CHAPTER I
INTRODUCTION

1.1 INTRODUCTION

Poverty is a multi-dimensional concept implying lack of income, lack of resources, deprivation of the means of livelihood and vulnerable to economic shocks. The inadequacy of traditional definitions of poverty, based on incomes and consumption was widely acknowledged and modern thinkers elucidated the new concerns of sustainable livelihood approach and the concept of social exclusion in the spectrum of poverty. The sustainable livelihood approach to the study of poverty has particularly emphasised the need for local participation. In this approach, each community can define criteria of well-being and the key elements of deprivation as they appear in the local context. In the 1970s, the concept of social exclusion came into the literature on poverty to analyse the condition of those who are not necessarily income poor though many are that too (UNDP, 1997).

Sen, Amartya (1999) defined poverty as a lack of entitlements and capabilities. Entitlements refer to the set of alternative commodity bundles that a person can command in society using the totality of rights and opportunities that he or she faces. On the basis of this entitlement, a person can acquire some capabilities and he/she may fail to acquire some other capabilities. Capability is a kind of freedom, the substantive freedom to achieve alternative functioning combinations.

Poverty is a global phenomenon and has varied genesis and dimensions. Poverty does not mean only human or income poverty but it also covers deprivation of human dignity caused by a vulnerability to social and cultural shocks (Planning Commission of India, 2005).
There are about three billion people, half of the world’s population, living on the income of less than two dollars a day. Among these poor communities, one child in five does not live to see his or her fifth birthday (Barr, Michael S, 2005).

Poverty is a social phenomenon in which a section of society is unable to fulfill even their basic necessities of life. The term “Poverty” have been defined in different societies in a different way but all of them are conditioned by the version of the minimum or good life to be obtained in society (Neelamagam, 2011).

As per the study conducted by Microfinance/Facts and Figures in 2006 showed that the ratio of the income between the 5 Percent richest and 5 Percent poorest of the population is 74 to 1 as compared to the ratio in 1960, which was 30 to 1 (Microfinance/Facts and Figures, 2006). To enhance international development, the United Nations Organisation (UNO) announced the Millennium Development Goals, aimed to eradicate poverty by 2015.

Poverty is one of the main issues, attracting the attention of sociologists and economists. It indicates a condition in which a person fails to maintain a living standard adequate for a comfortable lifestyle. Though India boasts of a high economic growth, it is shameful that there is still large scale poverty in India. Poverty in India can be defined as a situation when a certain section of people is unable to fulfill their basic needs. India occupies largest number of poor people in the world. Nearly 75 Percent of the poor people are in rural areas, most of them are daily wagers, landless laborers and self employed house holders. Poverty in India can be classified into two categories namely rural poverty and urban poverty (Neelamagam, 2011).

Women and men experience poverty in different ways. Of the 1.3 billion people living in poverty, 70 percent are women. In developed countries like USA, more than half the women-headed households are poor. The number of rural women living in absolute poverty rose by nearly 50 percent over the past two decades (UNDP, 1995). In short, women constitute the poorest all over the world. This phenomenon is often referred to as the feminisation of poverty.

Since independence, Indian Government has taken several initiatives to tackle poverty through area development approach and sectoral approach. After nationalisation of banks in 1969, the commercial banks were directed to lend 40 percent of their loan
able funds, at a concessional rate, to the priority sector which includes agricultural and other rural activities and the weaker strata of society in general. The aim was to provide resources to help the poor to attain self sufficiency.

To supplement these efforts, the credit scheme, Integrated Rural Development Programme (IRDP) was launched in 1980. It aimed at providing loans with an investment subsidy to poor rural families for creation of income generating assets. Under this scheme, the government was responsible for the identification of economic activities and the eligible borrowers (Girija Srinivasan and D.S.K Rao, 1996). However, there were several problems in implementation of this massive scheme though it was conceived well (Rangarajan, 1995). An initiative, viz., Development of Women and Children in Rural Areas (DWCRA) was launched in 50 Districts as a sub scheme of Integrated Rural Development Programme. This focus enabled the women's group to develop practices like visiting banks, buying an asset, maintain accounts, etc., for which they were not exposed to, but it was observed that women wanted only small loans for their specific requirements. Similarly, the success attained from other poverty alleviation programmes such as, Training of Rural Youth for Self Employment (TRYSEM) and supply of improved toolkits to rural artisans, was not up to the mark due to various short comings in the design and delivery of the projects (Sheik Mohammad Feroze et al., 2006).

