CHAPTER - 9.
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

9.1. Introduction.
This chapter presents the findings of the study and conclusions drawn from the findings. It also presents the recommendations for policy changes to boost the momentum of micro enterprise promotion and indicates the areas for further research so that the new solutions can be found out to address the ever changing needs in the emerging micro finance sector. There are more number of matured SHGs, which need to be graduated to take up growth oriented micro enterprises, not only livelihood enterprises. The present study “Micro finance for promotion of Micro Enterprises - Emerging Challenges” primarily addresses this problem of enterprise promotion and attempts to find out how the continued access to micro finance has promoted the micro enterprises in the study area.

9.2. Objectives:
The study has the following main objectives.
- To review the progress of SHG bank linkage program at the national, state (Tamilnadu) and district (Madurai and Ramanathapuram districts) levels.
- To identify the different types of micro enterprises promoted by the SHG women out of the SHG-bank loans in the study area.
- To compare the performance of two blocks of study area in terms of the changes in the entrepreneurial behavioural competencies of SHG women.
- To examine the impact of the continued access to SHG bank linkage program on the growth and management of the micro enterprises of SHG women in the study area.
- To investigate the factors that promote or limit the growth of micro enterprises in the study area.
- To evaluate the changes in terms of employment level, income and assets of the SHG women in the study area between pre-SHG and post-SHG period.
- To suggest measures for policy changes for better implementation of SHG bank linkage and micro enterprise development programs.

9.3. Methodology.
The present study is a descriptive one based on survey method employing both primary and secondary data. Multi stage random sampling was used to select the sample units. The 400 SHG member-micro entrepreneurs, drawn from 80 SHGs, who have taken SHG-Bank loans more than once constituted the respondents of the study. The SHGs were selected from two NGOs- SARADA in Paramakudi block of Ramanathapuram district and ICCW in Usilampatti block of Madurai district. In addition to pre-tested interview schedules, focus group discussions, scaling techniques and case study method were used to collect the data from the SHG member-micro entrepreneurs. SPSS.10 program was used to process the data. Statistical tools like chi square and multiple regression were used to analyze the data. The findings of the study are presented below.

9.4. Findings and Conclusions
9.4.1. Growth of Micro finance program
It is found that even though the number of new SHGs credit linked keeps on increasing every year, the percentage of growth over the previous year shows a decline, in the last few years. It shows that the program has made a shift from an expansion phase to a stabilization phase. It is observed that the average
loan size per SHG keeps on increasing over the years and it has reached from Rs. 17306 as on 31.3.1999 to Rs.50913 as of 31st March 2006, while the average SHG loan availed per family as of March 2006 is only Rs.3637, which shows that a wide scope exists for credit deepening.

**ink linkage program**

During the year 2005-06, the number of SHGs credit linked with banks in Tamilnadu registered a 41.7 percent growth over the March 2005, whereas bank loan disbursed during the year 2005-06, marked a 61.6 percent growth over the March 2005 level. The level of growth of the SHG bank linkage program in Tamilnadu is one among the best in the country. In the last four years from 2002, Ramanathapuram district has recorded a higher per cent of growth (in terms of SHGs linked and SHG-Bank loan disbursed) than that of Madurai district except for the year 2003-04.

**Mahalir Thittam (Women Development) project**

Under Mahalir Thittam project, in both the districts, the growth in respect of SHGs formed and the members enrolled is higher during the year 2005-06. This may be attributed to the fact that as the state elections were forthcoming during that period, the government gave more thrust for forming new SHGs and these SHGs have not received the needed capacity building inputs and hence, they are weak. It is revealed that in some households, multiple membership in different groups were common as the BDOs have not used proper screening tests, while enrolling members for their new groups. The savings rotation in Madurai district shows a declining trend from 3.65 as of March 2002 to 2.96 as of March 2006, whereas in Ramanathapuram district the
sayings rotation is increasing from 2.77 as of March 2002 to 3.15 as of March 2006. In Ramanathapuram district, the sanga loan was used by the SHG members like a venture capital to experiment with launching of new micro enterprises. SHG members face difficulties in accessing the SGSY loans, as the time lag involved was around 8 to 10 months. TAHDCO loans are also not preferred by the SHG members, as it involved more transaction cost to the members by way of many visits to offices and in some cases bribes too.

