CHAPTER 3

REVIEW OF LITERATURE

A review of literature is very much essential exercise in any type of research, because the reader becomes very familiar with topic being researched. A literature review can be in different forms whether it’s just a simple summary and layout of the sources having in particular and well organized form & pattern which comprises both its various syntheses and summaries.

It is an overall view of essential factors related to topic of research in a short form but a synthesis is a re-arranged the information or a reshuffling of the information in any form, which in turn gives old material to new interpretation. In other words, it might just trace intellectual or the basic progress in the field, including discussions & major debates. And on depending situation, the review of literature evaluate the sources and advise the reader on the most relevant forms and without any base knowledge or in simple words without any knowledge of the subject we cannot do further study on that particular topic or subject. Thus, this study takes review from International as well as National, Research papers, etc.

INTRODUCTION

The Micro-finance programs recently put an increasing importance in the poverty reduction phenomenon with the help of some policies and frameworks. It helps in reducing inequality among society, promoting small and micro enterprises, reducing vulnerability and helps in empowerment especially for women. However, it is noted that their effects are seen very low and achievement initiative was only partial & contested. The controversies are seen in the role played by them and in holding promises. Along with its success, the failure, insufficient, and undesired, incomplete results have been documented. Part of this is due to methodological issues.

Given this state of affairs, the assessment of microfinance programs remains an important field for researchers, policymakers and development practitioners. The first section therefore reviews the methodological options for assessing the impacts of such programs and the second section reviews theoretical aspects of poverty, vulnerability and women's empowerment. To prepare a background of the third
section, this section also gives an overview of role of microfinance in these three aspects by analyzing the finding of best scholars. The third section reviews the national and international studies related to the impact of microfinance on poverty, vulnerability and women empowerment.

3.2 IMPACT ASSESSMENT METHODOLOGIES

Regular problems of impact studies included selection biases\(^1\) and attribution. When money in cash is involved another problem arise called fungibility\(^2\). The outcome ranges of possible results related to MFIs are very and relatively open, encompassing relatively narrow/ broad and quantitative variables, such as income, and qualitative variables, such as community empowerment.

The Impact studies generally follow three types of approaches. The first approach studies the borrower's condition with and without microfinance. It selects and compares with participants of the programs. However, the microfinance clients may have initial advantages over non-borrowers in terms of wealth, income, health, educational scams, and entrepreneurial capabilities. Households which are comparatively well off and enthusiastic person might self-select themselves for participation in microfinance programs. Coleman (2006) finds that “households that will later become microfinance clients tend to be already significantly wealthier than their non-participating neighbors”. Hashemi (1997) found that “more than half of the non-participants chose not to participate because they felt they could not generate adequate profits to repay the loans”. Due to these self-selection biases, comparing borrowers and non-borrowers could lead to an over-estimation/under-estimation in the impact of microfinance on borrower well-being. A majority of researchers, however, have attempted to correct the selection bias\(^3\).

---

\(^1\) A selection bias refers to the problem of attributing causation to a program with voluntary selection. Those who participate in microfinance programs are more entrepreneurial in spirit, more resourceful in business and hence more likely to overcome life's problems one way or another. Attributing their success to microfinance then becomes difficult (Karlan, 2001). Microfinance Impact Assessment : The Perils of using new member as control group, available at: http://pdtusaid.gov/pdf/docs/PCAAA975.pdf

\(^2\) Fungibility is the quality of money that makes one individual specimen indistinguishable from another. The fungibility of money makes it difficult for lenders to ensure that borrowers use the loan funds in the way lenders wish. Often a person will borrow money for one stated purpose, but the effect of the loan is to finance another activity. (Verley, 1995), available at : http://www.gdrc.org/icm/terms.html

\(^3\) See Hulinc and Mosley (1996) and Hashemiet al. (1996).
The second approach compares "old borrowers" with "new borrowers." This approach assumes that all borrowers are at the same socio-economic level at the joining time of the microfinance program and sharing similar characteristics. This approach again faces severe problems. Why is it that the new borrowers did not choose to participate earlier, and old borrowers could rust in queue? If the timing of the mature borrowers' entry was due to unobservable attributes like ability, motivation and entrepreneurship, then such comparisons can do little to address the selection biases. Another problem in this kind of cross-sectional analysis comes with respect to programme dropouts. Borrowers may leave because they are so well off now that they no longer need microfinance, but more often these are the borrowers in trouble, who leave the programme. It is likely that older borrowers have the positive qualities of survivors, while new borrowers are yet to be tested. If failures are more likely to drop out then, comparing old borrowers to new borrowers will overestimate impacts.

The third approach is the randomized experiment approach, which requires that the impact study be started at the time of initiating microfinance operations in a new area. In microfinance, “it is difficult to assume that the treatment and control groups are similar at the start of a program. Individuals who choose to borrow and are approved by an MFI are undoubtedly different from those who choose not to borrow or are denied credit. Borrowers and non-borrowers may differ based on observable characteristics like education, health and pre-loan income. They may also differ on unobservable characteristics like entrepreneurial ability or innate motivation. Failing to account for these characteristics could lead to overestimation or underestimation of the impact of the loan. Randomized experiments claim to solve the selection problem. In a randomized experiment, the two groups (borrowers and non-borrowers) are selected at random. Randomized experiments are implemented by a specific organization in a particular setting and therefore provide limited support to generalizing the findings across other settings. The best way to overcome this limitation is to replicate the evaluations in various settings before drawing any major conclusion about the intervention”).
3.3 CONCEPT OF POVERTY, VULNERABILITY, EMPOWERMENT AND MICRO-FINANCE

- Concept of Poverty and Role of Micro-finance: Contentious Issues

There is a general consensus that the poor can be defined as those who are deprived of basic human amenities required for their wellbeing. However, there are different points of view on what exactly are these basic needs. In general, two dimensions of poverty can be distinguished, namely, the income dimension and the participation dimension. Although the income dimension of poverty is very limited and only an inadequate measurement of overall welfare, it has some significant advantages, especially in the area of measurement and quantitative comparison (Hulme and Mosley, 1996). The participation dimension on the other hand, moves beyond a material definition of poverty and takes a broader view, comprising many forms of deprivation that poor people experience, such as, social inferiority, powerlessness, humiliation and isolation (Hulme and Mosley, 1996). Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends upon how the poor utilized this money. As such focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

Over the years, studies have compiled evidences regarding the effects of microfinance schemes on a variety of factors, including household income, expenditures, household assets and children's human capital investment in health and educations. This positive impact of microfinance on income, expenditure and household assets and thus improved economic and social welfare, was confirmed in

---

4The Government of India equates poverty with the lack of access to food, nutrition, clothing, shelter, water and basic education, and uses 'food deprivation' in particular to identify the poor from the non-poor. However, The Human Development Report, 1997, argues in favor of the need for broadening the definition of poverty to include deprivation in terms of creativity, freedom, dignity, self-esteem and the respect of others Chambers (1998), draw attention to a few additional intangible dimensions of deprivation: vulnerability, powerlessness and isolation. Sen. (1999) stresses on the absence of basic capabilities need for smooth functioning for human life. Or deprivation of basic choices and opportunities in life.

various studies\textsuperscript{6}. However, other many scholars argue that microfinance is not a panacea to fight poverty, and in some cases, it has damaging effects. Hulme and Mosley (1996), while acknowledging the role microfinance in helping to reduce poverty, concluded that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Itogaly (1996) found five major faults with MFIs. He argued that they encourage a single-sector approach to the allocation of resources to fight poverty, microcredit is irrelevant to the poorest people, an over-simplistic notion of poverty is used, there is an over-emphasis on scale, and there is inadequate learning and change taking place. Wright (2000) argued that microfinance projects fail to reach the poorest, generally have limited effect on income and fail to provide additional services desperately needed by the poor. In addition, Wright believed that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from 'more pressing or important interventions' such as health and education. As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty and for gender equality.