Subsidies and credits were provided under poverty alleviation programmes, presuming that the poor had the potential to make effective use of these funds. However, it was later realised that the mere provision of credit, even with the subsidy, does not lead to development in the absence of managerial capabilities and involvement of the people themselves in the welfare programmes. The formal banking institutions have also ignored the poor due to perceived high risks, high transaction costs involved in small scale rural lending to a large number of poor households and the absence of collateral securities.

The failure of earlier poverty alleviation schemes of the government and the approach of the financial institutions to reach the real needy, paved the way for the introduction of the microfinance schemes using ‘Thrift and Credit Groups’, otherwise popularly known as Self Help Groups (SHGs). ‘Thrift’ refers to the savings mobilised by the Self Help Groups members and the ‘Credit’ relates to internal lending between the
Self Help Groups and the members. ‘Internal Lending’ refers to the total resources (Savings and Microfinance received) available with Self Help Groups for lending to the members.

In this regard, microfinance is the form of financial development that has its primary aim to alleviate the poverty. Governments, donors and Non Governmental Organisations (NGOs) around the world responded enthusiastically with plans and promised to work together towards the realisation of these goals. In the recognition of microfinance, the United Nations Organisation celebrated the year 2005 as a year of micro-credit, as a result this financing instrument is perceived worldwide as a very effective mean against hunger and poverty, mainly in developing countries.

1.2 INNOVATIVE FINANCIAL ARRANGEMENT

Since formal credit institutions rarely lend to the poor, special institutional arrangements become necessary to extend credit to those who have no collateral security to offer. Microfinance, by providing small loans and savings facilities to those who have been excluded from commercial financial services, have been promoted as a key strategy for reducing poverty in all its forms by agencies all over the world. Micro credit have been defined as “Programmes that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons” (The Micro Credit Summit, 1997).

Now-a-days, microfinance represents something more than micro credit; it also refers to savings, insurance, pawns and remittances, in sum to a much wider range of financial services (Tankha, 1999). Thus microfinance refers to the entire range of financial and non-financial services, including skill upgradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty.

Microfinance has captured the imaginations of many people working to reduce poverty. The premise is simple. Rather than giving handouts to poor households, microfinance programs offer small loans to foster small-scale entrepreneurial activities. Such credit would otherwise not be available or would be only available at the very high interest rates charged by moneylenders (who often charge as much as 10 Percent per month). Moneylenders operate with little competition since potential entrants quickly
find that costs and risks are high and borrowers are usually unable to offer the standard forms of collateral, if any at all.

Microfinance is a credit methodology, which employs effective collateral substitute for short-term and working capital loans to micro-entrepreneurs. (Hubka, A, Zaidi, R, 2005). The level of a country’s poverty has long been linked to measures of its economic development. Little consideration was given to the social re-organisation of the natural resources (e.g. Empowerment vs. Alienation of people, Sustainable use vs. Depletion of the environment) (Fallavier P, 1998).

The economies with a positive growth rate of Gross National Product (GNP) were measured by their poverty mitigation. This gratitude emphasised on the achievement of wealth and technology as a path for development and assumed that improved lives for all would be the natural consequence (Khan, Penn F, 2005).

However, the emerging microfinance movement demonstrates institutional innovations that appear to greatly reduce the risk and cost of providing financial services to poor households. Innovations include contracts that give borrowers incentives to exclude bad credit risks and monitor other borrowers’ activities, schedules of loans that increase over time conditional on successful performance, and weekly or semi-weekly loan repayment requirements (Morduch, 1995).

Access to these facilities is seen as a way of providing the poor with opportunities for self-reliance through entrepreneurship, cushioning the poor against economic shocks and providing a means of social empowerment for poor women in their communities. In most cases, micro credit programmes offer a combination of services and resources to their clients in addition to the usual credit for self-employment. Also, this is an effort to provide a bridge between formal financial markets and the informal groups in the formal microfinance initiatives.

