CHAPTER – III
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Mahatma Gandhi, the Father of Nation stated that ‘India lives in its villages’. Economic Development of the country is possible only through development of villages. Even today the percentage of rural population is far above the urban population as per the census 2011. As per the census, the rural population in India is sixty five per cent and urban population is thirty five per cent.

Agriculture is the main occupation for the rural people who are engaged in this age old activity as farmers and agricultural labour. It is important to note that agriculture is a seasonal activity and its operations will be in full swing for about two hundred and seventy days in a year. For the remaining part of the year, the wage earner has to remain without work and without earnings thereby rendering the maintenance of the family an uphill task. Various schemes introduced by the government to combat rural unemployment met with marginal success.

The role of Indian women is peculiar in the family. They are the custodians of family maintenance without any financial discretion. The male member of the family controls the financial aspects in the family system leaving very little scope for women to participate in financial decision-making. During the days of seasonal unemployment in agricultural sector, she finds it very difficult to maintain the family in an orderly manner because she is totally dependent on the earnings of male members for meeting the day-to-day expenditure. Her wants, desires and ambitions are hardly materialized in the absence of adequate money available at her disposal. This situation called for providing
the average Indian women with an opportunity to earn money on her own and empower herself financially.

Considering the need for women empowerment in the light of their changed role in the contemporary society, the government has introduced several schemes to provide financial freedom and earning opportunities to them. An attempt is made in this chapter to give an account of the various schemes introduced by the Government at different intervals for empowering the rural woman. The working of the Self Help Groups which are instrumental for empowering the rural women financially is also analysed.

“All formal” is the principle behind the concept of SHGs. It is mainly concentrated on the poor and it is for the people, by the people, and of the people. It focuses on the weaker sections particularly women for their social defense. SHGs has potential for creating awareness on day-to-day affairs, promoting savings habit, developing self and community assets, increasing the income level, increasing social power etc. The concept of SHGs generates confidence, self-security and self-reliance.

SHG has a long history both in developed and developing countries and has been supporting the economic development. However, its role is significant and recognized well by all the developing countries. SHG, according to Otero¹ is “the provision of financial services to low-income poor and very poor self-employed people”. The financial services provided by SHGs include generally savings and credit but can also include other financial services such as insurance and payment services. SHGs are defined as “the attempt to improve access to small deposits and small loans for poor

households neglected by banks. Therefore, SHGs involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. The SHGs usually provide financial services to those who operate small or micro enterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas.

The terms micro-credit institutions and SHGs are often used interchangeably. However, it is essential to differentiate the two terms because both terms are often confused. “Micro-credit refers to small loans, whereas SHGs is appropriate where NGOs and Micro Financial Institutions (MFIs) supplement the loans with other financial services (savings, insurance, etc). Therefore, microcredit is a component of SHGs in that it involves providing credit to the poor. In addition to providing credit, SHGs also provide additional non-credit financial services such as savings, insurance, pensions and payment services etc.

The rural finance policy pursued in most developing countries beginning from 1950s was based on providing subsidized credit through State controlled or directed institutions to rural segments of population. Expansion of credit coverage through State

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interventions was based on various theoretical assumptions which mention that this approach was based on the premise that rural micro entrepreneurs are unable to organize themselves; they need subsidized credit for increasing their income and are too poor to save\(^6\). Traditional approach to rural finance is leaning heavily towards direct interventions to Keynesian influence. Under this approach, in addition to the assumptions listed above, the key problem areas visualized in rural financial markets included lack of credit in rural areas, absence of modern technology in agriculture, low savings capacity in rural areas and prevalence of usurious moneylenders\(^7\).

To overcome these imperfections, with difference of range and degree, as in most developing countries during 1950s to 1980s, the government has intervened by establishing State owned financial institutions, interest rate ceiling on deposits and credit, credit subsidy, directing credit to particular sectors and nationalization of private banks\(^8\). Various qualitative issues such as concerns about financial viability of institutions on account of high rate of loan delinquency and cornering of subsidy by well-off people, is what has been described as ‘rent seeking’ behaviour, the continued presence of moneylenders was caused by this inability to reach the core poor and led to a reorientation in thinking around 1980s.

United State Agency for International Development’s (USAID) reviewed Small Farmer Credit in 1972-73, with the help of sixty reports on specific farm credit programmes in developing countries. A World Conference on Credit for Farmers in


\(^7\) Nanda, Y.C., 1995: Country Report India. APRACA-GTZ Regional Workshop on the Linkage Programme Popper, K. R., 1935/1959:

Developing Countries in 1975 organised by Food and Agriculture Organization (FAO) was the first of landmark events pointing the deficiencies of directed and subsidized credit approach. USAID and World Bank crystallized all the deliberations during the ‘Colloquium on Rural Finance in Low Income Countries’ and shaped the emergence of new thinking in rural finance.

**Indian Scenario:**

India has been keen on providing financial services to the poor and underprivileged. After nationalization of commercial banks in 1969, they were directed to lend forty per cent of their loanable funds at a concessional rate to the priority sector with the aim of providing resources to help the poor to attain self sufficiency. The priority sector includes agriculture and other rural activities and the weaker strata of society in general.

To further support and supplement the credit assistance; Integrated Rural Development Programme (IRDP) was launched in 1980. But these supply-side programmes achieved little as they ignored demand-side of the economy and also due to corruption and leakages. Further, ‘The share of the formal financial sector in total rural credit in the 80s was 56.6 per cent compared to informal finance and unspecified sources who extended credit to the extent of 39.6 per cent and 3.8 per cent respectively. Not only had formal credit flow been less but also uneven. The vacuum continued to be filled by the village moneylenders who charged interest rates of two to three per cent per

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month. Seventy per cent of landless/marginal farmers did not have a bank account and eighty seven per cent had no access to credit from a formal source\textsuperscript{12}.

The SHGs revolution occurred worldwide in this cheerless background. With the formation of pockets of informal SHGs engaging in micro activities financed by SHGs, the activities of SHGs started in India in 1980. But India’s first SHG was set up as an urban co-operative bank, by the Self Employed Women’s Association (SEWA) soon after the group was formed in 1974\textsuperscript{13}. The first official effort of SHGs is materialized by National Bank for Agriculture and Rural Development (NABARD). Under the direction of NABARD, the Mysore Resettlement and Development Agency (MYRADA) sponsored project on “Savings and Credit Management of SHGs was partially financed by NABARD during 1986-87. In fact, SHGs operations are not new to India. Over a period of three thousand years, Indian trade and banking through vast parts of South and South-East Asia has done so as far as its latest rural finance innovation is concerned: SHG banking\textsuperscript{14}.

The oldest profession of money lending which dates back to pre-historic times was the only financial service, mainly in rural areas. Before the first millennium B.C., probably, there was a long period of transition, trade-cum-lending from gift exchange, reciprocal lending to specialized lending and from lending-in-kind to lending-in-money. Subsequently, money lending has become a regulated and organized profession in


India. In spite of all formal financial assistance, money lending is still widespread today, and remnants of its historical informal precedents are still in existence, re-emerging time and again according to demand. Many, informal and formal, moneylenders may have turned into merchant bankers at various times in history, or into organizers of informal or formal chit funds.

Another important source of finance in India has been chit funds from the ancient times. The time of its origin in India is not exactly known. Under chit fund operations, a group of people join together under an organizer or promoter, regularly contribute equal amount of money allocated to that particular chit at a time either weekly or monthly. There are two types of chit operations. The first type involves the full amount contributed by an individual which will be allocated to one member at a time on mutually agreed basis. Another type which is found in number of Asian countries involves allocation of chit amount through auction to the lowest bidder, with the balance amount shared by the other members and the organizer.

