CHAPTER-II

REVIEW OF LITERATURE

Introduction

Microcredit programs have created considerable trust and expectations among academicians, policy makers, NGO leaders, donors, investors and other development practitioners all over the world. An enormous body of evidences based on empirical research has grown over the last two decades on the success of microcredit all over the world. Experience and evidences shows that microcredit has a positive effect on the socio-economic conditions of the clients, their households and their microenterprise. Access to credit serves a dual purpose, as borrowers of capital people invest in microenterprises; it leads to an increase in enterprise and household income, assets as well as increase employment opportunities for household members and for the community.

The amount of studies addressing the role of microcredit in development processes at micro and meso scale, as well as more specific studies addressing the impact of credit on livelihood processes and small enterprise development has increased substantially over the years. Microcredit activities have affected the lives of clients (and others) in multiple ways. The most frequently reported types of effects of credit at individual, enterprise and household level are the following: income, expenditure smoothing, and poverty alleviation effects; business growth and employment effects; schooling effects; and effects in terms of women’s empowerment. There are numerous studies made both by Indians and foreigners to examine the empowerment of women and their related issues. Some of the important studies in this regard are as follows.

A brief survey of notable works done in the field of SHGs MFIs throughout world and India is presented in this chapter:

Rahman (1986), found that participant women have larger decision-making roles in their households in addition to member households having higher income and consumption when compared to non participating households regardless of the gender of the loanee.
Bolnick and Nelson (1990), find that MFI participation had a positive impact on enterprises that were typically small, labor intensive and growing, although the impact was far from uniform across sectors and target variables.

McCarty and Yaisawarng (1993), the study investigates and applies a two stage analysis where the MFIs have controllable and uncontrollable inputs. To their knowledge this is first such study that applies this two stage method on MFIs. This is the first study to measure the efficiency of MFIs using DEA on an international basis and so is important for several reasons. Firstly, individual MFI performance is measured internationally by MFI type. This may assist aid agencies or governments that fund MFIs (typically at no or low cost) to identify the most efficient in utilizing their funding.

Pitt and Khandker (1995), explored gender differentiated impacts of microcredit programs on a wide range of empowerment outcomes such as women’s ownership of non land assets, hours worked in cash earning occupations, fertility levels, children’s education and consumption expenditure. The results showed that households that received loans were more gender equitable than households that did not, finding that women’s preferences held more weight in households when women themselves received loans compared to when men received loans or when no loans were received.

Schuler et al. (1996), suggest, their high levels of empowerment and the resulting challenges that they pose to traditional gender norms could result in marital conflict and spousal tensions, subsequently resulting in an escalation in the level of violence against them, at least in the short term. While factors such as high empowerment and education may seem to be protective against domestic violence, cross-cultural research, as Jewkes (2002) notes, suggest that in societies where ideologies of male dominance are the strongest, domestic violence also tends to be the highest and societal and institutional structures are such that women with more liberal ideas and views are more at risk and victims of violence from their husbands or other males in society. These risks persist up until a point where their empowerment has reached a high enough level for protective effects to predominate.
Hashemi, Schuler and Riley (1996), examined a similarly extensive set of empowerment outcomes including women’s income contributions, mobility, ability to make large and small purchases or own productive assets, involvement in household decision making, political awareness and how they are associated with access to microcredit. Their study found that having access to microcredit significantly increased contributions to household income, likelihood of owning assets, political awareness and decision-making in purchases large and small. Access to microcredit also appeared to significantly increase the value of the component index of all of these empowerment indicators, including those that were not significant individually. The results of this study also suggested that a pathway to higher empowerment could be through the higher contribution of women to their family income.

Pitt, Mark M. and Shahidur R. Khandker. (1996), the study explores "Three important conclusions can be drawn from this exercise. First, targeted credit programs such as the Grameen Bank can 'empower' women by increasing their contribution to household consumption expenditure, their hours devoted to production for the market, and the value of their assets. Second, targeted credit programs can be seen as anti-poverty schemes. Poverty in rural Bangladesh largely means low levels of consumption, and our results clearly indicate that credit from all three programs increase the total per capita consumption of the poor and the asset holdings of women. Third, group-based credit provided to men can also have beneficial effects, particularly on the schooling of children, contraceptive use, fertility, and total household expenditure.

Hulme and Mosley (1996), argue that micro finance did not assist the poorest. They questioned the ability of the programs in targeting the poor; the sustainability of services provided the ability of the programs to reduce the poverty. They also observed that there were only limited data on the impact of NGO programs on poverty and these NGOs comparative advantage over other service agencies needs to be investigated rather than assumed.

MkNelly et.al (1996), evaluated the Freedom from Hunger credit with education program in Thailand operated through village banks. The results show positive benefits, however although non-participants in non-program villages are used as
controls, there are problems in accepting the results. No statistical tests are reported, so one cannot judge whether differences between participants and non-participants are significant. There is also a potential measurement bias since the staff responsible for the program also did the interviewing.

**Mosley (1996),** The researcher examined that across-country study of 13 institutions in seven countries (Bolivia in Latin America and Bangladesh, India, Sri Lanka and Indonesia in Asia) found that loan impact, in terms of change in borrower income, (which is not necessary the same as poverty impact) was greater in the more financially viable institutions (such as BRI and BancoSol). They explain this in terms of the screening efficiency of higher interest rates and tighter repayment conditions, which deter less financially sound borrowers. The institutions involved used a range of delivery mechanisms and the analysis does not allow firm judgments between these. Within-country comparisons by ownership are made explicitly in Park and Ren (2001), who look at the Chinese experience drawing on household survey data for 1997. They are able to compare three types of program based on ownership characteristics - NGO-based, mixed programs and government ownership. Whether in terms of conventional financial criteria like repayment rates, or measures of initial impact like targeting effectiveness, the NGO programs appear to function best, with the government-run programs the least successful.

**Buckley (1997),** studied micro enterprises in three African countries (Kenya, Malawi, and Ghana), and questions whether the extensive donor interest in microenterprise finance really addresses the problem of micro-entrepreneurship or just offers a quick fix to the problem. The study’s findings suggest that the fundamental problem is lack of infrastructure rather than the injection of capital.

**Norman MacIsaac (1997),** the study examines the role of microcredit as a tool in the fight against poverty and gender inequity. Building from the experience of South Asia Partnership (SAP) and non-governmental organizations (NGOs) in South Asia, program evaluations and research in the field, as well as SAP Canada's participation in the Canadian Council for International Cooperation (CCIC) Learning Circle on Microenterprise (January and June 1996), it summarizes key issues and highlights emerging issues in microcredit. This paper focuses on the South Asian experience. As a result, the lessons learned shared in this document may not be relevant in every
context. However, many of the issues raised in this document will be relevant beyond that region. The first two sections of this document are structured with Q & A (questions and answers) for readability and accessibility. The balance of the document looks at some of the design issues and the need for further research.

**Namerta (1998),** studied the eight micro finance programmes in India. He concluded that less than half of the sample women borrowers were economically empowered or benefited from improved household decision-making due to microfinance services. And more than half of the sample lost control of the loans and incomes from the enterprises, as they were taken over by male family members.

**Khandker et al. (1998),** find that program participation has positive impacts on household income, production, and employment, particularly in the rural non-farm sector, and that the growth in self-employment was achieved at the expense of wage employment, which implies an increase in rural wages.

**Mosely and Hulme (19980),** studied 13 MFIs in seven countries (Bolivia, Indonesia, Bangladesh, Sri Lanka, Kenya, India, and Malawi) and construct an "impact frontier" describing the inverse relationship they find between outreach (depth of poverty reached) and impact.

**Pitt and Khandker (1998),** summarizes a number of different studies conducted in Bangladesh using the 1991/92 survey and focusing on three major microfinance programs, including the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC). As discussed above impact is assessed using a double-difference approach between eligible and ineligible households (with holdings of land of more than half an acre making households ineligible) and between program and non-program villages. After controlling for other factors, such as various household characteristics, any remaining difference is attributed to the microfinance programs. The study draws a number of conclusions, but the main one is that the program had a positive effect on household consumption, which was significantly greater for female borrowers. On average a loan of 100 taka to a female borrower, after it is repaid, allows a net consumption increases of 18 taka. In terms of poverty impact it is estimated that 5% of participant households are pulled above the poverty line annually.
Hollis and Sweetman (1998), analyze mid-19th century Irish loan funds and find that MFIs were able to lend to the poor at competitive interest rates without subsidies. These Irish MFIs combated informational and enforcement problems while operating at a surplus in a market that formal sector banks would not serve. Indirect evidence that the poor may not mind paying high interest rates can be drawn from where MFI clients borrow funds to become moneylenders, presumably successfully lending at rates higher than their MFI charges. The poor who cannot obtain MFI membership are thus willing to pay rates higher than that charged by the MFI.

