Chapter 3

Review of Literature
3.1 INTRODUCTION

Providing women with financial credit and helping them to set up small enterprises thus enabling them to increase their earning is considered as a means of poverty reduction and economic empowerment. Many NGOs have initiated the empowerment process of poor women by organising them into groups and building their capacity to improve their lives through micro credit programme. Evaluation is undertaken to know how the programme is being implemented and what can be done to remove the constraints, if any. Evaluation is thus a kind of achievement audit and mostly takes place after the programme has run for some specific period.

It is desirable to review the relevant literature while handling a research problem. A review of literature places a research study in its proper perspective by showing the amount of work already carried out in the related areas of the study.

3.2 REVIEW OF PREVIOUS STUDIES

The following are the studies which enabled the researcher to undertake this study.
Puhazhendi (1995) studied 19 SHGs and five bank branches in Karnataka and Tamil Nadu and concluded that the intermediation of SHGs reduced the time spent by bank personnel in identification of borrowers, documentation, follow up and recoveries effecting 40 per cent reduction in the transaction cost of bank, as compared to direct lending to individual borrowers. Transaction cost of borrowers was reduced by 85 per cent.¹

Indian Bank (1995) had conducted a similar study in Tamil Nadu, covering 45 branches of their bank and 101 SHGs. The study examined only the transaction costs of the branches under different models for credit delivered for medium term loans upto Rs.25,000. It concluded that lending to SHGs, which on-lend to borrowers with NGO acting as non financial intermediary, resulted in saving of transaction costs to the extent of 45 per cent as compared to lending under government sponsored programmes and other direct lending projects.²

The Bank Performance Improvement study under the Maharashtra Rural Credit Project (MRCP) concluded that with SHG intermediation, the transaction and risk costs of the advances of the rural branches could be brought down that could help turn around many loss making rural branches (BIRD, 1996).³

Hemalatha Prasad (1997) of the National Institute of Rural Development, Hyderabad carried out two case studies, one in Salem district of Tamil Nadu and another in the Tribal Development Project areas of Andhra Pradesh to understand the process of economic empowerment of women.
In Salem district 11 blocks were covered under (IFAD) International Fund for Agricultural Development Programme. This project broadly envisaged empowering rural women by expanding their resources, improving access to credit, raising the level of awareness, better access to health and establishment of a viable model for women’s development.

The findings of the study revealed that the intermediate objective of social enhancement through group dynamics and the bringing of rural women into the mainstream of credit delivery seems to have been achieved with reasonable success. In Andhra Pradesh a case study on “Thrift Society and Grain Bank for Economic Empowerment Tribal Women” was conducted at Vampaliguda village, Srikakulam District. The main objective of this study was to improve the household food security and to promote sustainable self-reliance amongst the participant groups. The study observed that the making of women’s societies responsible for construction of school buildings, check dams and satellite nurseries resulted in the capacity build up of the women concern. The long term objective of inculcating saving habit and building up food security have, however not been achieved.4

Girija and Satish (1999) in their study on impact of SHG lending on the profitability of branches studied eight branches where the SHG lending constituted more than five per cent of the loan port folio. They concluded that lending to SHGs and NGOs carried the least cost when compared with other models of lending. Lending through SHGs reduced the costs by 85 per cent and through a federation, reduced the costs by 95 per cent as compared to
direct lending. The default risk was negligible in the case of lending to SHG and NGO/federation.\(^5\)

The National Bank for Agriculture and Rural Development (NABARD, 2000) conducted a study on the impact of Micro Finance (MF) on the living standards of SHG members. The study aimed to find out how far the SHG bank linkage programme had lightened the burden of life for the average member of a SHG and to analyse the betterment of household by gaining access to micro finance. The study covered 560 SHG member households from 223 SHGs spread over 11 states. It showed positive results. There were perceptible and wholesome changes in the living standards of the SHG members, in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and income levels. The study revealed that almost all the members developed saving habits in the post SHG situation as against 23 per cent of households who had this habit earlier and the average borrowings per year per household increased from Rs.4,282 to Rs.8,341. The study concluded that the involvement in the group significantly contributed in improving the self-confidence of the members. The feelings of self-worth and communication with others improved after association with the SHGs and the members were relatively more assertive in confronting social evils and problem situation. As a result, there was a fall in the incidence of family violence.\(^6\)

