CHAPTER I
INTRODUCTION

Poverty alleviation and employment generation are the two challenges still baffling our policy framers. A plethora of schemes, put in place from time to time to combat these twin problems, could only scratch the surface of the challenges. It could not make significant dent in these objectives. Another challenge facing India is rural development, as two-thirds of Indian populations are living in rural areas pursuing agriculture and allied occupations and rural cottage industries. The number of rural development, schemes launched by the Central and State Governments could not significantly transform the face of rural India. Thus, poverty and its attendant miseries, unemployment of rural population, migration of rural population to urban centres for pursuing gainful occupations due to dwindling agriculture, malnutrition, under employment, etc. are the stark realities of rural India.

The penetration of banks to even far flung areas has without doubt helped the rural populace to come out of the clutches of money lenders to some extent. However, such disquieting factors as poor repaying behaviour of rural borrowers, seasonality of agricultural operations, inability to offer tangible securities to get loan, inadequacy of credit, bank’s inability to recycle the funds locked in rural credit, sinking rural handicrafts, fragile rural and cottage industries, etc. discouraged the formal credit system to continue their focus on poverty alleviation, employment generation and rural development spheres. However, the spread of banking activities to the length and breadth of the
country, thanks to nationalization of large sized commercial banks, created a
great awakening among the rural populace about banking activities.

Similarly a number of urban development schemes launched from time
to time targeted at uplifting the urban poor too did not bring about a
pronouncing effect in the lives of them. The wave of liberalization after 1990s
has been virtually splitting India into shining India and dark India. This, in
turn, has slowly sowed the seeds of social unrest in most parts of the
underdeveloped India. The mass exodus of rural poor to urban centres has been
creating a major stress on urban infrastructure system. The increasing incidents
of farmers’ suicide in agrarian states, decline in agricultural productivity,
soaring cost of agricultural operations, conversion of agrarian land into real
estates, non-availability of farm labourers, who are otherwise engaged in
government sponsored infrastructure development schemes, etc. point to the
growing neglect of the agricultural sector.

As a matter of fact two-thirds of adult illiterates are women and 70 per
cent of world’s population is women. As far as India is concerned, women
constitute 60 per cent of population. The skills and capacities of Indian men
folk remain unexploited while the women folk remain exploited by men folk.
Traditions have accorded to them an inferior status of being merely home
makers. The Indian society has not recognized for generations that their innate
qualities of patience, perseverance, etc. in meeting challenges at all odds could
be utilized for occupations which men do.

Denial of property rights, lack of adequate financial resources to start
ventures suited to their nature and skill, lack of proper training and above all
absence of marketing facilities are the real bottlenecks. Hence, their
participation in national transformation is negligible. All these realities cry for some sort of intervention from different stakeholders of the nation.

In this backdrop, a new revolutionary concept propounded by Nobel Laureate Mohammed Yunus styled Self-Help Group (SHG) mode of intervention won international acclaim. The aggressive practice of the concept which has been extricating a vast majority of marginalized sections from poverty in Bangladesh, one of the poorest countries, has been infusing hope in all other poor and developing countries. The lackadaisical attitude of the formal financing agencies towards the poor section of the society has been progressively yielding place to adoption of SHG mode of intervention to fight the scourge of poverty, employment generation and women empowerment. The new intervention has been ushering in a new era in our nation as well. Our cherished dream of turning our country into economic and knowledge super power by 2020 has every prospect of becoming a reality through this revolutionary concept.

The Concept of Self Help Group

The concept of self help is not new to Indian society. In traditional rural societies, rural population practised it in various forms. Activities like house building, farming, sharing irrigation, and bullocks were managed on a self-help basis. However, this concept of collective action was among others developed by Olson Manuour (1971)¹. In his opinion, people tend to organize themselves into groups only when they perceive that the benefits of collective action would far exceed the cost of participation. But India had the distinction of having traditional saving groups. Informal self help groups oriented to savings and
credit functions had existed and they were using distinctive credit instrument even before 1904 when the Co-operative Credit Societies Act came into force.

