CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS

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SUMMARY OF FINDINGS AND SUGGESTIONS

7.1 INTRODUCTION

SHGs have immense potential for a nation like India, considering the fact that there is about a third of Indian population below the poverty line. The population is predominantly rural oriented and illiteracy and unemployment still continue to adversely affect developmental efforts. The people at grassroot level consist of rural poor including small and marginal farmers, share croppers, landless labourers and rural artisans. In India, it is generally agreed that the rural poor have not been benefited in proportion to their number or to their needs from the various programmes of rural development. The main feature of the India poverty profile is that over 80 per cent of the poor live in rural areas and the bulk of them depend upon on agriculture with its low productivity and allied activities for their livelihood. These households would be able to cross the poverty line only if they have steady employment all through the year at reasonable wages or have access to adequate productive assets and credit or can derive enough income from both the sources together. As these conditions are not satisfied for the great majority of poor households they survive in a state of abject poverty. Such households can organize themselves into SHGs. All efforts in Managing Human Resources of the Nation would start at the grassroot level through the empowerment and possible development of the poorest of the poor and the weaker sections of the society. Formation of Self Help Groups is a step in this direction. Such SHGs Function under Non-Governmental Organizations (NGOs) and are not subjected to procedures of the formal banking system.
The formation of SHGs in the late 2000 came as a turning point in the lives of the villagers. After some initial hiccups, the SHG movement gained momentum with women saving monthly. Initially they did not have the knowledge of the issues and the effective solutions of the prevailing problems at village level. Slowly, as the time passed the women became aware of the importance of SHGs through the training workshops and capacity building activities. Regular meetings with the representatives helped them in many ways. This inspiration led them in motivating other families to join the group. Gradual increase in their savings gave them confidence. Some groups went to alcoholic shops and warned them to stop the selling of alcohol. Slowly but surely a revolution was building. The males restricted their drinking habit to some extent. Now each member of the SHG knows to sign and some of them are managing the records, accounts and the like. Most importantly, women are now actively involved in house-hold decision-making process.

The Tamil Nadu Women's Development Corporation is actively involved in mobilizing groups, building cohesiveness among the members, providing credit linkage and marketing support. Palm products are a successful activity and are being taken up by SHGs in the state successfully. There has been sustained effort through Government intervention to deal with the problem of poverty, in India. During the five decades since Independence, the country has made significant stride in many areas. There has been significant improvement on a range of human development indicators. There has been noticeable achievement in the area of poverty alleviation as well. With the sustained efforts of Government interventions, the proportion of the population Below the Poverty Line (BPL) has been brought down from 54.8 per cent in 1973 – 74 to 35.9 percent in 1993 – 94 and further to 26.5 per cent in 1999 – 2000. The rural poverty during this period has also been 2.3 per cent. Approach
paper to the 10th Five year plan envisages that poverty will be brought down to 20 per cent by 2007 and 10 per cent by 2012. The point of concern, however, is, that over a quarter of the world's poor are still concentrated in India. The latest estimate by the planning commission (1999-2000) shows that more than 260 million people continue to live below the Poverty Line (BPL) which is about 26 per cent of the country's population. There is still high concentration of the poor in the rural areas. Out of the total, 193 million poor live in the rural areas which are about 75 per cent of the total poor in the country. The poor are also concentrated mostly in backward regions like dry land, rainfed, drought prone, tribal, hill and desert areas. The concentration of the poor continues to be more among the weaker sections of society particularly among SCs, STs and Backward Classes.

7.2 FINDINGS OF THE STUDY

SOCIO - ECONOMIC BACK GROUND (PRE & POST SHG SITUATIONS)

The socio-economic back ground of the members in pre and post SHG situation was analysed. The members belonged to eleven blocks in Ramanathapuram District. Seventy two members were selected from Kadaladi Block, 62 members from Kamuthi Block, and 56 members from Tirupullani and Mandapam Block. Out of 500 women beneficiaries 382 were engaged in agriculture and allied activities and 118 members were engaged in non-agricultural activities.

The SHG scheme works on the principles of Self-regulation, mutual help and co-operation, which ensure financial discipline, transparency in accounting and participatory decision-making. It is started
with a group of 10 – 20 members with families living Below the Poverty Line (BPL) who have to prove their thrift worthiness.

A majority of the respondents from the two groups of members belonged to the age group of 25 to 40 years. In agriculture and allied activities it constituted 37.70 per cent and in non agricultural activities it constituted 61.86 per cent.