9.4.2. Socio-economic profile of the respondents

Social profile
A little above half of respondents (52.5 percent) are participating in SHGs for a period of 2 to 5 years, followed by nearly one third (33.75 percent) of respondents, who are in SHGs for more than 5 years. The younger category (18-35 years) of women constitute the major share (47.8 percent) of the respondents, who are eager to participate in trainings and initiate new enterprises. Some of the branch managers, hesitate or refuse to give bank loans to SHGs, where more number of old aged women are members, even though the government norm says that women of up to 60 years of age are eligible to join in a SHG. It is observed that 29.2 percent of the respondents completed primary level of education, 24.5 percent of them completed middle school, 21.5 percent of them completed high school and 0.3 percent completed graduation. This indicates that the higher the level of achievement in educational category, lower is the percentage of respondents in each higher category. The Scheduled caste and Scheduled Tribes constitute 17 percent of the respondents. The coverage of Scheduled Caste / Scheduled Tribes is comparatively low.
Economic profile
About 73.25 percent of the respondents are landless. Income earners to total members in the household - ratio for the study area is low at 31.9 percent. Hence, there is a compelling need to undertake more livelihood micro enterprises by the SHG members. Little above one third (35 percent) of the respondents are engaged in trading, 28.75 percent of the respondents are engaged in animal husbandry and 18 percent of the respondents are in services sector. As the trading activities require a very low skill level, a low start up capital and the entry barriers are less, many women opted for this. For the target poor, who are the first generation entrepreneurs, trading emerges as the safest entry point. Being a relatively risk free and traditional activity, animal husbandry activities like dairying and goat rearing are most sought after by the poor rural women. Dairying fetched a good supplementary income to the SHG members during the last two successive drought years. Over a period of association with the SHGs, the members become aware of the benefit of networking and mostly SHG leaders represented one or more networks operating in their area. As the SFIG women join more number of networks, their exposure increased and they got acquainted with more institutions and officials, which resulted in opening up of new opportunities to them.

9.4.3. Micro finance for promotion of Micro enterprises

Financing pattern
About 75.50 percent of the respondents preferred to have a direct SHG loan without subsidy. There is a direct relationship between the period of participation of respondents in SHGs and the increase in the preference for the direct SHG loans among the SHG women. Around 15 percent of investments in micro enterprises was from own sources, 10 percent from sanga loan.
percent from SHG-Bank loans and 3 percent from other sources. The average SHG bank loan per member for rural area stood at Rs. 15092 as against Rs. 12068 in semi urban areas. Mean total investments per micro enterprise for rural area amounted to Rs.21050 and as against Rs. 16782 for semi urban area. The share of bank loan to the total investments and the mean SHG bank loan keep on increasing with the increase in length of participation of the respondents in SHGs.

**Scheme-wise credit** flow
For micro enterprise promotion, 61.50 percent of the total cumulative credit flow has come from the SHG-Bank - direct linkage program, followed by 13.80 percent from SGSY / EA and 11.10 percent from SGSY / RF. Only 0.70 percent of the total credit flow has come from the SJSRY and 4.40 percent from TAHDCO for scheduled caste members. Around 3.14 percent has been diverted by the SHG women to other purposes. Most of the SHG members, who diverted a part or whole loan amount, resorted to diversion because of the pressing needs of those SHG women for meeting the house improvements and hospitalization expenses.

**Repeat** loans
Number of times borrowed (bank loans) increased with the period of participation of respondents. Hence, It is concluded that the period of participation of respondents in SHGs increases their credit absorption capacity as the members undergo various training and exposure programs over the period of participation.
**Sector-wise investments**

The respondents through the micro finance programs have invested in a variety of micro enterprises, both in farm sector (7 economic activities) and non-farm sector (87 economic activities). The major activities that have been taken up by the respondents in Usilampatti block are farm sector activities like dairying, sheep rearing, goat rearing and flower cultivation. The major activities that have been taken up by the respondents in Paramakudi block are non-farm sector activities like silk weaving, papad making, tailoring, tiffin centre, fruit vending, petty shop, grocery shop, cloth selling and milk vending.

**Portfolio At Risk**

The Portfolio At Risk for both blocks together is 5.21 percent. For usilampatti block, the PAR is 11.03, which is well above the tolerable limit of 5 percent. The reason is due to the failure of group activities like grocery shop and fertilizer shop financed under government sponsored SGSY program.

**Financial crisis**

Nearly one third (32.30 percent) of the respondents in the study area have undergone financial crisis in the last one year. The reasons for financial crisis included drought (34.10 percent), prolonged illness (24 percent), social functions (17.80 percent) and higher education of children (10.10 percent). SHG members had to meet with asset-liability mismatch, as the short term loan funds are sourced to meet the long term housing needs. About 65.90 percent of the respondents managed the crisis by borrowing, 17.10 percent of them by diverting the working capital from their micro enterprises and 10 percent by using the personal savings. About 5.40 percent of the respondents have resorted to their social network for hand loans, which are mostly interest free.
**Micro insurance coverage**

Only 1.60 percent of the respondents had insurance cover.

**Individual loans**

Majority of SHG women (64.80 percent) are willing to avail higher individual loans as they are in the process of looking forward to expand or diversify by deploying more credit or on the look out for additional finance to tide over the liquidity problems in the present enterprise.

**Poverty targeting**

Even though, the depth ratio is below 20 percent in both rural and semi urban areas, poverty targeting is comparatively better in semi urban areas.

**9.4.4. Entrepreneurial Behavioural Competency**

Entrepreneurial Behavioural Competencies (EBC) mould SHG women to manage the enterprises effectively, equip them to face the challenges in the business environment confidently. Among ten competencies namely seizing the opportunities, confidence, initiative, goal setting, planning, problem solving, time management, quality consciousness, information seeking and persistence, EBCs like seizing the opportunities, confidence, planning, problem solving and information seeking have recorded more than 50 percent increase over the pre-SHG level.