Morduch (1998), attempted to look specifically at the role microfinance plays in helping the poor, and reported mixed results, including some positive and some negative impacts of microfinance in alleviating poverty and helping the poor. Morduch used survey data collected in 1991/92 by the Bangladesh Institute for Development Studies, in collaboration with the World Bank, covering 87 villages and nearly 1800 households. Survey data was collected at three points during the collection period to capture seasonal variations in household circumstances. Morduch found that the microfinance programs benefited the moderately poor more than the destitute. Further, he found that households that are eligible to borrow and have access to the programs do not have notably higher consumption levels that control households. Additionally, he found that households eligible for programs have substantially lower variation in consumption and labor supply across seasons, thus the most important potential impacts of microfinance programs are with reducing one’s financial vulnerability, and not necessarily poverty.

Schuler et al. (1998), found evidence that microcredit might exacerbate domestic violence. Their study found that violence in households may worsen if group membership encourages women to challenge traditional gender roles and to secure control over resources that are typically seen to be under the husband’s domain. If a husband perceives that he is losing authority over his wife because of her group membership, it might provoke increased violence. Similarly, the greater financial independence and autonomy that women gain from microcredit membership could lead to lesser passivity in household decision-making and pose challenges to male authority, thus providing grounds for greater marital and household conflict.
**Wydick (1999)**, constructs a theoretical model to analyze the economic tradeoff between future returns to schooling and the current return to child labor in Guatemalan household enterprises. He finds that in some states, microcredit increases the probability that children will attend school; however, during certain states of moral hazard, the cost of schooling may outweigh the benefits of child labor.

**Coleman (1999)**, finds that "naive" estimates of impact failing to control for self-selection and endogenous (non-random) program placement significantly overestimate program impacts. He generalizes this finding to other impact assessments, arguing that most impact studies neglect the issues of self-selection and endogenous program placement thus leading to systematic overstatement of impact. Making comparisons across impact studies is greatly complicated by the contextual heterogeneity of programs assessed and the diversity of empirical methodologies used. The diversity of empirical methodologies in turn reflects the diversity in methodological options available.

**Van Tassel (1999)**, constructs a model and one-period game to determine the optimal group lending contract under asymmetric information. He concludes that agents will always form groups with agents of the same type and that agents' types can be distinguished according to the rate at which they are willing to trade increased joint liability commitments for lower interest rates.

**Woolcock (1999)**, also addresses the issue of group-lending design. Analyzing five cases of MFI failures in Ireland, Bangladesh, and India, he concludes that group performance depends on MFI lending policies, cost structures, nature and extent of social relations among group members, and MFI staff. Go on to discuss group lending under the frameworks of incomplete information theory and transactions cost theory. Based on their analysis, they offer recommendations for setting-up and managing an MFI.

**Ghatak (1999)**, concludes that group lending not only increases repayment rates and welfare via social collateral, but also due to peer selection by members of the lending group. Similar to Ghatak, Islam (1995) concludes that lenders using peer-monitoring systems can charge lower rates relative to conventional lenders and that
at the same interest rate, the expected rate of repayment is higher with lower risk when using peer monitoring.

Evans (1999), conducts an empirical examination of microfinance clients in Bangladesh. He reports that only 25% of eligible households participate and that rates of participation are higher among the poorer. Multivariate analysis indicates that lack of female education, small household size, and landlessness are risk factors for nonparticipation.

Conning (1999), the study reveals that only the MFI s that generate profits are able to accumulate equity capital, a source of financing, to ensure their continuity and increase their reach among the poor. As MFIs' capital grows, so does their financing capacity, either in terms of debt or by accepting larger deposits from their clientele, which in turn broadens the reach of their actions, which reinforces financial sustainability. It follows that to attain financial sustainability; an MFI must set sufficiently high interest rates to cover its expenses because too low a rate would cause financial distress that may lead to the bankruptcy. In contrast, a needlessly high interest rate would penalize the clients, that the MFI could lose, which would then undermine its social mission.

Dunford (2000), argues that best practices vary and change constantly as the microfinance fields matures. Due to the nature of MFI clientele and the disparate environments in which MFIs operate, best practices must be adaptable to the specific area in which the institution operates.

Wright (2000), argues that “.microfinance has a particular advantage over almost (and probably) all other interventions” in providing cost-effective and sustainable services to the poor. In fact the evidence to support such a strong claim is not yet available. Bangladesh and Bolivia, the most widely studied countries for microfinance, provide most of the evidence on its cost effectiveness.

Puhazhendi and Satyasai (2000), the study used a multistage stratified random sampling method to assess the impact of microfinance on socioeconomic conditions of 560 household members in 223 SHGs located in 11 states. They found that the average value of assets per household (including consumer durables and livestock) increased by 1.72 times in the post-SHG period from the level of Rs6,843
during the pre-SHG period. Average household saving, a meager Rs460 during the pre-SHG period, increased by 214 percent in the post-SHG period. The share of households among the SHGs living below the poverty line (42 percent) decreased to about 22 percent in the post-SHG period. With regard to employment performance, the study found that employment increased by 17 percent between the pre- and post-SHG periods. On empowerment, they found that involvement in SHGs had significantly contributed to the self confidence of the participating women.

Rajasekhar (2000), explored the issues by examining micro-finance programmes promoted by 15 NGOs in the states of Andhra Pradesh and Kerala. He made an attempt to study the impact of micro-finance programmes on poverty and gender equality, and the extent to which the characteristics of the groups contributed to achieving these results. After examining group formation, savings systems, conditions of credit delivery, poverty reach and loan repayments in three different types of NGO programmes, he concluded that overemphasis on short-term financial sustainability can actually create conditions that make financial sustainability unlikely, and that lack of explicit attention to developing mechanisms for participation and institutional sustainability will hinder progress toward poverty reduction and empowerment.

Navajas et al (2000), who use an index of basic needs fulfillment to classify borrowers into poor and non-poor groups. For the urban area of La Paz they find that of three MFIs, two tend to lend disproportionately to those above of the poverty line. For two of the three, the share of ‘moderately poor’ borrowers (at 29%) was lower than their share of the population (at 38%), although this was not the case for the third MFI, BancoSol (at 47%). However of the very poorest group the share of borrowers in all three institutions (at 2-5%) was well below their share in the population, reinforcing the view that MFIs have difficulty in reaching the very poor. When rural lending activities are also included there is a tendency for a skew in lending towards the ‘threshold’ group, defined as those just above the poverty line and the ‘moderately’ poor.

Farrington (2000), identifies a number of accounting variables to reflect the efficiency of the microfinance institutions. These accounting variables are administrative expense ratio, number of loans per loan officer and loan officers to
total staff, portfolio size, loan size, lending methodology, source of funds and salary structure as the efficiency drivers and hence as the measurements for MFI efficiency.

**Copestake, Bhalotra, and Johnson (2001)**, attempted to provide an overall assessment of microfinance programs and used a mixed-methods approach, utilizing questionnaire-based sample survey of PULSE participants, a secondary survey on drawn on a larger population of businesses and households, and qualitative focus-group discussion and key informant interviews. The researchers noted that “expectations are high, but evidence of the impact of microcredit remains in short supply” and that the number of rigorous studies still remains small. however, 57% of program participants reported feeling better off overall, though some borrowers are made worse off financially through involvement with the microcredit programs. Further, the researchers found that the microfinance programs benefited the moderately poor more than the destitute.

**Chen and Snodgrass (2001)**, examine the operations of the Self Employed Women’s Association (SEWA) bank in India providing low income female clients in the informal sector with both saving and loan services. The study tests for the impact of these services by comparing the bank’s clients against a randomly selected control group in a similar geographic area. Two surveys were conducted two years apart. Average incomes rose over time for all groups – borrowers, savers and the control, although the increase was less for the latter. In terms of poverty incidence there was little overall change, although there was substantial ‘churning’, in that amongst the clients of SEWA there was quite a lot of movement above or below the poverty line.

**Copestake, et.al., (2001)**, studied on the income impact of micro-credit on the clients drawn from poverty line have indicated that most households are better off with micro-credit, but income impacts vary in magnitude and durability and a sizeable proportion of clients find that their post credit incomes stagnate or fall.