Mahab Sen (2000) has attempted a study to find out the development of SHGs promoted by Sreemamahiala Samity and its impact on women
members. It was a study of 10 SHGs selected in Nadia district on a random sampling technique in July, 1999. The study included focus group discussion with the members of the SHGs in separate sessions followed by interview of 100 members through structured schedule. The findings of the study revealed that the individual loans were mostly used for productive purposes, the rate of recovery was very high compared to the rate of recovery of the formal institutional system and group dynamics was an instrument for change in the quality of life of the poor people. The study also revealed that other than economic activities, the groups worked towards primary education, basic health care of family, safe drinking water and environment protection. The study concluded that group cohesion, group action, need-based credit timely repayment are essential elements for sustainability of the groups.

The study under review was a case study on “Empowerment of women through NGOs – The SEWA Bank experience”. This study was done by Suman Jain (2000). The study observed that the bank SEWA (Self Employed Women’s Association) had been providing banking services to the poor, illiterate, self employed women and had become a viable financial venture. The case study revealed that there were 67113 women depositors with a working capital Rs.1916.72 lakhs in 1966. It further observed that the banks helped the women to acquire skills to make new products and identify work opportunities. It is also found that the repayment rate had been excellent, which was between 93 and 96 per cent due to close monitoring by the bank, the link between the group leaders and borrowers and constant communication between the bank and village groups. The conclusion was that
from the women's point, their involvement in and ownership of a successful institution enhanced their collective strength and empowerment that came with organisation. From a wider perspective, member-owned or controlled micro credit institution could help to strengthen the country's democratic system.⁸

Kallur, M.S. and Biradar, A.A. (2000) in their micro level study aimed to examine the role of non-governmental voluntary organisations in promoting the micro credit institutions and to comment on their sustainability in the years to come. The study was based on secondary data. The study has thrown light on the origin and the nature of micro credit organisation and its superiority over macro ones in catering to the need of farmers. It also revealed that as a result of continuous efforts of NABARD, 255 groups linked together as on 31st March 1998 and had increased to 14,317 covering 30 commercial banks, 101 RRBs (Regional Rural Banks), 17 co-operative banks, 260 NGOs in 19 states and two union territories involving bank a loan of Rs.23.62 crore and NABARD refinance of Rs.21.38 crores. The study also discussed the role of micro credit organisations with particular reference to the Indo-Swiss project and their sustainability and concluded that the NGOs have succeeded in promoting SHGs.⁹

Manimekalai, N. (2000) in her study on "NGO's intervention through Micro Credit for Self Help Women Groups in Rural Tamil Nadu" had attempted to analyse the working of the SEVAI (Society of Education Village Action and Improvement) in empowering women and the rural poor through micro credit.
The objectives of the study were to find out the characteristics and working of the micro credit institution namely, Villuthukal. This was a bank established for the benefit of SHGs to assist them by extending micro credit and to highlight the strategies adopted to mobilise the women to form Self Help Groups. The study was based on primary and secondary data. The secondary data were collected from the records of SEVAI and the primary data were collected from 70 women who were the members and who had availed credit from the bank. The analysis of the study revealed that the women in rural areas were really longing for supplementary income and the intervention through micro credit, by both government, non-government organisations, would be a boon to them. The study also proved that, after the micro credit and intervention of SEVAI, the education of the children had been better cared for and the women-beneficiary households were able to manage the budget without deficit. The study concluded with the suggestion that micro credit strategies could be followed by other institutions working for the upliftment of women and prove that micro credit would be instrumental in realizing the proposed objectives.\textsuperscript{10}