**Block-wise comparison.**

EBCI for all the ten competencies together for Paramakudi block increased from 35.96 in pre-SHG to 53.84 in post-SHG, registering a 49.76 percent increase. Likewise, for Usilampatti block, the EBCI increased from 34.83 in Pre-SHG to 54.14 in post-SHG, a 55.44 percent increase over the pre-SHG level. For the total study area, the EBCI has increased from 35.49 in pre-SFIG to 53.97 in post-SHG, an increase of 52.07 percent over the pre-SHG level.
Entrepreneurial behavioural competency category.
The mean net increase in entrepreneurial behavioural competencies is 5.57 and its standard deviation is 1.39. Using the mean and the standard deviation, 3 categories have been arrived as Low, Medium and High. About 18 percent of the respondents achieved high level incremental changes in EBC between pre-SHG and post-SHG, while the 29.1 percent of the trained respondents achieved high level of incremental changes in EBC. The calculated chi-square value confirms that there is a significant association between the incremental EBC category and the training of the respondents. The chi-square value confirms that there is a significant association between the incremental EBC category and the period of participation of the respondents in SHGs. The calculated chi-square value confirms that there is a significant association between the incremental EBC category and the number of bank loans availed by the respondents. It can be concluded that building up of the entrepreneurial behavioural competencies is possible only over a period of time, as the SHG members would have undergone more number of trainings, workshops, and meetings during the period of their association with the SHGs.

9.4.5. Growth and management of Micro enterprises

☐ The investment in multiple activities is more (14.50 percent) in Usilampatti block compared to Paramakudi block (11.90 percent).

*/* Usilampatti block leads in promotion of new units by the SHG women, as 65.50 percent of the respondents in Usilampatti block have gone in for new units, as against 54.50 percent in case of the respondents in Paramakudi block.

☐ In Usilampatti block, out of 128 respondents, who have started the new enterprises like Fish farming. Crane for well deepening and Bullock
carts, 54 are trained under Entrepreneurship Development Program (EDP), whereas in Paramakudi block, out of 108 respondents, who have started the new enterprises like Cattle feed shop, Computer job work, Beauty parlour and Rubber stamp making, 37 are trained under EDP.

♦ The share of respondents, who invested the bank loans in new enterprises is the largest (67.40 percent) in case of above 5 years category SHGs.

□ Majority of the respondents (86.50 percent) have taken up the economic activities as an individual activity.

* About 13.5 percent of the respondents have taken up the economic activities as a group activity.

♦ The percentage of SHG women who had taken up the activities as a group activity is higher at 18.50 percent in more than 5 years old SHGs category.

♦ In 96 percent of the cases, the family supported the women to start the enterprises.

**Growth stages of Micro enterprises**

A special scale was constructed and used to measure the growth of the micro enterprises and the respondents were asked to choose the stages of growth for each of the five indicators based on their perception on their units’ performance during the last one year, on a 3 point scale (High, Moderate, and Low). In the study area, about 25.80 percent of the respondents experienced low growth of micro enterprises, 69.80 percent of the respondents achieved medium growth and only 4.40 percent of the respondents achieved high growth. About 6.10 percent of the respondents from Usilampatti block
achieved the high growth, while only 3.40 percent of the respondents achieved the high growth from Paramakudi block.

*☆* The chi-square value confirms that there is a significant association between the growth categories of micro enterprises and the blocks, where the micro enterprises are promoted by the respondents.

*☆☆* The chi-square value confirms that there is a significant association between the growth categories of micro enterprises and the period of participation of the respondents in SHGs.

*☆☆☆* The chi-square value confirms that there is a significant association between the growth categories of micro enterprises and the sectors, in which the micro enterprises are promoted by the respondents.

◆> The chi-square value confirms that there is a significant association between the growth category of micro enterprises and the number of bank loans availed by the respondents.

◆> The chi-square value confirms that there is no significant association between the growth category of micro enterprises and the income category of the respondents.

Factors contributing to the growth of Micro enterprises.
The following factors contributed to the achievement of medium and high growth by certain micro enterprises.

- Activity selection purely on demand basis like operating cranes for well deepening and hiring scaffolding materials.

- SHG member or their household member having the required skill and experience in the selected activities like silk weaving and silk twisting.
- SHG Member undergoing the timely EDP training followed by the skill development training and started units like agarbathi making and rubber stamp making.

- Strong will after attending the EDP training backed by the enabling family support for starting units like computer job works and bullock carts.

- Introduction of latest technology (For example - production of computerized design for weaving).

- Long period of association with SHGs, thereby gaining access to various refresher training programs (For example, members who have taken up tissue culture banana and watermelon fruit crops).

- Participation in exhibitions / fairs and knowing the client’s expectations and the competitor’s strategy (For example, handicrafts making).

- Purchase of raw materials / stock in bulk and at cheaper price (For example, phenyl and fabric whitener making ).

- Cash purchase of raw materials and stock (For example, timber business and charcoal making).

- Availability of markets nearby for specific activities like dairying and Jasmine cultivation, (flower market at Nilakottai).

**Factors responsible for low growth of micro enterprises.**

The following are the main barriers for the low growth of micro enterprises in the study area. In reality, however, one or more of the following, would have influenced the low growth.
i. Enterprise promotion not based on the demand from the customer.
ii. Cut throat competition reducing the profit margin.
iii. Rise in cost of raw materials, labour and overheads.
iv. More of credit sales.
v. Lack of product / process innovations.
vi. Interest burden due to high cost borrowings.
vii. Obsolete technology.
viii. Lack of working capital for the unit.
ix. Not able to reach out to the distant markets, because of lesser volume of production.
x. Failure of the management.
xi. Non availability of required training,
xii. Inadequate power supply,
xiii. Lack of market information
xiv. Diversion of funds.
xv. Not devoting full time to the business enterprise.

