Chapter II

REVIEW OF LITERATURE
A thorough review and survey of related literature forms an important part of research. The review of past studies provides valuable insights into the benefits and drawbacks associated with microfinance programme. A review of literature is presented in this Chapter. On the background of the exponential growth of Self Help Groups (SHGs) and the growing interest and concern in the area of microfinance, researchers have been active in delving into a variety of issues regarding systems, outreach, capacity building, etc., has produced quite a large body of literature. The study of microfinance system being multi-dimensional in character has drawn the attention on specific aspects in an attempt to trace the problems and prospects in these areas. While many studies have explored into the connection between microfinance and poverty amelioration in general, other have brought out the significance of Self Help Groups as vehicle of microfinance delivery systems. Delving in depth into operational aspects of SHGs, some studies have investigated into the aspects of group dynamics and leadership role of SHGs. Other researchers have been more concerned with socio-economic and socio-political empowerment of beneficiaries, especially women SHGs. Bank linkage system and problems, role of bankers and non-governmental organizations has no less been a subject of intensive research and researchers have occasionally come up with alternative models of SHG Bank linkages.

The study made by Manimekalai and Rajendran (1993)\(^1\) reveals that the DWCRA (Development of Women and Children in Rural Areas) Programme was helping and promoting self-employment among the rural
women who are below the poverty line. It helped them in organizing the beneficiaries in group activities and promotes economic and social self-reliance.

Sivasankaraiah and Ramappa (1993)\(^2\) reported that the marketing of product made by the members of the DWCRA group is very important. They stressed the need for marketing facilities to market the products of these groups.

Hemalatha Prasad (1995)\(^3\) stated that homogeneity of the group in terms of caste occupation and locality made the group more cohesive, assured and regular income from the scheme are found to be the factors behind the success of Self Help Groups. Effective and dynamic leadership, awareness about the repayment procedures and consequences of the non-repayment influenced their repayment behaviour the study identified that systematic planning for skill training, raw material supply, quality control and marketing support from officials were the key factors for the effective management of the programme, thus.

Karl (1995)\(^4\) in his study examined the role of empowerment of women on decision making. He maintains that empowerment is a multifaceted process, involving the pooling of resources to achieve collective strength and countervailing power and entailing the improvement technical skill, administrative, managerial and planning capacities and analytical reflective abilities of local women.
Kumar (1997)\textsuperscript{5} in his study found that the SHGs are mostly homogeneous in terms of their socio-economic background. The savings level was reasonably satisfactory because of low interest rates charged by the banks and the revolving fund. Due to irregularity in repayment of loan, non adherence to the norms set by the group and lack of mutual trust and confidence among group members, some of the groups are defunct.

Rama Lakshmi (1998)\textsuperscript{6} in her study found that the DWCRA groups take up traditional income generating activities like dairy, agriculture related activities like sericulture, silk worm rearing and silk weaning, grafting of fruit plants, managing orchards, fish rendering, prawn processing crop production on leased lands managing tractors, litters and other agricultural equipment, sheep and goat rearing, small business, vending of agricultural production – flowers, fruits, vegetables, artisan activities like pottery, toy making, leather work, bakery products. DWCRA groups evolve from consumption phase to income generation phase on a lower scale to income generation phase on a higher scale.

Shylendra (1999)\textsuperscript{7} examined the reasons for the failure of Self-Help Groups. Wrong approach followed in self-help groups formation by the team, misconceptions about SHGs goals both among the team and the members of SHGs and lack of clarify about the concept of SHG particularly by the team leading to failure in ensuring conditions necessary for their successful functioning.
Sivasubramanian (1999) stated that poverty can be effectively eradicated only when the poor start contributing to the growth process through their active involvement. Self-Help Groups have a substantial role to play in eradicating poverty.

Annapurna (2000) studied the role of women in economic development. She reported that women are actively contributing to the promotion of economic development in different capacities, namely, as housewife, mother, labourer, officer, scientist, executive and technocrat. With the spread of education, training and technology, their mobility has been increased and they are coming out of their shells to do different works to raise the living standards of their families.

Nagayya (2000) in his study found that an informal arrangement for credit supply to the poor through SHGs is fast emerging as a promising tool for promoting income-generating enterprises.

The study of Manimekalei and Rajeswari (2000) shows that majority of the women under study are engaged in petty business, while a few engaged in production units and services. The main problem confronting by the SHGs is shortage of capital. In their study, service units performed better and helped to repay the loan on time, whereas the production units not only failed to generate their own capital but also affected loan repayment.

Osman (2000) felt that micro-finance schemes alone cannot alleviate poverty. The battle for total eradication of poverty requires combining micro-
finance schemes with parallel, complementary programmes addressing the social and cultural dimensions of want, privation, impoverishment and dispossession.

Gurumoorthy (2000) in his study wrote that SHGs enhance status of women as participants and decision makers. These Groups also encourage women to take active part in socio-economic progress of the nation.

