ii) Power to / or increased capacity for change for individual women. (iii) Power over or reduction in obstacles to change at household and community level and (iv) Power with or increased solidarity with other women for change at household, community and macro levels. According to her, microfinance programmes have significant potential for contributing to women’s economic, social and political empowerment. Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing ‘virtuous spirals’ of empowerment. Poverty alleviation as measured by increased income is not sufficient for women’s empowerment because intra-household inequalities means that women do not necessarily benefit from increases in household income even where they are major contributors. She further observed that for more participation of women in the aspects of programme implementation and decision making as well as effective women targeted initiatives, a more comprehensive framework is essential. She argues that
micro finance will be effective only if it is conceived as part of a broader strategy for transformation of gender inequality.

Madheswaran and Dharmadhikary (2001) made an attempt to analyze the impact of self help groups in providing credit to rural women under Maharashtra Rural Credit Project to help them uplift their economic status. They found that the project was successful due to the SHG-Bank linkage, credit being made available for consumption purposes, easy and periodic availability of credit due to rotation of savings and active participation of NGOs. They reported that micro-credit can be used to meet the current demands of the rural women and it will lead to a gradual improvement in the quality of their life.

MYRADA (2002) has conducted a study to understand the impact of self help group membership among women in relation to their social status and empowerment and found that there is a positive influence on their share in the family income. It is also found that majority of members view SHGs as a means of mobilizing savings and loans, and the habit of savings with banks too has not taken roots in any class of SHGs. Measures have to be taken to create awareness among members for engaging in income generating activities.

Vijayanthi (2002) in her study points out that the self help groups have helped women to plan, execute their ideas and manage the process. The groups have evolved as change agents to train others in capacity building, to generate their own resources, and to ask for the help of the government for the social, economic and physical development of their communities. She also points that the participating approach through solidarity meetings gives a platform for taking collective decision.
Crowell (2003) explains the success of SEWA in the sphere of rural development. According to him the movement is a remarkable success in fostering the economic and social well being of rural women in the informal sector by making need based projects for the poor women in Gujarat. Kabeer (2005) has made an attempt to examine the empirical evidence on the impact of microfinance with respect to poverty reduction and the empowerment of poor women. She notes that access to financial services does make important contributions to the economic productivity and social well-being of the poor women and their households; on the other hand it does not ‘automatically’ empower women.

Moyle et. al. (2006) analyzes whether personal empowerment and economic empowerment exist among members of self help groups. Their study reveals that self help groups assist women in achieving personal and economic empowerment, increasing women’s income and household income and meaningfulness in their daily lives. Jakimow and Kilby (2006) says that provision of credit and access to services through self help group programmes increase the choices available to women, thereby empowering them to some extent only due to the persistence of top-down approaches in implementation. SHG programmes empowers women within the prevailing system, and does not challenge the social structure in which marginalized women have relatively less ability to pursue their interests.

Handy et. al. (2006) says self help groups provide an effective instrument through which women can build economic self-reliance, solidarity and self confidence. This often has a domino effect in the overall development of their families and communities. Belonging to a group gives many women self-identity, status and security. The groups give women a
platform on which to bring together common concerns and use the power of the collective to negotiate in ways that would be closed to the individual.

Increased savings, access to credit, regular repayment of loans, choice of appropriate productive ventures, commercialization of economic life and secular capitalistic ethics are the positive impacts of microfinance. The self help groups in India have proved beyond doubt that if the women—however poor, illiterate and ignored are organized, guided and enabled to realize their problems, it will make wonders in their own lives and prosperity to their families. The greatest contribution of self help groups in the face of their fight against deprivation and poverty is that it empowers them through their increased self awareness. Micro finance programme empowers through their participatory approach, their best practices, good governance, and effective leadership and through credit facility.

Devi and Upadhyay (2008) observed that there were encouraging results owing to the process of social mobilization through group approach in respect of self help development, social capital formation, leadership quality development and change in attitude. Thrift and credit performance in the SHGs have improved creditability of women with banks and MFIs in the state of Assam. Managerial skill, bargaining power and communication skills were found to have been enhanced among the members of SHG.

Lalitha (2008) in the book “Readings in Microfinance” opines that Microfinance has gained credence in the development dialogue all over the world as a tool for empowerment of women and upliftment of poor. Reaching women in remote rural areas and creating a legitimate organizational space where women can meet and function as a collective
force has been recognized as a development significant potential for challenging the social and economic isolation of women.