The basic idea of microfinance is that poor people are ready and are willing to pull themselves out of poverty if given access to economic inputs. The successful model of the Grameen Bank (GB) of Bangladesh attracts the attention of people from all over the world. Following the example of the Grameen Bank, many developing countries use the model of microfinance for financing the poor. Bangladesh Rural Advancement Committee (BRAC), a Non Governmental Organisation in Bangladesh and Banco
Solidario S.A (BancoSol), a Non Governmental Organisation converted into a commercial bank in Bolivia are examples.

Microfinance acts as a catalyst in the lives of the poor. It has helped them achieve a reasonable rise in their income level and improve their standards of living. Thus, microfinance expected to play an important role in promoting financial inclusion and inclusive growth. However, there is a large gap in the demand and supply of credit to the poor. According to the Report on Trend and Progress of Banking in India, the support for poor households in India have been assessed at about Rs. 4,50,000/- Crore. Some of the microlevel studies indicate that the poor still continue to depend on informal sources of credit, accounting for 40 percent to 60 percent of the household demand (Report on Trend and progress of Banking in India, 2006-07).

1.3 ORIGIN OF MICROFINANCE

The origin of microfinance could be traced back to the beginning of the cooperative movement in Germany. The movement was started in 1864 in the field of cooperative based credit system by the Raiffeisen Societies as well as Rochdale pioneers in England. Similarly, the enactment of the Cooperative Credit Societies Act 1904 could be considered as the beginning of microfinance in India (Hema Sundara Raju et al., 2009).

Microfinance is not a new concept to the world. Some developed countries as well as developing countries particularly in Asia have a long history of microfinance. During the eighteenth and nineteenth centuries, in a number of European countries, microfinance evolved as a type of the informal banking for the poor. Informal finance and self-help have been at the foundation of microfinance in Europe. The early history of microfinance in Ireland can be traced back to the 18th century. It is a history of how self-help led to financial innovation, legal backing and conductive regulation, and creating a mass microfinance movement. But the unpleasant regulations prompted by commercial banking brought it down. The so-called Irish loan funds appeared in early eighteenth centuries as charities, initially financed from donated resources and offering interest free loans. They were soon replaced by financial intermediation between savers and borrowers. Loans were granted on short-term basis and installments were scheduled on a
weekly basis. To enforce the repayment, monitoring process was used (Seibel, Hans D, 2005).

In Latin America and South Asia, the microfinance has grown out of experiments, but the best-known start was in Bangladesh in 1976, following a widespread famine in 1974 and a hard-fought war of liberation in 1971 (Agion, Beatriz A, Morduch, J, 2003). Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as an experiment, on the outskirts of the Chittagong University campus in the village of Jobra. The inspiration of Grameen Bank came to Muhammad Yunus’ mind when he lent the equivalent of $26 to $42 to exploit women who were working as bamboo furniture maker. He saw that, they were enthusiastic about it and paid back their loans on time. In the beginning, Muhammad Yunus focused the activities of Grameen Bank mainly on savings and small loans, and decided to put the interest rates high enough to cover the expenses. Finally yet importantly, he asked borrowers to organise themselves into solidarity groups of five people (who have to meet every week in order to repay their loans and to exchange their opinions). Inspired by the success of his experiment, he decided to spread out this system to other villages in Bangladesh. In 1983, this institution became a bank. Today it operates in almost 36,000 villages and serves more than 35,00,000 people (www.planetfinance.org/).

On 13th October 2006, the Nobel Peace Prize went to Muhammad Yunus and Grameen Bank, the microfinance institution he founded 30 years ago. Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea (www.grameen-info.org/). Eventually we are in a situation, in which Muhammad Yunus, the founder of Grameen Bank, tells us the goal spread of micro-credit and finance, which give us the hope, “Maybe our great-grandchildren will go to museums to see what poverty was like” (Kirkpatrik et al., 2002).

Different experiences on anti-poverty and other welfare programmes implemented throughout the world have shown that the key to their success lies in the evolution and participation of community based organisation at the grass roots level. People’s participation in credit delivery and recovery and linking of formal credit institutions to
borrowers through intermediaries of Self Help Groups have been recognised as a supplementary mechanism for providing credit support for the poor. In India, National Bank for Agricultural and Rural Development (NABARD) is a pioneer in the conceptualising and implementing the concept of Self Help Groups through the Self Help Group–Bank Linkage since 1992.