Nidhis and chit funds were popular in South India. They shared some of the distinguishing features of self help group namely promoting savings, mobilizing the savings, inculcating punctuality and lending.

Kalathur (1997)$^2$ observes that self help groups are voluntary associations of people formed for attaining certain collective goals that could be economic or social or both. As far as India is concerned, self help group concept was popularized by the active involvement of Non-Governmental Organisations (NGOs). They went out of the way to form the group, identify appropriate business pursuit, impart training to the group members and provide financial support in the initial stage. NGOs, while forming the group, paid special attention to factors like homogeneity, stability, promoting saving habits, group discipline, etc.

Thus effective functioning of the SHGs and impressive recovery performance lured the banks to this neglected group. In this context, the NGOs played a big role in creating a link between bank and the target group. As a corollary to it, bank linkage model evolved as a core strategy for increasing its outreach to the poorest of the poor who are hitherto bypassed by it. SHGs are associations of people formed to attain a collective goal. People who share homogeneity with respect to social background, heritage, traditional occupation, economic status, etc. come together for a common cause to raise and manage resources. Srinivasan Girija (1997)$^3$ observes that SHG can be formed for any purpose but they should be practising thrift and credit and be familiar with money management for the financial institutions to use them as a
channel for banking activities. SHG encompasses several activities but in India, Bangladesh, Indonesia, Philippines, Nepal and Srilanka; they are mainly focused on financial aspects.

Following are the features:

1. Homogeneous groups in terms of economic status, interest, social background, etc.
2. Membership per group ranges between 10 to 20.
3. Non-political and voluntary, following democratic culture.
4. Conducting periodic meetings mostly weekly meetings.
5. Transparent functioning of the group and collective accountability in respect of financial transaction in the group.

Mode of linkage

There are three distinct modes of credit to SHGs. Under the first mode, banks lend directly to the SHGs. In the second mode, banks provide loans to the NGOs for lending to the SHGs and ultimately to micro entrepreneurs. Under the third mode, banks extend credit to the SHGs with the NGOs as facilitators. Out of three methods, the last method of direct lending by banks with NGOs facilitation is widely practiced.

Self Help Groups in India

The National Bank for Agriculture and Rural Development (NABARD) is the apex institution for microcredit in India, although many other institutions such as Small Industries Development Bank of India (SIDBI) are also involved in the sphere. It took its first initiative of providing microcredit to the SHGs
through the SHG Credit Linkage Approach which began in February, 1992. Since then Microcredit in India has emerged in a very big way. In 1992-93, there were only 255 credit-linked SHGs but it grew phenomenally over the years reaching 10,79,091 SHGs in 2009-10.

Over 16.7 million poor households accessing banking services include more than one million SHGs through microcredit. The SHG-bank linkage programme of NABARD is perhaps the largest and the fastest growing microcredit programme of the world in terms of its outreach.

Self Help Groups in Tamil Nadu

In Tamil Nadu, Tamil Nadu Corporation for Development of Women Limited (TNCDW) was established in the year 1983 with the prime objective of socio-economic development and empowerment of rural women. The Government of Tamil Nadu spearheaded the Self Help Group (SHG) concept in the country by forming SHGs in Dharmapuri district with the assistance of International Fund for Agricultural Development (IFAD) in September 1989. The success of the IFAD Project paved way for the now popularly called “Mahalir Thittam” project (MATHI), which was launched during 1997-98 with State Government funding and was progressively extended to all the 30 districts.

Tamil Nadu Corporation for Development of Women implements Mahalir Thittam in partnership with Non-Governmental Organisations (NGOs) which form SHGs, train and monitor them. The NGOs are provided group formation cost, training cost and monitoring cost for the above activities. The NGOs which are interested in partnering with TNCDW for implementation of Mahalir Thittam are affiliated to this scheme, if they satisfy the prescribed
norms. The SHG movement, which was started in 1989 as a spark in the horizon, has now emerged as a powerful and vibrant movement illuminating the lives of poor women across the length and breadth of the State. As on March 2009, there were 3,91,927 SHGs registered under the ‘Mahalir Thittam’ scheme in Tamil Nadu.