**Hollis and Sweetman (2001)**, discuss the microloan funds in 18th and 19th century Ireland. They report that Irish loan funds thrived for over 100 years due to their ability to change rapidly to external conditions, at one point providing financial
services for 20% of Ireland's population. It took a combination of formal bank lobbying that resulted in anti-MFI legislation and the Irish potato famine to cause the demise of these early loan funds.

Patten et al. (2001), provides a more recent historical example of the resilience of MFIs and their clientele. They compare the performance of the Indonesian MFI Bank Rakyat Indonesia (BRI) to formal Indonesian banks during the East Asian financial crisis. They find that BRI performed superior to the formal banking sector when comparing both loan repayment rates and savings rates of members. Having discussed MFI self-sufficiency and sustainability, we now turn our attention to the products and services offered within the current microfinance framework.

Kabeer, N. (2001), the study explores the reasons why recent evaluations of the empowerment potential of credit programs for rural women in Bangladesh have arrived at very conflicting conclusions. Although these evaluations use somewhat different methodologies and have been carried out at different points of time, the paper argues that the primary source of the conflict lies in the very different understandings of intra household power relations which these studies drawn on. These conflicting conclusions about the "empowerment" potential of credit for women are both apparent and real….Consequently some of the differences in findings relate to differences in the incidence of empirical outcomes, some findings referring to "average" and others to "non average" outcomes.

Lapeneu and Zeller (2001), found that Asia accounted for the majority of MFIs, retained the highest volume of savings and credit, and served more members than any other continent. The most recent data from the Micro banking Bulletin reinforces these findings. Average size of loans and deposits are often taken as a simple proxy of depth of outreach. By these criteria Asian MFIs have among the lowest Loan and Savings Balance per Borrower, even after adjusting for GNP per capita, suggesting that they are effectively reaching the poor.

Mosley (2001), a study provides a rare, if approximate, estimate of cost effectiveness of MFIs relative to other poverty interventions in Bolivia. He compares the estimated numbers in a particular area brought over the poverty line by four different MFIs, as a result of microcredit, with the organizations' expenditure
that can be allocated to activities in that area. This gives a cost per person brought out of poverty for four MFIs that use different approaches. BancoSol and Foundation para la Promocion y Desarrollo de la Microempresa (PRODEM) are more commercial with greater use of individual loans, whilst ProMujer lends largely to women in urban co-operative groups and Sartawi offers both group and individual loans, but also provides a range of training and education services in addition to credit.

Bhatt and Tang (2001), discuss MFI vehicles, technologies, and performance assessments and conclude that the future success of microfinance will depend on MFI design tailored to specific clients. Bhatt and Tang's assertion highlights the importance of research to develop sound practices of MFI design and management.

Gomez and Santor (2001), provide empirical evidence of the importance of social collateral. In an empirical study of 612 group borrowers and 52 individual borrowers in Canada, they report that group lending and the presence of neighbors have a positive correlation with self-employment earnings. It follows that borrowers with higher earnings will have an easier time of servicing their microloans.

Park and Ren (2001), empirically contrast the implementation of microfinance services provided by non-government MFIs versus the Chinese government. Their tests indicate that microfinance NGOs have positive results in targeting, sustainability, and impact, whereas government programs do not. The data supports the notion that efficient MFI management contributes significantly to accomplishing microfinance objectives.

Kevane and Wydick (2001), use a sample of 342 MFI participants in Guatemala to analyze the assertion that male borrowers produce more economic growth than women and that woman facilitate more poverty alleviation. They find no significant differences between men and women in generating business sales and a small advantage of employment generation by men relative to women. They attribute the difference between men and women to the role of women in childbearing. Underlying the emphasis on lending to women is the widespread belief that access to financial services empowers women, both financially and socially.
A study by Steele, Amin and Naved (2001), that explores self selectivity of women into microcredit groups in Bangladesh, where the use of contraception is explored as the outcome of interest, authors note that selection bias exists at three different levels. At the individual level, women only from a certain social strata can enter microcredit groups, primarily due to the eligibility criteria that must be met by all prospective members. As noted in their study, these criteria are mainly geared towards targeting the poor by only allowing women of lower income households and those who are functionally landless to join such groups. There is of course the self selection of highly empowered, more educated and forward thinking and more liberal women into participating in such groups since membership is voluntary. The study also finds that non random placement of the microcredit program contributes to selection bias through differential attitudes towards, access to, and uptake of family planning and contraceptive services in different areas. Results from this study suggest that certain attributes of women related to past experience of domestic violence and discord in marital relationships may make women more likely to choose to participate in microcredit groups. Alongside characteristics such as age and women’s status measures such as mobility that are observed to be positively related to participation, women’s treatment by her husband showed the strongest correlations with group membership.

Doung and Izumida (2002), examined in a study six villages in Viet Nam. There whilst credit availability is linked with production and income, household economic position and prestige in a village plus the amount of credit applied for are the main determinants of how credit is allocated.

Musharaf (2002), says that Pakistan is well aware of the challenges poverty poses to humankind. Inequalities between the richest and the poorest people are widening. Women are worst hit by poverty, and with them the family unit gets entangled in a vicious cycle of poverty, ignorance, diseases and even more poverty. Action is needed on a number of fronts, as only a multi-pronged approach can tackle the problem of poverty. Micro-credit is one instrument that holds the greatest promise for transforming the lives of the economically underprivileged. Our region that houses more than two thirds of the poor people in the developing world – nearly a billion people in about 180 million households are constrained to live in abject
poverty. Of these, 670 million live in the rural areas. Clearly, it is this region that should be targeted to reach out to the poor through micro-credit.

**Study by PPAF (2002)**, which says that the poorest generally remain outside the net of conventional micro-credit programs for two reasons. Firstly, successful micro-credit operations are careful to screen out potentially risky clients. Secondly, the poorest people often self-selected themselves out. They may not consider themselves to be ‘credit worthy’ or may not feel they have enough resources to generate sufficient income to pay back the loan.

**Manimekalai and Rajeswari (2002)**, felt that there was no support from the members’ family. The NGOs concerned might educate the men to co-operate with women for the betterment of the community and the economy as a whole. To conclude, SHG was the best experiment found successful in many parts of the country and must be encouraged and spread to all the areas where poverty persisted and this would bring women to the mainstream in the society.

**Ahmed, S. (2002)**, says that in recent years, in its wider dimension micro-credit known as micro-finance, has become a much-favored intervention for poverty alleviation in the developing countries and least developed countries. There is scarcely a poor country, and development oriented donor agency, (multilateral, bilateral and private) not involved in promotion (in one form or other) of a micro-finance program. Many achievements are claimed about the impact of micro-finance programmes, and an outside observer cannot but wonder at the range of diversity of the benefits claimed. Various studies demonstrate that rapid and sustainable poverty reduction depends on interaction of a wide range of policy measures and interventions at macro and micro levels.

**Murthy (2002)**, states if the objective is poverty alleviation rather than elimination of poverty, micro-credit might at best provide micro solutions. To quote Scully, "As long as micro enterprise development is offered as a substitute for meaningful social development, for employment that offers real security, for viable small-farm and enterprise production, and for fundamental changes in the economic policies prescribed by institutions such as the World Bank and the IMF, it will only impede
progress toward finding real answers to the very real problem of poverty in the developing world”.

Choudhri (2002), found that the main issues generally reflected are confronting almost all micro-finance programmes aim at poverty alleviation in varying degrees, are identification of poor, access to the poor, specially the women, nature and causes of poverty, identification of appropriate micro-enterprise or income generating activities, appropriate institutional support mechanism. Besides devising suitable methodology for development and implementation of such programmes on sustainable basis. The experts and practitioners of micro-finance programmes in general seems to have unanimity of views on considering poverty as a complex, multi-dimensional phenomenon which goes beyond the notion of income and encomasses social, economic and political deprivations

Puhazhendi and Badatya (2002), the study carried out for NABARD, assessed the impact of the SBLP on SHG members in the Indian states of Orissa, Jharkhand, and Chhattisgarh. The study followed a multistage random sampling method. The findings suggest an increase in household savings and assets for the SHG members after they formed the group. The average loan amount per member increased significantly by 123 percent between the pre- and post-SHG periods. About 83.3 percent of the groups had promptly repaid the loans and only 16.7 percent had repaid late. The net annual income of SHG households increased by 23 percent after joining the SHGs. Employment was found to have increased by 34 percent on average in each SHG household. The share of SHG member households below the poverty line fell from 88 percent to about 75 percent.