Management of Micro enterprises.

*/* Nearly one fifth (22.30 percent) of the respondents manage the micro enterprises themselves.

*/* Nearly half (47.50 percent) of the respondents seek the help of their husbands to manage the units. While allocating the responsibilities among them, SHG women take up the production management, of which are mostly in their home and their spouses took up the responsibility of procuring raw materials from various places and the marketing activities, which involve high level of mobility.
In case of 5.20 percent of the respondents, the units are entirely managed by the SHG women’s spouses. These activities include crane operation for well deepening, bullock cart and plough bullocks, which are traditionally taken up by men alone.

Only 3.80 percent of the respondents’ micro enterprises are managed by the SHG. SHGs have not been properly trained to manage the units as a group activity and that is the reason the units like fertilizer shop and grocery shop managed by the SGSY assisted SHGs failed in Usilampatti block.

Nearly half (49.5 percent) of the respondents are not used to maintain any business records / accounts of their micro enterprises. The main reason for this is due to the low level of literacy among the SHG women.

More than two third (69.75 percent) of the units employ 2-5 persons in their units. The reason for this may be attributed to the fact that most of the micro enterprises target local market only.

A smaller (3.25 percent) share of the activities, namely stone breaking, brick kilns, crane operation for deepening and hiring scaffolding materials created employment opportunities for more than 6 persons per unit.

More than three fourth (78.75 percent) of the respondents have no strategy of their own to equip themselves.

A little more than 'half (52 percent) of the respondents resort to selling at a lower price as a strategy to counter the competition, as it Is a easy one, while other better choices are available for adoption, which require concerted efforts by the SHG women and facilitation support from the NGO / Government.
A substantial portion (21.75 percent) of the respondents used the way of delivering quality products to manage the competition.

◊ Credit sales strategy is used by 6.50 percent of the respondents and mostly this strategy is used by the SHG women who have taken up activities like cloth selling, grocery shop and vessels selling.

* New technology option is used by 4.50 percent of the respondents only.

- New products strategy is used by 11.50 percent of the respondents.

◊ Only 0.75 percent of the respondents have used the new markets option. As their volume of production is lesser, they are not able to send it to distant markets.

◊ The marketing campaign option is used by 1.25 percent of the respondents only.

◊ About 1.75 percent of the respondents used the option of good packaging to overcome the competition.

Use < ' in Micro Enterprise development

Nearly half (49.25 percent) of the respondents have not used the information and communication technology. About 10 percent of the respondents use the own phone and a little above one third (38.50 percent) use the public telephone for their enterprise. Around 1.5 percent of the respondents use the mobile / cell phones. Nearly half (51.1 percent) of the respondents have not used any Business development services.

Training

A little less than half (43.8 percent) of the respondents have undergone training. Among the blocks, Usilampatti block takes the lead as 77.6 percent of the respondents have undergone training as against 20 percent in Paramakudi block.
**Return on Investment**

About 43.2 percent of the micro enterprises have RoI ratio of more than 24 percent and they can access bank loans, as sufficient returns are generated from the operations of the micro enterprise. In 7 percent of the micro enterprises reporting less than 12 percent RoI, accessing bank loans is not a viable proposition.

9.4.6. **Impact on employment, income and assets of the respondents.**

As all the sample respondents have already availed the SHG-Bank loan more than once and sufficient time has lapsed since availing the loan, the impact is clearly visible among the respondents in the study area in terms of employment, income and assets of the respondents. The mean number of days employed per annum, of the respondent increased by 37 percent in the total study area over the Pre-SHG period, while the mean income of the respondent increased by 123.1 percent over the Pre-SHG period. The mean assets of the respondents increased by 23.5 percent over the pre-SHG period.

♦> From the ‘f test, it is concluded that there is a significant difference in mean incremental number of days employed per annum for the respondents between Pre-SHG and Post-SHG period.

☐ From the ‘f test, it is concluded that there is a significant difference in mean incremental income per annum for the respondents between Pre-SHG and Post-SFIG period.

♦> From the ‘f test, it is concluded that there is a significant difference in mean incremental assets for the respondents between Pre-SHG and Post-SHG period.
Impact of training
In all the three impact parameters, trained respondents have registered a higher incremental growth. The mean incremental number of days employed per annum, of trained SHG women is 94 days, 42.42 percent higher than that of untrained SHG women. Mean incremental annual income of trained SHG women is Rs. 13981.13, which is 42.42 percent higher than that of SI iG women not trained. Mean incremental total assets of trained SHG women is Rs. 12051.16, which is 65.98 percent higher than that of untrained SHG women.

About 74.3 percent of the respondents in the total study area used the incremental income in a tangible way. Out of the respondents, who used the incremental income in a tangible way, 32.3 percent of them purchased labour saving consumer durables. Only 8.8 percent of them ploughed back in the enterprise, which causes a concern.