**Self Help Groups in Kanchipuram District**

Among the various districts of Tamil Nadu, Kanchipuram District occupies a predominant position in terms of number of SHGs. Hence, this district has been chosen for the present research. The urban centres have more rural bias and the economic activities are more agro-based in Kanchipuram. Hence, the SHGs have been formed for meeting the needs of industrial and agricultural activities. As on March 2009, there were 21,491 SHGs in Kanchipuram District with a women membership of 3.43 lakhs.

**Statement of the Problem**

A plethora of schemes were launched to eradicate the twin problems of poverty and unemployment in India. In 1980, Integrated Rural Development Programme (IRDP) was implemented in India to lift the poor villagers from the morass of poverty and later the scheme for the development of women and children in rural area to involve women in entrepreneurial activities by forming groups was launched. But they had no significant impact on the target group. Likewise a slew of various measures such as Differential Rate of Interest (DRI), Training of Rural Youth for Self-Employment (TRYSEM), Self-Employment Programme for the Urban Poor (SEPUP), Supply of Improved Tools and Kits to Rural Artisans (SITRA) introduced and implemented, had also only a limited success. Though, banks, through an impressive network of
branches, have penetrated into rural areas and loosened the usurious grip of rural money lenders, could not significantly free our village artisans, agriculturists, craftsmen, trading community, etc. from their hold. The targeted beneficiaries viewed the loans as doles and non-existence of recovery mechanism and consequent poor recovery took a heavy toll on viability of these schemes.

A repeated failure of much poverty alleviation strategy has triggered research into modalities that provided effective financial service to the poor segment. In the light of experiences of other developing countries like Bolivia, Philippines, Indonesia and Bangladesh, NGOs in India experimented the innovative concept of SHGs.

Micro credit has emerged as a financial strategy to reach the urban and the rural poor. Whether micro credit schemes routed through self help groups have proved to be a great success in Kanchipuram District too as claimed elsewhere, is a matter worth probing. Evaluation of the impact of SHGs on the beneficiary members has assumed crucial importance. In other words, whether micro credits dispensed through self help groups in Kanchipuram district has really helped the beneficiaries in raising their level of living through pursuit of gainful micro ventures, is a problem that merits detailed study. The present research work is undertaken essentially to assess this impact.

**Significance of the Study**

The outcome of the present study is supposed to facilitate capacity building and skill development of beneficiaries. It may intensify their participation in various activities connected with the group. NGOs may get insight into potential areas for expanding group approach. The policy makers
and the task force appointed in this regard may get vital inputs for fine tuning the micro credit system. Women beneficiaries stand to benefit out of suggestions pertaining to problems in creating positive linkage, strengthening economic activities, expanding support for access to raw materials, skill development training, marketing opportunities and credit needs. Thus, the present study is supposed to benefit the different constituencies of self help group mechanism.

Objectives of the Study

1. To evaluate the social impact of SHG on its women members.
2. To examine the economic impact of SHG on its women members.
3. To analyze the empowerment enjoyed by women members through SHG.
4. To investigate the working environment and the constraints encountered by the women members of SHG.
5. To make suggestions to Government and policy makers for ensuring more effective functioning of SHG.

Scope of the Study

The study of women members in SHGs in Kanchipuram district throws light on the status of women, their economic impact, social impact and empowerment created by SHG and also analysis the practical problems faced by them. The need of the day is the empowerment of women in all the walks of life through SHG. This study addresses the issue in various dimensions which will help the NGOs and policy makers in improving the schemes and the way to implement effective schemes.
Hypotheses

1. There is no significant influence of personal variables on various social dimensions of women members’.
2. The economic status of women members continues to be same as it was before in the matter of variables like Income, Expenditure, Savings, Borrowings, and Assets creation.
3. All the dimensions of empowerment do not contribute equally to empowerment of women members
4. The association of level of social impact does not cause any significant change in the level of women empowerment.
5. There is no association between levels of problems faced by SHG and level of empowerment, level of social impact.
6. There is no relationship between the dimension of social variables, and empowerment.