Choudhury, R.C., and his team (2001) conducted a study to document the experience of SHGs in promoting micro enterprises through micro-credit interventions and the efficacy of Self Help Promoting Institution (SHPI). The study analysed the core issue of poverty reduction and efficacy of SHG route for micro enterprise promotion. The main objectives of the study were to analyse the operating systems in SHGs, to explore the effectiveness of SHGs in identifying the micro enterprises and to suggest appropriate policy
intervention for effective performance of SHGs. The study was carried out in selected clusters spread over regions in the states of Tamil Nadu, Karnataka, Andhra Pradesh and Maharashtra. The study covered 76 SHGs, 450 members and 135 micro entrepreneurs from five regions. The case study-cum-survey method was followed. Secondary data were also collected from the records of SHGs. It was observed that group enterprise on a big scale would involve greater risks but would yield better returns to the entrepreneurs. The study brought to the fore the fact that, out of three SHPIs namely, NGOs, banks and government, NGOs were better equipped for capacity building of SHGs and promotion of micro-enterprises. The study also showed that SHG were still in a state of flux and their sustainable development depended on a number of factors which were internal and external to the organisation.

Namboodiri, N.V. and R.L. Shiyani (2001) conducted a study to find out the basic features and financial operations of SHGs promoted by both SHPI and NGOs served by the Panchmahals Vadodara Grameen Bank (PVGB). A sample of five branches of PVGB were selected, out of which three are located in Dahod district and two in Panchmahals district, Gujarat. The main findings that emerged from this study were that, while the percentage of women groups promoted by the SHPI was 52 per cent, it was as high as 84 per cent for those promoted by the NGOs. The percentage of SHGs linked by the SHPI was 65 per cent and that of NGO was 42 per cent. The average amount advanced to SHGs varied from Rs.7,000 to Rs.30,000 for those promoted by the NGOs. The SHG that were promoted by the NGOs had a
better saving performance compared to that of SHPI, in terms of amount saved per SHGs as well as in terms of credit saving ratio. The repayment performance of the SHGs promoted by the SHPI was superior to that of NGOs.\textsuperscript{12}

Dadhich, C.L. (2001) conducted a case study of Oriental Bank Grameen Project at Dehradun District in Uttar Pradesh, for assessing the benefit of the project and economic viability. Out of a total 450 SHGs covered by the project, 447 were women groups and only 3 were men SHGs. The main findings of the study revealed that a large number of women had taken up subsidiary occupation and consequently their family incomes had substantially increased. An analysis of figures relating to income and expenditure of a specialised micro credit branch revealed that the branch had become a profit-centre right in the second year of its operation. The recovery of the loans was more than 100 per cent of the demand. The study also revealed that the borrowers under Oriental Bank Grameen Project had both the advantages of fine rate of interest, as well as hassle-free credit, whereas their counterparts elsewhere were paying exorbitant rates of interest.\textsuperscript{13}

The objective of the Madheswaran, S. and Dharmadhikary Amita’s (2001) study on “Empowering Rural Women Through SHGs” was to examine the SHG mechanism of the micro credit scheme as an effective and financially viable tool in channelising credit to the rural poor. In this study an attempt had been made to analyse the impact of SHGs in providing credit to rural women, to help them to uplift their economic status. The analysis was based on a
survey of three villages of Pune district, conducted during 1999, where the Maharashtra Rural Credit Programme was being implemented. The study revealed that the Maharashtra Rural Credit Programme was successful to some extent in its objective due to a combination of factors such as (i) SHG-Bank linkage, (ii) Credit being made available for consumption purposes (iii) easy and periodic availability of credit due to rotation of savings, (iv) active participation of the NGOs. The study further revealed that peer monitoring could be used as a channel to provide credit at a low transaction cost and frequently to reduce rural poverty. The study concluded that micro credit should be used to meet the current demands of the rural women and this would lead to a gradual improvement in the quality of their life and would enable them to identify activities for economic betterment.14