- **Concept of Vulnerability**

A poor household would derive more satisfaction (or marginal utility) from receiving an extra rupee than a better off household. Similarly, a household would derive more satisfaction from receiving an extra rupee in difficult times than in good times. This is particularly important in developing countries, in which households are subject to an important number of shocks affecting their income: weather shocks, illness, job loss etc. This is why the static definition of poverty (having an income below a certain threshold, usually the poverty line) does not confine an important dimension, which is vulnerability. Many households, while not currently in poverty, recognize that they are vulnerable and that events could easily push them into poverty - a bad harvest, a lost job, an unexpected expense, an illness, loss in business.

Vulnerability can therefore be defined as a probability: the risk that a household will fall into poverty. Moreover, vulnerability and poverty reinforce each other. Indeed, poverty itself is a source of vulnerability and repeated exposure to downturns reinforces poverty (Morduch 1999).

There are many sources of risk for women, in particular in the daily management of their households, from structural factors such as seasonal effects, inflation and the vagaries of weather, to emergencies including the sickness of a family member, loss of employment, fire or theft. Life cycle events such as births, marriages, and deaths are also sources of risk because of the high financial costs associated with them in many societies. Finally, risk can come from operating a business or from the act of taking a loan itself, because of the associated liabilities. Women are also often particularly vulnerable to risk because of the structure of gender relations in their societies, which shapes access to and control over resources and the existence and robustness of other coping mechanisms.

- **Risk Management Strategies and the Role of Microfinance**

The strategies poor people typically employ to minimize the risk of economic shocks fall into two main categories: income smoothing and consumption smoothing. Income smoothing refers to measures taken to reduce the probability of income shocks before they occur and includes strategies like diversifying income sources; making low-risk production and employment choices; building up physical, human and social assets and ensuring good financial management. Consumption smoothing, on the other hand, is aimed at protecting consumption patterns from the impact of shocks and can take effect either before or after their occurrence. Post-shock responses include modifying consumption, raising income by mobilizing labor or selling assets, drawing on informal or formal sources of savings, or activating claims on informal insurance mechanisms.

---

7For example, although both men and women face changes in the price of food, rainfall shortages and periods of low consumption, studies have shown that these factors affect the nutrition levels and death rates of girls more than they do boys. The legal structure governing marriage in parts of South Asia, Africa and the Middle East also exposes women to the potential loss of assets and livelihood in the event of the death of their husbands. In most societies, men do not face any equivalent risks (World Development Report, 2001).
Microfinance has a role to play in both these types of strategies. Before economic shocks occur, financial services can be used to generate income and transform it into assets, which can be sold as needed to meet consumption needs and after the shocks, microfinance can help the individuals and households to cope with risk and vulnerability through emergency loan, saving, increased income insurance etc. Thus, financial services can have a vulnerability reducing effect by smoothing consumption, alleviating shocks and planning ahead for expectable family and social expenses. It is recognized that the impact of credit programs on poverty and economic vulnerability could be enhanced by linking credit schemes with other financial interventions such as savings and insurance policies, legal education and food relief.

The existing literature suggests that micro-credit programs have a positive impact on the participants with respect to material well-being, reduction in seasonal vulnerability and a better ability to deal with crises (Mustafa et al, 1996; Morduch, 1998). The provision of micro-credit has been found to strengthen crisis-coping mechanisms, diversify income-earning sources, build assets and improve the status of women (Hashemi et al. 1996, Hulme and Mosley, 1996, Morduch 1998, Husain et al. 1998, Moyle, Dollard and Shwas (2006). Access to credit also increases the poor households' risk-bearing ability, improves their risk-copying strategies and enables consumption smoothing over time, thus improve the welfare of the poor (Navajas, et al, 2000). According to Cohen and Sebstad, 1999, participation in microfinance programmes can help women; increase their knowledge of the outside world, enhancing their bargaining power and assisting them in building and strengthening social networks. All these dimensions of women's empowerment reduce their vulnerability to economic (and sometimes non-economic) threats. Some other studies (Goetz et. al, 1996, Rahman, 1999) suggest that due to soup pressure and non-co-operation within house, poor women become more vulnerable, Credit can also make women loaners more vulnerable if they find themselves unable to repay their loans.

- **Concept of Women Empowerment**

This concept of has been much intellectual discourse and analysis. There is no standard definition of women's empowerment in the literature and these definitions of women's empowerment differ depending on the paradigm of development. For example, the financial sustainability paradigm focuses on economic empowerment, the expansion of individual choice and capacities for self-reliance, the poverty-
alleviation approach focuses on increased wellbeing, community development and self-sufficiency and the feminist empowerment paradigm on transformation of power relations throughout society. This has been defined broadly as "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable the institutions that affect their lives" (Narayan, 2003). This conception can be further grounded in a feminist theory of empowerment as "the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them" (Kabeer, 1995). This definition is notable for its focus on choice, which is defined as involving three inseparable elements: agency, resources and achievements. A number of frameworks of indicators have been developed explicitly by different scholars at different times and particularly by Schuler and Hashemi, Osmani, Goetz and Sengupta and Chen.

- **Microfinance and Women Empowerment**

“Most studies on the impact of microfinance examine two sets of indicators - economic and social - at different levels. Mainly, research on microfinance and the empowerment of women is divided in two groups. One group supports the notion that microfinance programmes have a positive impact, as they strengthen the economic condition of the household” (Kabeer, 2001; Hasehmi and Schuler, 1996; Chen, 1992). “The counter argument presents the challenge that credit programmes inflict intense pressure on women by pressing them to meet difficult loan repayment schedules, forcing of the aggregate workload of domestic plus enterprise activities and perpetuating certain entrenched traditions of gender relations etc., all of which together demote the status of women and increase their vulnerability” (Rahman, 1999; Montogomery, 1996; Goetz et.al. 1996; Mayoux, 2001). Those who have found that “microfinance is not empowering women clients argue that such

---

8Agency is the process of decision-making, including negotiation, deception and manipulation that permit women to define their goals and act upon them. The pre-condition necessary for women to be able to exercise choice. Women must have access and future claims to material, human and social resources. The well-being outcomes that women experience as a result of access to resources and agency.