Selection of Study Area

The area of the study is Kanchipuram District of Tamil Nadu. It is evident from the fact that Kanchipuram District with the highest number of Self-Help Groups occupies the first place. It is, therefore, suitable to make a study of its impact on the beneficiaries and to examine the degree of achievement of its avowed goals. In view of this, Kanchipuram district has been chosen for the present study.

Sampling Design

The present study is confined to the members of the Self Help Groups under Mahilar Thittam Scheme operated by the Government of Tamil Nadu as
on 31.04.09. Multi-stage random sampling was adopted for the present study. There were 21,491 Self Help Groups functioning in Kanchipuram district. These groups were functioning under 20 NGOs. The sample size of the present study was fixed at 350 groups by applying sampling formula given below. In the first phase only 3 NGOs which run self help groups functioning for a minimum period of 5 years in all 13 blocks of Kanchipuram district were considered and the self help groups which have a minimum membership of 15 alone were considered in the second phase. In the final stage, three office bearers were chosen from each group thus, making the total size of the sample to 360 members. Since 10 questionnaires were found to be incomplete in some vital aspect and due to non-cooperation of 10 respondents; these were to be rejected. Hence the final size of sample is 350 members.

The following table displays the samples drawn at different stages. The sample size of the group was determined by applying the formula:

\[
    n = \left[ \frac{ZS}{E} \right]^2
\]

Where

\(Z=\) Standardized value corresponding to a confidence level of 95\% = 1.96

\(S = \) Sample SD from Pilot study of 50 sample = 0.477

\(E = \) Acceptable Error = 5\% = 0.05

Hence, Sample size \(n = (ZS/E)^2\)

\[= (1.96*0.477/0.05)^2\]

\[= 349.6\]

\[= 350\]
Table 1.1.1
Sample Framework

<table>
<thead>
<tr>
<th>Name of the NGO</th>
<th>1st Stage Number of Groups Functioning for 5 Years</th>
<th>2nd Stage Groups with more than 15 members</th>
<th>3rd Stage No. of members (3 members from each group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand in Hand</td>
<td>108</td>
<td>45 Groups</td>
<td>135 Members</td>
</tr>
<tr>
<td>Daughters of Mary Immaculate</td>
<td>136</td>
<td>50 Groups</td>
<td>150 Members</td>
</tr>
<tr>
<td>Arivoli Iyyakkam</td>
<td>106</td>
<td>25 Groups</td>
<td>75 Members</td>
</tr>
<tr>
<td>Total</td>
<td>350 Groups</td>
<td></td>
<td>360 Members</td>
</tr>
</tbody>
</table>

Source: Records of DRDA Kanchipuram

Period of Study

The period of the study was 2005-2010 and the reference period i.e. period of data collection was 2008-2009.

Style of Reference

The reference has been arranged in accordance with the prescription of MLA handbook for writers of research papers.

Collection of Data

The present study is empirical in character based on survey method. The first-hand information for this study was collected from the officials of DRDA, Kanchipuram District. Primary data exploring the impact of SHGs on various fronts like Social Impact, Economic Impact, Empowerment and problems were collected from the members. The interview schedule was prepared after a review of relevant literature pertaining to self help groups.
The first section deals with demographic details of SHG members, the second section consists of perception of SHG members on their Social Impact, the third section contains the Economic Impact of members after joining SHG, and the remaining section deals with the perception on empowerment, and problems of SHG members. Likert’s five-point scale has been used to measure the perception of the respondents to explore the impact of SHGs on them. The secondary data were collected from the annual reports published by National Bank for Agriculture and Rural Development (NABARD), Tamil Nadu Corporation for Development of Women Limited (TNCDW), journals, magazines, books, reports, News papers, etc.