During the first millennium B.C., Merchant Banking evolved in India. It involves financial intermediation comprising lending, deposit taking and other financial services. Merchant banking is widespread in India. Merchant banking grew enormously with domestic and international trade held by individual firms, partnership firms, etc. The basic principal of merchant banking was mutual trust and mutual benefit. Merchant

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banking activity has also become popular in rural areas in India. Their entry into rural areas helped to overall commercialization and monetization of the rural economy and expansion of the trade. Some merchant bankers apart from providing financial function such as treasury, revenue collection, entered into the activities of payment of taxes, insurance and other related activities. Though money lending and chit funds were monopolized initially by some castes\(^{19}\), merchant banking was more professional in nature.

**Independent India: New approaches to reach the rural poor:**

After independence, India faced an underdeveloped rural economy, high levels of indebtedness and a lack of efficient financial services. Since 1950s the lack of rural development has been attributed to a lack of access to credit to finance production assets. Though Indian banking system has been doing yeoman service to the rural areas in India, their entry into rural areas is constrained by many operational problems. Therefore, their services are very limited. Immediately after independence, moneylenders, friends, relatives who are rotating chit funds, still used to play considerable role in rural finance. According to Hapke M.H\(^{20}\), the informal credit accounted for ninety per cent in 1951 and seventy per cent of rural indebtedness in 1971. The nationalization of 14 private banks in 1969 followed by another 6 in 1980 was one of the remedies initiated by Government of India. The government also emphasized the opening of more rural branches by the banks and priority sector lending is made mandatory.


The contradiction between a highly diversified rural financial infrastructure and lack of access of the rural masses to financial services continues to plague India; this is paralleled by another contradiction: between an emphasis on institutional diversity and a lack of emphasis on institutional viability. In 1982 NABARD was established with responsibility and objectives to finance with more focus on finance rural financial outlets and credit cooperatives. On the basis of the 1981 survey NABARD concluded that, while India had one of the most complex rural financial infrastructures, more than any developing country, that the system had failed to attain its objective of reaching the rural poor. The reasons for the failure were the sole emphasis on production loans, the complicated procedures for giving loan, failure to mobilize savings and prohibitive transaction costs for lenders and borrowers.

Turning from the old to a new world of rural finance during the second half of the 1980s, NABARD argued that programmes with the poor have to be savings-led and not credit-driven; and that the poor have to have a say in their design. In the years to come they looked for new partners, new delivery systems and new financial products.

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Cooperative Finance:

The financial cooperative sector is a major part of rural finance in India\textsuperscript{25}. In 1892, the Government of Madras Presidency felt inspired and replicated the approach of the German Raiffeisen movement of savings and credit cooperatives and recommended, just three years after the passing of the German Cooperative Act in 1889. In 1901 the Government of India accepted the proposal and in 1904 enacted the Co-operative Credit Societies Act, followed by the more comprehensive Co-operative Societies Act in 1912. This was to serve as a framework for promoting self-help among farmers and artisans. Under the Government of India Act of 1919, authority over cooperatives was transferred to the provinces, which were authorized to enact their own co-operative laws. It is not clear whether State dominance evolved from here and how soon self-help and self-reliance were undermined by well-meaning State intervention\textsuperscript{26}.

Following the recommendations of the All India Rural Credit Committee in 1954 and the Committee of Co-operative Law in 1955, many States introduced “State Partnership” in their cooperative laws, placing the cooperative sector under government control. The resulting laws were encumbered by the ideology of a planned economy, giving the State a dominant role in all institutions including cooperatives\textsuperscript{27}. Extensive regulatory power is conferred to State governments in matters such as appointment of chief executives, suspension of elected board of directors, compulsory fusion or fission of co-operative banks, amendment of bylaws, vetoing of bank decisions, issuing of


directives, and supervision. The State cooperative administration is in-charge of registration, licensing, statutory inspections and audit of the cooperative banks. The States participate also in the ownership of cooperative institutions at all levels down to primary societies.

**Financial Innovation: Linking Formal and Non-formal Credit:**

Reformation of the Regional Rural and Cooperative Financial Sectors is not a solution for reaching the credit requirements of millions of rural poor. In the Asia-Pacific Rural and Agricultural Credit Association (APRACA) regional workshop in Nanjing, China, in May 1986, The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) presented a linkage model based on the existing formal and non-formal financial infrastructure. Some of the important issues of the model are informal groups holding savings and credit accounts in banks; savings-based credit linkages with banks; SHGs as informal financial intermediaries; NGOs as social, and initially also financial, intermediaries; flexible models of cooperation between SHGs, NGOs and banks as autonomous business partners, each with its own existing financial and institutional resources. In 1987, NABARD coordinated a field study of SHGs with a team from various Indian institutions. It is observed by the team that all the groups were of recent origin and were largely homogeneous in terms of caste and activity, built a common fund from very small regular savings and interest income, and lent to their members for periods of one to three months at two to three per cent interest per month. Recovery of these loans was excellent, and an impact, however small, was felt, reaching from

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emergency assistance to release from bonded labour. Access to formal credit was virtually non-existent. NGOs played a commendable role in mobilizing the rural poor into SHGs and promoting and monitoring their proper functioning.

Most of the 196 Regional Rural Banks (RRBs) which were making losses in 1989 did not present a viable solution to the rural finance in India. This led to the emergence of Grameen Banks, following the model of Bangladesh, as a new National Banking structure. On the basis of its own studies and also inspired by the linkage experience under APRACA, NABARD instead argued for a different approach with the following distinguishing elements:

- using the existing infrastructure of banks and social organizations;
- it should be savings- rather than credit-led; and
- using bank rather than donor resources in the provision of credit.

Between 1989 and 1991, NABARD (1991) entered into a policy dialogue with RBI to make preparations for a pilot project linking informal groups to banks. On 24th July 1991 RBI issued a circular to commercial banks advising them to actively participate in the pilot project, refinanced by NABARD, for linking SHGs with banks. The SHGs may be registered or unregistered, with ten to twenty members and in existence for at least six months, and should have actively promoted the savings habit. The pilot phase covered

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the period 1992-96. The banks noted a contradiction between a directive of the RBI of 27th December 1985, which was finally decided in a circular33 by RBI on January 4, 1993: “… such SHGs, registered or unregistered, may be allowed to open Savings Bank Accounts with banks.” By March 1996, 4,757 SHGs with eighty thousand members, had been mobilized by one hundred and twenty seven NGOs and credit-linked to ninety five bank branches. During the pilot phase mainly SHGs were linked to banks that had previously been established by NGOs. 34

After clarifying the issues (i) SHG members who had earlier defaulted on bank loans and were therefore not bankable could obtain loans from the groups’ own internal funds if this so decided; (ii) informal groups were limited to twenty members, beyond which they would be required to legally register nationwide mainstreaming started in 1996. To implement mainstreaming, NABARD did the following: (i) it provided refinancing to participating banks; (ii) it declared SHG banking the dominant, but non-mandatory approach of lending to the poor, replacing bank retail lending; it propagated its grand vision of one million SHGs, representing a population of 100 million of the rural poor, to be credit-linked by the year 2008 endorsed by NABARD’s regional directors and subsequently articulated by union government in all its budget speeches; (iii) it created a Micro Credit Innovations Department (MCID) as the programme steering unit, with representations in all States through Micro Credit Innovations Cells; (iv) it set up a special fund to finance massive capacity-building measures as the motto of

33 DBOD.No. BC. 63/ 13:01:08/92-93
expansion; (v) it supported the establishment and maintenance of SHGs through numerous NGOs and GOs; and (vi) it subsequently allowed for initiatives to organize SHGs in self-sustained federations under a new legal form as Mutually Aided Cooperative Societies (MACS).