Gautham and Singh (2001) in their study found that a total of 23 types of different economic activities were being pursued by the DWCRA women. Dairy activity is found to be engaged by the majority of the sample respondents. They stated that improper selection of group activities, lack of co-operation among group members, non-availability of raw materials, high cost of raw materials compared to finished product and the lack of local demand and marketing facilities are found to be the reasons for failure of income generating activities by these groups.

Datta and Raman (2001) reported that the success of SHGs in terms of high repayment was mostly related to social cohesion found among the members, springing not only from their diverse background of knowledge base, skills, occupations and income levels, but also the successful completion of loan repayment. The regression estimates of SHG net income indicated that lesser dependence of SHGs on external resources, highest loan provided in the current year and lower SHG expenditures contributed to higher net income per member.
Dasgupta and Rajaram (2001)\textsuperscript{16} opined that lack of any target approach is the main reasons behind the limited success of self-help groups. They suggested that an environment where genuine NGOs can monitor self-help groups effectively and banks can conduct business with SHGs on their own should be created.

Madheswaran and Dharmadhikary (2001)\textsuperscript{17} mentioned that the success of group lending are attributable not only to peer monitoring but to other factors such as lending for consumption purposes, inculcating saving among group members.

The study of Suneetha (2002)\textsuperscript{18} revealed that DWCRA members obtained an incremental income. As regards issues like sending girl children to school, immunization of children and acceptance of small family norms and preventing social evils like manufacture of illicit liquor, DWCRA members were better off than non-DWCRA members. The members felt that thanks to economic independence obtained through DWCRA, they could spend more on nutritious food, clothing and on children's health and education.

Yelue and Sahoo (2002)\textsuperscript{19} found that most of the SHG members were involved in economic activities like goat-keeping, rearing poultry, collecting forest products, maintaining live-stock. It is evident from their study that awareness among the SHG women on literacy and continuing education, sanitation and health care is increased. More freedom in mobility inside and outside village, financial and service support for self employment,
adoption of small family norm etc. are also reported. Some of them have started working as Sanghatika and Saga Sanghatika which showed their leadership qualities, improvement in communication skill and building self-confidence.

Karnakar and Ghosh (2002)\textsuperscript{20} stated that SHGs provide opportunities for economic empowerment of rural women. However, both banks and NGOs are yet to see this as an alternative channel for rural credit delivery, despite the extensive efforts made for popularizing the scheme. The success stories of a large number of rural women who have formed SHGs have given a spur to the movement and banks need to explore the possibility of linking up more SHGs as part of their legitimate business activity.

Pattanaik (2003)\textsuperscript{21} in his study found that SHGs are continuously striving for a better future for tribal women as participants, decision-makers and beneficiaries in the domestic, economic, social and cultural spheres of life. But due to certain constraints like gender inequality and exploitation, various Self-help groups are not organized properly and effectively.

Rama Krishna and Krishna Murthy (2003)\textsuperscript{22} examined the role of SHGs in empowering rural poor in Parvada village of Visakhapatnam in Andhra Pradesh. The study found that SHG concept was successful to some extent in achieving social empowerment, economic progress through ensuring improved access to institutional credit. SHGs have a positive impact on beneficiaries especially in respect of social and economic empowerment such as improvement in participation in the development
programmes, ability to meet government officials, awareness of property rights, improving decision-making, improving marketing, communication skills and building self-confidence which have a positive impact on the living standards of beneficiaries.

Sarangi (2003)\(^2_3\) found that women-led SHGs in many parts of the country succeeded in bringing the women to the mainstream of decision-making. SHG is also a viable set-up to disburse micro-credit to the rural women and encourage them to enter into entrepreneurial activities. The women-led SHGs in the village of Purushothampur block of Ganjam district of Orissa State have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, maintain linkage with the banks and enforce financial self-discipline.

Narayanaswamy, et. al. (2003)\(^2_4\) reported that linkage between the SHG production and the cooperate societies which have to take marketing responsibilities are very weak. This in turn affected the very purpose of the philosophy of SHGs. They suggested that both formal and informal efforts shall be made to establish a lively link between production and marketing.

Sabyasachi Das (2003)\(^2_5\) opined that the phenomenal growth of Self-Help Groups indicates that the weaker sections of the society are also capable to sharpen their micro entrepreneurial skills with the help of their own savings and additional bank credit.

Malhotra (2004)\(^2_6\) stated that the micro-finance programmes are aimed at increasing women's income levels and control over income leading
to greater levels of economic independence. They enable women’s access to networks and markets, access to information and possibilities for development of other social and political roles. They also enhance income and family welfare, increasing women’s participation in household decisions about expenditure and other issues leading to greater expenditure on women’s welfare.

Narasaiah (2004) stated that the change in women’s contribution to society is one of the striking phenomena of the late twentieth century. Micro credit plays an important role in empowering women. Giving women the opportunity to realize their potential in all spheres of society has become increasingly important.