Morduch (2002), studied the impact of microfinance on poverty reduction using micro-credit, assets, family size, and education as independent variables and income of household as dependent variable. The study used Consultative Group to Assist the Poorest (CGAP) poverty assessment tool. Housing Index, SEF’s Participatory wealth rankings, and US Aid’s AIMS tools for assessment purpose. Evidence showed the positive impact of microfinance on poverty reduction.

Chavan (2002), examined the role of micro-credit on poverty reduction by using comparative analysis approach was used. There was a treatment group
(beneficiaries) and a control group, comparison showed the change and increase in the incomes of both groups from 1988 to 1992. The results showed that micro-credit programs and institutions have generated a positive change in the income of borrowers but this change has only been marginal, it means due to their small scale of operations have made minimalist impact on earnings and employment generation for the rural poor.

**Mayoux (2002),** explains that microfinance programs are assumed to bring out virtuous spirals by assisting poor women to access credit. There are certain assumptions behind a positive relationship between microfinance and empowerment. Women’s access to credit and savings will help them take a bigger role in decision making, which will further help them to optimize their own as well as their family’s welfare. Investment in women’s activities is also likely to enhance employment opportunities of women and increase the income at the household level. Access to savings and credit facilities also enables women to increase expenditure on themselves and their children and to prevent leakages in the household income on unproductive/harmful expenses. Access to savings and credit results in improving skills, mobility, knowledge and the support network. Group formation also leads to wider social and political movements and helps women upgrade their status at home as well as in their community.

**Wehrell et al. (2002),** arguing from a sociological perspective asserted that access to credit provides the poor with productive capital that helps to build up their sense of dignity, autonomy, and self-confidence, and hence are motivated to become participants in the rural economy.

**Koenig et al. (2003),** note, these beneficial effects could be a manifestation of a number of factors. First of all, it could be a result of the reduction in economic scarcity in the household resulting from the woman’s membership in such organizations which brings in a loan and thus additional resources into the household. The access to loans and the subsequent control of a resource as valuable as money that membership in a microcredit group enables a woman to have could increase self-reliance and elevate their status within the household. The threat of losing a loan as a result of violence could also induce husbands to become less abusive against their group member wives.
Mahmood Hassan Khan (2003), the study found the result of a much targeted programme and self-selection of poor households in which there may be a tendency to exaggerate the poverty status knowing that the programme would prefer to work with this category of households. In order to ensure accessibility of credit to the poorest members of the COs, formation of smaller sub-groups has been undertaken to facilitate the group approval of individual credit requests. This has proved extremely helpful to members who were unable to secure a group guarantee for their credit application from the larger group. In addition, new loan products were introduced which were specifically targeted to poor women, e.g. the micro-leasing of sewing machines which has made credit more accessible to poor women.

The National Human Development Report, Pakistan, January (2003). According to a survey undertaken as part of the Human Development Report in Pakistan, it was assessed that only 35.6 percent of the households surveyed had access to loans and that the proportion did not vary substantially across the categories of extremely poor and poor households. However, the proportion was significantly lower in the urban areas, where only 16 percent of the households received loans. For the rural areas, the proportion of households receiving loans was lowest in the case of the extremely poor i.e. 37.3 percent compared to 44.7 percent and 47.7 per cent for the poor and the non-poor households respectively. While the rural areas have received more loans that do not mean that they have received more institutional credit. As much as 80.3 percent of the total loans are obtained either from the shop keepers or from friends and relatives. The institutional credit tends to flow to relatively richer sections of society.

Fernando (2003), the study reveals that the failure of commercial financial institutions to reach the poor provided the initial impetus for MFIs, this new trend is paradoxical and raises the question of whether the initial poverty reduction objectives of the transformed NGOs will be subjugated to commercial criteria (so-called 'mission drift'). This potential disadvantage is still unexplored empirically, but the advantages of transformation are clear: increased access to funding and regulatory authority freeing the institutions from dependence on donor-funds and capital constraints on growth and allowing them to offer a wider range of financial services.
Sunita Pitamber (2003), the study reveals that in most African countries women tend to account for an average 51% of the population, and make up about 65% of the rural labour force. Thus, many rural based micro-finance programmes have attempted to address the women specific need for micro-credit. This study analyses the effectiveness of micro-credit as a means to reducing poverty, with particular focus on women, and demonstrates, through the critical analysis of some country-specific examples, that the use and supply of micro-credit does not always lead to a sustainable impact on household or female poverty reduction.

Amin et al (2003), compute several measures of vulnerability. They find that the micro credit participants in the two villages covered are more likely to be below the poverty line than if they had been selected at random, so that the programs have reached the poor. However, the vulnerable are more likely to join a micro credit program in only one of the two villages. Further, for the vulnerable below the poverty line in one village there is no evidence that they are more likely to be members of a program and in the other village there is evidence that they have either chosen not to join or are actively excluded, presumably on the grounds that they are a poor credit risk. Hence the very poor and vulnerable do not appear to be reached. More positive conclusions in terms of the ability of micro finance to reduce vulnerability are found.

Gertler et.al (2003), finds that access to micro finance helps household’s smooth consumption in the face of declines in health of adult family members. Having established an empirical relationship between health condition and consumption, the authors test for a relation between access to a financial institution and consumption shortfalls associated with ill health. Using geographic distance as a measure of access they find that for households in an area with a BRI branch health shocks have no effect on consumption. This study does not differentiate within the group of the poor.

Ahmad & Naveed (2004), observed the role of microfinance in reducing rural poverty. The study was conducted to evaluate the role of microfinance provided by Khushhali Bank Limited (KBL) for poverty reduction in District Rahim Yar Khan - Pakistan. Correlation analysis was carried out to determine the relationship of microfinance with income, crop production, asset formation, farm expenses and
saving. It was found that the microfinance has positive relation with saving, farm expenses, crop productivity, and income and asset formation. Moreover, the microfinance is effectively serving the poor people and increasing their standard of living by giving them proper loan for cotton, livestock and working capital in the said district.

Salma (2004), noted that among non-participating poor, 77% of them are still under poverty line. Among them, 32.7% are at the bottom half; and only 23% managed to escape out of poverty without microcredit. On the other hand, among 244 active and inactive members and dropouts, 57% of them were no longer poor, 33% of them were moderately poor and 11.5% were still at the bottom half of the national poverty line. Findings from Salma (2004) showed that the household income, expenditure, savings and assets increased for both AIM and PPRT ("Projek Perumahan Rakyat Termiskin" or Housing Project for the Poor) participants compared to non-participants. Furthermore, these increases are higher for AIM clients than PPRT clients. Salma (2004) therefore concluded that the microcredit program has direct and higher contribution to generate income than non microcredit program like PPRT.

Chakrabarti (2004), the study assessed more specific issues such as the role of SHG federations in the sustainability of SHGs and the economic and personal empowerment of women, as well as the role of microfinance in poverty eradication. The major findings of these studies are that SHG federations play a critical role in improving the sustainability of SHGs through financial and organizational support. Besides promotion of savings among SHG members in general and savings for education, housing, marriage, and festivals in particular, they also provide loans to SHGs at low interest rates. As far as organizational support is concerned, federations employ their own resources in promoting new SHGs and have been able to reduce the cost of promotion of SHGs as compared to other agencies such as banks and nongovernmental organizations (NGOs).

Sajjad Zohar (2004), traces the evolution of NGO sector in Bangladesh and evaluates its role in social development. Microfinance plays a major role in the development of many African, Asian and Latin American countries. This study overviews the concept and evolution of Microfinance schemes across the world.
Moll (2005) concludes that microfinance sector should be guided by “stability and expansion”: stability to withstand shocks and to maintain the relationship established between rural households and MFIs and expansion to include more people within the financial frontier.

Morris and Barnes (2005), attempted to provide an overall assessment of the impact of microfinance, and examined the impacts of three microfinance programs in Uganda (FINCA, FOCCAS, and PRIDE). Utilizing survey data collected via random sample from each of the three program areas (for both program clients and non-clients), baseline data was first collected in the winter of 1997, and then the survey was repeated in the winter of 1999 to assess impact. The researchers did not find that microfinance programs help to alleviate poverty in program areas, though results from these impact studies indicated positive impacts of these microfinance programs on both program participants’ entrepreneurial business endeavors and within their own households. The authors further found that microfinance programs help to reduce financial vulnerability of poor individuals through the diversification of available income sources and the accumulation of assets.