The income inequality increased marginally between pre-SHG and post-SHG periods in bottom 80 percent of respondents (post-SHG income curve is slightly far off from the Line of equality than the pre-SHG income curve), whereas in top 20 percent of respondents the income inequality increase is very nominal. Thus, it is concluded that the SHG bank linkage program has not impacted the respondents in reducing the income inequality among them.

Multiple Regression Analysis
The multiple regression analysis has been used as the statistical tool to find out the relative importance of various factors which influence the post-SHG
income of the respondents in the farm and non-farm sector. The findings from the multiple regression analysis are as follows.

**Farm sector**

- The independent variables such as number of children and sales have significant positive relationship with the post-SHG Income.
- Cost of sales has significant negative relationship with the post-SHG Income.

**Non-farm sector**

- The independent variables such as number of children, sales and number of days employed per annum have significant positive relationship with the post-SHG income.
- Cost of sales has significant negative relationship with the post-SHG income.

Thus, it is revealed from the analysis that there is a direct relation between number of children employed in the micro enterprises and the income. As child labour is an offence, they should be relieved from work and inducted in non formal schools. To prevent loss of income to the parents, strategies for improving the productivity of labour through introduction of technology can be thought of, for which banks need to come forward to finance the capital assets.

In case of dairying, the SHGs can take up the waste lands on lease and can cultivate Napier Bajra hybrid fodder crop so that their milch animals can be fed with nutritious green fodder, which will increase the fat percentage of milk and milk yield. Thus, by improving the productivity, SHGs can reduce the cost of production in dairying activity.
About 69.5 percent of the respondents were in below Rs10000 income category during the pre-SHG period and this category has reduced to 4.8 percent of the respondents during the post-SHG period. It is found that 4.1 percent of the respondents were in the category of above Rs20,000 income during the pre-SHG period and this category has increased to 46.3 percent of the respondents during the post-SHG period. Hence, it can be concluded that the SHG women who have joined the SHG, when they were in the lower level of income ladder have moved upwards during the post SHG period.

9.5. Recommendations.

During the survey, the researcher came to know more about the challenges faced by the SHG members in accessing the loans, in promoting an enterprise and managing or sustaining the growth of the enterprises. The factors responsible for low growth of micro enterprises have also been identified during the survey work. For these challenges, the recommendations have been evolved based on the insights and perspectives gained during the period of research study through a process of focus group discussions, meetings, interviews, observations and interactions with the different stakeholders namely SHG members, SHG leaders, NGO field staff, NGO chiefs, branch managers, Government project officials, micro finance experts and academicians involved in action research projects in micro finance program.

9.5.1. Microfinance- Operational and Strategic issues

i. Operational issues.

Challenge

SFIGs formed by government officials on the eve of election period did not get the needed capacity building inputs and those SHGs are weak.
Recommendation

- Such weak SHGs formed by the government officials should be given special trainings through NGOs and NGOs may be asked to take over such SHGs for continued support.

- Election commission should sensitize the government not to rush the formation on the eve of election periods.

Challenge

Some of the households have multiple membership in many SHGs, as the screening of members not done properly during the enrolment stage.

Recommendation

- A village level informal group of SHG leaders of different SHGs may identify such multiple membership households and remove them forever and may inform the concerned bank branch and the NGO also.

Challenge

The time lag involved for disbursement of SGSY loan is too long, which takes 8 to 10 months.

Recommendation

Subsidy release from the government is to be expedited.

Challenge

In case of TAHDCO loans, borrowers need to take up many visits to offices and in some cases, they do give bribes, which increases their cost of loan.

Recommendation

TAHDCO loan sanction process should be decentralized from the district level to the block level - special committee consisting of Assistant General Manager
(AGM), NABARD, Lead District Manager (LDM), TAHDCO manager and a Branch manager.

Challenge
Credit history of the SHGs, which continuously access the bank loans successfully, is not available with the bank and these SHGs are not given any differential treatment in terms of pricing.

Recommendation
As the banks spend a lesser time for processing a loan to a SHG with a good credit history and is expected to spend lesser time for monitoring such accounts also, the banks may introduce a risk based differential pricing to the SHGs, so that the best performing SHGs will access the bank loans at a relatively lesser interest rate than a new SHG which have more risk.

Challenge
In the study, Portfolio at risk for Usilampatti block was reported to be 11.03, which is due to the failure of group activity thrusted by the officials.

Recommendation
The eligibility norms for availing group activity loans are to be modified as only the matured groups can manage the group activity, which require more understanding among the members to resolve the conflicts among them in sharing the work or profits or in decision making. The suggested eligibility norms are those SHGs which are functioning more than 5 years, bank loans repaid three times without any defaults, SHGs, which have rotated their leadership, SHGs which are maintaining their financial records in a transparent way, duly audited and where the members visit the bank branches in rotation every month.
Challenge
Among the respondents, who faced the financial crisis, only 1.60 percent of the respondents have Insurance cover.

Recommendation
Banks shall make tie up with Insurers and provide the Insurance cover to SHG members.

Challenge
In the study area, among the respondents, who faced the financial crisis, 17.10 percent of the respondents have diverted the working capital from their micro enterprise, which affected their liquidity position.

Recommendation
Banks shall provide an emergency line of credit to SHGs to pass on Instant loans to such SHGs members, who faced the liquidity problem in their micro enterprise.