The study made by Cheston and Kuhn (2004) reveals that micro-finance programmes have been very successful in reaching women. This gives micro-finance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impacts some women experience.

Manimekalai (2004) opined that to run the income generating activities successfully, the SHGs must get the help of NGOs. He suggested that the bank officials should counsel and guide the women in selecting and implementing profitable income generating activities.

The study of Rangi (2004) shows that majority of the respondents of the SHGs was in the young and educated though the level of education was not very high. All the respondents saved a sum of Rs.100 per month with
their respective SHGs. The amount of loans taken from the banks was high as compared to the internal borrowing from the SHGs, but the rate of interest was high in the latter category. The internal external loans to the members of the SHGs have benefited them for their economic empowerment. The additional income generated with the help of the SHGs provided them big moral support.

Rimjhim Mousumi Das (2004)\textsuperscript{31} felt that micro finance through Self-Help Groups has become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigorously. Still it has a long way to become successful. The reason behind this is poor follow up lack of management and participation from the Government as well as people.

Nirmala, et. al. (2004)\textsuperscript{32} suggested that SHGs should be provided with institutional support, like training, marketing and information on available latest technology. They should also be strictly made to utilize the Self-Help Groups credits for productive purposes alone. Further, training relating to the activity chosen should be imparted.

Sunder Raj (2004)\textsuperscript{33} in his study found that SHGs contribute significantly to the overall development of women in rural areas. The SHGs are available alternative to achieve the objectives of rural development and to get community participation in all rural development programmes.

Tamil Selvi and Radha Krishnan (2004)\textsuperscript{34} said that rural women in India suffer from being both economics and socially invisible. Individually
poor rural women can overcome economic deprivation. To counter powerlessness and economic deprivation women need to alter their self-image and therefore social image. To give rural women visibility and to enable society to come in contact with poor rural women they must get organized into groups. Group approach is available setup to disburse credit to rural women.

Tripathy Sahoo (2005)\textsuperscript{35} reported that SHGs have emerged as the most vital instrument in the process of participatory development and women empowerment. The women are the marginalized groups in the society because of socio-economic constraints. They remain backward and lower position of the social hierarchical ladder. They can lift themselves from the morass of poverty and stagnation through micro finance and formation of self-help groups.

Terry F. Buss (2005)\textsuperscript{36} argues that microfinance programme sustainability is a huge issue in the microcredit field. It means something different in the context of program type, say, self-help groups, NGOs, government-sponsored programs, or commercial ventures. Self-help groups are sustainable to the extent that they serve the credit needs of members and continue to replenish capital. He suggested that regardless of microcredit organizational type, sustainability probably is achievable for all at least in part if the following principles are adhered to: understanding the market for microcredit, adhering to proven best practices in the field, decentralizing decision-making, building and maintaining capacity, focusing
Naila Kabeer (2005)\textsuperscript{37} in his study felt that microfinance offers an important and effective means to achieving change on a number of different fronts, economic, social and perhaps also political. The success of microfinance in building up the organisational capacity of poor women provides the basis for their social mobilisation that many other development interventions have not been able to achieve. Indeed, their very success may be their undoing. There is growing unease at the way in which both governments and populist political parties may be seeking to capitalise on the idea of self-help groups for their own instrumental purposes. He observed that there was very little evidence relating to the extent to which microfinance clients graduated out of poverty and into mainstream financial services. He suggested that there is clearly a need for microfinance organisations to develop some timeframe within which they would expect to see tangible results. But it may also reflect the limits to microfinance as a tool for poverty reduction. However effective the role of microfinance organisations in providing financial services to the poor, they cannot substitute for broader policies to promote pro-poor economic growth, equitable social development and democratic participation in collective forums of decision-making. In the absence of such policies, microfinance may at most provide a safety net for the poor rather than a ladder out of poverty.
Shylendra (2006)\textsuperscript{38} in his study reported that the SHG movement has been growing fast in Andhra Pradesh (AP) as the successive governments in AP have played a major role in promoting SHGs in a big way as instruments of poverty alleviation and empowerment. This is the major reason as to why AP is a leading state in the country under the SHG-bank linkage programme. The state governments while promoting SHGs as financial intermediaries for the poor have also seen them as potential instruments for their own political gains.

Mohanty (2006)\textsuperscript{39} observes that the success of SHGs lies in the choice of viable income generating activities by WSHGs. The present mechanism followed in targeting the women for inclusion in WSHGs is undoubtedly defective as it fails to cover the poorest of the poor and therefore, it contradicts the very fundamental objective of the scheme. He suggested that the SHGs programme would be successful only if WSHGs undertake immediately productive activities as soon as they receive credit from financial and banking institutions. But it is almost a usual happening that such funds what they receive being a member of the group do not flow into channels of investment but to consumption activities thereby defeating the purpose of directly empowering the women functioning under the WSHGs through the creation of adequate livelihood for them.