9See Appendix-I

10Economic indicators are normally measurements for microfinance impact such as income, level and patterns of expenditure, consumption and assets. Social indicators to measure the impact of microfinance became popular in the early 1980s; as these include, for example, educational status, access to health services, nutritional levels, anthropometric measures and contraceptive use (Hulme, 2000).

11Hulme (2000) also identifies levels of assessment in different units such as individual, enterprise, household and community.
programmes increase women's burdens: women often do not control the loans, but are held responsible for them; their workloads increase; and there is increased pressure on them from within the families and from microfinance Institution staff. These outcomes have the paradoxical effect of reducing the choices available to women rather than enhancing them”.

On the other hand, there are a number of other studies, such as Pitt and Khandker's (1996), which find that not “only that households that received loans were better off, but also that women's preferences in household consumption patterns indicated increased decision making by women (cited in Kabeer 2001)”. Likewise, Hashemi et.al. (1996) find that, “on indicators ranging from increased mobility, making independent purchases, through to political and legal awareness, access to credit had a positive impact on empowerment”. Kabeer (2005), in analyzing “the extent of seemingly conflicting results, argued that both the positive and the negative sets of findings are valid, the different conclusions reflect the different assumptions of power relations in households, further the negative evaluations tend to underestimate the level of cooperation within households, while the positive evaluations tend not to privilege individual behaviors’ or choices as empowerment”.

Putting of this evidence together, it is clear that there is no clear-cut or definite answer regarding the impact of microfinance schemes (Holvoet Nathalie, 2004). Conclusions might differ because of different methodologies used, because of diverse subjective interpretations given to the same research findings or because of the particular features of the program one is studying.

3.4 IMPACT STUDIES OF MICROFINANCE INTERNATIONAL EVIDENCE

Hossain (1988) in a study of the Grameen Bank found that “the incomes of Grameen members were 43 per cent higher than incomes of control groups in non-program villages and 28 per cent higher than nonmembers in Grameen villages, analysis indicated that the positive income effect has been highest for the absolutely landless, followed by the marginal land owners, Grameen members were also able to rely more on savings and their own funds to cope with crises rather than borrow from moneylenders, Wage rates in program villages increased as well, Ultimately the most direct effect of the Grameen Bank has been on the accumulation of capital by the poor, and the amount of working capital employed in the members' enterprises
increased by an average of three times. Hossain also noted that the Grameen loans generated self-employment in activities of the loan recipients' choice\textsuperscript{12}.

**Goetz and Sen Gupta (1996)** in a study of micro-credit provision to women in Bangladesh challenged the impact of microfinance on women's empowerment. They surveyed four organizations. Using purposive sampling and compiled loan histories of borrowers, the scholars found that on an average woman retained full or significant control over loan use in 37 per cent of the cases, while 63 per cent of cases fell into the categories of partial, very limited and no control over loans, indicating a significant pattern of loss of direct control over credit. The study showed high dependency of women on their husbands, particularly when they were not generating cash income themselves and had to ask their husbands for funds to meet their regular loan repayments. As a result of this dependency, new source of tension could arise\textsuperscript{13}.

**Hulme and Mosley (1996)** in a study on the use of micro-credit to combat poverty argued that well-designed programmes can improve the incomes of the poor and can move them out of poverty. The authors indicated that the middle and upper poor received more benefit; from income-generating credit initiatives than the poorest. However, they also showed that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets. They showed that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves\textsuperscript{14}.

**Hashemi (1996)** in a survey of 1300 clients and non-clients in Bangladesh showed that credit programme participants were significantly more empowered than non-clients on the basis of their physical mobility, ownership and control of productive assets (including homestead land), involvement in decision making and political and legal awareness. This empowerment increased with duration of membership, indicating good programme influence. The study also found fewer incidences of violence against women among women who were members of credit organizations than they found among the general population. Although fear of public

---

\textsuperscript{12}Hossain (1988)
\textsuperscript{13}Goetz and Sen Gupta (1996)
\textsuperscript{14}See Hulinc and Mosley (1996) and Hashemiet et al. (1996).
exposure clearly played a role in the reduction of violence, there is considerable anecdotal evidence of women attributing the reduction of abuse directly to their access to credit and their economic contribution to the household\textsuperscript{15}.

Mustafa (1996) noted that the BRAC members have better coping capacities in lean seasons and that these increased with length of membership and amount of credit received from BRAC. The study reported growth in household assets from an average of 'flc.'10,959\textsuperscript{16} (for members who had been members for 1-11 months) to Tk. 23,230 (for members who had been members for 48 or more months). Similarly, household expenditure increased from an average of Tk. 419 per week (for members who had been members for 1-11 months) to 7k. 528. (For members who had been members for 48 or more months)\textsuperscript{17}.

Mosley and Hulme (1998) estimated the impact of thirteen microfinance institutions in seven developing countries on poverty and other target variables and attempted to relate such impact to the institution's design features. For each of the institutions studied, the impact of lending on the recipient household's income tended to increase, at a decreasing rate, as the recipient's income and asset position improved. This relationship can easily be explained in terms of the greater preference of the poor for consumption loans, their greater vulnerability to asset sales forced by adverse income shocks and their limited range of investment opportunities. Furthermore, impact varied with the design of the institution, with well-designed schemes achieving higher impact than ill-designed schemes. Hence for many lender institutions the tradeoff can often be moved by appropriate innovations in institutional design, particular modifications to savings and loan collection and incentive arrangements for borrowers and staff\textsuperscript{18}.

Pitt and Khandker (1996, 98) found that microfinance has a significant impact on the well-being of poor households and that this impact is greater when credit is targeted to women. The programme participation has positive impacts on household income, production and employment, particularly in the rural non-farm sector. Pitt and Khandker noted that the micro-credit had a positive impact on

\textsuperscript{15}Hashemi (1996)
\textsuperscript{16}The Taka is the currency in Bangladesh (BDT) and the symbol for can be written It. The Bangladeshi Taka is divided into 100 paisa (poisha). 11.1.00 is equal ant to 0.64326 NR (As of April 12, 2010), available at http://sinvw.exchange-rates.orgaatetBDT/INR
\textsuperscript{17}Mustafa (1996)
\textsuperscript{18}Mosley and Hulme (1998)
women's non-land assets. They also noted that there was a rise in contraceptive use and a decrease in fertility in the case of the participants obtaining a credit provided by the Grameen Bank\textsuperscript{19}.