Khandker’s (2005), the study explores, “Microfinance and Poverty: Evidence Using Panel Data from Bangladesh.” This research examined 1,638 households that participated in two waves of the BIDS—World Bank 1991/92 and 1998/99 survey in Bangladesh. Khandker found that moderate poverty in the sample villages declined 17% between the two waves of the survey, and extreme poverty declined 13%. Among those households that participated in the microfinance programs, the poverty rate declined 20% in the same period, with more than half of the nearly 3% annual moderate poverty decline among participants attributed to the microfinance programs alone. He further found that access to microfinance programs contributed to the reduction of both moderate and extreme poverty of individuals (particularly women) as well as for the village as a whole—where inflow of microfinance funds to rural areas impacted the local economy—and raised per capita household consumption for both participants and nonparticipants.

Islam et al., (2005), the study reveals that overall micro finance is a very vital tool for poverty alleviation. Poor people have to face a lot of risk such as death, crop failure, fire, drought, theft which make them more vulnerable and their income and
living standard cannot be enhanced. To resolve these issues, micro-credit has introduced the micro insurance facility that is not provided by the traditional money lenders. So the micro-credit addresses the vulnerabilities and reduces the risk of poor people.

Littlefield (2005), reports that the opportunities created by credit availability helps a lot of poor people to invest in their own businesses, educate their children, improve their healthcare and promote their overall well-being.

Lafourcade et al. (2005), use cost per borrower and cost per saver as measure of efficiency. They found African MFIs incur highest costs per borrower but have the lowest costs per saver. They also mention that regulated MFIs maintain higher efficiency through low costs per borrower and per saver. In contrast, African cooperative-MFIs are the least efficient with the highest cost per borrower. Nevertheless, cooperative- MFIs have the lowest cost per saver but unregulated MFIs have the highest. None of these two studies use any parametric or non-parametric approach to evaluate the efficiency of MFIs.

Moyle, Dollard and Biswas 2006), found that a large share of female SHG members reported significant development of their self-confidence and work efficiency despite the challenges they face due to the work and responsibilities involved with being an SHG member.

Guitierrez-Nieto et al. (2006), applied data envelopment analysis (DEA) to measure the efficiency of 30 Latin American MFIs and then explored the multivariate analysis of the DEA results. They developed 21 specifications using two inputs and three outputs. They identified an NGO (W-Popayan), and a non-bank financial institution (Findesa) as the most efficient among the group of 18 MFIs.

Millar (2006), suggest several other obstacles that are equally detrimental to the incorporation of microfinance, including significant resistance by banking employees to the microfinance culture; potential disapproval by shareholders; regulatory requirements with regard to unsecured lending and interest rates; and the need for specialized training.
Aguilar (2006), study to examine the impact of microfinance on rural farmers in Malawi, reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow and that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed.

Mayoux (2006), argues that the inter linkages between microcredit and women's empowerment are delineated differently by existing paradigms. The financial sustainability paradigm as well as the feminist empowerment paradigm emphasizes women's income-earning activities, whereas the poverty alleviation paradigm emphasizes the effects on household expenditures and particularly the use of loans for consumption purposes. Consequently, in the literature one can identify a wide range of measures that try to capture the effect of microcredit on women's empowerment.

Soundarapandian (2006), made an attempt to analyze the growth of SHGs and the role of micro finance in developing the rural entrepreneurship. The study suggests that though there is a positive growth rate of SHGs in state but in terms of the growth of SHGs there is a wide variation among states. Linkages of banks with SHGs are found impossible for this variation.

Loganathan and Asokan (2006), analyzed the inter regional performance of SHGs in terms of their total number, level of credit and per capital credit per SHG. The study revealed that SHGs had provided access to credit to their members, promoted savings, reduced dependence on money lenders and above all empowered rural women.

Anitha and Ashok (2007), observed that the success of these self-help Groups not only improved the economic status of the women concerned, but there was also a drastic change in their social status. SHGs developed human dignity among the poor and women. Women were nobody earlier but somebody now. In the process of rural development SHGs certainly have a future role to play.

Nayak (2007), made an attempt to analyze the empowerment of the poor through SHG and micro finance in the Kalahandi district of Orissa. The questionnaires were prepared and presented to 997 members of sample 80 SHGs. The study found that
89194 families of Kalahandi district benefited from SHGs and bank linkage program and suggested strengthening of cooperative sector.

**Tushir et al. (2007)**, made an attempt to highlight the role of micro finance in uplifting the economic conditions of women households in Haryana district through SHGs up to March 2006. They concluded that micro credit is a powerful instrument and has improved access to rural poor, especially women.

**Anitha and Revenkar (2007)**, made an attempt to study rural development through micro credit, the growth of SHGs from 1992-93 to 2003-04, and agency-wise SHGs linked on March 31, 2004. They concluded that the success of SHGs not only improved the economic status of women, but also brought lot of changes in their social status.

**Vinayamoorthy and Pithoda (2007)**, made an attempt to examine women empowerment through SHGs in three villages of Tamil Nadu. They selected a sample of 398 members of 20 SHGs from Vellore, Thiruvannamalla and Dharmapur districts of the state. The main objectives of the study were to examine the income, expenditure and the savings of the members after joining SHGs and the role of SHGs in providing credit. They concluded that the economic activities of SHGs were quite successful.

**Karmani (2007)**, explained that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit. This is because poor borrowers tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital or the hiring of labor.

**Muhammad Sayeedul Haque and Masahiro Yamao (2008)**, The present study was conducted to find out whether microcredit has the power to alleviate the poverty in Bangladesh, a country with more than 40% of her population living below the poverty line. This study is based on randomly collected primary level data from thirty-five villages of Bangladesh. The sample of the study consisted of 300 microcredit women members of famous Non-government Organizations (NGOs) and Microfinance Institutions (MFIs) including Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), and Association for Social Advancement (ASA), Thengamara Mohila Sabuj Sangha (TMSS) and others, who had been borrowing
from these financial institutions for more than six years. Findings showed that, the amount of credit is insufficient to run an income generating activities that can generate such earnings by which one can repay the weekly installments after mitigating the least requirements to survive. Heavy pressure by field workers of NGO-MFIs compelled them to borrow from other sources with an exorbitant interest rate to pay the weekly installments and savings. Having no alternative means to repay the entire loan, they felt into the problem of additional indebtedness, from which a borrower never came out of the vicious circle of poverty and remained the same as they were before. From the survey, it is also found that, poor with certain level of income and without indebtedness can improve their livelihoods after proper utilization of microcredit. It is also found that, NGO-MFIs disburse loan only to wealthier poor and no longer interested to the chronic or hardcore poor to reduce their severe poverty in Bangladesh, the pioneer of microcredit.

**Shobha (2008)**, made an attempt to evaluate the problems of self-employed women. The study took 400 self-employed women as sample from Coimbatore Municipal Corporation limit and used scaling technique. The study concluded that the problems faced by the beneficiaries of Prime Minister’s Rozgar Yojana are less severe than non-beneficiaries.

**Murugan and Begum (2008)**, made an attempt to examine the predominant barriers to women entrepreneurs. The study was based on the primary data collected from the sample 100 entrepreneurs of Chennai City. The study revealed that social and cultural barriers are prominent formidable block for the development of women entrepreneurs. The study concluded that entrepreneurs with ability to plan and run a business deliver quality products.

**Gudaganavar (2008)**, made an attempt to examine the empowerment of rural women through SHG. They highlighted the progress of SHGs in India from 1992-93 to 2006-07. They also highlighted the region-wise progress of SHGs and employment of women through SHGs. They concluded that no development was possible without empowerment of women.

**Vasanthakumari (2008)**, made an attempt to examine the role of micro enterprises in empowering women in Kerala. The author took a sample of 328 micro
entrepreneurs. The study revealed that these enterprises helped in empowering rural women economically, socially and individually. The study suggested giving priority to commercial viability of enterprises.

Shiralashetti and Hugar (2008), made an attempt to examine the progress of SHGs and their linkage to bank. The study was based on the secondary data collected from annual reports of the NABARD. The main objectives of the study were to examine the progress of SHGs and bank linkage in India and in Karnataka State and to study the district-wise and bank-wise linkage of SHGs in Karnataka State. They concluded that SHG movement is a powerful tool for alleviating the poverty of the people.