In the opinion of Rajan Kumar Sahoo (2006)\textsuperscript{40}, the SHG members are not getting proper training and guidance for mobilizing the thrift maintaining register and following official procedures. The credit provided by banks is inadequate and the SHGs are lack of accommodation for their
smooth functioning. He suggested that the banks should advance adequate credit to the SHGs making proper assessment of the credit needs of the members as a result of which the members can solve their problems and make professional improvement. Marketing facilities for the sale of the products of SHGs may be created.

In the views of Tripathy (2006)\textsuperscript{41}, SHGs mushroomed all over India because of liberal and promotional rural finance provided by commercial banks and NABARD. An important aspect of successful functioning of SHGs is appropriate maintenance of records, the membership register, cash book, loan ledger, the members pass book, etc. These records ensure proper understanding amongst members about their savings, repayments, dues, etc. as smooth functioning of the group.

Umesh Chandra Pati (2006)\textsuperscript{42} explains that SHGs have proved that they could indeed bring about a change in the mindset of the very conservative and tradition bound illiterate women in rural areas. With appropriate market support strategies, the members could effectively build enterprises as a source of their employment and income. Financial resources if effectively delivered to women can help them make a meaningful improvement in their economic and social condition and reduce gender inequality in rural areas. If proper care is not taken SHGs may not yield desired results. If factionalism and internal rivalries, above all politics enter into the system, there will be total collapse. So the member should be educated to prevent these situations.
Ramesh Charan Pandit (2006) in his study wrote that proper monitoring and supervision of the income generating activities and utilization of credit is necessary. It is also observed that SHGs comprising of well educated women members perform better than the SHGs comprising less educated and illiterate women members. Therefore, appropriate steps should be taken for the development of education of the women. A careful and judicious lending of micro-credit along with the other linkage activities with emphasis on development and empowerment strategies and process would make micro credit an effective instrument and pave the way for the socio-economic development of the women in a holistic and integrated manner.

Bibekananda Mishra (2006) has examined the manner of working of WSHGs and their impact on women. He found that the financial ability is being developed among women as a result of SHGs. The women are contributing financial help to their families in particular and to the national economy in general. A type of self consciousness and self confidence is developing among the members. The leisure time is properly utilized and women are engaged in productive work but they are not getting proper training and guidance. During the last decades though the SHGs have contributed a lot towards women empowerment as well as upliftment but they are not free from defects. The most unfortunate thing is that the political parties are considering SHGs as their vote banks.

Tanuj Kumar Bisoyee (2006) endeavoured to study empowerment of fisherwomen through SHGs. He pointed out that fish vending business
women farming could be initiated to demonstrate practical feasibility and the range of benefits in terms of economic gains, labour efficiency, self-employment opportunities and multiple choices of vocations that agriculture could offer to rural women. He found that women participation has not yet been successful. He has suggested that more effort is to be put towards filling the gaps in programme planning rather than programme implementation. The various social, psychological, institutional and economic issues challenging empowerment of fisherwomen have to be seriously taken into consideration while chalking out new development strategies.

Deepak Bishoyi (2006) conducted a study on empowerment of weaker sections through micro finance. He found that while provision of micro finance has led to increase in income of the beneficiaries, it may not be taken as the panacea for poverty alleviation. It has been found that even though micro finance has helped the target group in increasing income and rate of recovery has been fairly good, it has limitations in enabling the family to cross the poverty line. Till now the micro finance programme was not reached the interior part of the country because of poverty and illiteracy of the people. Besides, it has been found that impact of micro-finance has not been uniform in all the States. Though the beneficiaries availing micro credit has been small, the noteworthy feature of micro finance has been the confidence, managerial and entrepreneurial ability developed in the beneficiary, which enables them to take up any other economic activity in a viable manner.
Sudhansu Kumar Das (2006)\textsuperscript{47} has studied the role of SHGs in rural credit delivery system. His results show that SHG model of micro finance has tested to be very effective in meeting credit need of rural poor. However, there are many issues which more or less restrict the working of the groups. The members forming group are the rural poor and mostly landless marginal workers. Due to low income and poor saving the poor can contribute a very small amount towards the common fund of the group. Therefore, SHGs always face the problem of scarcity of funds. Because of weak financial condition, SHGs always need external finance through linkage with banks.

Rama Ch Sahoo (2006)\textsuperscript{48} observes that the women SHG members are not skilled enough to run various units. There are no facilities for the marketing of the products of the SHGs. His study also revealed that though the SHGs are engaged in mobilizing thrift, but unable to receive timely, matching and revolving funds to generate employment. He suggested that the government agencies and financial institutions should provide adequate amount of finance to SHGs in right time for their smooth functioning. The office bearers should be given proper training for group action and maintenance of their records and performance of official duties and responsibilities. Government should make arrangement for the marketing of the products of women SHGs.