Opportunity
About 64.80 percent of the SHG members in the study area are willing to avail the higher individual loans as they look forward the future with great hope of expanding their units.

Recommendation
As delivering higher loan limits through SHG-group loans has got its own potential of creating a problem of conflicts among the member of the groups, Banks shall design collateral free individual loan products, delivered with the facilitative support of the SHGs.
ii. Strategic issues.

Challenge
Lack of credit information on SHGs linked, members assisted and other MIS requirements.

Recommendation
- A database for SHGs and their members, at the block level on the lines of CIBIL (Credit Information Bureau of India Limited) has to be put in place. Each SHG has to register with the block level database centre through the federation, which is to be made compulsory for availing bank finance and have to submit periodical updates regarding loans obtained and loans repaid. Only those SHGs, which have submitted the updates, need to be taken up for repeat loans. Out of the Micro finance development and equity fund, NABARD shall meet the initial capital costs and operational cost for 2 to 3 years, till the centre becomes self sustaining. Banks may pay user fee and can access the credit information.

Challenge
Around 75.50 percent of SFIG members in the study area did not prefer the subsidy loans, as it involves more transaction cost and the loan delivery is also delayed.

Recommendation
Subsidized loans may be stopped. Subsidy amount shall be better invested in SHG managed community infrastructure and for capacity building programs.

Challenge
Branch managers hesitate to sanction loans to SHGs, wherein many old aged women are members, even though the government guidelines permit SHG membership upto the age of 60 years.
**Recommendation**
As the life expectancy is going up and even the families in the rural area are also becoming nuclear, the old aged persons also have to carry out some economic activity and have to earn as they are not having access to any pension scheme, government shall raise the upper age limit for eligible membership to 65 years and the banks have to approach the senior citizens with empathy.

**Challenge**
Even though dependence on money lenders have come down after SHGs started playing the financial intermediation role, in the study area, 3 percent of the investments for micro enterprises of the respondents have come from other sources, which include the agricultural input dealers and traders, who charges always cany hidden costs.

**Recommendation**
Banks may put this traders and input dealers in value chain financing and shall make the credit available to the needy poor through these informal channel also at an affordable rates of interest.

**Challenge**
Lack of Public-Private Partnership (PPP) models on the lines of Indian bank-Hindustan Lever Limited’s Project sakthi, being implemented in the study area.

**Recommendation**
A Public-Private Network (PPN) model is suggested as shown in Exhibit 9.1, for promoting the holistic micro finance (including micro enterprise development in the rural areas). Under PPN model, Information Facilitation Centre (IFC) will be headed by a social entrepreneur with management
Exhibit 9.1.
Public Private Network - model for Micro enterprise development.

background. The social entrepreneur will be selected in association with the community. The Social entrepreneur should be given Rs5 lakhs for preparing a Road map and Business plan for the IFC to be located at the block level.

IFC’s (total grant per unit not to exceed Rs50 lakhs) capital cost will be given as a grant and operational cost also will be met for the initial 3 years, within which they have to raise their own revenue to sustain them. IFC will be a no
loss and no dividend paying unit. The profits will be reinvested in IFC for
furthering its objectives. The IFC will facilitate the networking between the
government departments, industry, academic / research institutes involved in
action research in social sciences, fair trade organizations across the globe,
federations, NGOs, training institutes, commodity exchanges, Banks, Insurers,
activity based networks and the SHGs and will pave way for the development
of micro enterprises by focusing on a few specific activities and will base their
approach on demand led activities (rather than first producing the products and
searching for market). IFC head will be assisted by a lean multi-disciplinary
team consisting of Agriculture, Animal husbandry and Industry specialists
according to the regional requirements. IFC will have fully integrated online
MIS and may start sub-centres in main villages to close the digital divide
among the rural poor. IFC will have a business incubation unit and packaging
service facility, which will assist the entrepreneurs taking up activities in food
processing area to use the business incubation facilities till they establish
themselves in the market. Packaging service will help the SHG women to
upgrade their packaging for their products. IFC will also have a model farm to
raise demonstration plots for short term crops. IFC will work with commodity
exchanges and will evolve micro-futures to hedge the rural poor against the
price risk for their produce. The evaluation of the IFC will be purely on
outcome based indicators and not on output based indicators ( not like the
indicator - number of SHG members trained, but like the indicator- micro
enterprises started and sustained for more than a year). IFC’s control is not
vested with government, but it is an autonomous body governed by a board, for
which members are drawn representing various stakeholders, including the
SHG women. This PPN based IFC will trigger the promotion and growth of
micro enterprises, which will transform the rural scenario and will lead to empowerment of poor women.

**Challenge**
Banks confine their role to giving loans alone.

**Recommendation**
Banks have a wider role to play in the socio-economic transformation of the poor. They have to break the conventional barriers between the people and the bank and should come out with more outreach programs. Indian Bank’s IBSIJM project in the study area is a model program, which can be adopted by other banks to their context and can be replicated, which will pave way for forging a strong alliance with the community as the IBSUM model delivers the credit plus services (credit plus capacity building services).

**Challenge**
Nearly 3.14 percent of the loan amount disbursed was diverted to other purposes. The diversion is mainly for meeting the hospital expenses and home improvements.