Ganapathi and Sannasi (2008), made an attempt to highlight the factors influencing the women entrepreneurs. The study highlighted the common features of women entrepreneurs, challenges faced by them while undertaking the entrepreneurial activities and the necessary strategies to overcome the challenges. The study concluded that women must be motivated to establish business in the interest of the family income in particular and national income in general.

Kumararaja (2009), made an attempt to evaluate the performance of SHGs in Tamil Nadu. The study highlighted the progress of SHGs in India and in Tamil Nadu. It revealed that there has been a steady progress in the number of SHGs and amount of loan sanctioned. The study concluded that a timely and regular check of the micro credit through SHGs will contribute to a healthy progress and to the overall development of rural women.

Lalitha and Prasad (2009), made an attempt to analyze the empowerment of women through Development of Women and Children in Rural Areas (DWCRA) program in the Guntur district of Andhra Pradesh. The study revealed that income of individual after joining DWCRA program has increased comparatively. The study concluded that the potential of women is not fully tapped and utilized for the community.

Deepak Barman, Himendu P. Mathur and Vinita Kalra (2009), the objective of this paper is to examine the relationship between the level of indebtedness to moneylenders and the type of microfinance model through a case study in Varanasi, U.P. Comparing two microfinance models prevalent in the research area, the authors
conclude that the level of indebtedness to moneylenders is higher in the case of clients of Microfinance Institutions (MFI) model and without complete information on the credit-worthiness of borrowers, MFIs may contribute to the over-indebtedness of their clients as well as damage in their performance.

**Knight Farhad Hossain and Christopher J. Rees (2009)**, the authors of this article posit that central banks and the banking sector, in general, can promote good and inclusive financial governance in developing countries by adopting microfinance practice and by integrating pro-poor policies into their banking systems. Focusing on the case of Barbados, the article examines the importance of microfinance for commercial banks. It is argued that the integration of microcredit into the banking and credit schemes of commercial banks and microfinance institutions is a key to promoting good governance.

**Sankaran (2009)**, made an attempt to analyze the trends and problems of rural women entrepreneurs in India. The study highlighted the conceptual aspects of trends and problems of rural women entrepreneurs in India. It concluded that women have creative ability, easy adaptability and ability to cope with setbacks.

**Saraswathy et al. (2009)** made an attempt to analyze the role of microfinance in Krishnagiri district. They highlighted the role of Government of India, NABARD, NGO and Banks. The questionnaire was prepared and presented to 75 members of 16 SHGs of 9 NGOs. The study revealed that majority of members has agreed that their income has increased after joining SHG. It concluded that SHGs have become the development ambassador of villages.

**Saurabh (2009)**, the study focuses on the experience of microfinance programs in the context of liberalization. The author highlighted the rural Indian society and Indian rural financing system. The study suggested eliminating the shortcomings of the existing rural financing system by establishing more microfinance projects and RRBs.

**Rahman, Rafiq and Momen (2009)**, argue that age, education and number of gainfully employed members had a significant positive effect on household income and asset. This study suggested some adjustment to the existing microcredit
programs to achieve the intended outcome, that is, to serve the purpose of those in the lower income society.

**Panda (2009),** in his study conducted in India noted a significant increase in borrower’s household income (11.41 percent) and asset position was 9.75 percent higher than non participants and the savings increased by 42.53 percent. This study also found an increase in annual employment days among the clients.

**Sachs (2009),** claims that microfinance may not be appropriate in every situation and advices against one size fit all strategy in the use of microfinance in poverty alleviation. Sachs explained that the poor governance infrastructure, dispersed populations in the rural areas might limit the potential benefits of microfinance in Africa. In these cases, grants, infrastructure improvements or education and training programmes could be more effective.

**Waheed (2009),** examined the role of microfinance in poverty reduction. Primary and secondary data was used and 68 households were interviewed. The multiple regression analysis was used. The results showed that micro-credit improves income.

**Pawan Kumar Dhiman (2009),** the present study data from two states one from Himachal Pradesh, a hilly states and the other from advanced state, Punjab have been undertaken and it has been found that some work is being done by the SHGs in Himachal where as in Punjab SHGs groups are not doing as per expectations.

**Prema Basargekar(2009),** Annapurna Mahila Mandal (AMM) is a microfinance institution working for women empowerment in the urban areas of Maharashtra, India. It was founded in the early 1970s with the background of labor unrest in Mumbai. The first part of this paper deals with the factors responsible for the inception of AMM, the role of a social entrepreneur in its development, its objectives, its strategies, and its growth over the years. The second part deals with the assessment of economic and social empowerment of member beneficiaries due to this movement, by using the survey method. The survey reveals that while economic empowerment of members, in terms of income generation, asset creation and monthly expenditure, were marginal, it is significant in terms of savings. The
survey also reveals that the members of AMM experienced a significant rise in self-esteem, self-respect and leadership qualities.

**Naveen K Shetty and Veerashekharappa (2009)**, the study finds that SHG-bank linkage and MFI models are the two dominating microfinance approaches in the post-financial reforms in India. The study also finds that the microfinance sector in India is growing with the genesis of new institutions on the one hand and, on the other hand, the NGOs are transforming themselves into financial institutions and entering the business of microfinance. The study concludes that the suitable regulatory environment is the prime concern for sustainable delivery of microfinance in India.

**Gutiérrez-Nieto C Serrano-Cinca1 and C Mar Molinero (2009)**, In this study, they try to measure the efficiency of MFIs in relation to financial and social outputs using data envelopment analysis. For the analysis of financial efficiency, they rely on existing literature for traditional financial institutions. To this they have added two indicators of social performance: impact on women and poverty reach index. They have studied the relationship between social and financial efficiency, and the relationship between efficiency and other indicators, such as profitability. Other aspects studied are the relationship between social efficiency and type of institution—Non-Governmental Organization (NGO), non-NGO, and the importance of geographical region of activity. The results reveal the importance of social efficiency assessment.

**Karlan & Zinman (2009)**, studied a microcredit organization in the Philippines targeted towards small businesses using a field experiment and a follow up survey. In their experimental design, they randomized the approval decision for marginally credit worthy applicants and used household and business survey data to measure impacts on credit access and outcomes such as profits and business formation. They found that while profits rose, they only did so for men with higher incomes. The rise in profits was also only limited to smaller enterprises that had lower costs and that profits increased by shrinking businesses to shed unproductive workers. On the other hand, though not explicitly microcredit in the classic sense of the provision of small collateral free loans, Karlan and Zinman (forthcoming) studied payday loan services
in South Africa using an experimental design, finding that such services benefit both genders on a range of economic outcomes.

Banerjee, Duflo, Glennerster & Kinnan (2009), the study reveals that, a randomized control trial of microcredit in the urban slums offering loans to randomly selected slum areas while withholding these programs from other slums of Hyderabad, India. After a year, there was no appreciable or significant effect of access to microcredit on the average monthly per capita expenditure in households, though spending on durable goods and the number of new businesses was seen to increase. The impact on other economic outcomes was also generally found to be mixed, finding differences in spending in durable and non durable goods based on the household’s current ownership of or propensity to open businesses. No significant impacts were found on health, education or women’s empowerment. Though this study is the first randomized study to study microcredit as it is introduced to a new area

Roodman et al., (2009), the study explores how microcredit affects, in reducing poverty in rural households of the study area. The analysis in the study is based on data which is from the field survey of 2008. They analyze data on 200 respondents from four organization’s members and used multiple linear regression analysis to examine the effect of microcredit on family income and food consumption in household. The contribution of this paper is to explore the effect of microcredit on poverty alleviation at Monirampur Upazila (it’s very poorest area in the southeast coastal region because every year natural disasters occur) in Bangladesh through the study of four major organizations, Association for Social Advancement (ASA), Bangladesh Rural Advancement Committee (BRAC), Bangladesh Rural Development Board (BRDB) and Grammen Bank (GB). The objectives of this paper are to measure the effect of Microcredit program on poverty reduction in the selected areas, assess the impact of Microcredit on increase households income as well as upliftment of their living standard above poverty line.

Debadutta Kumar Panda (2009), study was conducted in Orissa and Jharkhand states of India with an objective to measure the socio-economic impact of Self-Help Groups across a set of variables including income, employment, migration, literacy position, savings, household decision making and participation in PRIs including the
members' savings and access to credit. The individual 'SHG member' was the unit of analysis. Data collection was made from 40 respondents through a structured pre-tested interview schedule. Analysis and assessment of impact was done through descriptive statistics and econometric tools like OLS, TSLS and logistic regression. The study concluded with the strong evidence of positive impact of SHGs on the socioeconomic characteristics of the members.