1.4 NABARD’s INITIATIVE

First official interest in informal group lending in India took shape during 1986-87 on the initiative of the National Bank for Agricultural and Rural Development (NABARD). As a part of this broad mandate, National Bank for Agricultural and Rural Development initiated certain research projects on Self Help Groups as channel for delivery of microfinance in the late 1980s. In 1988-89 in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA), National Bank for Agricultural and Rural Development undertook a survey of 43 Non Governmental Organisations in 11 states in India, to study the functioning of microfinance Self Help Groups and their collaboration possibilities with the formal banking system.

Both these research projects threw up encouraging possibilities and National Bank for Agricultural and Rural Development initiated with a view to evolving supplementary credit strategies access to poor in rural areas like landless agricultural labourers, rural poor women etc, in a transparent and a cost effective way, National Bank for Agricultural and Rural Development had launched its pilot phase of the Self Help Group-Bank Linkage Programme in February 1992 which could be considered as a land mark development in bank with the poor. The concept of microfinance for Self Help Groups has proved that even the poor are bankable. Among the real and potential clients of Microfinance, women are the most appropriate targeted beneficiaries. Since it is argued that the entire household benefits from the loans, when given to women. It is further claimed that microfinance facilities would empower women to enjoy economic independence and confidence in them through their participation in groups, in their own undertakings and in their expanding economic activities (Neera Burra et al., 2006).
1.5 MICRO CREDIT

Micro Credit is defined as provision of thrift, credit and other financial services and products of the very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Micro Credit Institutions are those which provide these facilities.

**Pift and Khandker (1996)** pointed out that micro credit has a greater effect on household welfare when women are the borrowers. The impact of Grameen Bank, micro credit on per capita household expenditure, schooling, supply and non-land household assets are all higher.

The limitations of the formal financial sector in extending credit to the beneficiaries for assuring employment opportunities led to the evolution of the programmes of micro credit with the objective of providing poor timely and hassle – free credit without demanding any collateral.

The harmony among the Self Help Groups members, cohesiveness in the group followed by group pressure in determining repayment schedule and ensuring prompt and faultless repayment, supervision of co-borrowers activities in the system are the important aspects of the micro-credit.

**Self-Employment Learning Project (1997)** describes micro credit provided for self-employment programmes, which generate income allowing borrowers to better care for themselves and their families. Such successful self-employment mitigates the strains on public benefit programmes, can inject investment in low income communities, and even generate employment opportunities for others.

Micro credit emphasises the provision of credit services to low income clients, usually in the form of small loans for micro enterprise and income generating activities. Use of the term 'micro credit' is often associated with an inadequate amount of the value of savings for the poor. In most cases, the provision of savings services in 'micro credit' schemes simply involves the collection of compulsory deposit amounts that are designed only to collateralise those loans. Additional voluntary savings may collect but the clients have restricted access to their enforced savings. These savings become the main source of capital in the financial institutions (**Sadegh Bakhtiari, 2006**).
Micro Credit has given women in India an opportunity to become an agent of change. Poor women, who are at the forefront of the Micro Credit movement in the Country, use small loans to jump-start a long chain of activity. Keeping in view the immense potential in Self Help Groups in mobilising savings and in credit multiplication, the banks are considering Micro Credit as one of their important marketing avenues. The importance of Micro Credit has created a universal acceptance for the concept, the world over, declaring the year 2005 as the “International Year of Micro Credit”.

1.6 SELF HELP GROUPS

The basic unit of microfinance is groups of persons called Self Help Group (SHG). Self Help Groups are small informal associations created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity and joint responsibility. These small and homogeneous groups involved in savings and credit activities are capable of taking care of the risks through peer monitoring. The credit fund, if it comes from an outside source, is disbursed to individual members according to agreed criteria and the group undertakes joint liability for debts of each member.

1.6.1 Various Stages of Self Help Groups

The various stages of Self Help Groups are discussed below:
At the first stage, groups are formed, developed and strengthened to evolve into self-managed people’s organisations at the grassroots level.
Then, through thrift and credit activity among the members and building their group corpus the group takes up internal loaning to the members from the corpus.
Finally, the group corpus is supplemented by Revolving Fund sanctioned as cash credit limit by the banks to take livelihood. Thus, Self Help Groups take up economic activity of its choice for income generation.