Rajapriya (2008) in her study tries to analyze the change in income, expenditure and savings of the members after joining self help groups and states that there is a positive change in this regard. She concludes that SHGs are taking the lead and playing an important and pivotal role in social transformation, welfare activities and infrastructure building and they have served the cause of women empowerment, social solidarity and socio economic betterment of the poor.

Vasantha and Manohar (2008) in their study in Tuticorin in Tamil Nadu state examines the efficiency of micro finance as a solution to women’s empowerment and whether micro financial institutions effectively improve their well being. On the basis of the data they conclude that micro finance helps to attain empowerment through self help groups.

Gregory (2008) reported that the Kudumbashree programme in Kerala has initiated a real change in the life of women belonging to the vulnerable sections of the society, especially in empowering them economically. Its impact on other dimensions of life, however, has not been impressive mainly due to some inherent limitations in the concept and implementation of the programme. For the betterment of the programme he demands the institutionalization and strengthening of NHGs, ADS, and CDS under the active support from local self governments.

Devi (2008) makes a detailed analysis of the structure and achievements of Kudumbashree in Kerala. She states that women empowerment is a major concern and prime priority activity of the Kudumbashree Mission. Kudumbashree in Kerala is envisaged as a process
and delivery mechanism for the poor, which gives importance to health, nutrition, education, employment and improvement of economic status and the social improvement of a family. It is observed that Kudumbashree have set a baseline for the formation of social capital at grass root level, especially empowering the poor - socially, politically and economically. George (2008) in her comparative study of the Governmental and non Governmental organization in providing micro financing also opines that the programmes have succeeded in empowering rural women.

Ruby (2008) in her thesis opines that the Kudumbashree project in Kerala has been instrumental in the economic, political, socio-cultural, personal and familial empowerment of members through micro financing. The thrift and credit activities of Kudumbashree at the group level have enhanced their savings habits and access to credit. It has played a significant role in freeing them from the clutches of money lenders. Micro enterprises have also been able to open up avenues for the economic empowerment of women.

Moyle and Dollard (2008) while examining the economic and personal empowerment of rural women in India, states that micro-credit programme can lead women towards economic development and the group approach can facilitate support, the collateral needed for financial lending services. By encouraging greater participation of women in income-generating activities at the community level, the benefits for women, can be significant. This process of empowerment can consequently give women the confidence to be involved in various developmental issues.

Lathika (2008) argues that the Kudumbashree Mission had made its mark in providing a new route to Women empowerment. She points out that
the development of the Mission made a turning point in the quest for empowerment and it can reach new heights if the present loop holes are plugged.

Arku (2009) remarks that micro-finance can potentially improve the well-being of rural people by increasing women’s incomes, strengthening women’s control over decision making and resource allocation. Sanyal (2009) examines whether structuring socially isolated women into peer-groups for an explicitly economic purpose, such as access to credit, has any effect on the women’s collective social behavior. Based on study among 400 women from 59 micro finance groups in West Bengal, she found that one third of their groups undertook various collective actions. She argues that micro finance groups have the potential in promoting women’s social capital and normative influence, thereby facilitating women’s empowerment.

Raghavan (2009) reports that through the Kudumbashree activities the poor women of the State of Kerala have become active participants in the planning and implementation process of various anti-poverty programmes. By participating in the various income-generating activities, the morale and confidence of women became very high. Status of the women in families and community has also improved. He argues that women empowerment is the best strategy for poverty eradication.

Somesh and Vaikunthe (2010) is of the view that provision of financial services and easy access is important for the development of poor women. Many of the self help group members are using the financial resources availed for investment in asset creation and other inputs that yield relatively higher returns. The study reveals that SHGs have been playing an important role in the empowerment of women in the study area.
Nagabhushana and Geetanjali (2010) in their impact study found that the self help groups are significant in creating an impact on issues related to child health care, child marriage, legal awareness, family planning, creating self confidence, decision making and change in expenditure patterns. They argue that SHGs have relatively failed to meet the required level relating to issues like domestic violence, dowry system and in securing positions in the political system.

Meenai (2010) is of the view that access to microcredit has the potential to trigger off the process of empowerment and transformation of power relations between genders. Self help groups have become very popular across the country and almost all developmental programmes are based on SHGs which have become the new tool for poverty reduction and empowerment of women.