Backed by the joint political will of the Union Government, State Governments, the Reserve Bank of India and NABARD, programme dissemination and capacity building expanded rapidly in the following years\(^\text{35}\). The number of SHGs credit-linked to banks grew from 33,000 in 1998-99 to 115,000 in 1999-2000 and further to one million in 2003-04. As on March 2005, it has reached 1.6 million savings-based groups covering a population of over one hundred and twenty million people predominantly from the lowest social strata. The majority of members (ninety per cent) are women.

SHG banking is highly profitable to the banks, despite lending rates, which are deregulated, from banks to SHGs between ten per cent and thirteen per cent\(^\text{36}\). Growth of the SHGs continued with satisfactory performance. The impact is deeply felt by the members in terms of employment, income, self-confidence, children’s education. The moneylenders have largely gone out of business in the areas of operation of SHGs. Though the challenges, particularly in terms of further expansion into underserved areas, effective supervision, institutional sustainability of informal groups, and the role of SHG federations still remain, there are good prospects. SHG banking will continue to grow in outreach and financial depth.

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\(^{36}\) Kapil Sinha, Rural finance Problems and Future, Mudra Publications, Chennai, 2006,
**Global Acceptance of SHGs:**

The new paradigm of unsecured small scale financial service provision helps poor people take advantage of economic opportunities, expand their income, smoothen their consumption requirement, reduce vulnerability and also empowers them\(^{37}\). Realizing the importance of SHGs, World Bank has also taken major steps in developing the sector\(^{38}\). Formation of Consultative Group to Assist the Poor (CGAP) in 1995 as a consortium of thirty three public and private development agencies and establishment of Micro Finance Management Institute (MAFMI) in 2003 are significant landmarks.

The CGAP acts as a “resource center for the entire micro finance industry, where it incubates and supports new ideas, innovative products, cutting-edge technology, novel mechanisms for delivering financial services, and concrete solutions to the challenges of expanding SHGs”. MAFMI was established with support of CGAP and Open Society Institute for meeting the technical and managerial skills required for SHGs sector. CGAP has been shaping the theoretical orientation of SHGs. Everett, J. and Savara, M., 1994\(^ {39} \) Asian Development Bank (ADB) lends support with logic “to the poor, access to service is more important than the cost of services” and “the key to sustainable results seems to be the adoption of a financial-system development approach”. The underlying logic offered in support of this is universally based on twin arguments i.e., a) subsidized funds are limited and cannot meet the vast unmet demand, hence private capital must flow to the sector and b) the ability of the poor to afford market rates.

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Forms of SHGs:

Poverty and unemployment are evils of developing countries. India is no exemption to this. In India majority of people are poor, especially women. They are living below poverty line and they belong to rural area. The government introduced many schemes to reduce poverty and to promote gainful employment but more attractive scheme is SHGs. It has been an integral part of all developmental programmes. It emerged as the institution for thrift and credit. India experienced the role of SHGs in uplifting the socio economic condition of the rural poor particularly women and these SHGs managed poor women would become the order of the day in rural development phase. Today, Indira Kranthi Patham and MFIs are the two dominant forms of SHGs in India.

Velugu:

The Velugu project was introduced by Andhra Pradesh Rural Development Agency for the development of poor people who are living below poverty line. A new dimension was added to SHGs in 2000 by Velugu, a programme introduced in six districts, aided by $111 million from the World Bank. Mainly this project is intended for the poor so as to encourage their inherited skills and strengthen their livelihoods by all means. Velugu provided additional funds, enabling SHGs to hire skilled people instead of being dependent on free services from NGOs. This took empowerment one step further. Velugu also financed a Community Investment Fund for small local infrastructure.

Velugu is a focused programme to address poverty through SERP. This goal can only be achieved by making the poor active partners in the process of social change. The
distinguishing feature of the project is that the poor have a key role in all project strategies and interventions, including policy making as stakeholders. Velugu covers all households below the poverty line irrespective of caste, creed and religion. The identification would be done in an open and transparent manner in the Gram Sabha. The Velugu project components include: institutional and human capacity building; community investment fund; educational support for girl child labour; support to people with disabilities; SERP under the Department of Rural Development.

**Development of Women and Children in Rural Areas (DWCRA):**

Self help movement through savings has been taken up as a mass movement by women- a path chosen by them to shape their destiny jars the better. The development agenda of the State in the last few years of placing the people, especially women, in the fore-front has enabled formation of a large number of SHGs throughout the State. Here the majority of women are saving one rupee a day. The State government is consciously making an effort to assist SHGs by providing Revolving Fund under various programmes.

Andhra Pradesh State Government has taken up the concept of women Empowerment as one of the main agenda items to tackle rural poverty and socio-economic issues. With the support from the Government and through inculcating thrift, the rural women have now transformed their lives into full time and active entrepreneurs with lot of hope and are able to lead a life with self-esteem. Once they were passive recipients of Government’s doles, but now they are active participants and stakeholders in the programmes. They have risen to the level of ‘self-management’. They have realized the importance of their number and have become capable of asking for their
rights/entitlements like equal wages, better working condition, health, education, nutrition for their children etc. Thus, DWCRA has become a powerful tool in bringing women together, in the remote rural areas and thereby helped to emancipate the once mute sufferers in silence, to march forward towards collective community progress/development, on a substantial basis.

Andhra Pradesh has been a leading State in forming and developing SHGs of the poor women such as DWCRA in rural areas, Development of Women Children in Urban Area (DWCUA) groups in urban areas and intended for the up-liftment of the rural women. DWCRA is not an add-on to IRDP- but is perceived as a powerful vehicle for women development. From 1990, DWCRA has been prioritized and the attention of DRDA officials is focused on this scheme to make women groups as a vehicle for development and improvement in the quality of life. Government recognized the inherent potential of women in the State in leading the famous anti-arrack agitation which later turned as a mass Savings Movement (podupu lakshmi).

There are about 54.73 lakh women SHGs in Andhra Pradesh, covering nearly 724.94 lakh of rural poor women. The State alone has about half of the SHGs existing in the country. Up to 1996, only 2,25,489 groups were functioning and in the last fourteen years, there was a massive scaling up in SHG activities. The SHGs are not only resorting to thrift but are also taking small loans out of the corpus available with the group. The group corpus consists of savings, government assistance and also bank loan out of the group corpus for their personal needs initially.
Indira Kranthi Patham (IKP) and Micro Finance:

The activities of DWCRA and Velugu were integrated under a programme called IKP. The basic objective of this integration is to implement various programmes for strengthening of SHGs with similar implementation strategy. The new scheme IKP had been designed by clubbing women empowerment with poverty alleviation. IKP is a State-wide poverty reduction project to enable the rural poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the State with a special focus on the thirty lakh poorest of the poor. It is implemented jointly by Society for Elimination of Rural Poverty (SERP), Department of Rural Development, and Government of Andhra Pradesh. IKP was commissioned more than a decade ago with an emphasis on strengthening the statewide rural women’s self-help movement. The focus is on deepening the process, providing an institutional structure and developing a framework for sustaining it for comprehensive poverty eradication. It is the single largest poverty reduction project in South Asia.