1.6.2 Working Pattern of Self Help Groups

The working pattern of Self Help Groups are given below,
1. Self Help Groups generate common fund where each member contributes one’s savings on a regular basis.
2. Self Help Groups meet periodically, weekly once, collect the money saved by their members and lend to the needy members for production purposes and also for subsistence and composition needs.
3. Loans are decided by consensus.
4. Loan amounts are small with low interest rate and for short duration.
5. Loan procedures are very simple and flexible.
6. Self Help Groups also take loans from banks or voluntary agencies or any other promotional institutions to meet the requirements of the members.

1.7 MICROFINANCE AND POVERTY

Microfinance, at its core level, supports the funds requirements of the Self Help Groups, keeping in view their ability to practice ‘Thrift’, to first mobilise possible resources on their own. The Self Help Groups members’ thrift mobilises the savings, which can be utilised in lending to the Self Help Groups members. These resources of internal funds are either used for personal consumption or invested in micro enterprises. The recovery rate of this internal lending is reported to be around 96 percent and is higher in the case of women borrowers.

Hence, microfinance through Self Help Groups has evolved, as an accepted institutional framework to provide financial services to the poor. Further, it is regarded as a better mechanism to reduce poverty gradually, as against giving one time loan for investment in productive assets, which may or may not lead to sustained increases in income. The fund in microfinance keeps revolving, enabling the women to undertake economic activities gradually at their own pace and convenience, thereby contributing to the increase in their success rates.

Prof. Mohammed Yunus, the well known noble laureate for peace, is considered as the pioneer of micro credit, introduced the concept during the year 1983 in Bangladesh and started a women’s group with a loan equivalent of $27. The success of Micro Credit, made many developing countries, including India to introduce the concept with modification. National Bank for Agricultural and Rural Development report on “Status of Microfinance” in India 2009-10 has stated that 69.53 lakhs total number of Self Help Groups savings linked with banks. The total savings amount of Self Help Groups with the
bank as on 31 March 2010 is Rs.6198.71/- Crore and disbursed amount Rs.14453.30/- Crores as on 2009-10. The Government, the banks and the Non Governmental Organisations also act as Self Help Promotions Institutions.

Microfinance through women Self Help Groups is a paradigm shift towards the development of women through an increase in income and employment generation leading to poverty alleviation, empowerment of women contributes towards the development of the society. Microfinance constitutes a viable bottom-up option in lieu of macro economic poverty alleviation policy and it is also recognised as the largest low cost microfinance programme in the world (Micro Credit Summit, 2002).

As part of poverty alleviation measures, the Government of India has implemented self employment programmes like Swarnajayanthi Gram Swarozar Yojana (SGSY) where, the major emphasis have been laid upon Self Help Groups formation, social mobilisation and economic activation through micro credit finance. Simultaneously, the government also supports National Bank for Agricultural and Rural Development and other government and non-governmental organisations to take up these activities of group formation, micro credit and economic activation.

1.8 ROLE OF MICROFINANCE IN POVERTY ALLEVIATION

Microfinance is about providing financial services to the poor who are not served by the conventional formal financial institutions; it is about extending the frontiers of financial service provision. The provision of such financial services requires innovative delivery channels and methodologies.

The needs for financial services that allow people to take advantage of opportunities and better management of their resources. Microfinance consider as one of the effective tools for poverty alleviation. However, it should be used with caution-despite recent claims, the equation between microfinance and poverty alleviation is not straight-forward, because poverty is a complex phenomenon and many constraints that the poor in general have to cope with. We need to understand when and in what form microfinance is appropriate for the poor; the delivery channel, methodology and products
offered are all interlinked and in turn affect the prospect and promise of poverty alleviation.

Access to formal banking services is difficult for the poor. The main problem the poor have to take when trying to acquire loans from formal financial institutions is the demand for collateral asked by these institutions. In addition, the process of acquiring a loan entails many bureaucratic procedures, which lead to extra transaction costs for the poor. Formal financial institutions are not motivated to lend money to them. In general, formal financial institutions show a preference for urban over rural sectors, large-scale over small scale transactions, and non-agricultural over agricultural loans. Formal financial institutions have little incentives to lend to the rural poor for the following reasons.

§ **Administrable difficulties:** small rural farmers often live geographically scattered in areas with poor communication facilities, making loan administration difficult.

§ **Unforeseen risks:** agricultural production is associated with some Unforeseen risks, such as drought and floods, which is reflected in a high covariance of local incomes.