Khandker (1998) in a study of Grameen Bank found that female client's household consumption increased by 18 takas for every 100 takas borrowed and that 5 percent of clients graduated out of poverty each year by borrowing and participating in microfinance programs. More importantly, households were able to sustain these gains over time. There were also spillover effects in the village economy. There was a positive impact on average households' annual income, especially in the rural non-farm sector and average rural household incomes in program villages increased even for non-programme households. One of the programs even influenced village wages rates. Increases in self-employment and subsequent withdrawals from informal labor pools led to a 21 per cent increase in wages in the programme villages and the study found higher levels of schooling for children of all credit program participants and statistically significant higher rates of schooling for girls in Grameen households\textsuperscript{20}.

Amin and Bayes (1998) investigated the hypothesis that participation in credit-related activities by NGO credit members leads to greater empowerment of credit members compared to non-members. NGO credit members had significantly higher scores on all three indices of female empowerment: inter-spouse consultation, autonomy, and authority. Moreover, non-members within NGO programme areas had higher autonomy and authority scores than non-members within the comparison areas. Even after background variables were controlled in the multivariate analysis, NGO credit membership and residence in an NGO programme area remained significantly and positively associated with both the autonomy and authority indices. In focus group discussions, NGO credit loaners reported that the program made them more confident, assertive, intelligent, self-reliant and aware of their rights. The study concluded that NGO credit programs that target poor women are likely to produce substantial improvements in women's social and economic status without the long delays associated with education or employment opportunities in the formal sector\textsuperscript{21}.

\textsuperscript{19}Pitt and Khandker (1996, 98)
\textsuperscript{20}Khandker (1998)
\textsuperscript{21}Amin and Bayes (1998)
Zaman (2000) in a detailed impact assessment study of BRAC in Bangladesh concluded that members, who stayed in the programme for more than four years, saw their household expenses increase by 28 per cent and assets by 112 per cent. According to his analysis of household level data, access to financial services enabled BRAC clients to reduce their vulnerability through smoothing consumption, building assets and receiving services during natural disasters. The study also argued that micro-credit's impact is improved if it is provided jointly with other financial and non-financial interventions like savings, insurance, legal education and flood relief22.

Mosley (2001) evaluated the impact of loans provided by two urban and two rural MFIs on poverty in Bolivia. He found that the net impact of microfinance from all institutions, at an average level, was positive in relation to borrowers’ income, even though the net impact on poorer borrowers might be less than the net impact for richer borrowers. Mosley pointed out that micro-finance had a positive impact on asset levels. He further stated that accumulation of assets and income status was generally highly correlated, which led to extremely high correlation between income poverty and asset poverty23.

Barmes et al. (2001) in an impact study of a microfinance program in Uganda conducted for the USAID-AIMS (Assessing the Impact of Micro enterprise Services) project showed that client households invested more in education than non-client households. Micro-enterprise revenues were important in financing the education of their children for over half of the client households. Clients also were significantly more likely than non-clients to pay school charges for a non-household member. Ninety-five per cent of clients engaged in some improved health and nutrition practices for their children compared to seventy two per cent of non-clients. Thirty-two per cent of clients had tried at least one AIDS-prevention practice compared to 18 per cent for non-clients24.

Dunn and Arbuckle (2001) in a study from Peru demonstrated that participation in the micro-finance programme had a positive impact on household income and income diversification over the control group. Social impacts in the household were inconclusive, with marginal positive and negative changes,

---

22Zaman (2000)
23Mosley (2001)
24Barmes et al. (2001)
respectively, for spending on food and education within households receiving micro-
credit loans. The study recognized a positive impact on individual views on the future
and the clients' potential, but negative impacts on overall self-esteem. According to
the authors, the negative impact on self-esteem is minimal and appears to reflect some
issues related to increased stress to pay back loans. There was also small but
important evidence regarding a woman's role in controlling assets\textsuperscript{25}.

Barnes (2001) in a study of the Zambuko Trust microfinance organization in
Zimbabwe observed improvements in economic welfare with increases in revenue and
assets in the clients' business. The study found a positive relationship between
program participation and increases in self-esteem and planning for the future. The
study also established positive impacts on children's enrollment in school, willingness
to help neighbors and consumption of nutritious foods with participation in the
microfinance program. The researcher believed that these changes were associated
with clients' increased ability to manage their enterprises, meet the financial demands
of the household and acquire assets\textsuperscript{26}.

Copestake (2002) conducted a case study in Zambia to investigate the effect
on income distribution at the household and enterprise levels. Lie found that micro
credit had a significant impact on the growth of enterprise profit and household
income in the cases of borrowers who received a second loan. The study showed that
the impact on income distribution depended on who obtains the loan, which moves on
to larger loans and who exits the programme as group dynamics was also an important
factor\textsuperscript{27}.

Amin and Topa (2003) evaluated whether micro credit programs such as the
Grameen Bank reach the relatively poor and vulnerable in two Bangladeshi villages\textsuperscript{28}.
The study used panel data from two Bangladeshi villages to test if loan recipients are
poorer and more vulnerable than non-recipients. The study found that loan recipients
were poorer than non-recipients in both villages, but were more vulnerable than non-
recipients only in the richer and more diversified village. The authors found that while
micro-credit was successful at reaching the poor, it was less successful at reaching the

\textsuperscript{25}Dunn and Arbuckle (2001)
\textsuperscript{26}Barnes (2001)
\textsuperscript{27}Copestake (2002)
\textsuperscript{28}Poverty is measured by kvels of consumption. Vulnerability is measured as fluctuations in
consumption (associated with inefficient risk sharing).
vulnerable. These results also suggested that microcredit was unsuccessful at reaching the group most prone to destitution, the vulnerable poor. Though micro-credit programmes target the landless, there is substantial leakage to the landed.29

Chowdhury and Bhulya (2004) studied the impact of a BRAC's microfinance programme in Bangladesh and found that both member and nonmember groups of BRAC had improved in educational performance. However, the BRAC member households benefited much more than poor non-member households. Furthermore, girls gained more than boys. They found that the microfinance programme led to a good improvement in child survival and nutritional status.30

Daniel and Louisa (2004) in a study of the Khula Enterprise in South Africa found a positive impact of microfinance on household welfare in terms of increased income and employment. The programme has greatly benefited women and empowered them with specific targets. According to the study, the impact was more noticeable in urban areas than in rural areas. The study emphasized on the importance of targeting specific groups as the authors found when this is not done, more men clients are likely to benefit more than women clients.31

Ntiandker (2005) conducted research on the long-run impacts of microfinance on household consumption and poverty in Bangladesh by identifying types of impact in six household's outcomes viz. per capita total expenditure, per capita food expenditure, per capita non-food expenditure and incidence of moderate and extreme poverty and household non-land assets. The author found that the microfinance effects of male borrowing were much weaker than the impact of female borrowing and there was a decrease in return to borrowing all the time. Moreover, he noted that the impact on food expenditure was less pronounced than the impact on non-food expenditure. Besides, he showed that the poorest gained benefits from microfinance and microfinance had a sustainable impact in terms of poverty reduction among program participants. In addition, the author discovered that there was a spillover effect of microfinance to reduce poverty at the village level.32

Coleman (2006) evaluated the outreach and impact of two women-based microfinance programs in Thailand. The sample included participants from treatment

---

29Amin and Topa (2003)
30Chowdhury and Bhulya (2004)
32Ntiandker (2005)
villages and participants from control villages. The weighted meats suggested that prior to programme intervention, treatment groups were significantly wealthier than the control group and the results indicated that the wealthier villagers were significantly more likely to participate than the poor villagers. The study indicated a positive impact of the programme on wealth accumulation, savings, income, productive expenses, money lending activities, health care, education and labour time. Moreover, the wealthiest often became program committee members and borrowed substantially more than rank-and-file members. Policy recommendations include vigilance in targeting the poor, publicly disseminating the program rules and purpose, and introducing and enforcing eligibility criteria.  