It works in Andhra Pradesh with 4,76,930 SHGs federated into twenty eight thousand and eighty Village Organizations (VO) and 700 Mandal Samakhyas (MS). The project mandate is to build strong institutions of the poor and enhance their livelihood opportunities so that the vulnerabilities can be reduced. Community Investment Fund is the major component of the project, which is provided to the SHGs/VOs/MSs to support wide range of activities for socioeconomic empowerment of the Poor.

The main objectives of IKP are as follows:

- To raise rural Poor’s incomes and improve quality of life.
  - By building knowledge and awareness.
• By organizing rural women groups and their federations.

❖ Optimum utilization of services of Government Departments.

❖ Optimum utilization of financial institutions.

❖ Optimum utilization of Panchayat Raj Institutions.

❖ Utilization of Markets and other Government Institutions.

❖ Investment Support.

Community Investment Fund (CIF):

The CIF is one of the components of the IKP project. It provides resources to improve the livelihoods and quality of life of poor community man. The objective of the CIF is to improve and diversify sources of livelihoods and quality of life of the people below the poverty line by increasing their income and employment, decreasing expenditure and risks through the micro plans of their groups/institutions. In the beginning CIF was provided to the sub-projects of Common Interest Groups (CIGs), specially formed for this purpose. When VOs started emerging, CIF focused on CIGs through VO, wherein VOs were recognized as Sub-project Implementing Agencies (SPIAs).

In terms of recovery, asset management, Institution Building (IB) and bank linkage project has witnessed limited success when CIF was provided to CIG. Then project realized that it was better to provide CIF for subprojects of SHGs and VO as the SPIA. This resulted in good yields. CIF has been provided to the micro plans prepared by SHGs which witnessed excellent results in terms of recovery of CIF, bank linkage, asset management and IB. Further, the experience of United Nations Development Programme (UNDP) - South Asia Poverty Alleviation Programme (SAPAP) and mandals which have
been following micro-credit plan route proved that CIF strengthens the institutions of the poor.

**Abhaya Hastham:**

Government of Andhra Pradesh introduced Pension and Insurance Scheme for the Indira Kranthi Patham (Rural and Urban) SHG women in November 2009 to provide income security in their old age. The aim was to provide security to all enrolled SHG women with dignity in their old age. This scheme works in principal of contribution amount Rs.365 per annum by the SHG woman and Government co contribution amount Rs.365 per annum into her pension amount. The interest that earned is from corpus generated for each member till the completion of 60 years of her age is used for giving monthly pension from Rs.500 to Rs.2200 based on the age of the member. Each enrolled member under the scheme is entitled to get minimum pension of Rs.500 after completion of 60 years of her age and all the enrolled members between age group of 18 to 59 years are eligible to get Insurance coverage under Janashree Bima Yojana (JBY) scheme.

**SHGs and Micro Finance:**

The SHG is a small voluntary association of poor people preferably from the same socio economic background. The SHG’s work through a process of social mobilization to set up a successful enterprise to earn a sustainable living that helps the beneficiaries to lift themselves above the poverty line. Through the SHG, the micro credit is disbursed to rural women for the purpose of making them enterprising women and encouraging them to enter entrepreneurial activities.

The SHGs in Andhra Pradesh have come a long way, since its inception in 1993. The State Government has taken up the theme of women empowerment as one of the
strategies to tackle the socio-economic poverty. Self Help movement through group savings has been taken up as mass movement by women for better status and future.

The Micro-finance activity in West Godavari District is mainly in the form of Self-Help Groups promoted under DRDA. These groups consist of ten to twenty members, drawn from rural poor either men or women, pool up their meager thrift for meeting the credit requirements of the needy members. The D.R.D.A. also provides revolving fund or matching grant assistance to augment the group’s resources to motivate the members of SHGs. It is the major agency for promoting groups of women, who were earlier under DWCRA programme, and presently covered by the guidelines of SGSY. As per the instructions of the Government of A.P., SHGs are formed by all eligible women members, who are having white ration cards. There are no exclusive SHGs. Some members of these groups are also members of SHGs promoted by DRDA/IKP.

**Governance of SHGs:**

The governance of SHGs that promotes democratic traditions is crucial for its success. Savings and credit groups owned and managed by the community itself need competent and committed development facilitators, strong cadre of leaders, and enlightened and alert members\(^{40}\). Evolution of norms or rules and regulations for self-governance, participatory decision-making, diligence and self-discipline among group members coupled with strong enforcement mechanism are sufficient conditions for transparency in group operations\(^{41}\). These rules and regulations are not mere statements


\(^{41}\) Ibid pp.63
but reflect the understanding of group norms by members through their conduct in group activities. Rules and regulations of the group, therefore, need to comprehend conflict situation in day to day functioning of group and provide ready solutions.

**Savings Function:**

The poor people look for saving services from formal financial institutions. The poor tend to invest their savings in assets such as gold, silver, livestock, etc, which can be pawned or sold in times of need. Thrift contributions by members to the group must be perceived as a savings product serving long-term financial security needs. As such savings are generated by poor households either by refraining from consumption or postponement of their less urgent needs. The thrift contribution reflects confidence of members of the group and is seen as an index of their stake in the process. The most important function in a SHG is thrift management. Best practices of thrift management are:

- Thrift collection could commence from the first meeting itself.
- Periodicity and quantum of thrift decided by group members themselves, keeping in view the ability of the poorest member among them to pay the agreed amount at predetermined intervals.
- Minimum compulsory thrift contributions to be made by all members.
- Withdrawals against compulsory thrift contributions are not permitted unless the member withdraws from primary membership.
- Groups must insist for on-time contribution by members.

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Groups must collect thrift contribution in the presence of all members during the meetings only.

Thrift collections must be utilized for lending to group members and must not be kept idle.

Chronic default in on-time thrift contributions by members are generally discouraged by withholding or delaying other pecuniary benefits to members. At times, penalties for late/non payment include fees, denial of higher loan amounts, or longer waiting periods for loans.

Additional or seasonal savings are encouraged by a few groups. But it is again desirable to have equal savings without interest implications, keeping in view the weak fund management capability of many groups. However, whenever optional savings are offered it is suggested that suitable compensation (interest) is provided to address the equity question among various members.

It is desirable to return thrift amount to a member withdrawing from the group for genuine reasons.

Continuity of thrift is the jugular of self help group process and any attempt to obstruct or discontinue it after receipt of revolving fund, subsidy, grant or even a bank loan can only be a self-inflicting move.

**Credit function of SHGs:**

An important objective of SHGs is providing credit access to members of poor households on sustainable basis. Therefore, SHG must plan for a well conceived loan programme which enhances its attractiveness to the members. These loans are often given for various purposes without insistence on collateral but are available at cost.
There is no compulsion to avail loan facility. As such those who avail loans have to pay the cost. Following are the best practices of credit management:

- SHGs typically offer small, short-term loans for meeting urgent and consumption requirements only to their members.

- The internal lending must preferably commence from the date of first pooling of savings. Need based lending is strongly recommended by active groups.

- Loans are extended keeping in view the nature of need of particular member. Preference in borrower evaluation is, however, given to those who are regular in attendance at meetings and timely payment of thrift amounts.

- Group must have a system of giving differential priorities to several purposes for taking loan decisions. Here urgency of purpose is given precedence while selecting a borrowing member.

- Groups must establish a process to assess the credit requirement for arriving at a loan quantum and efficacy of such system need to be seen in the context of the SHG concerned.

- All credit decisions must be taken at the meetings only after giving due consideration to opinion of all members.

- Large loans to members are suitably collateralized considering the risk perception of the group. Often, groups go in for chattel financing wherein a borrower offers a critical productive asset as security for loan.