Sudha and Selvam (2009), Poverty is multidimensional and by promoting access to financial services, micro finance plays an imperative role in fostering poverty. It is a noble approach of “banking with the poor”. In this, bank credit is extended to underprivileged through SHGs, NGOs etc. The role of Micro finance cannot be ignored in India where 74% of people live in rural areas and 80% depends on agriculture for their livelihood. India now occupies a significant place in global Micro finance through promotion of SHGs and home-grown SHG - Bank Linkage program (SBL). Analyzing the wide spread of Model-II of Micro financing with 72% coverage in India, NGOs are unanimously considered as the major catalysts of SHG promotion. World Bank defines NGOs as “Private Organizations” which pursue promotional activities in the interest of poor and community development. There are more than 35,000 NGOs in 612 districts of India with utmost concentration in southern Region, specially Andhra Pradesh and Tamil Nadu, which play a crucial role in formation and nurturing of SHGs. They also assist banks in monitoring the credit linked SHGs. Of the total 310 major NGOs in Tamil Nadu, 22 NGOs and more than 22,000 SHGs lounge in Vellore district. Inspite of all this, still majority of SHGs are facing problems due to lack of both monetary and nonmonetary support from NGOs.

Shiralashetti A S (2010), The study explores the Self-Help Group (SHG) movement in India has been working in the right direction in empowering women and eradicating poverty in the rural and urban areas. However, women are still not empowered as per the expectation. The present study is based on the primary data collected from the 150 sample members of 15 SHGs from 10 villages of Bijapur district through questionnaires. The main objective of the study is to examine the level of women empowerment in the study area.

Samuel Adams and Theresa A. Bartholomew (2010), The study examined the impact of microfinance from the perspectives of maize farmers in Nkoranza in the
Brong Ahafo Region of Ghana. The findings of the study based on a survey of 100 participants in the microfinance program suggest that the impact of microfinance on both social and economic wellbeing is marginal. The key issue identified by most of the recipients is lack of entrepreneurial skills and market for their produce. The key recommendation from the study is the need to improve infrastructure and establish linkages between the farm and non-farm sectors of the rural economy.

Ashish Bajracharya and Sajeda Amin (2010), The study explores the relationship between women's participation in microcredit groups and domestic violence in Bangladesh. Several studies have raised concern about microcredit programs by reporting higher levels of violence among women who are members. These results, however, may be attributable to selection bias as members might differ from non-members in ways that make them more susceptible to violence to begin with. Using a sample of currently married women from the 2007 Bangladesh Demographic Health Survey (N=4,195), they use propensity score matching (PSM) as a way of exploring selection bias in this relationship. Results suggest that the previously seen strong positive association between membership and violence does not hold when an appropriate comparison group, generated using PSM, is used in the analyses. Multivariate analyses also suggest that levels of violence between members and non-members are not significantly different and instead could depend on context-specific factors related to poverty. Members for whom a match is not found report considerably higher levels of violence relative to non-members in the unmatched group. The background characteristics of these members and non-members who do not match suggest that they are more likely to be from relatively well-to-do households, are younger. As further support of selectivity of women who are vulnerable to violence into membership groups, a major difference between unmatched members and non-members is in the higher levels of poverty and lower female headship in member households.

Abdullah- Al- Mamun Sazali Abdul Wahab C. A. Malarvizhi (2010), The study employs a cross sectional design with stratified random sampling method to examine the effect of Amanah Ikhtiar Malaysia's (AIM) microcredit program on hardcore poor households' microenterprise assets in Peninsular Malaysia. So far no known study has been conducted to measure the effect of AIMs microcredit programs on
microenterprise assets owned by hardcore poor households. It is evident that AIM's microcredit program increased microenterprise assets owned by hardcore poor households who received credit from AIM. This program should, therefore, focus on providing adequate training, flexible and diversified loan programs, and increasing outreach. The policy may also be reviewed and re-organized to reduce the dropout rate.

_Abu Shonchoy (2010),_ The study investigates the relationship between access to micro-credit and temporary seasonal migration, an issue which is largely ignored in the standard rural urban migration literature. Seasonal migration due to natural disasters or agricultural downturns is a common phenomenon in developing countries. Using primary data from a cross-sectional household survey from the northern part of Bangladesh, this study quantifies the factors that influence such migration decisions. Seasonal migration is a natural choice for individual suffering periodic hardship. However, due to strong loan repayment rules, those who have prior access to micro-credit have no such option. He found that there is no significant difference in income in lean period between those who have access to micro-credit and those who do not. Households that take the decision to migrate while having access to microcredit earn significantly more than households who only have micro-credit in the lean period. In addition, this paper finds that network effects play a significant role influencing the migration decision, with the presence of kinsmen at the place of destination having considerable impact. The results have numerous potential policy implications, including the design of typical micro-credit schemes.

_Ayi Gavriel Ayayi, Maty Sene ( 2010),_ The study analyzed a sample of 217 MFIs with 5 diamond ratings from MIX Market database over a period of 9 years, namely from 1998 to 2006. The results show that a high quality credit portfolio is the most determining component of financial sustainability of MFIs, followed by the application of adequate interest rates and effective management to control personnel expenses. Further, the results show that the client outreach of microfinance programs and the age of MFIs, whose coefficients are positive and statistically significant, have a lesser influence on financial sustainability of MFIs. In addition, they demonstrate that the percentage of women borrowers has a weak statistically non
significant negative effect on financial sustainability. In general, the results of regressions by geographical region, legal status and credit methodology are consistent with the overall results of the general model.

Jean Kwon (2010), The study first investigates the microfinance-principally micro insurance-market at the global level and the business structure of over 600 microfinance institutions (MFIs) in 83 countries that were in operation during 1998-2007. It then empirically examines the impact of organisational, market and socio-cultural factors on the supply of insurance, lending and savings services by MFIs in developing countries. Findings from a series of probit analyses indicate that a rise in the financial expense ratio, loan repayments in arrears, years of operation, number of borrowers, woman borrower ratio, life insurance penetration ratio and family size positively affect MFIs' willingness to expand their operations, certainly to micro insurance business. In contrast, they are likely to stay away from the insurance market when their loan asset ratio, bad loan write-off ratio or average loan size in comparison to GNI per capita is on the rise. It seems MFIs focus on lending service in Muslim populous countries. Finally, they fond no evidence that presence of insurance affects availability of savings service, and vice versa, in the microfinance market.

Leonardo Becchetti  Fabio Pisani (2010), The study analyzed equilibrium borrowers’ effort and the cost of microcredit loans in the presence of moral hazard, project correlation and subsidies under group lending conditions. Their results show that under the assumption of endogenous effort, project correlation has significant effects on borrowers’ effort only when it is determined by asymmetric (positive or negative) shocks. These findings indicate that the well-known negative effect of within-group (symmetric) project correlation on group lending with joint liability disappears once endogenous effort is taken into account. Also analyse the effects of subsidized lending (and asymmetric correlation) on the relative convenience (in terms of borrowers’ effort) of the alternative (1) between group lending and individual lending with notional collateral and (2) among three different market structures of the microfinance industry.

Rebecca Schaaf (2010), The study explores, Groups and microfinance facilities are intended to produce a variety of economic, social and political outcomes. However,
the debate in the development literature about their effectiveness heightens the importance of exploring whether multidimensional outcomes are actually achieved. Drawing on findings from empirical research in Northeast Thailand, where promotion of groups and microfinance schemes is strong, and this article highlights the need to understand the context and existing relationships within which community groups and microfinance services are situated, in order to identify important characteristics and processes that limit the outcomes of the groups. In particular, the research illustrates how the groups’ operation has resulted in a trade-off in material and relational wellbeing outcomes, as financial efficiency is valued only to the extent that relational harmony can be assured.

Rubana Mahjabeen (2010), This paper employs a utility maximizing model to answer two questions: (i) what are the cost-related factors that determine the supply of a loan by traditional banks and microfinance institutions (MFIs)?; and (ii) why is the supply of micro loan zero under a bank’s maximization problem while it is positive under the maximization problem of an MFI? We find that costs associated with default, information asymmetry and liability determine the supply of a loan by a financial institution. Furthermore, we show that under certain conditions (that we derive) a bank may make a loss if it provides micro loan. As a result, it does not supply micro loan.