**Recommendation.**
Banks shall take up credit needs study and roll out customized special products like health loan, sanitation loans (toilet construction) and housing loan for SHG members.

**9.5.2. Socio-economic factors.**
**Challenge**
Around 24.5 percent of the respondents are illiterate in the study area.
**Recommendation**
SHGs have taught their members how to sign. Likewise, SHGs shall take up a campaign to impart functional literacy to their members. At the village level, they may run a special centre with a team of volunteers.

**Opportunity**
About 47.8 percent of the respondents are young in the age group of 18-35 and they are more eager to participate in training and start new enterprises.

**Recommendation**
NGOs shall target the SHG members in the age group of 18-35, who are more active and necessary training may be arranged to groom them as entrepreneurs.

**Challenge**
The present SC/ST coverage is very low at 17 percent of the total respondents.

**Recommendation**
NGOs should be sensitized to enroll the left out SC/ST people, as they are the most socially neglected and isolated from the mainstream.

**Challenge**
Income earner to total members ratio is low at 31.9 in the study area.

**Recommendation**
NGOs and Banks shall facilitate all the adult household members to take up livelihood activities, suitable to their age profile.

**Challenge**
Poorest households during economic shocks, take out children from school and send them for employment in construction industry or small hotels.
Recommendation

SHGs, Federation of SHs and NGO should closely monitor the potential cases and should prevent drop outs.

9.5.3. Promotion of Micro enterprises

Challenge

Around 43 percent of the respondents have not brought in margin money (own money) in their businesses. If the entrepreneur does not make a part of the investment in micro enterprises from their own fund, then there is a possibility that the entrepreneur may not be interested in the micro enterprises, after some time.

Recommendation

SHG is, NGOs and Banks may ensure that a minimum margin (investment) is made by the SFIG members, so that they will take active interest in the chosen enterprise.

Challenge

Micro enterprises are not selected based on demand but based on the training they received (E.g. Tailoring and Pickle making trainings are common).

Recommendation

The selection of activity should be based on demand and should not be thrusted. To minimize the risk for the poor people, focus may be given on expanding the existing micro enterprises with better management inputs. Once they stabilize the existing business, then the poor SFIG women can go ahead with investments in backward integration (e.g. For a milch animal dairy farming unit, feed making unit) or forward integration (e.g. instead of selling milk to the bulk consumers, putting up a retail centre for direct marketing.)
Challenge
Some SHG member-- entrepreneurs lack liquidity, as most of their capital is locked up with the customers, as they offer more of credit sales in activities like cloth selling, grocery selling and vessels selling.

Recommendation
While sanctioning loans to such entrepreneurs, banks shall guide the SHGs to take care of these possible credit sales level and then fix the required working capital and adequate credit limit to such units.

Opportunity
Like “UN/ESCAP’s Success case replication methodology”, Successful entrepreneurs (On the lines of Mrs. Mareeswari of Anbu SHG doing, in Usilampatti block for handicrafts activity) can be used as market developers, who will provide the necessary backward and forward linkages at the micro level by having tie up with the mainstream institutions.

Recommendation
The above success case replication methodology should be replicated to a larger scale to promote new activity, which would emerge as ‘activity clusters’ over a period.

9.5.4. Entrepreneurial Behavioural competency

Challenge
The changes in entrepreneurial behavioural competencies in post-SHG period is not satisfactory in case of competencies like Initiative, Goal setting, Time management, Quality consciousness and Persistence.

Recommendation
Special training should be organized by NGOs for the SI IG members for
Developing the EBCs like seizing the opportunities, Initiative, goal setting, time management, quality and persistence.

9.5.5. Growth and management of micro enterprises

Challenge
Only 4.40 percent of the respondents in the study area have achieved the high growth rate in their micro enterprises.

Recommendation
Government should not focus on number of people trained under EDP, but on the number of units promoted by the SHG women and provide hand holding support to them for a 6 months to one year period.

Challenge
Dairying is the major activity gaining popularity among the women in the study area. Still traditional methods are being used. Profit margin is being eroded, as more dairying activity just confined to liquid milk and also due to rise of cost of concentrate feeds.

Recommendations
- The wastelands may be allotted to SHGs, for cultivation of green fodder
- The SHG members may be trained on making value added products out of milk like koa and ghee.
- The SHG members, who live in nearby towns, shall take up direct home to home marketing of the fresh milk, which will improve their bottomline.

Challenge
Rise in cost of raw materials or non availability of raw materials is faced by many entrepreneurs in the study area.
**Recommendation**

- SHG member-entrepreneurs may be encouraged to have their own activity based networks, which may take up such common functions like procuring raw materials and distributing it over a period, so that the bulk purchases would result in price reduction.

- Till the activity based networks emerge, these procurement role can be taken up by the federation of SHGs.

**Challenge**

Most of the micro enterprises use obsolete technology.

**Recommendation**

As the technology have the power of transformation and will result in increase in productivity, government and NGOs should source the latest appropriate technology from the research institutions and facilitate the transfer of such technologies to the field. Banks should come forward to finance investments in technology.

**Challenge**

Lack of product and process innovations among the micro enterprises.

**Recommendation**

- Government and NGOs should sensitize the SHG members on the need to introduce the product and process innovations.