Shashikala and Uma (2011) reported that self help group programme has been successful not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

Due to SHG membership there is a considerable increase in the savings, monthly income and standard of living of women. Their involvement in family decision making has increased considerably. The SHG movement in India has been working in the right direction, but it is necessary to empower more and more women in social, cultural, economic and political matters, for the interest of the family in particular and the nation in general. The SHG Model has helped women to get self employment and to be empowered. The membership in self help groups helped poor women to create a strong drive to become entrepreneurs, which in turn stimulated them
to undertake micro ventures. They facilitated the women to bring out their dormant proficiency and to establish their identity in the society. With the starting of tiny ventures, economic stability arrived and women graduated with a new vision of making house better thereby increasing the standard of living. The group activities are found to be helpful in developing a greater sense of solidarity, closeness and will to shoulder responsibilities among the group members, which is a true reflection of empowerment as a result of participation in group activities.

2.4 SHG – BANK LINKAGE PROGRAMME/NABARD INITIATIVES

NABARD (1989) in their impact study analyzed the development of linkages between the SHGs, SHPIs, and the financial institutions for providing support to the self help initiatives of rural development and the background of the emergence of self help groups, methods of working and their linkages with the financial institutions. The study covered 46 SHGs spread over 11 states and associated with 20 SHPIs. The study reports that almost all the groups were formed with an emphasis on self-help and with a view for promoting objectives like freedom from exploitation, economic empowerment and resources for development. The SHGs involved mainly in savings and credit activities have evolved a variety of instruments to promote thrift among their members. The SHGs made effective use of the common funds thus built up from internal savings and the funds available from SHPIs as seed money, for issuing small emergency loans. Internal loans were issued in the basis of trust in the borrowing members. Women groups were successful in both small savings mobilization and credit management of the common fund as also in promoting income generating activities. SHPIs have
played a commendable role in organizing the rural poor into self help groups and therefore promoting their proper functioning.

Another study by NABARD (2000), which covered 560 SHG member households from 223 SHGs in 11 States, shows many positive results on the impact of participation of rural poor in the SHGs. There have been perceptible and wholesome changes in the living standards of the SHG members in terms of ownership of assets, increase in savings and borrowing capacity, income generation activities and in income levels.

The main findings are: Average value of assets per households increased by 72 percent from Rs. 6843/- in pre-SHG stage to Rs. 11793/- in post-SHG stage. About 58 percent of the households reported increase in assets. Housing conditions generally improved with a shift in the ownership from the kutcha to pucca house. Almost all members developed saving habit in the post-SHG situation as against only 23 percent of households who had this habit. Average annual savings per households registered over threefold increase from Rs. 460/- to Rs.1444/- . The average borrowing/year/household increased from Rs. 4282/- to Rs.8341/-. About 70 percent of the loans taken in post SHG situation were for income generation purposes. Overall loan repayment improved from 84 percent to 94 percent between the two periods with an impressive improvement of 29 percentage points in the repayment of loans to banks. Average net income per household increased from Rs. 20177/- to Rs. 26889/- showing 33 percent increase. Employment increased by 18 percent from 318 man days to 375 man-days per household between pre and post SHG situation.

Jayaraman (2001) points out that there is no unique model that can be replicated across the countries for the success of micro finance programmes
in alleviating poverty. The model of micro finance has varied from country to country depending upon the prevalent social, cultural, economical, and political environment. Experience all over the world in implementing Poverty Alleviation Programmes reveals that reduction in poverty levels had been accomplished through combined strategy of broad based economic growth and policies that encourage income generating activities for the poor.

Satish (2001) compared the role of government, banks and NGOs in promoting the self help groups, their strengths and weaknesses and the best practices that could be copied from them. His study reveals that the groups promoted by NGOs and banks are qualitatively equally good. But due to the constraints of their staff and the regular banking business, banks may be able to promote only a limited number of groups. Apart from these, government is also playing an important role in the promotion of self help groups.