§ **Lack of information:** the absence of standardised information, standard lending tools, such as financial statements or credit histories, does not exist in these areas.

On the other hand, access to non-formal loans is relatively easy, convenient, and available locally to low income households for the following reasons.

§ Non-formal moneylenders use interlinked credit contracts to reduce default risk such as development of business relationship with the clients.

§ Non-formal moneylenders have local information which helps them to appraise credit needs and credit worthiness of the client.

§ Non-formal moneylenders are considering the needs and requirements of clients even for a small amount of loan.

§ Non-formal moneylenders will profit from social sanctions such as those that may exist between members of a family. These sanctions may serve as a substitute for legal enforcement.
§ Non-formal moneylenders use specific incentives to stimulate repayment, such as repeat lending to borrowers who repay promptly, with gradually increasing loan size.

Despite the fact that many rural poor acquire their loans from the informal financial sector in rural areas of developing countries; the sector has some basic limitations. A common feature of many rural communities is that much of the local information does not flow freely; it tends to be segmented and circulates only within specific groups. Usually the informal credit market is based on local economies and is thus limited by local wealth constraints and the covariant risks to the local environment.

Since most of the world’s poor do not have access to basic financial services that would help them manage their assets and generate income. To overcome poverty, they need to be able to borrow, save and invest and to protect their families against adversity.

Another shortcoming of the two financial sectors in developing countries is their inability to satisfy the credit needs of the poor has led to the new development of microfinance. Microfinance is believed to be able to reduce the above-mentioned inadequacies of formal and informal financial institutions and is emerging as an important credit partner to the poor in the developing world (Sadegh, Op.cit.5).

1.9 STATEMENT OF THE PROBLEM

There are very few studies that empirically support the claim of microfinance in helping the poor in alleviation of their poverty, though the enormous contribution of the sector have been the organisation of the poor, particularly women, to access critical financial services. Some of the empirical evidence which shows that the involvement of women associated with the microfinance programmes have been on the rise, resulting in a greater awareness and confidence amongst them are not properly recognised.

In general microfinance is a path towards empowering the most marginalised among the poor to take a change of their life cycle related requirements. It have been believed that through Microfinance, they are better positioned to access not only financial services but also the resources such as group support, access to markets and other related benefits. While microfinance is looked upon as a financially viable approach to address economic vulnerability, it has demonstrated the potential of building up the social capital
of the poorest communities. Inspite of all this provision is there, the Microfinance programme are not fully successful in alleviating poverty. Thus, the present study aims to analyse the role of microfinance on rural poverty with special emphasis to Self Help Groups.

1.10 SCOPE OF THE STUDY

The financing of Self Help Groups is a significant factor that contributes to the development of the Self Help Groups members’ initiatives. The Self Help Groups is a social and an economic organisation that relies on its members’ own resources and gradually supplements its resources from the banking system. It builds on the collective decision-making abilities of the members and their capacity to utilise effectively the available resources for overall development of the members’ of Self Help Groups. The growth and linkage of Self Help Groups have been found to be an enormous increase in the grass root level, after the introduction of Swarnjayanti Gram Swarozgar Yojana (SGSY) programme April 1, 1999.

In this study, an attempt have been made to study the progress of Self Help Groups in the alleviation of rural poverty and to analyse the financial pattern of Self Help Groups and their members from the financial perspective, viz., in terms of savings mobilisation, delivery of credit, management of funds, repayment of loans, entrepreneurship activities and establishing linkage with banks. The study also focuses on the role of microfinance in poverty alleviation and the impact of the programme at the household level in terms of income, employment and asset creation.

1.11 RESEARCH QUESTIONS RAISED

The research questions raised in this study are,

1. What are the present social and economical conditions of the members of woman Self Help Groups at Kanchipuram District?

2. What is the real impact of microfinance in terms of Alleviating the Rural Poverty at Kanchipuram District?
3. Is the Self Help Groups functioning properly to provide microfinance services at Kanchipuram District?
4. What is the role of Self Help Groups in Savings Mobilisation?
5. What is the satisfaction level in the performance of Self Help Groups members of various Age Groups?
6. What are the problems encountered by Self Help Groups at Kanchipuram District?