- Terms of credit like interest rate and schedule of loan repayments are negotiated and conveyed clearly to the borrowing member.
Flexible repayment schedules are worked out by groups taking into consideration the various income-flows of the household and repayment capacity of the member concerned.

Monthly or even weekly repayments (wherever weekly meetings are held) of both principal and interest payments are found to be convenient to both borrowers and the group to liquidate the loan liability.

Separate schedules for principal and interest payments may be stipulated as they are easy to comprehend even by illiterate borrowers.

Loans could be issued to the borrowing members in the presence of other members of the group.

Groups ensure proper end-use on credit as also management of asset, wherever created. This practice must be continued at frequent intervals till the loan is fully repaid by the borrowing member.

**Fund Management of SHGs:**

A successful credit function depends on credit mobilizing micro thrifts from the members of SHGs. Small savings from resource-poor households need operative protection against loss of deposits. Funds have to be shielded against the financial and non-financial risks. Misappropriations in savings and credit groups as well as imprudent lending from internally generated deposits threaten the security of savings programme. Therefore, it is necessary that high standards are set for fund management as given below:

- Group fund generally comprises of members' thrift, interest earned on internal loans, fines and penalties levied on defaulting members, loans and grants
received in the name of the group. The groups are not expected to discriminate between the sources of funds for meeting loan requirements. In other words, the savings, loan repayments, interest payments, fines and penalties paid by members will be pooled in the meeting for on-lending to the group members.

- Efficient cash management in a meeting reflects the fund management capability of the group. Idle funds are a drag on the group.

- Responsibility sharing in cash management at each meeting on rotation basis for assisting the group leaders will not only promote transparency but also enhance fund management competence among group members.

- Preparation of micro-credit plans by groups improves considerably the credit absorption capacity as it entails acquisition of planning and financial management skill among group leaders.

- In the initial stages only short-term loans are extended, usually for periods ranging from three to twelve months, to enable larger number of members’ access credit facility from the group. However, insistence on monthly repayments from borrowing members will accelerate the velocity of lending within the group, which also partially reflects equity in loan access to group members.

- Generally interest is not paid to the members on the compulsory savings. Even in cases where interest is computed on compulsory thrift contributions, the same is merged with the members’ savings, rendering the very process infructuous.

- Investment of pooled savings in a common asset (even a productive one) and blocking internal lending will in fact run counter to the objective of giving
sustainable credit access to poor households. Further, the risk of investing entire corpus in a single activity is fraught with risks.

**Record Keeping of SHGs:**

Record keeping is another crucial function of SHGs. It ensures transparency in the system considering the need for providing safety of micro deposits pooled in savings and credit programmes. An effective management information system supports the self-management efforts for sustainability of SHGs. Its effectiveness depends on how easily it is understood and appeals to cognitive abilities of ignorant and illiterate members. Besides, it must be credible, verifiable and should facilitate quick recall of stored information in the perception of users. The following are some of the recording procedures.

- Critical self-awareness must be created among groups on issues relating to record keeping.
- Groups must assume the responsibility for safe keeping of records.
- Group members must be trained to recognize books of accounts and their structure.
- Group must be encouraged to discuss on nature and contents of records.
- Groups must be strongly encouraged to compensate for services rendered by book keeper.
- Groups must ensure that books are updated while the meeting is in progress.
- Groups must ensure that book writer reads out the noting made by him in various books.
- Groups must develop a practice of closing the books of accounts by year end.
Cross checking of books across groups (pre audit) could be encouraged for audit purpose.

**Financial Sector Reforms and SHGs:**

The growth of SHGs in India has to be verified in the light of financial sector reforms in India which were initiated in 1991. These reforms have fostered a market driven financial system by increasing competition and improving the quality of financial services. The new approach has been deeply influenced by the reorientation among international rural financial policy makers centering on concepts such as self-help, self sustained growth and institutional viability. Under the new approach, institutional viability is of prime concern and instruments of directed credit and interest rate directives have been totally diluted or been done away with. As a consequence, banks are increasingly shying away from rural lending as well as rationalizing their branch network in rural area. Thus, the access of the rural poor to credit through traditional bank lending has declined in post-reform period. The policy is to fill this gap through SHGs.

The philosophy and design of SHG-Bank linkage programme reflects this new concern vividly by emphasising on full cost recovery in order to become an attractive proposition for banks. Commercial aspects of SHG programme succinctly state the new paradigm with focus on institutional sustainability as against the long standing tradition of government owned banks undermining rural finance with cheap credit. High recovery

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44 Dubois, Jean Antoine and Beauchamp, Henry king, Hindu Manners, Customs, and Ceremonies, Clarendon Press, 1897
rates under the programme are used to justify the dictum that ‘poor need timely and adequate credit rather than cheap credit’.

The shift in the focus to parameters of institutional success impact assessment has been relegated to issues like proxy measures, volume of credit, repayment rates and outreach or one-off sample impact assessment exercises. The field research was undertaken to understand the clients’ perspective and analyse the factors behind repayment rates as well as impact of credit on socio economic well being of clients.

**Growth of SHGs:**

Andhra Pradesh is one of the pioneer States in encouraging SHGs. It is doing well in this aspect. Impressed by the "remarkable success" of women SHGs in Andhra Pradesh, the World Bank has said that the model could be replicated in other States in India and in other countries. The information relating to the number of SHGs in Andhra Pradesh by February 2012 is presented in Tables 3.1.

It can be observed from the Table 3.1 that Chittoor District occupies the first position with respect to the number of mandals, followed by Mahaboobnagar District and Anantapoor District. On the other hand, Rangareddy District has the lowest number of mandals closely followed by Vijayanagaram, Nizamabad and Srikakulam Districts. The mandal system was introduced by the Government of Andhra Pradesh way back in 1985-86 replacing the Talukas with the objective of taking administration to the doorsteps of the people. A mandal consists of twenty five to thirty villages having a population of around forty thousand. The number of SHGs was observed to be the highest in East

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Godaveri followed by Chittoor, Nalgonda and Karimnagar Districts. Rangareddy, Kadapa and Vijayanagaram Districts registered the lowest number of SHGs respectively.