Kropp and Suran (2002) has conducted a detailed study about the effectiveness of SHG-Bank linkage programme of NABARD and states that SHG-Banking is a highly flexible financial service structure beneficial to the poor households, which allowed them to stabilize their irregular income flow and to increase their income. The SHG system allows members to maintain a more regular financial flow in support of the family and of the microenterprise operated by the family. The SHG-Banking is an ideal combination of the formal banking sector’s “banking with the poor” and “banking by the people through informal SHGs”. They also remark that the SHG-system covers another urgent need of the poor; it is evolving as an effective people’s banking nucleus which allocates money into the economy of the poor with the purpose of stimulating self-reliant, indigenous developments tapping the manifold skills that the poor already possess.
Puhazhendhi and Badatya (2002) in their study attempt to assess the impact of microfinance channelized through SHG-Bank linkage programme implemented by NABARD since 1992 in the eastern states (Orissa, Jharkhand and Chhattisgarh) of the country. The study is based on primary details collected from 115 respondents of 60 SHGs for comparing the socio-economic conditions between pre and post SHG situation. The major findings are: a) Only 45 percent of the members registered increase in their assets from Rs.4498/- to Rs. 5827/- registering an increase of 30 percent after joining the group and for the rest there is no change. b) The savings of the members were increased from Rs. 952/- to Rs. 1863/- registering two fold increases. c) The average loan per member during post-SHG situation was Rs. 5122/-, which were about 123 percent more than the pre-SHG situation. Availing loans from moneylenders and other informal sources with high interest rate was significantly reduced due to SHG intervention. D) Recovery performance of loans from members of SHGs worked out 95 percent, whereas it was 86.6 percent from SHGs to banks. The overall repayment percentage improved from 86 percent to 95 percent between pre and post SHG situation with a perceptible increase in repayment of loans from banks by 22 points. E) Employment per sample household increased by 34 percent from 303 to 405 person days between pre and post SHG situation. F) There was remarkable improvement in social empowerment of SHG members in terms of self confidence, involvement in decision making and better communication.

Siebel and Dave (2002) in their study on commercial aspects of SHG Banking in India developed a methodology for the study of financial products. They found that non performing loans to self help groups were zero per cent testifying the effectiveness of group lending to the very poor.
SHG Banking was found to be of robust financial products, and self reliance of SHGs was based on internal savings and retained earnings. It is also found that SHG banking has indirect commercial effects on banks in terms of improved overall vibrancy in banking activities.

Harper (2002) attempted to examine and compare the different ways in which Self Help Promotion Institutions (SHPIs) promote SHGs, in order to enhance the efficiency and quality of the SHG promotion process and thus to improve the extent and level of financial service provision to rural people. He compared the SHG promotion work of banks, NGOs, and other government agencies. He suggests that NABARD should improve and modify its extensive SHG related training programmes and should monitor and audit the quality and equity of SHGs promoted with its assistance for giving focus on the social aspects of SHGs.

Bensal (2003) attempts to review the spread of credit linkages between self help groups and banks across credit delivery models adopted by the RBI and NABARD and the spread of credit linkages across different regions and states of India. She states that the micro finance has emerged as a vital approach to meet the heterogeneous needs of the poor. In India, micro finance in the formal sector has assumed the form of SHG-Bank Linkage Programme.

Shylendra (2004) is of the view that the SHG-Bank linkage programme enables the poor to have sustained access to formal finance. Besides the inherent strengths of SHGs for financial intermediation especially in ensuring higher loan recoveries, the proactive involvement of apex agencies like NABARD and also that of NGOs is the major contributory factor in the positive results being seen under the programme.
The key to the success lies in retaining the basic character and strengths of SHGs along with integrating them appropriately with outside systems to meet the needs of the members on an endearing way.

Pramod (2006) states that SHG-Bank Linkage programme has been acclaimed as the fastest growing and highly cost effective micro finance initiative, which has enabled millions of poor families to practice thrift and find access to the financial services offered by the formal financial systems. He points to the future agenda of the programme as – reducing the regional imbalance, making more SHGs credit linked, more support from the banks, capacity building of partners, microfinance to micro enterprises, appropriate products suitable to the needs of clients etc.

Thorat (2006) argues that the financial sector reforms motivated policy planners to search for products and strategies for delivering financial services to the poor – micro finance – in a sustainable manner consistent with high repayment rates. The search for these alternatives started with internal introspection regarding the arrangements which the poor had been traditionally making to meet their financial services needs. It was found that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.