Ashish Bajracharya (2010), the study explores the relationship between women’s participation in microcredit groups and domestic violence in Bangladesh. Several studies have raised concern about microcredit programs by reporting higher levels of violence among women who are members. These results, however, may be attributable to selection bias as members might differ from non-members in ways that make them more susceptible to violence to begin with. Using a sample of currently married women from the 2007 Bangladesh Demographic Health Survey (N=4,195), we use propensity score matching (PSM) as a way of exploring selection bias in this relationship. Results suggest that the previously seen strong positive association between membership and violence does not hold when an appropriate comparison group, generated using PSM, is used in the analyses. Multivariate analyses also suggest that levels of violence between members and non-members are not significantly different and instead could depend on context-specific factors.
related to poverty. Members for whom a match is not found report considerably higher levels of violence relative to non-members in the unmatched group. The background characteristics of these members and non-members who do not match suggest that they are more likely to be from relatively well-to-do households, are younger. As further support of selectivity of women who are vulnerable to violence into membership groups, a major difference between unmatched members and non-members is in the higher levels of poverty and lower female headship in member households.

**Mamiza Haq (2010)**, Study examines the cost efficiency of 39 microfinance institutions across Africa, Asia and the Latin America using non-parametric data envelopment analysis. Our findings show non-governmental microfinance institutions particularly; under production approach, are the most efficient and this result is consistent with their fulfillment of dual objectives: alleviating poverty and simultaneously achieving financial sustainability. However, bank-microfinance institutions also outperform in the measure of efficiency under intermediation approach. This result reflects that banks are the financial intermediaries and have access to local capital market. It may be possible that bank-microfinance institutions may outperform the non-governmental microfinance institutions in the long run.

**Purna Chandra Parida and Anushree Sinha (2010)**, the study on self-help group (SHG) bank linkage programs portrays them as an effective tool being used in various countries to approach a range of socioeconomic issues. This paper explores the performance and sustainability of this type of program in India at the group level. Because income-generating activities and other characteristics vary with the gender composition of self-help groups, their performance and sustainability vary. The analysis in this study is based on data from a survey carried out in six states in India. Overall, the performance analysis reveals that all-female SHGs perform best. The female SHGs are doing particularly well in terms of recovery of loans and per capita saving. The econometrics results indicate that only all-female SHGs are sustainable. The factors that determine the sustainability include recovery of loans, per capita savings, and linkage with an SHG federation.

**Muhammad Sayeedul Haque1, Rexona Akter and Khaled Laoubi (2011)**, the study was conducted to examine the effectiveness of community based organization
(CBO) microcredit programmes of 'Concern Worldwide' in selected urban areas of Mymensingh district. The study is concerned with CBO microcredit use, assessing repayment performance, identifying the factors affecting repayment performance and assessing the impact of loan on livelihood improvement of the beneficiaries. Overall, 84% of the total loan applied for was received by the respondents. Maximum amount of loan (89%) was received by rickshaw puller during the study period. The respondents used their maximum borrowed money productively. About 96, 94 and 98% of the total borrowed money were utilized purposively by small trading, saloon and rickshaw pulling respondents, respectively. Repayment performance of CBO microcredit programmes was highly satisfactory. Respondents' income and loan receipt amount positively contributed to loan repayment, whereas respondents' age, education, family size and forced saving negatively affected loan repayment. Almost all of the respondents mainly repaid their loan on time with the hope of getting loan in future. Self-consciousness and proper supervision by the CBO staff and Concern Worldwide field workers were the other important contributing factors for timely repayment of loan. Overall, the CBO microcredit programme was found to have significant positive effects on livelihood improvement of the poor beneficiaries.

Zahoor khan Muhammad Azam and Alam Khan (2011), The present study has been conducted in the year 2010 to find out the impact of Microfinance program of Islamic Relief-Pakistan on the standard of life of poor marginalized segments of the society in the area under study. For this end primary, cross sectional data about 125 respondents (100 clients and 25 non-clients) has been collected through a detailed questionnaire, from the urban slums of Rawalpindi i-e Naseerabad , Qasimabad and Dhok Mustaqim. The socioeconomic impacts of the said program on the poor marginalized groups have been evaluated by using BINARY LOGIT models. The study reveals that IR-Pakistan provides credit to poor people and the organization also helps in product diversification and trainings. Findings of the study suggest that the IR- Pak should also provide credit to really ignored marginalized segments and traditionally non bankable masses to improve the standard of life of extreme marginalized groups and to alleviate the absolute level of poverty of the people in the area under study. It is further recommended that IR-Pak should not rely on murabahah transaction only; the financing operations should be extended to
Shirakah and Mudarabah financing methods which are the desirable Islamic modes of finance. Last but not least those, who think that there is no shariah alternative for conventional microfinance programs can, replicate the same model when adjusted according to local needs.

**Sonia Singh and Hiranmay Saha (2011)**, The study explores that, the growth and transformation of microfinance organizations has been discussed. The key context of the paper is how poor people can easily avail the micro financial services under one umbrella in the fastest way. While discussing the factors and the theoretical position associated with innovation in microfinance, this paper has also brought out the missing link between the lender and borrower in the Indian context. As per the authors, filling of this gap is a precondition for poverty reduction on account of the influence of new paradigm of institutional viability under commercial microfinance.

**Rehman Gul Gilal Muhammad Masihullah Jatoi and Naeem Gul Gilal (2011)**, The main objective of this study was to get empirical evidence on customer dropouts in a leading Microfinance Bank of Pakistan. The rationale behind this study was that Microfinance which is often referred to as Bank for the Poor, are losing major chunk of their customers at the earlier stages of loan program. Considering the fact, microfinance institutes are profitable on their customers only after fourth and fifth loan programs, these early dropouts are not only detrimental for the long term survival of microfinance institutes but also the banks cannot achieve their objectives i.e. improve the lives of poor customers. Therefore in order to find out causes of customer dropouts a survey was undertaken from the dropped-out customers of a leading Microfinance Bank operating in Pakistan. The survey results clearly indicates that that Program Policies & Procedures of the bank were the predominant factor in the customer dropouts, followed by Group Lending, Client’s Business Reasons and Environment & Economic Reasons respectively.

**Wakilur Rahman M. Jianchao Luo (2011)**, The study reviews the development process of bank and microfinance sector in China and presents their regulatory status. The financial sector is largely bank-based and dominated by the four state commercial banks in China. However, government liberal policy and special attention to financing underdeveloped regions and SMEs have gradually improved the scenario. The development of non-state banks, non-bank financial institutions
and MFIs has extended financial services to the areas where state banks were previously not so active. Consequently, government banks, micro-credit companies along with some national and international MFIs and donor agencies have started their business a greater extent although the market freedom is still questionable. The benefit of microfinance services lies on favorable government policy formulation and allowing MFIs reasonable freedom toward smooth development. Thus, it is suggested that government authorities should take necessary steps for resolving the existing barriers of the promising microfinance sector in China.

**Wen Cong Lu and M. A. Hasan (2011)**, This study attempts to elucidate the extent to which these microcredit programs are effective in reducing poverty and to examine the impact of microcredit in income generation and upliftment of borrowers’ living standard. All the respondents of Monirampur Upazila in Jessore district were the population of the study. The estimated results show that borrowers of microcredit programs are better off in terms of food consumption and household income generation. It is recommended that the NGO should consider some important points such as a repayment system, interest rate and proper training program to generate borrowers’ household income.

**Pokhriyal A.K & Vipin Ghildiyal (2011)**, This paper examines the progress of microfinance in terms of the successes and failures of SHG-bank linkage program. SHG-bank linkage program has been analyzed critically in this paper to assess its contribution towards removing the disparities prevailing in various regions of the country. An attempt has been made to find out that whether this program has reduced regional disparities or has it itself became prey to regional imbalances. The first half analyzes the trends in the scheduled commercial banks, and the latter half gives an account of SHG-bank linkage program.
Summary:

The present chapter presents the review of literature about SHGs and micro-financing, history and growth of SHG along with success and failure stories of SHGs in India. It has been found from the literature review that the authors have both positive and negative opinion about the SHGs. Some of the authors have argued that SHG credit linkage programme leads to empowerment of the weaker sections of the society particularly women. However the degree of success depends on region, caste, sex, income, education and attitude of the SHG members. In the mean time some other authors argued that SHG credit linkage programme has damaged the harmony of the society. But none of the authors denies that SHG credit linkage programme leads to economic empowerment of the people which leads to increased living standards and human development.