The members have selected their own members to form groups. The members residing in the same neighbourhood ensures better character screening and deviant behaved ones, are excluded.

It was seen that the maximum of 32 per cent of the total members have 1 to V Std level of education followed by 22.6 per cent with higher education. Only 5.2 per cent of the members were above higher secondary level whereas 17.8 per cent of the respondents were illiterates. In all the groups, the main category had I to X std level of education which together constituted 54.4 percent.

An important finding of the study was that majority of the members of SHGs belonged to the scheduled caste/Tribe, followed by the most backward class which together constituted around 77.6 per cent of the total members taken for the study.

It has been observed that around 66.6 per cent of the total respondents were married whereas 17.8 per cent of the respondents were unmarried.

The family sizes of the members were classified into less than 3, 3 to 5, 6 to 8 and above 8 members, and it was observed that nearly 82.2 per cent of members had a family size of 3 to 8 whereas only 7 per cent
had a family size less than 3 members and 10.8 per cent had a family size of above 8 members.

The numbers of earning members were classified into one, two, three, four, and above four. The families with two earning members constituted 44.8 per cent followed by 36.5 per cent with four earning members. The families with four and above four together constituted 56 per cent.

The occupational status of members were analysed and was observed that 22.6 per cent of the members of SHGs were house-wives followed by 19.4 per cent of the members who were agricultural labourers, 10 per cent of members who were cattle rearers, and only 9 per cent of members were petty traders.

INCOME, SAVINGS, ASSETS AND HOUSING CONDITIONS OF THE MEMBERS BEFORE JOINING SHGs

In the case of Agriculture and allied activities, number of respondents who earned between Rs.901 – 1200 constituted 34.55 per cent and the number of respondents who earned above Rs.1,200 constituted 2.09 per cent. In non-agricultural activities the number of respondents who earned income between Rs.901 – 1200 constituted 35.59 per cent and the number of respondents who earned income less than Rs.300 constituted 5.93 per cent.

The number of respondents, who had a family income of Rs.1000 to 2000, was 47.91 per cent in agriculture and allied activities. Whereas the number of respondents who had a family income of Rs.2001 – 3000 was 35.59 per cent in non-agricultural activities.
In agriculture and allied activities and in non-agricultural activities, 39.79 per cent and 26.27 per cent of members respectively had the dominant category of assets namely Rs.5000 to Rs.10,000/-

The percentage of respondents who had no savings before their membership in SHG’s in agriculture and allied activities and non-agricultural activities constituted 62.83 per cent and 67.80 per cent respectively.

Since the respondents were poor, they borrowed loans even at higher rates of interest. The percentage of respondents who were free from indebtedness both in agriculture and allied activities and non-agricultural activities constitute 11.78 per cent and 26.27 per cent respectively.

The maximum of 38.8 per cent respondents took loans at the rate of above 48 per cent interest whereas 24 per cent of respondents borrowed at the rate of 37 to 48 per cent interest.

The housing facilities were measured using the variables like electrification, toilet, and drinking water, kitchen possession of radio, television, furniture and roof and safety provisions. Deficiency index was calculated at pre SHG stage and post SHG stage separately. The deficiency index for agriculture and allied activities and non-agricultural activities at the Pre-SHG stage were 308.22 and 87.11. For the overall at Pre – SHG stage, the deficiency index was 395.33.
INCOME, SAVINGS, ASSETS AND HOUSING CONDITIONS AFTER JOINING SHGs

A majority of members (43.98 per cent) earned income of Rs.500 – 1000 in agriculture and allied activities, followed by 29.66 per cent who earned higher income of above Rs.2000 in non-agricultural activities.

Regarding savings, 61.78 per cent had savings less than Rs.100 in agriculture and allied activities and 38.14 per cent had savings of Rs.100 – 200 in non-agricultural activities. It was found that only 2.6 per cent of members saved above Rs.400 per month. A maximum of 55.6 per cent of members saved less than Rs.100 per month.

SHG members had increased assets due to additional income earned out of new activities and their savings. Nearly 37.70 per cent had assets worth Rs.5000 – 10,000 in agriculture and allied activities. In non-agricultural activities 32.20 per cent had assets Rs.10,001 – 20,000 and the same percentage of members had assets above Rs.20,000.