Manoharan and Devi (2008) has analyzed the role of banks in financing self help groups in Coimbatore district and states that SHG-Bank linkage programme plays a vital role in women development. Micro finance initiatives have shown that banking with the poor is a viable proposition and the credit sanctioned by banks has vast market in the rural as well as urban areas.
Kamalakannan (2008) has attempted to analyze the participation of banks in providing micro finance through self help groups. Micro finance movement in India is dominated by Self Help Groups-Bank Linkage Programme, which is aimed at providing a cost effective mechanism rendering financial services to the unreached poor. Commercial banks and Regional Rural Banks account for 52.1 percent and 34.8 percent respectively of cumulative SHGs financed so far. In this regard, 60.3 per cent and 30.4 per cent of cumulative credit respectively are attributed to them. Micro finance helps the rural poor to improve their standard of living as well as fulfilling their credit needs and self help groups are an important media through which banks are disbursing micro-credit.

Paul (2008) in her thesis evaluates the impact of the SHG- Bank Linkage programme in women empowerment and reports that the programme has succeeded in strengthening credit deepening and credit widening. SBL programme has been effective in providing significant employment opportunities to rural women through micro enterprise development and it has converted the poor women into entrepreneurs.

Nagayya and Rao (2009) reviews the trends in the SHG-Bank linkage programme at national and state level, with special reference to Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, with special reference to support organizations. They highlight that sustainability; growth and diversification of activities to enter higher value added areas for self help groups are to be given utmost attention by strengthening Federations and MFIs. The groups need support for sustaining their efforts in the respective income generating activities. The support needed can be in terms of credit plus services such as counseling services, expansion, modernization, common services, and marketing linkages.
FICCI (2010) in their report states that the SHG-Bank Linkage programme implemented through banks provided credit facilities to 59 million borrowers. The 6.12 million SHGs as on 2009 had deposits of 5545 crore with banks while 4.22 million SHGs had 22680 crore in loans distributed through banks. SHGs and MFIs taken together covered around 60 million households, some 50 per cent of the 120 million financially excluded households in India.

Parida and Sinha (2010) analyses the performance and sustainability of Bank linkage programme in India at the group level. On the basis of the gender composition of SHGs, their income generation activity varies; similarly their performance and sustainability will also vary. On the basis of the overall analysis, all-female self help groups perform best in terms of recovery of loans and per capita saving.

Rao (2010) reports that, once the self help groups show maturity in financial behavior, banks are encouraged to give loans to SHGs in certain multiples of their accumulated savings. Bank loans were given without any collateral security and at market interest rates. Srinivas (2010) analyses the impact of SHG-Bank Linkage programme in terms of economic improvement and the livelihoods of the poor, with specific reference to increasing employment, increasing income and asset creation. The loan processing systems also need to be strengthened towards prioritizing credit for livelihood activities and to meet critical consumption needs, thereby supporting income generation. He further states that the SHG-Bank linkage has shown enough potential towards impacting the livelihoods of the poor, though constrained with the limitations on the loan size. The SHG-Bank linkage has provided opportunity for the groups to lend to their members more frequently, and to go beyond consumption credit.
Natarajan (2010) attempts to find out how the continuous access to SHG-based Microfinance Programme has promoted the micro enterprises, its impact on the management of micro enterprises and evaluate the changes in terms of employment level, income and assets of SHG members between pre-SHG and post-SHG period. The number of days employed per annum of the respondents increased in the total study area from 213 days in the pre-SHG period to 292 days in the post-SHG period, while the income of the respondent increased from Rs. 9945/- in the pre-SHG period to 21584/- in post-SHG period. The assets of the participants increased from Rs. 39846/- in pre-SHG period to Rs. 49203/- in the post-SHG period. All the participants availed the SHG-Bank loan more than once and sufficient time has elapsed since availing the loan. The impact is clearly visible among the participants in terms of employment, income and assets of the participants.

According to Shiralashetti and Kulkarni (2011) there are three phases in SHG-Bank Linkage programme; pilot testing (1992-95), mainstreaming (1996-98) and expansion (1998 onwards). Thereafter it has metamorphosed into the biggest microfinance movement, the world has ever seen. The physical and financial outreach of the programme has been impressive but the data reveals that there is an imbalance in the growth of self help groups in region wise; they are more popular only in the southern region.