The study of Abdul Raheem and Yasmeen Sultana (2007)\textsuperscript{49} reveals that the women led SHGs in many parts of country have achieved success in bringing the women to the mainstream of decision making. Now a days formation of SHG is a viable alternative to achieve the objectives of rural
development and to get community participation in all rural development programmes. SHG is also available organized set up to disburse micro credit to the rural women and encouraging them to enter into entrepreneurial activities.

Vinayagamoorthy (2007)\textsuperscript{50} found that income of the women has been increased after joining the SHGs. As a result, the monthly household expenditure also has been raised to considerable level. But the saving is increasing at slow rate, because the incremental expending is higher. Mostly they are spending for present consumption.

Shibalal Mehar (2007)\textsuperscript{51} stated that microfinance through SHGs has the potential to fight against poverty and can be an important weapon for poverty alleviation. The findings show that SHG based micro-finance has better outreach and positive impact on poverty. However, the process of empowerment is found to be poor. The success of this programme depends on both better outreach and the ability to empower the poor, particularly women Self-Help Groups.

Ganesamurthy (2007)\textsuperscript{52} stated that the work participation rate of women in India is less than half of that of men. Despite efforts made toward economic empowerment of women, majority of the active female population continues to be confined to micro, small-scale enterprises and the informal sector.

Vasimalai and Narender (2007)\textsuperscript{53} in their study found that microfinance programme has achieved some success in the field. However,
there are several emerging challenges and new opportunities, understanding of which will be critical in deciding the future direction of the work. They suggested that Poverty reduction is everybody’s business and responsibility and can be achieved only through constant coordination between various stakeholders and sustained policy-level advocacy. Roles of stakeholders like government, banks, NGOs and community based organisations have to be clearly defined and mutually reinforcing. Banks need to take a proactive role in meeting the promotional costs along with government and in building the required social capital. They need to develop flexible and innovative approaches to reach the poor and work through the groups and their federations. The focus areas for policy advocacy in the coming decade would be to institutionalize collaboration with banks, government, financial institutions, *Panchayats* and other local institutions.

Karmakar and Mohapatra (2009)\(^5^4\) in their study expressed that SHG Bank programme has indeed helped in the social and economic empowerment of rural folk, especially women, causing significant up-scaling of social capital while at the same time delivering crucial and much-needed financial services at low transaction costs for both banks and poor borrowers. Today, it has expanded to become the largest microfinance programme in the World in terms of its outreach and has extended financial services to people hitherto under-served by the formal banking system.

Gagan Bihari Sahu and Biswaroop Das (2009)\(^5^5\) in their study revealed that a large number of SHGs has enabled the poor to have an easy access to credit with low transaction costs and high loan recovery rates.
They found that around two thirds of members without access to formal credit received loans from the SHCs during their study period. Proportion of loans to members shows an increasing trend suggesting a rise in access to credit by members. More significant is that the rate of growth in membership has been lower than the rate of growth in loans.

Krishnan (2009) in his study analyzed the contribution of microfinance initiatives in the area of women empowerment. His study found that though the proportion of borrowers who have utilized the loan for starting an Income Generating Activity (IGA) is low, it is true that microfinance has helped them in meeting their immediate consumption requirements without the help of the usurious money lenders. Most of the beneficiaries utilize the loan for meeting their immediate consumption requirements, a feature still prevalent in the rural area. The structure of IGAs revealed that about 60 per cent were related with livestock followed by service sector activities. The nature of IGA indicated that majority were individual initiatives. The prime factors contributed to the selection of IGA include, encouragement of Micro Finance Organizations (MFOs), low fixed investment, market demand and so on. The MFOs promote IGAs in several ways like training; product selection, marketing, etc. The difficulties in conducting IGAs revealed that availability of sufficient loan, time and marketing.

Gopa Samanta (2009) in his study concluded that SHGs have become successful to raise women and their families above poverty line if the planning for livelihood activity is well thought out and well nourished by
the dedicated practitioners from either Government or NGOs working close to the grass root levels. Besides, there are several cases where women are long engaged in SHG activities but could not generate sufficient income to contribute to the family and to cope with poverty. Increase debt bondages are also observed in cases where SHG women lost their livelihood but have credit to repay with interest.

Chintala and Gyanendra Mani (2009)\textsuperscript{58} in their study pointed out that there are various reasons for poor performance of units financed to group swarojgaries. They include (i) Quite a large number of members (other than the office bearer) are dummy members and most of them do not know about the activity for which their group has availed the term loan. (ii) In more than 85 per cent groups, the asset/loan has been divided amongst the group members and all of them are pursuing their business independently. (iii) A large number of activities viz., paddy processing, broom making, collection and sale of minor forest produce, activities related to agriculture group, etc. do not require any type of capital investment and, therefore, most of the groups were disbursed cash either directly in hand or through their Saving Bank accounts. Most of the groups/ group members who were still engaged in these activities were doing it traditionally and the bank finance had nothing to do with their taking up these activities. So most of them used the loan amount for satisfying their other needs and they were found to be operating at their pre-disbursement stage of business. Further, in most of these cases, only a portion of subsidy was disbursed to them and the loan amount which was credited to their saving bank account was adjusted
against their loan accounts after a period of 6 to 12 months. In the process, most of the groups were basically denied the loan although the loan was found to have been disbursed on papers.