- SHG members should be given training on how to collect the feedback from their clients on existing products and processes.

- Some NGOs may be given the responsibility of managing research and development units, which will assist the SHG women in bringing out new products and processes.
Challenge
Because of lesser volume of their micro enterprises, SHG women are not able to reach out to distant markets and most of them face the price fluctuations in case of agricultural products.

Recommendation
- federations / NGOs / Activity based networks shall take up bulk marketing, so that better price can be realized.
- Tie up with fair trade organizations working across the globe, may be made.
- As the commodity exchanges are emerging in the country, micro-futures may be introduced, which will provide hedge to the price risks faced by the farm households in the rural areas.

Challenge
Potential market information is not available to the SHG women.

Recommendation
Multi purpose Internet kiosks should be put in place at the main villages so that the SHG women have access to more market information. Banks can play a larger role in financing these internet kiosks to be put up at the villages.

Challenge
EDP trainings and skill trainings are given before starting the micro enterprise. But, after starting the units, the SHG women face a lot of problems and they do not get any refresher training.

Recommendation
The module can be developed based on the common problems faced by the first generation entrepreneurs and a refresher training may be given once in
every six months to keep them updated in their activity chosen.

**Challenge**
Some of the areas lack sufficient infrastructure in terms of power, water, communication and even roads.

**Recommendation**
Infrastructure constraints should be addressed by the local government and the people should take up such requirements at the gram sabha meetings and at the other developmental forums at the district level.

**Challenge**
About 47.5 percent of women in the study area take the help of their spouse in managing their enterprises and they confine themselves to the indoor works (production functions) due to limited mobility.

**Recommendation**
- Such SHG women should be guided on how to take over procurement and marketing functions also from their spouses.
- Two wheeler driving training may be imparted as the SHG women in the study area reported that they have saved time after they started using the two wheelers for their business.

**Challenge**
Around 49.5 percent of the SHG women do not maintain their micro enterprise’s accounts.

**Recommendation**
Women should be sensitized by the NGOs and Banks to maintain
the business accounts.

- Banks shall give weightage to the account maintenance, while they consider higher loans limits to micro enterprises.
- In case of illiterates, the account maintenance function should be taken up by other household members or it should be outsourced.

Challenge
Selling at the lower price to face the cut throat competition (for example, in cloth selling business, margin is coming down as more people enter into the same business in the particular area)

Recommendation
- NGOs shall sensitize the SHG women to avoid such selection of same activities by more number of women in a particular area.
- Among the SHG women in the area doing the same activity, an understanding may be reached on a floor price level so as to ensure a minimum margin to them.

Challenge
Many SHG members are involved in making masala powder and involved in other food processing works and their packing is not professional. This acts as a handicap for them to sell their products in supermarkets in the towns.

Recommendation
- Packing machines may be given as a common facility infrastructure at the block level under the charge of a federation. SHG members shall pay a user fee and can use the machines.
- Business Development Services on packaging design may be given to the SHG women.
**Challenge**

About 49.25 percent of SHG women in the study area have not used ICT in business and more particularly internet was not used by anybody.

**Recommendation**

- Indian Bank’s cell phone loan is quite popular among SHG women and most of such SHG women, who purchased cell phones reported higher volume of business and effective communication with the vendors, clients and family members. Hence, such loan schemes for cell phones may be launched by other banks too.

- Use of computers and internets may be encouraged at the community level, by opening the Public Internet kiosks as we did for STD-PCOs.

**Challenge**

Employing child labour in micro enterprises

**Recommendations**

- Child labour should be avoided and such children should be moved to non-formal schools

- Technology should be introduced to save the labour requirements

- Banks should finance such technological investments.

**9.6. Suggestions for future studies.**

**9.6.1. Art of Individual micro-lending**

In a SHG, when few members take the larger size of loan limit because of their business level or their influence with the SHG leaders, while allocating the bank loan availed by their groups, it has the potential to breed the conflicts with in the group members and may explode into a big problem shaking the very existence of SHG, if not addressed at the appropriate time. So, there is a
emerging need to graduate the mature SHG entrepreneurs to the Individual micro-lending stream of mainstream institutions. But, the bank’s current individual loan schemes are all traditional ones based mostly on collaterals. Hence, it needs further research on how to design the customized individual micro lending products suitable for SHG entrepreneurs.

9.6.2. Reduction in income inequality

The study revealed that the SHG bank linkage program has not reduced the income inequality among the SHG women between the pre-SHG and the post-SHG period. It indicates that the economically active SHG women use the micro credit effectively for production activities and increase their income and assets, while some of the SHG women, who are averse to taking risks, continue to confine to their traditional livelihood activities and not seizing the opportunities and hence the income inequality continues. Hence, further research may be focused on why some of the poor households are averse to risk taking and the ways to evolve strategies to reduce the income inequalities among the SHG women, as growth with equity would be the desirable option for a sustainable development of the poor.

9.6.3. Research on reasons for closure of micro enterprises

It is noticed during the survey that SHG women find no entry barrier in many activities (grocery, cloth selling, tailoring and so on) and like that many women were not able to withstand the competition in the industry and come out or drop out of the activity within, a short period. It will give lot of insights, if a research study is focused on why the units are dropped or closed, in which activities, closures are common and the way to address these problems.