2.5 MICRO ENTERPRISE DEVELOPMENT

Afrane (2002) reviews the Microfinance Programmes in Ghana and South Africa and reported that micro finance interventions have achieved significant improvements in terms of increased business incomes, improved access to life enhancing facilities and empowerment of women. Economic factors, access to social services, social factors, and psychological factors are
evaluated and both the quantitative and qualitative results have shown an improvement in the conditions of the clients following the receipt of credit.

Galab and Rao (2003) evaluate the different approaches followed by three women based group models of poverty alleviation and women empowerment. They invite the attention of the government on developing the rural economy by activating agriculture and non-agriculture sectors and removing infrastructural inadequacies to widen the self employment choices for the self help group members.

Nirmala et. al. (2004) examines the determinants of earnings of rural women and the benefits and problems experienced by them under self help group programme in Pondicherry. The study shows that majority of the respondents were engaged in non-farm activities, which were largely traditional and less remunerative in nature. The study indicates that mere financial assistance does not help the women, many of whom do not posses any prior experience in the production activity. Respondents should be encouraged to venture into more diversified and remunerative activities.

Pat (2005) in the study explains about the origin of Kudumbashree scheme, its growth in credit and micro enterprise level and highlights the shortcomings also. The Government’s decision to limit the activities to women belonging to the below poverty line is very small in relation to the total population and overall credit needs. The educated middle class women, as a result, withdraw from the scheme. Lack of management expertise, non-availability of raw materials, faulty planning, lack of coordination between panchayats and Kudumbashree units and poor marketing were also observed as deficiencies.
Badatya et. al. (2006) has conducted an evaluation study about the impact of Microfinance for Micro Enterprises with 56 SHGs. They selected 310 SHG members from different agencies like Commercial Banks, Regional Rural Banks, and NGOs in Andhra Pradesh. The Main findings are - The average savings per SHG was worked out at Rs. 36350/- and the average savings for SHGs of seven years and above was worked out to Rs. 45387/-. About 71 per cent of SHGs have received 3 to 4 Bank linkages. The average loan size (cumulative) for the groups was worked out to Rs. 191980/- of which 70 per cent was for income generating purpose and the remaining 30 per cent was for consumption, other social functions and contingency purposes. Out of a total 310 members, while 42 per cent had initiated different income generating purposes, about 28.4 per cent members had graduated to micro enterprises with asset creation. Repayment performance of the sample SHGs to banks was 94.2 per cent of the cumulative demand for all the SHGs. The repayment performance of the SHG members worked out at 96.9 percent.

Rena (2008) discusses the impact of micro finance in reducing poverty among women entrepreneurs in Eritrea. The study also analyses various other institutions that provide micro finance to the women and other beneficiaries as well as the constraints to women entrepreneurship in Eritrea. He opines that micro finance is more than just credit and can play an important role beyond enterprise development in supporting the livelihoods of the poor. By providing money when it is needed, micro finance helps the women clients to reduce their vulnerability and expand their business options.

SIDBI (2008) had made an overall evaluation regarding the benefits derived from the Micro Finance Institutions that reveal the following facts - 79 per cent of the beneficiaries are able to increase their income through MFI
activities while 39 per cent are able to repay their past costly debts and current debts by shifting to micro finance. Similarly 56 per cent could improve their housing conditions while 47 per cent could acquire additional household assets. Out of the total 59 per cent feel that they have raised their social status due to the participation in the microfinance activities. The study points out to the need of diversifying the role of MFI s for promoting the micro enterprise development.

Kumari (2008) points out the importance of micro enterprise development as a key strategy for empowering the rural women and for ensuring them better standard of living. It is revealed that the micro enterprises have succeeded in the socio-economic empowerment of women.

Ssendi and Anderson (2009) explore the nature of micro finance and the types of finances available to the poor who operate micro enterprises in Tanzania. There are two sets of obstacles which mitigate the impact of microfinance on the rural poor. First is the issue of spatial availability as only few providers are accessible to poor women and the second are the conditions set by the providers. They conclude that respondents who received the loans had claimed some immediate benefits but there is no evidence of permanent improvement in their well-being. These projects help to improve the daily struggles of rural poor women but that other measures are needed to alleviate poverty.

Purushotham (2010) highlights the importance of building entrepreneurial capacity among rural poor, particularly self help groups through skill development, functional literacy and market exposure. Inculcating financial discipline among SHG members, building the capacity of SHGs for micro enterprises through market exposure and networking
through Federations of SHGs should be complemented by proactive state policy support and encouragement of experiment and innovations in the development of micro enterprise.