Hermes, N., Lensink, R., and H. T. Mehrteab (2006) analyzed the effects of monitoring by the group leader and the strength of social ties between the group leader and other group members on repayment. Using data from Eritrea among participants of 102 groups the authors hypothesized that the monitoring activities and social ties of the group leader would have a positive impact on the repayment performance of groups. The results showed that the social ties of the group leader did have a positive effect on the repayment performance of groups, whereas this was not true for social ties among other group members. The authors did not find evidence for the hypothesis that the monitoring activities of the group leader had a stronger positive impact on group repayment performance. All variables measuring monitoring activities, either of the group leader or the other group members, were found to be statistically insignificant.  

Paul and Woldemicael (2007) in their study in Eritrea assessed the impact of a micro-credit programme on the socio-economic conditions of clients with a sample size of 153 individuals. Most of the customers were illiterate and were between 31 to 63 years. An analysis was based on chi-square and descriptive statistics proved that loans were not uniformly distributed among all levels of education not all classes of marital status. The study did show the positive impact in improving the living standard of the clients. Most income-generation activities were in agriculture and trade and both male and female had equal access of loan. The study revealed that the returns were higher in trade activities as compare to agriculture. The regression results

---

33Coleman (2006)
showed that amount of loan is one of the biggest variable which was highly significant in influencing the return. The researchers suggested that proper information dissemination should help to scale up the programme and increase the capital base and proper mechanism should be evolved to give priority loans and facilitate repayments.

3.5 IMPACT STUDIES OF MICROFINANCE: NATIONAL EVIDENCE

**Kumaran (1997)** studied the functioning of self-help groups in the state of Andhra Pradesh. As per the responses of the clients, saving and credit were the main objective to enter in the group. Kumaran found that money contributed by the members of the groups was pulled together and used as a revolving fund to disburse loans on a priority basis. The interest rate on loans varied from 3 per cent to 5 per cent between the groups. The members also started various income generation activities for the livelihoods and were in comfortable positions in accessing institutional credit.

**Datta and Raman (2000)** highlighted the fact that SHGs are characterized by heterogeneity in terms of social and economic indicators. The success of SHGs in terms of high repayment is mostly related to the exploitation of prevailing social ties and cohesion found among women members. Social cohesiveness among members springs not only from their diverse background in knowledge base, skills, occupations and income levels, but also from the dynamic incentive system of progressive lending to the groups on the successful completion of loan repayment. However, SHGs were heavily dependent on external financial agencies for their lending operations35.

**Satish (2001)** in his paper highlighted certain issues related to formation of SHGs. When ' forming SHGs adequate care should be taken to ensure homogeneity of socio-economic status of the members. He maintained that only a systematic and scientific approach with genuine purpose can ensure sustainability of the groups. NGOs are more suited for forming and nurturing of the SHGs, therefore, it is essential to strengthen them and their resources so that they could increasingly undertake this work36.

**Manimekalai and Rajeshwari (2001)** in their paper highlighted the fact that the provision of micro-finance to women's SHGs had helped the groups to achieve

---

35Datta and Raman (2000)
36Satish (2001)
economic and social empowerment. They found that microfinance had increased the level of income (almost doubled) for women. Participation in the groups had also helped women to develop a sense of leadership and organizational skills and the capacity for management of various activities of business with suitable diversification and modernization. Lack of infrastructure and marketing facilities, little support from the family and low availability of raw materials were the main problems observed.

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\textsuperscript{37}.

Puhazhendi and Badatya (2002) assessed the impact of micro-finance on SHG members by comparing the pre- and post-SHG situations of members in three states, \textit{i.e.}, Orissa, iharkhand and Chattisgarh. The overall findings of the study suggested that the SHG-bank linkage programme had made a significant contribution to social and economic improvement of SHG members. The study also reported frequency and regularity in meetings among the members and an increase in household savings and assets for the SHG members. The average loan size per member had increased significantly by 123 per cent in the post-SHG situation. Out of total loans received by SHG members, 72 per cent were used for income generating purposes and 28 per cent for consumption. The net income of SHG members' households increased by 23 per cent, from Rs. 12,319 to Rs.15,814. With regard to employment, the study found that employment per household increased by 34 per cent between the pre-SHG and post-SIIG situations. There was also a remarkable improvement in the social empowerment of SHG members in terms of self-confidence, as reflected in their decision-making abilities and communication skills\textsuperscript{38}.

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. The total

\textsuperscript{37}Manimekalai and Rajeshwari (2001)

\textsuperscript{38}Puhazhendi and Badatya (2002)
sample was consisted of 50 respondents. 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. More than two third of the respondent belonged to scheduled and backward castes and the majority had low income level. The average monthly saving was Rs.100 and 62 per cent of the respondents had taken loans from the banks. 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 others39.

Kumaran (2002) studied the structure and operation of SHGs promoted by different agencies including banks and the District Rural Development Agency (DRDA). The study was conducted in the Pune district of Maharashtra state. Monthly meetings were the common feature in the groups with a high rate of participation. In the meetings, issues like saving flow of credit, loan recovery and income generation programs were common. The author concluded that SHGs promoted by NGOs and banks were working More efficiently than groups formed by the DRDA.

A study conducted by MYRADA (2002) in southern states, covering four NGOs (DHAN, RASS, CRASS and MYRADA), examined the experiences of young (26-35 years of age) married women in both -less than one year to more than three years old. The study found that 89 per cent of respondents in the old group agreed that their financial position had changed for the better as against only 71 per cent in the new groups. More importantly, more members in the older groups reported a positive influence on their share in the family income than in the new ones. The impact of the SHG on the member's level of comfort and confidence was also improved as 75 per cent of members of old SHGs reported a positive change in confidence as compared to 72.6 per cent for new groups. The study also found better awareness in the old groups with regard to health and hygiene. About family planning methods, 53.9 per cent reported that change of knowledge was evident in the case of the old group

39Rangi, ET. al. (2002)
against 35.5 per cent for new group. The contribution of SHG members in their respective household income was also found higher for older groups as compared to the younger ones. On a question of managing the banking operations on their own, it was reported that more members in the older group (70.8 per cent) were aware about it as compared to 60 per cent in the younger group. With regard to power, the study found that more respondents in the older groups reported that their control over their own lives had improved and that they had a greater role in making decisions about themselves than before. As far as the participation of SHG members in the local polity was concerned, the study found the situation was largely the same as before. Nearly 63 per cent of the members in the new groups and 49 per cent members of old groups reported that they had never had any role in village-level decision making. Only 10 per cent and 16 per cent members of these two groups respectively revealed that they had participated more than before in the local polity. The study also found that the four NOOs have been playing an important role in different activities under the SHG programme, like focusing on awareness of health and hygiene issues and on regular documentation.