Table 3.1

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District</th>
<th>No. of Mandals</th>
<th>No. of VO's</th>
<th>No. of SHG</th>
<th>No. of SHG Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adilabad</td>
<td>52</td>
<td>1,808</td>
<td>30,838</td>
<td>360,315</td>
</tr>
<tr>
<td>2</td>
<td>Anantapur</td>
<td>63</td>
<td>3,583</td>
<td>43,688</td>
<td>448,060</td>
</tr>
<tr>
<td>3</td>
<td>Chittoor</td>
<td>66</td>
<td>3,934</td>
<td>54,207</td>
<td>570,409</td>
</tr>
<tr>
<td>4</td>
<td>East Godavari</td>
<td>58</td>
<td>2,462</td>
<td>73,422</td>
<td>732,451</td>
</tr>
<tr>
<td>5</td>
<td>Guntur</td>
<td>57</td>
<td>1,814</td>
<td>43,541</td>
<td>426,776</td>
</tr>
<tr>
<td>6</td>
<td>Kadapa</td>
<td>50</td>
<td>1,882</td>
<td>29,394</td>
<td>290,746</td>
</tr>
<tr>
<td>7</td>
<td>Karimnagar</td>
<td>57</td>
<td>2,051</td>
<td>48,076</td>
<td>561,010</td>
</tr>
<tr>
<td>8</td>
<td>Khammam</td>
<td>46</td>
<td>2,741</td>
<td>43,775</td>
<td>429,670</td>
</tr>
<tr>
<td>9</td>
<td>Krishna</td>
<td>49</td>
<td>2,064</td>
<td>44,881</td>
<td>460,077</td>
</tr>
<tr>
<td>10</td>
<td>Kurnool</td>
<td>54</td>
<td>2,158</td>
<td>35,579</td>
<td>384,266</td>
</tr>
<tr>
<td>11</td>
<td>Mahabubnagar</td>
<td>64</td>
<td>2,520</td>
<td>41,015</td>
<td>493,217</td>
</tr>
<tr>
<td>12</td>
<td>Medak</td>
<td>46</td>
<td>1,740</td>
<td>36,316</td>
<td>412,703</td>
</tr>
<tr>
<td>13</td>
<td>Nalgonda</td>
<td>59</td>
<td>2,931</td>
<td>48,355</td>
<td>516,377</td>
</tr>
<tr>
<td>14</td>
<td>Nellore</td>
<td>46</td>
<td>2,194</td>
<td>32,388</td>
<td>317,239</td>
</tr>
<tr>
<td>15</td>
<td>Nizamabad</td>
<td>36</td>
<td>1,259</td>
<td>32,592</td>
<td>348,128</td>
</tr>
<tr>
<td>16</td>
<td>Prakasam</td>
<td>56</td>
<td>2,630</td>
<td>38,987</td>
<td>383,529</td>
</tr>
<tr>
<td>17</td>
<td>Ranga Reddy</td>
<td>33</td>
<td>1,298</td>
<td>28,219</td>
<td>302,123</td>
</tr>
<tr>
<td>18</td>
<td>Srikakulam</td>
<td>38</td>
<td>3,238</td>
<td>36,171</td>
<td>411,260</td>
</tr>
<tr>
<td>19</td>
<td>Visakhapatnam</td>
<td>39</td>
<td>2,160</td>
<td>40,366</td>
<td>454,338</td>
</tr>
<tr>
<td>20</td>
<td>Vizianagaram</td>
<td>34</td>
<td>1,597</td>
<td>29,889</td>
<td>351,955</td>
</tr>
<tr>
<td>21</td>
<td>Warangal</td>
<td>50</td>
<td>2,324</td>
<td>43,865</td>
<td>508,709</td>
</tr>
<tr>
<td>22</td>
<td>West Godavari</td>
<td>46</td>
<td>2,168</td>
<td>53,324</td>
<td>520,848</td>
</tr>
</tbody>
</table>

Source: DRDA records, Eluru, West Godavari District
In terms of membership East Godavari again topped the list followed by Chittoor, Karimnagar, Nalgonda and Warangal Districts. The lowest number of membership was found in the Rangareddy District which is closely followed by Nellore, Nizamabad and Vijayanagaram Districts. Since a SHG generally consists of ten to twenty members, Districts which have more SHGs are found to be having lesser membership because of the variation in the size of the group. For instance Nalgonda District with 48,355 SHGs has 5.16 lakh numbers while Karimnagar District with a fewer SHGs (48,076) has more number of members (5.61 lakhs).

A village organization is formed to monitor the activities of SHGs in each village. Chittoor District occupies the front position in the list with 3,934 VOs. Anantapuram, Srikakulam and Nalgonda Districts stay in the second, third and fourth position respectively. As usual, the more urbanized Rangareddy District has only 1,298 VOs followed by Vijayanagaram and Medak Districts.

It is suggested that the concept of SHGs should be popularized among the rural masses for stepping up the number of groups as well as their membership so that proper answer can be provided to the problem like rural and seasonal unemployment and financialbackwardness of women. Awareness camps should be conducted in the villages to the rural women about the benefits accruing from joining the SHGs. Grama Sabhas and other meetings conducted in the villages in connection with programme like Rachhabanda, Indiramma Bata etc., can be used as ideal platforms for propagating the theme of the schemes.

Society for Elimination of Rural Poverty (SERP) registered under the Societies (Telangana) Act, will be responsible for the management of the project at the State level. It is a society, chaired by the Chief Minister. There are five components in SERP. The growth components of SERP in Andhra Pradesh during 2003-04 to 2011-12 (January 2012) is presented in Table 3.2.
Financial Inclusion to SHGs:

Financial inclusion means providing access through appropriate financial products and services to individuals. It means delivery of financial products, deposits and loans and other services to needy and poor sections of the society at affordable cost. Thus Banking system has a key role to play in achieving the objectives of financial inclusion. In fact, financial inclusion is now on top of the development agenda of both the Government of India and the Reserve Bank of India. The Norwegian Nobel Committee for Peace while awarding the prize to Mr Muhammad Yunus in 2006 has quoted that “Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means.

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional Human capacity Building</th>
<th>Community Investment Fund</th>
<th>Project management</th>
<th>SPP</th>
<th>State Project Director</th>
<th>SERP Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 2003-04</td>
<td>90.77</td>
<td>232.84</td>
<td>38.22</td>
<td>0.02</td>
<td>0.41</td>
<td>362.36</td>
</tr>
<tr>
<td>2004-05</td>
<td>77.49</td>
<td>221.35</td>
<td>22.61</td>
<td>0.12</td>
<td>0.9</td>
<td>321.66</td>
</tr>
<tr>
<td>2005-06</td>
<td>84.11</td>
<td>165.93</td>
<td>22.44</td>
<td>0.15</td>
<td>3.33</td>
<td>275.96</td>
</tr>
<tr>
<td>2006-07</td>
<td>125.85</td>
<td>135.68</td>
<td>23.81</td>
<td>0</td>
<td>6.23</td>
<td>291.57</td>
</tr>
<tr>
<td>2007-08</td>
<td>91.13</td>
<td>50.84</td>
<td>21.15</td>
<td>0.07</td>
<td>4.41</td>
<td>167.60</td>
</tr>
<tr>
<td>2008-09</td>
<td>102.51</td>
<td>79.70</td>
<td>26.99</td>
<td>0</td>
<td>2.33</td>
<td>211.53</td>
</tr>
<tr>
<td>2009-10</td>
<td>141.27</td>
<td>28.16</td>
<td>31.45</td>
<td>0.01</td>
<td>4.52</td>
<td>205.41</td>
</tr>
<tr>
<td>2010-11</td>
<td>161.82</td>
<td>49.96</td>
<td>35.48</td>
<td>0</td>
<td>0</td>
<td>247.27</td>
</tr>
<tr>
<td>2011-12 (Jan 2012)</td>
<td>164.62</td>
<td>134.63</td>
<td>75.77</td>
<td>0</td>
<td>375.01</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1046.19</td>
<td>1099.09</td>
<td>298.24</td>
<td>0.37</td>
<td>21.32</td>
<td>2465.20</td>
</tr>
</tbody>
</table>

Source: SERP Report for the month of February 2012

To avoid the interference of moneylenders and private micro-financial institutions and to fulfill the financial needs of the SHGs, the total financial inclusion has been implemented by the Government of Andhra Pradesh. Apart from providing
financial assistance as per the rules in force to the beneficiaries of Indira Awas Yojana, the Government of Andhra Pradesh is providing bridge loans to the extent of twenty thousand rupees to facilitate the continuation of the construction activities.