**Pilot Test**

A pilot study was conducted to validate the questionnaire and to confirm the feasibility of the study (Rosenthal and Rosnow 1991)\(^4\). Based on the pilot study the questionnaire was modified to bring out suitable responses from the sample members (Churchill Jr. 1987)\(^5\). Cronbach alpha was applied to test the reliability. Samples of 50 respondents were taken from the instrument and their alpha score was calculated. Cronbach’s alpha score above 0.8 is reliable (Nunnally and Bernstein 1994)\(^6\), (Crook and Booth 1993)\(^7\). The result of the test is shown here under.

### Table 1.1.2

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of items</th>
<th>No. of sample</th>
<th>Cronbach alpha score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Impact</td>
<td>14</td>
<td>50</td>
<td>0.8849</td>
</tr>
<tr>
<td>Empowerment</td>
<td>20</td>
<td>50</td>
<td>0.8661</td>
</tr>
<tr>
<td>Problems</td>
<td>20</td>
<td>50</td>
<td>0.8314</td>
</tr>
</tbody>
</table>

Source: Primary Data
Reliability analysis table shows that all the dimensions have more than 0.8 as alpha score and therefore they are reliable. The variables considered for the analysis satisfy the normal probability distribution.

**Frame Work of Analysis**

The collected data have been analyzed in tabular form and graphic representations. Statistical tools such as Trend analysis, Percentage analysis, t-test, Paired t-test, One way ANOVA analysis, Correlation co-efficient, Multiple Regression analysis, Chi-Square analysis, Friedman test and Structural Equation Model (Path analysis) were used with the help of statistical software SPSS.

The statistical tools used for obtaining results are as follows:

1. Trend analysis is used for analyzing the group formation and loans sanctioned.
2. Simple percentage analysis and diagrammatic representation are used for highlighting the percentage contribution of Demographic variables of SHG Members.
3. Student t-test and one-way analysis of variance are employed to measure the relationship between the impact of profile variables on social variables of the SHG members.
4. The paired t-test was employed to measure the extent of economic impact on the SHG members in terms of changes in the annual Income, expenditure, savings, borrowings and changes in the assets generation between the Pre-SHG membership and Post-SHG membership period.
5. A chi-square goodness of fit test is used to test whether there exists association between the level of social impact with level of empowerment, and level of problems with level of social impact, and level of empowerment.

6. Karl Pearson’s co-efficient of correlation analysis technique is used to analyze the relationship among the variables of social impact and empowerment.

7. Friedman test analysis is used to determine the differences among the variables of empowerment.

8. Multiple regression analysis is used to measure the extent of contribution by the independent variables on dependent variable such as overall social impact, overall economic impact and overall problems faced by SHG members on overall empowerment.

9. Structural equation model (SEM) is a statistical technique used for testing and estimating casual relations to determine the strength of individual relationship between the concepts in the model such as social impact variables and rooted variable income in the economic impact. The model is tested against the obtained measurement data to determine how well the model fits the data.
Limitations of the Study

1. The study is restricted to Kanchipuram district alone in view of time and resource constraint.

2. Only 3 NGOs which run the highest number of self help groups are considered.

3. Self help groups which have women members alone have been studied.

4. NGOs registered under Mahalir Thittam are studied. In other words, SHGs functioning under private NGOs and banks are outside the purview of the study.

5. The study is purely based on primary data exploring the perception of the respondents which may vary over a period of time due to the environmental dynamics. Therefore the findings of the study may not hold good for ever.

6. The findings of the study may not be applicable to self help groups functioning under private NGOs functioning in Kanchipuram district due to operational dynamics.

7. The results of the study may not apply to self help groups functioning elsewhere in the state due to different socio-economic climate.

8. The study does not cover the functioning of self help groups. In other words, it studies only the impact of self help group mechanism on the members on various dimensions.
Scope for further Research

The following areas are suggested for further research on Self Help Groups

1. Comparison of performance and satisfaction of members of women SHGs with men SHGs can be undertaken.

2. A study of micro credit extended by public sector banks through the SHGs may be undertaken.

3. A comparative study of the performance of the SHGs on the basis of different models of the SHG-Bank linkage may be done.