Rajasekar D (2003) analyzed the impact of the economic programmes of SHARE, an NGO in Tamil Nadu, on poverty reduction with the help of data collected from the households of 84 women members. The economic programmes had contributed to increased saving and income for the women. However, the member group was not found to be significantly different from the comparison group in terms of control over income and decision-making.

Nirmalacr 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

---

40MYRADA (2002)
41Rajasekar D (2003)
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. On the social front, the participation of women in groups helped them to organize together, increase decision making power and participation in social activities. The authors recommended the institutional support for improvement.

**Holvoet (2004)** investigated the effects of microfinance on childhood education by examining two microfinance programs in South India — one with direct hank-borrower credit and another one with group-mediated credit. The author showed that loans to women through women's groups had a significant positive impact on schooling and literacy for girls, whereas these indicators remained mainly unchanged in the case of boys. However, in case of direct individual bank-borrower lending, there was no improvement in educational inputs and outputs for children.

**Narayanaswamy et al. (2005)** examined the functioning of SW is under the SGSY scheme in one district in the state of Tamil Nadu using both quantitative and qualitative methods with a sample of 235 groups. The majority of the groups had been formed prior to the launching of SGSY scheme. The average size of the group was 15 and the majority of the members were from poor and vulnerable sections. Prominent reasons to join the group were credit requirements, freedom from moneylenders, initiating income generation activities and to improve socio-economic conditions. The average saving of each group was rs. 28,000. There was a smooth credit disbursement with high loan repayment. Almost all the members availed loans three or four times and the group lending ranged from 12 to 36 per cent. 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, masala 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 role of NGOs and federations was significant in forming, facilitating and providing capacity building but their role in promoting micro-enterprises was limited. The authors

---

43 Holvoet (2004)
concluded that mere skill-imparting and credit-disbursing alone cannot 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\textsuperscript{44}.

\textbf{Rajasekhar (2005)} has done a study on the non-farm activities undertaken by the SIIG members of three states of India. It revealed that most of the credit is provided for consumption smoothing and for undertaking traditional occupations like agriculture and livestock, whereas only a small proportion is used for non-farm activities. According to him, there are many exogenous and endogenous factors behind this and these are the lack of opportunities for women, their inability to obtain larger credits due to smaller savings, lack of marketing facilities and socio-cultural barriers\textsuperscript{45}.

\textbf{Seihel (2005)} pointed out in his study that SHG members realized a major increase in assets, income and employment. In borrowing patterns a shift was observed over time from consumption loans to loans for income-generating purposes. Increased savings and capital formation improved the self-financing capacities of the members and improved their risk-absorption capacity and made them less vulnerable. Access to formal finance had substantially reduced dependency on informal money lenders and had diminished capital costs. The financial services and their impact on incomes also raised the capacities of SI IG members to increase their household expenditure for basic needs such as better nutrition, as well as for education and health\textsuperscript{46}.

\textbf{Rajagopalln (2005)} studied the performance of an organization named Lokadrusti in Orissa. It was found that women members were gaining significantly in terms of mobility, self-confidence, access to saving and credit, learning new skills, increased status in family and within community, increased consciousness about the problems of villages and increased capacity to protect and promote women’s’ interest. However, women were lacking in the planning and long-term vision. The author suggested that women should also acquire competence in organizational management.

\textbf{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

\textsuperscript{44}Narayanaswamy et al. (2005)  
\textsuperscript{45}Rajasekhar (2005)  
\textsuperscript{46}Seihel (2005)
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 labor and reproduction. The collective power of women members also increased in family, community level and in market organization47.

Anupama (2005) studied the impact of microfinance in two villages of Bathinda district in the state of Punjab. Up to the year 2005, the groups could save it. 24290 and cold avail of a total loan amount of Rs. 50,000. The income generation activities were broadly from manufacturing and non-manufacturing and both farm and industry bases. The scholar found that every IGA was not equally profitable as the activities of readymade garments; soap making and candle making were highly profitable, followed by trading of cloths. The members involved in the dairy products and preparations of mid-day meal for school children were reported to earn very little as compared to other activities. Among the reasons for low return for certain activities were poor marketability, competition, lack of adequate contacts, risk-averse nature of group members etc. The author suggested capacity-building support from the government as mere credit disbursement could not assure the entrepreneurship development.

Srinivasan (2005) studied Dhan Foundation’s Kalanjiam project which is one of the largest community banking programmes in India. The study limited the impact assessment to areas where the operations were more than three years old. A survey method was used covering 240 Kalanjiam members and 60 non-members. The average age of the members was 36. As far as marital status was concerned, 87.08 per cent were married. As per caste status 68.75 per cent were belong to backward caste and 26.67 per cent were scheduled castes. Small loans below rs 2000 were utilized for consumption purposes (38.09 per cent) of loan disbursed followed by health, debt redemption and social obligations and festivals and the rest utilized for small businesses. In the case of big loans above rs 2000, the highest utilization was in debt redemptions followed by agriculture and livestock, consumption and social obligations. Least was used for health purposes. The researcher found that the average

47Murthy ET. al. (2005)
loan taken was Rs 19,975 by the members below five years and Rs 38,476 for the members having more than five years of membership. The saving pattern and systems were regular in these cases. The members were involved mainly in livestock, small petty shop, tailoring, hawking and improving their earlier activities. The study found that groups were successful in mobilizing the funds for different purposes and this reduced the dependence on moneylenders to a large extent.

Gangalahet. al. (2006) studied the Rashtriya Seva Samithi in village Karakambadi in the state of Andhra Pradesh. The majority of the women (67.3 per cent) were from the 26-40 age group and 53.4 per cent were from weaker sections with low a level of literacy. The average loan provided to each member was Rs. 9960.09. The major amounts of loans were disbursed for agriculture followed by dairy and cloth businesses. The income generation activities helped the beneficiaries to generate employment. On an average, the loan received generated 184 person days of employment. The highest number of employment was generated in agriculture followed by dairy and tailoring. The study found that loan provide to SHGs had a favorable impact on income. On an average, each selected family could get an income of Rs. 19578. The highest increase was noticed in agriculture, followed by flower vending, dairy, and tailoring and cloth business. It was also observed that micro-credit had a quality improving effects on the families with productive utilization of income. The study found increased degree of awareness in women with broader social outlook. The involvement of women has sensitized them to take part in the village development activities.