**SHG -Bank Linkage:**

Finance is the root of economic growth and credit is considered to be its branch. The latter grow vertically, which helps the former to inflate horizontally. In other words, the rapid growth of finance system depends upon the strong and sound system of credit policy in an economy. Credit is a basic lubricant\(^{47}\) that helps to provide a push to the development process. It is the fourth basic prerequisite after food, cloth and shelter for the development of people. Providing credit to the needy people at the right time, at the right place helps in speedy development of the society. Out of the total, one third of population in our country is living in rural areas. So there is much necessity for inclusion of rural people in the financial system. Delivery of credit at the doorsteps of those who are not covered by the formal banking business, coupled with capacity building, is one of the ways for achieving financial inclusion\(^{48}\).

Inclusive financial system, one that allows boarder access to financial services, can lead to faster and more equitable growth. Such a system allows poor households to save and manage their money securely, decreases their vulnerability to economic shocks and allows them to contribute more actively on their development. In India, as far as rural credit system is concerned, it has many dimensions and peculiarities and informal source of finance was once the only and dominant of rural credit. It consists of village moneylenders, landlords, friends and relatives. The appearance of cooperatives, RRBs

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and commercial banks has no doubt reduced the share of informal source of finance to supply credit, but not up to desired extent. This leads to limp down the growth rate of the rural economy. To solve the above problems, NABARD introduced a pilot project in 1992 for linking banks with SHGs to encourage thrift and savings amongst the rural poor and to supplement their credit needs through the banking system, and constituted working group in that matter. Based on the recommendations of the working group, the RBI decided to extend SHG linkage programme beyond the pilot phase and advised banks to make it a part of their mainstream banking function.

Some of the salient features of SHG Bank Linkage programme are:

- The group should have been in active existence for a minimum of six months.

- The group should have successfully undertaken savings and credit operations from its own resources.

- Evidence of democratic setup in the group where members have a say in all matters.

- The group should be maintaining proper accounts/records.

- The banker should be convinced that the group has not come into existence only for the sake of participation in the project and availing benefits. There should be a genuine need among the members to help each other and work together.

- Any interested NGO or the Self Help Promoting Institutions (SHPI) concerned should help the SHG by way of training and other support for skill up-gradation and proper functioning.

- To generate livelihood for poor women.

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The SHG Bank Linkage is a great success story in Andhra Pradesh. The year-wise progress from 2004-05 to March 2010-11 are presented in Table 3.3.

### Table 3.3

**SHG- Bank Linkages in Andhra Pradesh during 2004-05 to 2010-11**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage of Groups</th>
<th>Amount Loan (Rs. in Crores)</th>
<th>No. of Branches</th>
<th>Per Group Finance (Rs)</th>
<th>Groups per Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>2,61,254</td>
<td>1017.7</td>
<td>3,853</td>
<td>38,954</td>
<td>68</td>
</tr>
<tr>
<td>2005-06</td>
<td>2,88,711</td>
<td>2001.4</td>
<td>3,853</td>
<td>69,322</td>
<td>75</td>
</tr>
<tr>
<td>2006-07</td>
<td>3,66,489</td>
<td>3063.87</td>
<td>3,950</td>
<td>83,601</td>
<td>93</td>
</tr>
<tr>
<td>2007-08</td>
<td>4,31,515</td>
<td>5882.79</td>
<td>4,000</td>
<td>1,36,329</td>
<td>108</td>
</tr>
<tr>
<td>2008-09</td>
<td>4,83,601</td>
<td>6684.07</td>
<td>4,150</td>
<td>1,37,498</td>
<td>118</td>
</tr>
<tr>
<td>2009-10</td>
<td>4,13,625</td>
<td>6501.35</td>
<td>4,274</td>
<td>1,57,180</td>
<td>97</td>
</tr>
<tr>
<td>2010-11</td>
<td>3,89,444</td>
<td>7092.71</td>
<td>4,286</td>
<td>1,82,123</td>
<td>91</td>
</tr>
</tbody>
</table>

Source: SERP Report for the month of February 2012

Table 3.1 explains that year-wise details of loans provided by banks to SHGs from 2004-05 to 2010-11. During the study period coverage of groups is in increasing trend except 2010-11 whereas the amount of loan is increasing from 1017.7 crores to 7092.71 crores. Every branch maintains around hundred groups.

**Women Empowerment through Entrepreneurship Development:**

Participation of women in economic activities as self-employed individuals was recognized as an important step for their economic development. Many of the traditional occupations open to women were mainly based on caste, creed and the nature of self-
employment based on the standard of living. Presently, women are generating employment for themselves in unorganized sector and another category of women who provide employment for others\textsuperscript{50}.

Women participation in economic activities is essential not only from a human resource point of view but also from the standpoint of raising the status of women in the society. The economic status of women is now accepted as an indicator of a society’s stage of development. Therefore, it is important for the government to frame policies for development of entrepreneurship among women. The long-term goal of the women development programmes should aim to raise their economic and social status in order to bring them into the mainstream of national life and economic development. Hence, due recognition has to be given to the role and contribution of women in the various social economic, political and cultural activities.

Women entrepreneurship emphasizes on the productive utilization of women labour force to generate income and output. Women entrepreneurship alleviates poverty especially in rural areas. The Sixth Five Year Plan for the first time highlighted the concept of women integration in economic development in India. It emphasized the need to expand women employment in the household sector by providing adequate support in the areas of technology up-gradation, training, credit, raw material requirements and development of financing loans. Sincere efforts have been taken in this direction under various plans, policies, and programmes for the development of women entrepreneurship since 1990’s\textsuperscript{51}.

\begin{thebibliography}{99}
\end{thebibliography}
Emergence of Women as Entrepreneurs:

Earlier studies and research have revealed that when the woman is economically empowered, benefits generally go to families, especially children. The more emphasis on developing women entrepreneurs by a country, the higher the status and position of women, that results in better living for families. The greater emphasis on the development and promotion of local entrepreneurs as well as the larger the spread of economic power among the people of a country. More employment opportunities in rural areas, availability of more local products and services are the result of local micro enterprises.

Types of Women Enterprises:

Women Entrepreneurship depends upon various factors. Their family background and support, educational status, attitude, knowledge and special training received by them would move women into every activity outside home to gain their better status in the society.

Enterprises started by women are no longer confined to conventional fields like embroidery, knitting and tailoring or pickles, powder and pappads. Today women are venturing into modern technological fields viz., electricity, energy and electronics. Now-a-days elite women in the cities are making a mark in the non-conventional fields such as consultancy, marketing, advertising, manufacturing, garments exporting, interior designing and decoration, beauty clinics, handicrafts, textile printing, food processing, tourism etc. Women entrepreneurship in Andhra Pradesh in rural areas has been initiated through IKP by providing access to credit through innovative programmes like


community managed sustainable agriculture, dairy, collective marketing, community investment fund, land purchase, petty trade and food security programmes. It has been observed that there are no adequate studies to find out the dignity levels and spread of women entrepreneurship in Andhra Pradesh.

**Schemes for Women Entrepreneurs:**

State level financial schemes for women entrepreneur are Stree Shakti Scheme, Mahila Vikas Nidhi, Prime Minister Rojgar Yojana (PMRY), Mahila Udyam Nidhi, and Chief Minister Empowerment of Youth (CMEY)\(^5\).

**Entrepreneurship Development Programme:**

There are different government and non-government agencies training women on Self-assessment, Personal efficacy, self-confidence, Systematic planning, Leadership, Willingness to learn, Work commitment, Creativity, Information seeking and sourcing, Innovativeness, Concern for excellence, Long-term involvement, Adaptability, Empathy, Interpersonal competence, Assertiveness, Positive thinking, Risk-taking, Goal orientation, Tolerance to ambiguity, Achievement motivation, Perceiving and acting on opportunity, Self-development, Competitiveness, Quality consciousness, Attitude to achieve success, Influencing ability, Perseverance and persistence, Creative problem-solving, Vision, Networking, Reasoning, Opportunities for enterprise-building, Resource mobilization, Managing a small enterprise etc., in different parts of the country.