4. An impact study may be undertaken in different regions and zones of the country.

5. A comparison study may also be taken between the public sector banks and private sector banks on micro credit function.

6. A comparative study of the performance of SHGs on the basis of different models of the SHG-Bank linkage can also be undertaken.
CHAPTERISATION

Chapter I - Introduction

The first chapter gives an introduction to Self Help Groups and their importance, need and scope of the study, objectives, period, methodology, hypotheses, limitations and chapterisation.

Chapter II – Review of Literature

The second chapter deals with the review of literature related to the topic.

Chapter III - Self Help Groups - An Overview

The third chapter covers the SHG’s origin, its growth in India, abroad, functions, features and its role in Tamil Nadu and Kanchipuram District.

Chapter IV – Socio-Economic impact and Empowerment analysis of SHG Members

The fourth chapter analyses the impact of Self Help Groups on their members on the dimension of social impact, economic impact, and empowerment.

Chapter V – Analysis of Problems and Challenges of Self Help Group Members

The fifth chapter analyses the problems and challenges faced by the members of Self Help Groups.

Chapter VI - Summary of Findings, Suggestions and Conclusion

This chapter gives a summary of the findings of the present study. Conclusion has also been drawn in the light of the findings and suggestions based on the study.
List of Abbreviations and operational definitions:

Some of the important abbreviations used in this dissertation are given below:

A. Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRDA</td>
<td>District Rural Development Agency</td>
</tr>
<tr>
<td>SHG</td>
<td>Self Help Group</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Government Organisations</td>
</tr>
<tr>
<td>NABARD</td>
<td>National Bank for Agriculture and Rural Development</td>
</tr>
<tr>
<td>SIDBI</td>
<td>Small Industries Development Bank of India</td>
</tr>
<tr>
<td>TNCDW</td>
<td>Tamil Nadu Corporation for Development of Women Ltd</td>
</tr>
<tr>
<td>MATHI</td>
<td>Mahalir Thittam Project</td>
</tr>
<tr>
<td>TRYSEM</td>
<td>Training of Rural Youth for Self-Employment</td>
</tr>
<tr>
<td>SEPUP</td>
<td>Self-Employment Programme for the Urban Poor</td>
</tr>
<tr>
<td>SITRA</td>
<td>Supply of Improved Tools and Kits to Rural Artisans</td>
</tr>
<tr>
<td>SGSY</td>
<td>Swarn Jayanthi Gram Swarojgar Yojana</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>SC</td>
<td>Scheduled Castes</td>
</tr>
<tr>
<td>ST</td>
<td>Scheduled Tribes</td>
</tr>
<tr>
<td>AGCR</td>
<td>Average compound growth rate</td>
</tr>
</tbody>
</table>
B. Operational Definitions

Self-Help Groups

The Self-Help Groups are voluntary associations of people formed to attain some common goals. These groups have similar social identity heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefit of the group members.

Economic Impact

Economic impact refers to changes in the economic conditions of the members in terms of rise in income, increase in expenditure level, increase in savings, increase in the value of assets and increase in borrowing capacity after joining the Self-Help Groups.

Social Impact

Social impact refers to changes in the social status of the members in terms of their literacy and competency level, health consciousness, increase in their social acceptance and social relationship after joining the Self Help Groups.

Empowerment

Empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives. It involves increased wellbeing, access to resources, raising self-confidence, increase in leadership traits, increase in skill of banking operation, increased participation in decision-making and control over resources and lives.
**Beneficiaries**

The households who are identified as poor at the time of the survey and selected as members under Self-Help Groups are called beneficiaries.

**Entrepreneur**

An entrepreneur is an economic agent who coordinates, organizes and supervises the factors of production, to manufacture and sell the product so as to make profit.

**Entrepreneurship**

Entrepreneurship is creating and introducing new ideas radically different from routine ones, offering products to satisfy needs that hitherto have remained undiscovered and, above all with a consistent commitment to innovation and quality.

A review of literature from a variety of sources is undertaken in the next chapter to spot out the research gap left out by the earlier researchers.
End Notes