1.12 OBJECTIVES OF THE STUDY

The major objectives of the study are,
1. To study the socio economic conditions of members of Woman Self Help Groups at Kanchipuram District, Tamil Nadu.
2. To analyse the impact of microfinance on alleviating Rural Poverty at Kanchipuram District, Tamil Nadu.
3. To study the performance of Self Help Groups in providing microfinance services to the members at Kanchipuram District, Tamil Nadu.
4. To assess the role of Self Help Groups in Savings Mobilisation.
5. To study the satisfactory level of various age group members of Self Help Groups in connection with the performance of Self Help Groups.
6. To ascertain the problems associated with Self Help Groups at Kanchipuram District, Tamil Nadu.

1.13 RESEARCH METHODOLOGY

1.13.1 Description of the Study Area

Kanchipuram is considered as the one of the holy city in the country. It has contained more than thousand temples. Kanchipuram District is situated on the Northern East Coast of Tamil Nadu and is adjacent by Bay of Bengal and Chennai city and is bounded in the west by Vellore and Thiruvannamalai Districts, in the north of Thiruvallur District and Chennai District, in the south of Villuppuram District in the east by the Bay of Bengal. It lies between 11° 00' to 12° 00' North latitudes and 77° 28' to 78° 50' East
longitudes. The District has a total geographical area of about 4,307 square kilometers and a coastline of 57 Kms. Kanchipuram, the temple town is the district headquarters. For administrative reasons, the district have been divided into 4 revenue divisions comprising of 10 taluks with 1137 revenue villages. For developmental reasons, it is divided into 13 development blocks with 648 Village Panchayats.

As per 2011 census, Kancheepuram had a population of 39,90,897 of which male and female were 20,10,309 and 19,80,588 respectively. Kancheepuram District population constituted 5.53 percent of the total Tamil Nadu population. The population density of this district is 927 persons per square kilometers (The Census of India, 2011).

The average literacy rate of Kanchipuram District as per 2011 census were 85.29. If things are looking out at gender wise, male and female literacy were 90.34 and 80.17 respectively. Total literate in Kanchipuram District were 30,65,799 of which male and female were 16,34,114 and 14,31,685 respectively. With regards to Sex Ratio in Kancheepuram District, it stood at 985 per 1000 males, as per reports of the Census of India 2011.

Table No. 1.1
Self Help Groups Formation in Tamil Nadu, 2010

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>District</th>
<th>Rural Groups Formed</th>
<th>Women Enrolled</th>
<th>Savings (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Villupuram</td>
<td>16841</td>
<td>269456</td>
<td>9055.87</td>
</tr>
<tr>
<td>2</td>
<td>Kanchipuram</td>
<td>16457</td>
<td>263312</td>
<td>9342.66</td>
</tr>
<tr>
<td>3</td>
<td>Thiruvannamalai</td>
<td>14833</td>
<td>237328</td>
<td>4526.00</td>
</tr>
<tr>
<td>4</td>
<td>Cuddalore</td>
<td>13890</td>
<td>222240</td>
<td>8122.87</td>
</tr>
<tr>
<td>5</td>
<td>Thanjavur</td>
<td>13415</td>
<td>214640</td>
<td>8168.70</td>
</tr>
</tbody>
</table>

Source: Tamil Nadu Corporation for Development of Women Limited, 2010

The table no.1.1 explains the details about Self Help Groups formation in Tamil Nadu as on 31.3.2010. Among 32 Districts in Tamil Nadu, based on Self Help Groups formation, top ranked 5 Districts are listed above. Villupuram placed first in the formation of Self Help Groups (16841), followed by Kanchipuram (16457),...
Thiruvannamalai (14833), Cudalore (13890) and Thanjavur (13415). Kanchipuram District is secured second place in the formation of Self Help Groups. In the case of total savings of Self Help Groups Kanchipuram District recorded as first place with Rs.9342.66/- Lakhs among the top 5 Districts. The Self Help Groups of Kanchipuram District are more eager to save their money. It leads to the selection of the study area.

1.13.2 Pilot Study

A pilot study was carried out by researcher at the initial stage. Nearly 50 Self Help Groups members in Kanchipuram District were covered. After the reliability and validity test the final modification were done in the interview schedule for the main study.