Kumar (2011) has conducted a study about the Kudumbashree linked micro enterprises in three panchayats of Ernakulam District of Kerala to find the economic prospects and problems confronted by micro-entrepreneurs. In the study, he analyzes the nature of enterprises, investment pattern, sources of finance, asset structure, annual revenue generation, annual profit generation, employment generation per month and the problems faced by the entrepreneurs. The study concludes that average return on investment of around 16 percent per annum in addition to full-time and part-time employment generation is found to be quite rewarding. He opines that equipping the entrepreneurs to face competition by synchronizing technology and cost reduction efforts may further improve the situation.

Garikipati (2012) argues that lending to women is expected to help them to invest in non-farm enterprises, which in turn allows them to shift their work time from wage work to self employment which is considerably better remunerated and enjoys higher social status. This will enhance the value of their incomes, improve their self esteem and empower them. The linkages that take women from accessing credit to spending more time in self employment are especially important for poor rural women.

2.6 POVERTY ERADICATION

Bouman (1989) views micro finance as an enabling, empowering, bottom up tool to poverty alleviation which has provided considerable economic and non-economic externalities of low income households in developing countries. For attaining the main objective of poverty alleviation,
microfinance requires a holistic and in-depth understanding of the interplay between economic, social, cultural components of the developmental process.

Khandker (1998) evaluates the experiments in the microcredit sector of Bangladesh by comparing various schemes and states that the success of poverty alleviation programme depends on how effectively it targets the poor. Similarly microcredit programmes demand a flexible, decentralized and non-hierarchical organization structure. They also require leadership that is committed, dynamic, and instrumental in achieving the programme’s goals. He examines the effects of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction, especially for women participants, and to overall poverty reduction at the village level. Microfinance thus helps not only poor participants, but also the local economy.

Dandhich (2001) made an in-depth study about the microfinance intervention of a public sector bank in the Rajasthan state and suggests that microfinance can be a means not only to alleviate poverty and empower women but also to be of a viable economic and financial proportion. Zaman (2001) argues that whilst there are several channels by which Microcredit services can reduce vulnerability there are fewer ways by which it can single handedly reduce poverty. This is partly due to the fact that the concept of vulnerability is somewhat broader and as such there are more channels by which impact can be achieved. Increases in income and/or consumption can occur if credit is used for income generation activity and that activity generates in excess of loan installment repayments.
Montgomery and Weiss (2005) surveys the evidence of microfinance in poverty reduction from Asia and Latin America and suggests that microfinance may have had positive impacts in poverty but unlikely it is to be a simple panacea for reaching the core poor. Reaching the core poor is difficult and some of the reasons that made them difficult to reach with conventional financial instruments mean that, they may pose a high risk and are therefore unattractive to microfinance clients.

Kadiyala (2004) analyses the factors that enabled the constrained scaling up of Kudumbashree, a multi sectoral poverty alleviation programme. The findings show that an enabling environment, especially decentralization and the concurrent devolution of finances to the local bodies are critical in scaling up Kudumbashree. The article cautions about the signs that the NHG/ADS/CDSs are becoming bureaucratic.

In his study Meher (2007) remarks that, self help groups have the potential to tackle poverty and can be an important weapon for poverty alleviation in Orissa. The study shows that there is increase in income, assets and reduction in the level of poverty as a result of intervention through self help group based microfinance. The net impact of borrowings on income is positive not only in case of all the borrowers but also in case of the poorest borrowers, showing the better outreach of the programme.

Islam (2008) in his study about the Grameen Banks credit alone policy, argues that the win-win rhetoric promising poverty alleviation with financial sustainability has moved far behind the evidence. The demand for microfinance services arises from the participation of the poor in microfinance programmes in the expectation that it will increase their income and create self employment. The study points out that due to
differences amongst the poor in terms of economic and social endowments, however, all the members of the poor did not experience identical improvements in terms of alleviation of poverty. He argues that there is no Grameen blueprint that can be replicated universally.