Naveen K. Shetty (2009)\textsuperscript{59} in his study pointed out that the SHGs that were formed by the government lacked sufficient managerial skills and knowledge of microfinance. He suggested that timely training on book-keeping, banking, leadership, income generating activities, community development activities etc., are the rudiments for development of microfinance in general, and to sustain the impact of microfinance on the poor in particular.

Basant K Sahu and Tripathy (2009)\textsuperscript{60} in their study argued that in India, the most popular form of Microfinance (MF) is the Self-Help Group (SHG) Bank Linkage Programme. MF which includes, inter-alia, micro credit and micro savings, is increasingly advocated by country planners to ensure timely and adequate credit to small and marginal farmers and to alleviate poverty. It is treated as an effective employment generator in rural areas having capability to sustain the income of the households by ensuring their opportunities to work. MF is not a panacea, but could help to improve the socio-economic condition of the poor by addressing certain issues relevant to income generation and capability enhancement. The success of the rural microfinance intervention lies in the formation of quality groups, adequate and timely credit support along with the identification of appropriate and profitable economic activities.
Klaus Deininger and Yanyan Liu (2009)\textsuperscript{61} in their study found that the poorest seem to be able to benefit not only socially but also economically. They suggest to introduce a programme that not only fosters group formation but also supports more mature groups through federation and credit access in order to have significant economic benefits in the long term.

The study made by Tanomyee Banerjee (2009)\textsuperscript{62} reveals that women became employed after joining SHGs and this has changed their family income category. His study also finds that from low-income group more people have shifted to high-income levels. This has reduced the inequality in the distribution of family monthly income. It is further found that the increase in average family income at constant price is significant and the family average consumption expenditure and food expenditure at constant prices had reduced significantly during this period. However, the post-group joining monthly average family health related expenditure has decreased significantly at the constant price. The monthly family savings have increased after joining of Self-Help Group. The fall in average family health related expenditure signifies that the economic empowerment of women must have created an awareness among them, which is reflected in better hygienic habits and more optimal allocation of food expenditure among the family members.

Prasenjit Bujar Baruah (2009)\textsuperscript{63} found that among saving and credit groups, some of the groups are working properly and some other groups stopped all of their activities. The loans taken by the members from outside the SHG indicate that although as an alternative source of credit SHGs were
able to fulfill the credit needs of the members to some extent, it was unable
to fully satisfy their credit needs. Specially, for higher amount of loans,
members go either to the moneylenders or to the formal financial
institutions. This problem may be solved by providing more and more
amount of credit to the SHGs for on lending. The income generated from
these activities is also not enough to take them above the poverty line.

Jothi (2010)\textsuperscript{64} opined that SHG plays a pivotal role in improving the
both social and economic lives of the members, bring them more respect
both domestically and socially. The sample respondents after joining SHGs
have become very active by becoming full employed in varied activities and
thereby earning more. She concluded that the self-help groups contribute
substantially in pushing the conditions of the female population up and
through that chip in poverty eradication as well.

Sriram (2010)\textsuperscript{65} in his study opined that the commercial model of
microfinance in India, with its minimalist and standardised model of
lending, would grow into a bubble and run into trouble. Many microfinance
commercial organisations have entered the market in search of profits and
are competing to lend to the poor. In the process they have put the
understanding of the needs of the poor aside and have started chasing
targets and numbers. For these institutions, the poor are not seen as
human beings having individual identities and needs. Instead they are seen
as data points that add up in their profit statements.
The study of Mansuri (2010) reveals that micro financing programme of NABARD through SHG is working very effectively, but a major challenge for this programme is the viability of non-farm economic activities. It is also difficult to find an economic activity that will yield a rate of profit necessary to cover the interest rate on the loan. Since market for non-farm activities is in the urban areas, hence, when these activities are taken up by rural women the produced goods cannot meet the standards of the urban market. Moreover, the distance also imposes a cost of marketing, which these women cannot bear. It is also seen that at macro level, there is the problem of sustaining the business that could engage much larger number of people. Unless there is a proper marketing system, merely producing the goods would not help. If the goods produced by the rural poor are sold at a right time with profitable price, then the poor will be able to improve their savings potential, credit handling capacity and access to financial institutions, inculcate entrepreneurial skill, develop an urge for investment and also risk taking attitude through SHGs. Thus micro-financing can do wonders to the rural poor living even in remote villages in improving their economic condition and protecting them from the clutches of the village moneylenders.