Krishana and Sharma (2007) analyzed the impact of SGSY on income and employment in Madhubani district of Bihar. In the sample 37.8 per cent of respondents were landless, followed by 11.65 per cent respondents having land between 0.5 -1.0 hectare, substantial numbers of respondents were involved in agriculture and allied activities for their livelihood. Friends and relatives were the main source of awareness about the scheme followed by the block development office, line department and banks. Lack of cohesion, poor identification and selection of genuine and deserving candidates, irregularity in group saving and meetings, poor repayments and reluctance of officials were the main negative features in the sampled groups. The impact of SGSY on income and employment was found to be quite satisfactory. There were improvements in the income of beneficiaries from Rs. 7208
during the first year to Rs. 8193 and Rs. 9350 in the second and third year, respectively. The majority of beneficiaries used the income generated in domestic affairs (52 per cent) followed by heath care and illness (24 per cent), investment in agriculture activities (18 per cent) and 9 per cent on other economic activities. The study suggested streamlining the scheme with collective actions from the groups, local administrations banks and NGOs.

Rajasekharet. al. (2007) studied the governance and impact of SGSY in Bend and Chhattarpur districts of Madhya Pradesh. Data was collected from 147 households in different gram panchayats. On the issue of governance, the researchers found that the process of social mobilization was poor. They further highlighted the limited participation of people, the indifferent attitude of local governance system, violation of rules and regulations, irregular meetings and saving and lack of transparency in the disbursement of loans. There was clear absence of coordination between the groups, the gram panchayat and line departments. The banks were also unwilling to extend credit to the SGSY groups. According to the researchers, the SGSY had limited impact on income and employment generation. A majority of the sample members could not pursue any new income generation activity at all and continue their earlier income generation activity. Those who had started new income generation activities faced problems related to the supply of inputs, skill acquisition and market. Poverty, lack of incentives, system and processors, inappropriate designs and interference from village the elite and bureaucratic control were the main factors behind this kind of situation.

Kakade and Bhau (2007) found that the SHGs helped in improving the quality of life of the women. There was a positive impact in the members' income, savings, consumption and expenditure. Participation in SHOs enhanced the ability to work and new avenues for self-employment. The experience of SHGs shows that they can act as a vehicle to transform the lives of the poor and make the growth process inclusive. The SHG can act as an alternative institutional asset up to tackle the problems of unemployment poverty and gender justice.

Abdul Raheem (2009) in his study tried to find out constraints in SHGs with different dimensions viz. personal, social, economic and financial. The study was based in Villupuram district of Tamil Nadu with a sample size of 120 members. Using factor analysis, Abdul concluded that personal constraints were found to be more
important followed by social, financial and economic constraints. According to the study, the existence of these constraints negatively affects the groups. Here he also suggested that NGOs, government agencies and social activists should play a very active role to benefit these women and explore the entrepreneurial abilities among women.

**Jcrinabi and Kanniammal (2009)** conducted a study in Coimbatore districts in Tamil Nadu targeting the Muslim population. The study found a positive role of microfinance on Muslim women. Around 42 per cent of beneficiaries reported increased participation in the domestic decision-making process. Women were becoming more and more aware, of their rights and entitlements In the case of their group dynamics, members were well informed about group income, total loans, and cash in hand and total capital within the group. While awareness regarding problems of groups, rules and regulations and objectives of the group etc., has been reported low, these SHGs have created a positive attitude in the eyes of the community and have proved effective in dealing with social problems.

**Panda (2009)** found that “microfinance interventions had led to a positive impact on the socio-economic development of poor villagers in the state. A quasi-experimental design was made under which by randomization, target and control groups were sampled from the population. The profit 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. Along with 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. All these findings were again confirmed with probity model. On social fronts, microfinance interventions had a positive impact on
education as the target clients had recorded 12.16 per cent higher in literates per household over the percentage of the control households. Microfinance also contributed to checking migration from the rural areas”.

Singh (2003)“Mysore Resettlement and Development Agency (MYRADA) in fostering self-help groups the mission of MYRADA is building of people's institutions to ensure access and control over resources for sustainable development and self-reliance, MYRADA has over 1006 groups of women which focus on women's rights and access to and control of resources, which they require to ensure a sustainable livelihood”.

Rama Krishna and Krishna Murthy (2003) analyzed the role of SHGs in empowering rural poor in Parvada village of Visakhapatnam in Andhra Pradesh. They revealed that “SHG concept was successful to some extent in achieving social empowerment, economic progress through ensuring improved access to institutional credit, the results obtained from the study also corroborate the theory of peer monitoring but to other factors such as rotation of savings by group members, lending for consumption, SHGs have a positive impact on beneficiaries especially in respect of social and economic empowerment such as improvement in participation in the development programmes, ability to meet government officials, awareness of property rights, improving decision-making, improving marketing, communication skills and building self-confidence which have a positive impact on the living standards of beneficiaries”.

Sarangi (2003)said that “women-led SHGs in many parts of the country succeeded in bringing the women to the mainstream of decision –making, SHG is also a viable set-up to disburse micro-credit to the rural women and encourage them to enter into entrepreneurial activities the women-led SHGs in the village of Purushothampur block of Ganjam district of Orissa State have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, and maintain linkage with the banks and enforce financial self-discipline, SHGs in this block are tend in” a helping hand to the district administration in different rural development projects ranging from construction of roads to sanitation programs”.

Kantor, Paula (2003) said that “policy makers must focus on improving women’s income earning potential in home-based production in combination with
implementing strategies to increase women's ability to control that income it concludes welfare programmes must pay attention to both the market and the households in order to promote women entrepreneurs”.

Narayanaswamy and Monivel and Basker (2003) studied post manufacturing activity of Self-Help Group activity. They said that “the linkage between the SHG production and the co-operate societies which have to take marketing responsibilities are very weak, this in turn affected the very purpose of the philosophy of SHGs, both formal and informal efforts shall be made to establish a lively link between production and marketing”.

Rizwana (2004) study states that MAVIM was established to facilitate implementation of the activities for the development of women in Haryana, under various schemes leading to income generating activities. The study also analyzed the impact of MAVIM on the empowerment of women48.

Rangi (2004) study revealed that the majority of the respondents of the SHGs was in the young and educated though the level of education was not very high. The study found that additional income generated through SHGs provided big moral support to the women and also provided the will to bring new changes in the rural economy of the state49.

Ganesamurthy (2007) in his study stated that “majority of the women start to be confined to micro, small-scale enterprises in spite of efforts made toward economic empowerment of women”.

Baby Sarojini (2009) attempted a study on “Women Development role of Self-Help Groups: An analytical study on women SHG’s member’s in East Godavari District of Andhra Pradesh”. “The objectives of the study are, the process of women participation in SHGs, to understand the factors responsible for facilitating sustainable interest of women to engage themselves with the SHGs, the impact of SHGs movement on socio-Economic aspects pertaining to women, to derive important policy issues pertaining to SHGs movement and to facilitate sustainable development of women”.