1.13.3 Sources of Data

The study is based on both primary and secondary data. The people of Kanchipuram District are considered as population domain. The primary data have been collected after conducting a pilot survey in Kanchipuram District. The sample size for the main study is 520 Self Help Groups members. This comprises all the 13 blocks of Kanchipuram District.

Necessary secondary data have also been collected from the Mahalir Thittam office, Tamil Nadu Women Development Corporation, National Bank for Agricultural and Rural Development, District Rural Development Agency, Lead Bank, District Statistical Office and Rural Development and Panchayat Raj Department.

1.13.4 Method of Sampling

The simple random sampling method is applied to collect the sample respondents from the defined population.
### Table No. 1.2
 Sampling Design of the Study

<table>
<thead>
<tr>
<th>SL. No</th>
<th>Name of the Block</th>
<th>No. of Self Help Groups</th>
<th>No. of Sample SHGs Selected</th>
<th>No. of Members Selected</th>
<th>Total No. of Members Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kanchipuram</td>
<td>1266</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>Walajabad</td>
<td>1056</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Uthiramerur</td>
<td>1398</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Sriperumbudur</td>
<td>1423</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>Kundrathur</td>
<td>1195</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
<td>Thiruporur</td>
<td>1235</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>7</td>
<td>Kattankolathur</td>
<td>1320</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>8</td>
<td>Thirukalukundram</td>
<td>1211</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>9</td>
<td>Thomas Malai</td>
<td>987</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>10</td>
<td>Acharapakkam</td>
<td>1476</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>11</td>
<td>Madurantakam</td>
<td>1312</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>12</td>
<td>Lathur</td>
<td>1290</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>13</td>
<td>Chithamur</td>
<td>1288</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16457</strong></td>
<td><strong>130</strong></td>
<td></td>
<td><strong>520</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Unpublished Records of Mahalir Thittam Office, Kanchipuram, 2010

Table no. 1.2 explains how the sample collected for the study. The study covers all
the 13 blocks of the Kanchipuram Districts. In each block around 10 Self Help Groups
are randomly selected and 4 members are selected from the each sample Self Help Groups.

**1.13.5 Data Analysis**

The data collected from the questionnaire have been analysed and interpreted to
test the hypotheses framed and to fulfill the stated objectives. The statistical analysis
techniques such as Percentage analysis, ANOVA, t-test, Paired t-test, Chi-square, Factor
Analysis, Correlation, Regression, etc., have been employed depending on the nature of
the data collected from the sample respondents.
1.14 HYPOTHESES OF THE STUDY

The following hypotheses have been set up for the study.

1. Joining in Self Help Groups has not raised the Self Help Groups member’s socio-economic status.
2. There is a significant relationship between microfinance and Alleviation of Rural Poverty.
3. Self Help Groups have been more efficient in providing micro credit to the economically weaker sections in rural areas of Kanchipuram District
4. There is a significant relationship between Self Help Groups and Savings Mobilisation.
5. There is no significant difference between the age groups with respect to satisfaction in the performance of Self Help Groups.
6. Self Help Groups at Kanchipuram District are less problem oriented with respect to function.

1.15 STRUCTURE OF THE THESIS

The thesis has been presented in six chapters.

**Chapter 1:** The first chapter deals with the various views of poverty given by different experts, followed by Origin of microfinance, Statement of the problem, Scope of the study, Objectives, Hypotheses, Methodology, Structure of the thesis and Limitations.

**Chapter 2:** Chapter two deals with Review of related Literature.

**Chapter 3:** Chapter three deals with the core part of this thesis and the prime purpose of this chapter is to provide the reader’s insight about the theories involved in this work, which is the base of research work.

**Chapter 4:** Chapter four describes the Overview of Microfinance in Tamil Nadu.

**Chapter 5:** Chapter five describes the Data analysis and Interpretation.

**Chapter 6:** Chapter six provides the Summary of Findings and Conclusions.

The thesis includes with a list of bibliographic references and appendices.
1.16 LIMITATIONS OF THE STUDY

The limitations of the study are, only women Self Help Groups in rural areas have been taken for the study though a number of men Self Help Groups also exist. It is mainly focused on rural areas. It is not applicable to urban Self Help Groups. There is no theoretical frame work available in the area of microfinance. The Grameen model have been used as an ideal theory for microfinance. Finally, the accuracy of the analysis heavily relied on the data provided by the people involved in microfinance programme in Kanchipuram District.

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