The study of Thalavai Pillai and Nadarajan (2010) shows that the impact of microfinance is commendable in courage, self-confidence, self worthiness, skill development, awareness about environment, peace in the family, reduction of poverty improving rural savings, managerial ability decision making process and group management. As a result of participation in microfinance through the SHG programmes there is observed a
significant improvement of managerial skills, psychological well being and social empowerment. He suggested that the SHGs may be granted legal status to enhance the performance.

Muhammad Kashif Khan Durrani, et. al., (2011) in their study found that maximum of the respondents are in favor of introducing and enhancing micro finance activities across the country. Micro finance is an effective tool to fight against poverty. Micro finance is not only helpful to generate income but it also facilitates to improve the social standard of poor people. Majority of the respondents were in the opinion that micro finance is very helpful tool in getting prosperity. Purchasing power also increased with the inception of micro finance.

Padala (2011) found that though majority of the members are illiterates their savings performance, group loan, and bank loan repayment performance are satisfactory. By running a business activity the women members have been earning certain income thereby supplementing their family income. The role of wife in taking majority of the business decisions is much evident in the study. However the role of joint decisions of both husband and wife in business cannot be ruled out.

The study of Manonmani and Prabhakaran (2011) reveals that the women in 40-50 age group are actively participated in the SHGs activities. Because these age groups members are mostly committed in the various family responsibilities. Many women in the study area join the SHGs for getting loan and promote their personal savings, in addition to get social
status. In the study area many women (28.75 per cent) joins the SHGs for social status. 27.5 per cent of the respondents join for improving their savings. Women after joining the SHGs earn more money and increase their income level Rs.2000- 3000 (17.5 per cent). Particularly Rs.3000 – Rs.4000 earning group is high. Therefore they are now economically independent and contribute to increase their household income. The increased income not only enhances the expenditure of the family but also promote the savings of the family after they join in the SHGs. This is an achievement of the women SHGs in the study area. SHGs can easily approach the banks and other institutions to get loan. All the members are responsible to repay the loan to the banks. Therefore members are repaid the loan in time. The various purposes for which loans obtained by the respondents are to start business, to educate their children, to meet medical expenses, to meet marriage expenses, to maintain house expenses, to redeems other loans and to meet festival expenses.

Prasada Rao and Raavi Radhika (2011)\textsuperscript{71} in their study concluded that SHG based micro finance has now developed deep roots in many parts of the country. Micro finance have been established firmly but the peoples mindsets are the biggest road block in the success of an innovation. They suggested that since micro finance has been instrumental in empowering women, more effort should be put for women’s development through micro finance. As most of the beneficiaries in rural areas are illiterates, the banks may organize training and development programmes for motivation of the beneficiaries.
Venkatesh and Kala (2011)\textsuperscript{72} in their study opined that conventionally women have been marginalized. A sky-scraping proportion of women are in the middle of the poorest of the poor. Microfinance actions can provide them revenue to climb out of poverty. Microfinance could be an elucidation to help them to expand their prospect and suggest them communal recognition and empowerment. Microfinance actions and society has facilitated them to construct a superior collision as they will boost the quality of life of the women micro-entrepreneur and also her family. They suggested that microfinance programmes should offer women with specific modified products through suitable methodologies, which can offer competitiveness to their business but also well being to them and their families.

Sudhin Kumar Bera (2011)\textsuperscript{73} found that SHG-Bank linkages is a successful step in providing access to finance to the rural needy people of purbo Midnapore district subject to some difficulties faced by the members. The process has enabled a large number of people to exercise various options to challenge poverty. The programme, indeed, helped in improving the household conditions of the beneficiaries. However, there has been a concentration of SHGs in southern states. The share of cumulative SHGs linked in southern states has been at about 60 percent of the total SHG-credit linked in the country.

Urmila Moon (2011)\textsuperscript{74} reported that woman’s access to and control over their savings, credit and income have improved after joining SHGs. Also, women have improved freedom to move and interact with the officials and other women. He stated that it is crucial for the success of SHGs to
have strong support of a fully mature group that achieves competence to independently handle issues of its internal practices both financial and non-financial. Groups formed without professional inputs and without the requisite handholding cannot sustain the financial content model and can lead to an increase in defaults and consequent abuses in the system. Record keeping in the groups is another challenge.

In the study conducted by Rajendran and Raya (2011), only 43 respondents out of 450 respondents joined Self-Help Groups exclusively to start income generating activities. Non-governmental Organisations play a vital role in helping rural women to form Self-Help Groups and they motivated women to join Self-Help Groups. More than half of the respondents informed that Non-governmental Organisations helped them to form Self-Help Groups. Government departments and neighbouring Self-Help Groups play very negligible role in the formation of Self-Help Groups. It is concluded that NGOs and self motivation of women are the main motivational factors to join SHGs and Self-Help Group members also influence other women to join the groups. Respondents are well aware about the role of NGOs where NGOs are active in their quality of work rather than the no of players and is reflected in the study. NGOs play an important role in SHG formation, linking the groups with the banks, arranging for loans and imparting training to start income generating activities

The study of Sanjay Kanti Das (2011) reveals that women reported a number of constraints which could be encountered bravely by the women entrepreneurs only if certain measures were taken care of by the family,
society, policy makers, legal institutions, etc. They want family members support in taking care of children, helping in household chores. They also want more opportunities and more exposure to every sphere of life with more freedom of expression. The women want free education to the girls and more educational institutions to be set-up in the nearby areas. Functional literacy to women should be provided. Strict Government and social compulsion should be there for educating the girls.