Satish, P. (2001) in his study made an attempt to answer the following questions (i) Are there a large number of pre-existing groups in the rural areas and if so can they evolve into suitable SHGs? (ii) Are the really poor accepted as members of SHGs? (iii) What are the processes in SHG formation? (iv) Do the SHGs face resistance at the time of their formation, if so how is the resistance being overcome?. This study covered groups formed by the NGOs and banks. The number of groups formed by the NGOs and banks were five and four respectively in Karnataka, four and nil in Maharashtra and seven and two in Uttar Pradesh. These groups were selected for the study. The secondary data and material were collected over the period 1997 to 2000 at the Bankers Institute of Rural Development (BIRD, Lucknow).
The study revealed that several SHGs included very poor members and the process of SHG formation had to be systematic whether it was formed by a bank or an NGO. It also observed that most of the SHGs had faced initial resistance in their efforts. The study concluded that the NGOs were more suited for forming and nurturing the SHGs.15

The National Institute of Bank Management (NIBM, 2001) has studied SHG in four districts of Maharashtra promoted under Maharashtra Rural Credit Project (MRCP). The study observed that 69 per cent of the groups were of the size 11-20, 50 per cent of the members were illiterate. The study further observed that 55 per cent of the office bearers had at least a secondary level of education. The study revealed that the average savings of the SHGs in MRCP was Rs.24/- per month per member. This rate was more for new groups than for the old groups. The study also found that the average amount of savings mobilised amounted to Rs.10,658 per group and that the SHGs in MRCP had started lending their own thrift capital from the eighth month of their formation16.

Lalitha, N. and B.S. Nagarajan (2002) conducted a critical study on the functioning of the self help groups (SHGs) in selected districts of Tamil Nadu. The study was undertaken to document the efforts of NGOs in promoting SHGs. The objectives of the study were to trace the structure and modalities of Self Help Groups, study the functioning of the SHGs, examine the role of SHG in promoting empowerment of women, investigate the group dynamics of SHGs, identify the factors which contributed to the success / failure of the
groups and study the income generating programmes promoted by SHGs. The study was based on multistage sampling technique. It had been carried out in three districts. NGOs who had organised SHGs for more than four years were identified. Out of 14 institutions, nine NGOs were selected and two SHGs from each NGO were selected on the basis of non-proportionate random sampling method. The study was based on survey method and had covered both secondary and primary data. The study highlighted the facts that SHGs were people’s institutions and with their support, the women could march towards empowerment and that the groups could promote individual and group ventures of income generating activities under the effective guidance of NGOs. The study also revealed that effective leadership, group cohesiveness, savings, regular meetings, peer-group pressure, linkage with other institutions and effective supervision by the NGOs were the factors which contributed to the success of the groups.17

Sudha Rani, K., D. Umadevi and G. Surendra (2002) had undertaken a study to evaluate the social status of women in house management, leadership qualities, health and sanitation and economic status after participation in the Self Help Groups. Out of 600 Self Help Groups established by Padmavathi Mahila Mandal, Tirupathi, Andhra Pradesh, 50 Self Help Groups were randomly selected for the study. From each group selected two women members were selected randomly. The study was based on primary data and a specially designed rating scale was administered to the sample to collect the information. The findings of the study revealed that, in all the four aspects there was positive correlation between the women’s educational
status and empowerment. The study observed that the participation in SHGs enhanced the empowerment of women in these four aspects. Self-confidence among the women increased. Their decision-making power also increased during the period of participation\textsuperscript{18}.

3.3 SUMMARY

In the light of the studies reviewed above, the importance and need for in-depth and comprehensive action research on SHGs and Micro-credit becomes highly significant and socially and economically beneficial.
REFERENCES


5. Srinivasan, Girija and Satish (1999), "Impact of SHG Lending on the Profitability of Branches", Rural Banker, Issue No. 21, P. 22.