John (2009) in critically analyzes the impact of Kudumbashree as a poverty eradication programme and examines whether it has reduced poverty. The study shows that Kudumbashree mission has made substantial impact in various sectors and areas covering health, education, agriculture, animal husbandry, micro enterprise development, child development, women empowerment and rehabilitation of destitute. Kudumbashree has become an efficient agency to execute various development programmes, especially anti-poverty activities under the state. A significant share of credit needs of poor women is met from their own pooled savings. The annual average saving of a single NHG member is estimated as Rs. 640/-. Annual average savings of one NHG is Rs. 28725/- and the annual average savings of one NHG is Rs. 28725/-. He concludes that Kudumbashree is a comprehensive SHG-based poverty eradication programme with the partnership of local governments and therefore SHG is considered as a unique programme.

Imai et. al. (2010) analyzed of the impact of Micro Finance Institutions on poverty and argues that MFIs plays a significant role in poverty reduction. This study provides further impetus to the existing evidence on the impact of MFIs on the household poverty. Samuel et. al (2011) revealed that there is a positive shift in the income level of the members after joining the self help group. It is noted that the SHGs have reduced the incidence of poverty through increase in income and have helped the poor to build assets thereby reducing their economic vulnerability.
Mathew (2011) examines the performance of tribal groups in Wayanad district of Kerala and is of the opinion that the socio-economic backwardness of the tribal groups prevents them from accessing sufficient loans from microfinance programme and is unable to initiate income generating activities. It is observed that most of the members who began income generation activities (IGAs) opted for less risky and quick remunerative activities as the repayment installments begin soon after borrowing. Since majority of the tribal members are financially incapable of undertaking IGAs with their own funds, adequate financial assistance should be provided by the external lending organizations.

Biju (2012) evaluated the impact of micro finance on poverty in Kerala and reports that the micro finance programme has achieved remarkable success in reaching the poor as well as the vulnerable sections of the society and in bringing banking services to the their door steps. The programme has succeeded in making the poor economically active by way of raising their level of employment and income as well as the asset base.

Baruah (2012) points out that Micro credit is an alternative source of credit, although SHGs were able to fulfill the credit needs of the members to some extent; it was unable to fully satisfy their credit requirements. The loans taken by the member from the SHGs are mainly for consumption purposes, and for expenditure on consumer durables. Although some capital investments took place, these are not of that kind that can help the members to cross the poverty line. It is clear from the above discussion that to be able to enable the members to fight against poverty, self help groups should provide larger amount of loans to the members.
Imai and Azam (2012) probed into the role of microfinance in poverty reduction. For this purpose they used household fixed effects models with and without control for initial household characteristics to the panel data in order to estimate the effects of amount of aggregate, productive and non-productive loans. A positive and significant effect of the aggregate component of MFI loans is found for both household income and food consumption, but this is due to the positive effect of the productive component for income and the non-productive component for food consumption. They concluded that microfinance institutions had significant poverty reducing effects on income and consumption in Bangladesh.

Swain and Floro (2012) made an investigation whether microfinance programmes lead to a reduction in vulnerability or not on the basis of the empirical analysis, which is based on a 2003 household survey data. They argue that microfinance self-help group participation can help members’ households in the face of liquidity constraints and a multitude of risks, thereby reducing their vulnerability. The production and consumption loans provided by the groups help ease the member’s productivity and earnings thereby helping their households in coping with contingencies and idiosyncratic shocks.

2.7 CONCLUSION

From the above review of literature, it could be observed that microfinance activities initiated through self-help groups are an effective tool for rural credit delivery as well as for the empowerment of women and thereby facilitating poverty eradication of the downtrodden with long term effects.

The above reviews mainly connected with the implementation of microcredit and micro enterprises enabled the researcher to better acquaint
with the research topic and strengthen researcher’s awareness on the significance of Kudumabshree for rural development. The insight so gained through the reviews also enhanced his understanding regarding how well the two flagship programmes of Kudumbashree - micro finance and micro enterprises – are operating in different projects in the state and in the country and micro finance projects even abroad. These insights also enabled the researcher to formulate the research hypotheses with more confidence and accuracy.

The researcher is also convinced of the fact that even though a slew of studies are available on Kudumabshree, however specific research studies synchronizing the two core programmes of micro finance and micro enterprises are scanty. Therefore, a specific study clubbing these two dimensions of Kudumbashree assumes significance. It is also noted that no such study has been conducted so far on the topic in Malappuram district. Hence there exists a research gap and it inspired the researcher to pursue the present probe.