The study made by Sapna Munjal, et. al., (2012)\(^7\) shows that IT enabled services can prove beneficial in raising the social status of the family through better education. It can be identified as a tool for women empowerment creating financial and small savings related awareness in the rural areas. On the whole, the social and economic condition of the person is strengthened through micro-financial support.

The study of Gunindra Nath Sarmah and Diganta Kumar Das (2012)\(^7\) concludes that microfinance is playing a significant role in alleviating poverty and rural development. Since women are the sole family caretaker, proper emphasis should be given to the rural women and for empowering the rural women, finance is required. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural women. The Self Help Groups have proved the way for economic independence of rural women.

Vanithamani and Sandhya Menon (2012)\(^7\) in their study suggested that pragmatic policies need to be formulated in order to ensure the
development of Self Help Group women entrepreneurs and increase their participation in economic emancipation process. This is in addition to granting access to economic resources. Further, an integrated and multi-disciplinary developmental approach is to be adopted along with a plan of action that has training, institutional and financial support as a composite package. Women entrepreneurs could also be linked to large industrial units for sharing their facilities and Entrepreneurial Development cells/incubation Cells of academic institutions for additional supports.

Mariadoss (2012) found that the top three most commonly undertaken economic activities by the respondents are Tailoring, Food products, Readymade Garments, and Rabbit rearing. Women are significantly empowered by the entrepreneurial activities they ventured into. Without the empowerment of women, the progress of the nation is incomplete. Hence integrating micro enterprises for the economic development is essential.

Sanjay Kanti Das (2012) in his study observed that the quality of SHG has come under stress due to fast growing of the SHG-bank linkage programme. Some of the factors affecting the quality of SHGs are (i) the target oriented approach of the government preparing group, (ii) inadequate incentive to NGO’s for nurturing their groups, (iii) lack of proper monitoring, (iv) absence of quality enhancement mechanism etc. It is further observed that quality of SHGs should not be stressed upon more than their numbers. Quality parameters would include not just financial and physical performance of the group, but also parameters to assess economic and
livelihood goal achievement, social status improvement and entitlement access facilitation. Quality assessment of SHGs has come to be accepted as an important tool to ensure standards in SHGs.

Manoharan and Alagu pandian (2012)\textsuperscript{82} in their study found that rural women entrepreneurs face financial, social, physiological and economical constraints. The rural women entrepreneurs are of the view that the social constraints is the biggest problem, they are facing while establishing micro enterprise. They give utmost importance to Economic problems. Physiological problems should be assigned third rank. The knowledge and General problems should be assigned fourth and fifth ranks respectively. They suggested that the government and NGOs should motivate the rural women to form lot of SHGs which would guide them to start different type of petty business. The government and NGOs should give training programmes and advertisements to SHGs and micro-finances. It should be useful to SHG members in knowing the micro finance facilities.

Sanjay Kanti Das (2012)\textsuperscript{83} reported that the role of micro finance through SHG for women empowerment is praiseworthy. It is observed that educated middle aged women show keen interest in joining SHGs. All members seem to borrow from the revolving and internal fund irrespective of the education level. It is interesting to note that many have expressed good improvement in the level of income, assets and wealth and also in their standard of living. The study concludes that SHG have brought higher psychological and social empowerment than economic empowerment. Further, impact of SHGs is appreciable in bringing confidence, courage, skill
development and self worthiness in rural areas, particularly women. There is appreciable development in planning, coordination, decision making and financial skills among the leader respondents, but the effect of SHG on communication, organizing, competency and technical, marketing skills and entrepreneurial skills is moderate only.

Aggarwal Vijender, et. al., (2012) in their study stated that in contrast to bank debt contracts, most micro-finance contracts require that repayments start nearly immediately after loan disbursement and occur weekly thereafter. They suggest that among micro finance clients who are willing to borrow at either weekly or monthly repayment schedules, a more flexible schedule can significantly lower transaction costs without increasing client default.

It is concluded that some of the studies reveal that SHGs are successful, while some other studies show that the programme is not reaching the bottom poor people and the group loans are utilised for non-income generating activities. Thus the literature on microfinance provides mixed results about the impact of microfinance programme. Some of the studies stressed the need for proper maintenances of books of accounts, records, etc. for the sustainability of the groups. However, no comprehensive study is found dealing with income generating activities and management practices. Hence, the present study is taken up to fill this gap.

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References


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