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Problems of Women Entrepreneurs:

Women also face problems at the conception of ideas itself. Lack of initiation for starting enterprises is the basic problem of women. Self-confidence, prior experience, family support, knowledge regarding schemes and markets are some of other related problems. Women also find it difficult in working odd hours, meeting customers, balancing home and business, uncooperative attitude of society, problems faced during project formulation, indifferent attitude of officials, inadequate information dissemination and publicity of schemes, complicated procedures and lack of coordination between supporting agencies. Problems in availing loans are gender discrimination by lending agencies, insistence on collateral security, non-availability of procedures in local language, delay in sanction, insufficient sanction of working capital. Recovery of dues from buyers, time consuming procedures for raw material procurement, labour problems, and inappropriate marketing strategy are some of the problems encountered while carrying out the business activities.

Women usually draw no boundaries within their own families. But strict boundaries are drawn around their mobility and activities outside the family. It is very difficult for women entrepreneurs to strike a balance between family responsibilities and professional demands. Women working outside home always have a guilty feeling that their children are neglected. Women entrepreneurs hesitate to invest in themselves for enhancing their skills; they find it difficult to network. It is observed that women do not come face to face with other women entrepreneurs or role models, who can inspire them. Gender based attitudinal conflicts, especially when negotiating with financiers and

government officials demotivates women. Women need not be super women. Environment and the cultural setting expect her to be one.

**Micro Enterprises:**

Micro enterprises are small undertakings run by small individuals or groups who take up the responsibility of managing the business and the family. These enterprises are based on certain characteristics like low capital, low technology, low risk and a few workers. They are coming into existence out of either market driven or non-market driven forces. Market driven enterprises are managed and controlled by the entrepreneurs themselves. Government agency or NGOs play an active role in the promotion of non-market driven enterprises. SHGs, SGSY etc. fall under this category.

The main objective of initiating non-market driven micro enterprises fostered by government is to help the beneficiaries to take up and manage their own business activities which could bring about economic awareness and empowerment among the women members. The idea of starting micro enterprises has raised lot of hopes and expectations, particularly among women below poverty line.

The micro enterprises, depending on landholdings, subsidiary occupations, agro-climatic conditions and socio-personal characteristics of the rural women and her family members are classified under three major heads. They also differ from place to place.

1. Micro Enterprise development related to agriculture and allied agricultural activities like cultivating to organic vegetables, flowers, oil seeds and seed production are some of the areas besides taking up mushroom growing and bee – keeping. Some more areas include be dehydration of fruits and vegetables, canning or bottling of pickles, chutneys, jams, squashes, dairy and other products that are ready to eat.
2. Micro-enterprise development related to livestock management activities like dairy farming, poultry farm, livestock feed production and production of vermi compost using the animal waste can be an important area in which women can utilize both their technical skills and raw materials from the farm and livestock to earn substantial income and small scale agro-processing units.

3. Micro – Enterprise development related to household based operations like knitting, stitching, weaving, embroidery, bakery and flour milling, petty shops, food preparation and preservation.

Micro enterprises develop and utilize entrepreneurial talent and potential of rural women below poverty line to meet the local needs. Survival and growth of these enterprises ensure better standards of living of all the participants and thereby their individual, family and social empowerment will be happy and joyful. In India, plans and policies as well as the constitution have laid stress on women empowerment. Empowerment provides legitimacy and social justice for human development. Empowerment of women means creating economic independence, self reliance, political, social and legal awareness, self confidence and positive attitude among women. It enables women to face any situation and to participate in the development activities of the nation. The development of micro entrepreneurs by women is seen as appropriate way to eradicate poverty at the grass-root level by generating employment and income. Though nearly fifty per cent of Indian population consists of women, their participation rate in the economic activities is only thirty four per cent. During 1970’s, efforts to promote self-employment among women started receiving greater attention from the

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government and private agencies\(^{57}\). The result has been the emergence of women entrepreneurs on the economic scene in recent years. Even then, only less than five per cent of business units are owned and operated by them. Several studies have shown that women have proved to be good at business. Some studies have identified the problems of women entrepreneurs, which revealed that nearly ninety per cent of the rural enterprises faced problem of lack of capital.

**Empowering Women through Micro Enterprise:**

Development of women enterprises is a global issue. It is important for economic growth and it is a growing phenomenon all over the globe. Rural women’s involvement in the economic development of the family and society at large is also a crucial issue that needs to be addressed properly in view of the fact that the contribution is significant especially in poverty eradication. Women micro enterprises are always very small in size with workers less than five and operate in a rural area- an area with population less than 10,000 and outside the governance of local authority. Rural Development Transformation was initiated to modernize rural areas and make them comfortable for living\(^{58}\). Even though there is poverty in urban areas, poverty in rural areas is more significant in terms of percentages.

Recent studies revealed that micro enterprise projects initiated under the Rural Women’s Extension Group are run by both husband and wife and they are the main source of income for the majority of families. Though the earnings from micro enterprises cannot be compared to earnings of large scale industries, micro enterprises make significant contributions to development, especially of rural communities. In

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\(^{58}\) Parekh, R. and Mehta, K., 1992, *Empowerment of Rural Women – A Case Study of Udwada*. Proceedings of the National Consultation on Gender Issues in Credit in the Rural Non-farm Sector, 14-15 September, organized by SNDT Women’s University, Bombay.
addition to increasing the household income, micro enterprises also create employment to the rural population particularly young rural women. A study among 105 women micro entrepreneurs conducted in 2000 revealed that these entrepreneurs hired on an average seven persons and the bulk of workers hired were women.\(^{59}\) Since women have been traditionally involved in micro enterprises, it is logical to focus micro enterprise development to ensure sustainability.

**Conclusion:**

Since ancient times, women have been playing the most important role in Indian population. The role of women is most intimately related to the goal of comprehensive socio-economic development. Any development strategy, which neglects the need for enhancing the role of women, cannot lead to national prosperity. Women are the vital human infrastructure and their empowerment would accelerate the pace of development. Women comprise half of human resources. They have been identified as key agents of sustainable development and women’s equality is as central to a more holistic approach towards stabilizing new patterns and process of development that are sustainable. The contribution of women and their role in the family as well as in the economic development and social transformation are pivotal.

Realizing the need for economic independence and education of women that go a long way in attaining self-reliance for women, both the Central and State governments are continuously putting their efforts in this direction through various schemes during plan periods. In the recent past, all over the world, Self Help Groups have been recognized as an important step for eradication of poverty. In India, SHGs are encouraged especially in rural areas not only to improve the financial position of the

rural poor but also to empower the women. In rural India poverty is mainly due to underemployment, lack of sufficient financial support, lack of education etc., SHGs are recognized as main answer to these problems. It is realized that through SHGs, India will be able to harness its women power and emerge as a respected nation. The success stories of SHGs are many in India, especially in Andhra Pradesh. The SHGs in the study area are also taking the lead and playing a pivotal role in social transformation by creating awareness on social, economical, educational issues, by mobilizing savings from the members and encouraging micro enterprises and other commercial occupations, creating more employment opportunities in non-agricultural sector, and by infrastructure building, they have served the cause of women empowerment, social solidarity and socio-economic betterment of the poor. Therefore, there is a need for massive support from the State, civil society groups, NGOs and the international community in this regard.