48Rizwana (2004)
49Rangi (2004)
Klaus Deininger and Yanyan Liu (2009) in their study found that “the poorest seem to be able to benefit not only socially but also economically. They suggest that to introduce a programme that not only fosters group formation but also supports more mature groups through federation and credit access in order to have significant economic benefits in the long term”.

Tanomyee Banerjee (2009) in his study found that “women income have been increased after joining SHG’s. This resulted in increase in food as well as non-food expenditure and also resulted in increased monthly savings”.

Jothi (2010) said that “SHG plays a pivotal role in improving the both social and economic lives of the members bring them more respect both domestically and socially. The sample respondents after joining SHGs have become very active by becoming full employed in varied activities and thereby earning more. He concluded that the self-help groups contribute substantially in pushing the conditions of the female population up and through that chip in poverty eradication as well”.

Mohammad Yunus (2004) in his article “Garmin Bank, Microcredit and Millennium Development Goals” found that micro finance had shown a significant impact on the lives of the poor people especially poor women as reflected across wide range of economic and social indicator including improved nutrition better housing and sanitation, lower birth rate, lower death rate, lower child mortality, better access to education for the children, greater improvement to women an increased participation of women in social and political activities.

Madheswaran an AmitaDharmadhikary (2001) study the MCRP (Maharashtra Rural Credit Project) in Pune district alone gave result the significant increase in the income level of poor people. They use their loan mainly to buy livestock, goats, and fishing net and the non-poor people use their loan for trading and digging well which shows the use of loan for ased formation.

Vijay Mahajan (2005)\(^{30}\) in his important work ‘From Microcredit to Livelihood Finance’ shows that the increase in income of micro credit borrower is directly proportional to their starting level of income- the poorer they were to start with, the less the impact of the loan. One could live with this finding in an imperfect world, but what in really troubling is that a vast majority of those whose starting

\(^{30}\)Vijay Mahajan (2005)
income was below the poverty line actually ended up with less incremental income after getting a micro loan, as compared to control group which did not get the loan. This should stop recent convert from offering microcredit as the solution of poverty eradication, since it can do more harm than good to the poorer.

*Neils Hermes and Robert Lensink (2007)*, in their article “Impact of Microfinance: A Critical Survey” shows that microfinance does not reach to the poorest of the poor, actually poor people are deliberately excluded from the microfinance programme because(1) the poor people are not accepted by the other members of the group of the microfinance programme because they afraid the loss of loan return, (2) the staff member of the microfinance institutions always like to exclude the poor people because lending to them seems risky to them (3) the poor people are too risk averter in the case to borrow for investment in the future. So they get benefit very little from microfinance scheme, (4) the strict repayment requirements and penalties for delay in loan repayments could make the people not to join a microcredit scheme or limited their duration of participation in it.

*Adams and von Pischke (1992)*: they both try to analyze that “MFIs are the failure because the rural poverty alleviation programmes are not really reached to the poor’s. They said that “these agencies only wasted millions of dollars of governments. After comparing the operational framework of modern MFIs to rural credit agencies, the authors conclude that the modern MFI industry is destined for failure because of the similarities between the two”.

*Adams and von Pischke, Buckley (1997)* "seeks to provoke critical reflection on the uncritical enthusiasm concludes that fundamental structural changes in socioeconomic conditions and a deeper understanding of informal sector behavior are needed for microfinance to prove effective”.

*Adams and Von Pischke, Wolleret al. (1999a)* argues that “the current microfinance movement is very different from the failed rural credit agencies of the 1960s and 1970s, thereby making direct comparisons between the two invalid. They list several reasons why the prospects for success are better today than before additionally”.


Woller and Woodworth (2001) argue that “to date, top-down macroeconomic poverty alleviation and development policies also have likewise experienced significant failures”.

Franks (2000) discusses “macroeconomic stabilization and its impact on microenterprises. He concludes that macroeconomic stabilization can ultimately be very beneficial to the microfinance sector, although it may actually be costly in the short run”.

Seibel (2000) examined “the formation of social capital in the Philippine microfinance sector. They illustrate how regulatory and supervisory framework and financial innovations in MFIs have affected poor households' cooperation and support”.

Tinker (2000) discusses “disaggregation by social groups and microenterprise programs in the US. She then extrapolates lessons that a US planner could learn for optimal policy implications”.

McKernan (1996) finds that “program participation can exert a large positive impact on self-employment profits”.

Pitt and Khandker (1998) find that “program credit has a significant impact on the well-being of poor households and that this impact is greater when credit is targeted to women”.

Hashemi and Riley (1996); Schuler et al. (1997); Schuler et al. (1998); Steele et al. (2001)) focus on the question of female empowerment. “All but one fined evidence that microfinance program participation exerts a statistically significant impact on one or more aspect of female empowerment, such as contraceptive usage or intra-household decision-making”.

Wydick (1999a) finds that “upward class structure mobility increases significantly with access to credit. Using the same Guatemala data set in a subsequent study (2002), Wydick also finds that rapid gains in job creation after initial credit access were followed by prolonged periods of stagnant job creation. Dunn (2001) finds that program clients’ enterprises performed better than non-client enterprises in terms of profits, fixed assets, and employment”.

62
Karlan (2001) criticizes “the common practice of omitting ex-clients from treatment groups, arguing that such an omission introduces significant risk of selection bias and survivorship bias, potentially resulting in systematic and significant overstatement of program impacts”.

Schreiner (2002) criticizes “impact assessments of U.S. microenterprise development programs for a variety of methodological failures, including failure to use valid control groups, biased sampling, misestimating of program benefits and costs, and failure to perform true cost-benefit analyses”.

Mohanty Smrutirekha (2004), studied “credit needs and the related institutional aspects of rural artisans in Orissa. The needs and requirements these artisans-turned-micro-entrepreneurs were examined with empirical evidence. Mohanty showed that these microenterprises are home-based, and their products are commonly sold in the local markets. The study also reported difficulty in obtaining adequate raw material- mostly supplied by co-operatives. The enterprises also suffered from lack of proper market access, poor infrastructure- roads, warehousing, power etc. There was also no agency to support the artisans in obtaining appropriate technology, getting suitable market access and the right price for their products. Micro entrepreneurs in rural areas mostly come from traditional artisan backgrounds. It is there a matter of interest to know whether the SHGs support the traditional occupations or whether the microenterprises are based on entirely different skills”.

Mahalakshmi, V. (2008): In her evaluative study, “the focus is on micro insurance for the poor borrowers of micro credit. The study hardly mentions about the need of insurance covered for microenterprises of poor by MFIs. For a big enterprise, while providing loan by financial institutions its insurance is also insurance coverage for microenterprises is also the research interest will been inquired?”