The members and their family got benefited from employment opportunities and more income. Nearly 37.17 per cent of the members who belonged to agriculture and allied activities had family income, Rs.2001 – 3000, whereas majority of 35.59 per cent who belonged to non-agricultural activities had family income Rs.3001 – 4000.

The over all deficiency index declined from 395.33 in pre-SHG to 357.00 in post-SHG period which indicates the percentage of decline at 9.70 per cent. It also indicates that the living conditions had
improved in the post – SHG period. The rate of improvement in living conditions was higher in the case of non – agricultural activities.

**VARIATION IN MONTHLY INCOME AMONG DIFFERENT GROUPS OF SHG MEMBERS**

One-way ANOVA was applied to examine the variation in monthly income of SHG members between agriculture and allied activities and non agricultural activities. There is a significant variation in the monthly income at 5 per cent level. Hence, it is concluded that the monthly income of different groups varied among SHG members in agriculture and allied activities and non – agricultural activities.

**ANALYSIS OF SHG MEMBER’S CONTRIBUTION TO FAMILY INCOME**

Multiple regression analysis was used to measure the SHG members contribution to family income. It was found that the SHG member’s contribution to the family income was more or less equal to their spouses, in agriculture and allied activities and the SHG member’s contribution to the family income was more than the earnings of their spouses in non – agricultural sector. Hence, the SHG member’s earnings contribute significantly to family income.

**LEVEL OF BORROWINGS AND REPAYMENT PERFORMANCE**

Essentials of good credit management like (Peer) appraisal for credit needs (Checking the antecedents and needs before sanction), (peer) monitoring – end use of credit, (peer sympathy) rescheduling in case of crisis and (peer pressure) collateral in case of willful non – payment all
seemed to coexist in the system – making it one of the best approaches for providing financial services to the poor.

As regular meetings and savings are compulsory ingredients in the product design, it suited the women clients – as group formation and participatory meetings is a natural ally for the women to follow.

The members were aware of the purpose of group formation, the operations and activities of the group. The democratic character of the group was judged by attending one or more meetings and talking to individual members.

The periodicity of attending the group meeting was analysed and it was observed that 49.80 per cent of members attended once in a week, 33.60 per cent attended once in a month and 16.60 per cent attended once in a fortnight.

Many respondents preferred part-time employment in addition to conventional and traditional roles as mother’s and wives.

While analyzing the reasons behind starting the business units it was found that 35.20 per cent of the respondents wanted to be self-employed and 31.50 per cent started the business due to the training given by the NGOs and 19.20 per cent respondents entered the business to earn money.

The designation-wise classification of the respondents was analysed and it was observed that a majority of 52.40 per cent of respondents were members, 31.80 per cent of respondents were representatives and 15.80 per cent of respondents were animators.

The democratic set up of the SHGs provides opportunities to the members to serve as animators and representatives. The opportunity-
wise classification of the respondents was analysed and was found that a majority of 42.00 per cent had the experience of functioning as animators and 37.20 per cent had the experience as representatives. Only 20.80 per cent respondents did not hold any post.

Grass root level awareness campaign is carried out through NGOs and SHG members. Banks also take up a lead role in popularizing the loans provided under micro credit scheme. While analyzing the sources of awareness about the micro credit scheme it was found that 47.20 per cent respondents got the information through SHGs and 20.20 per cent of the respondents came to know about the micro credit scheme through NGOs, 21.50 per cent through banks, 4.60 per cent got the information through advertisement and 7.00 per cent came to know about the scheme through friends and relatives.

The reasons for getting micro credit were analysed by assigning rank under the Garrett Ranking method. According to Garrett Ranking, creation of additional employment was the prime reason cited by respondents to obtain micro credit, followed by creating more income and additional assets, hereditary occupation and experience, marketing facility and training received from SHGs/NGOs.

Length of membership in the SHGs indicates the experience and benefits drawn by the group. It is observed that in total, 44.40 per cent of the total members interviewed had the length of membership above 3 years where as only 7.40 per cent had membership of less than one year. In the case of agriculture and allied activities 42.14 per cent of the members interviewed had length of membership above 3 years followed by 29.32 per cent who had length of membership between 2 to 3 years and only 7.06 per cent of them had membership less than 1 year. Whereas in the case of non-agricultural activities 51.69 per cent of the
members interviewed had length of membership above 3 years followed by 26.28 per cent who had membership between 2 to 3 years and only 8.47 per cent had membership less than 1 year respectively.

The SHG members are allowed to take loans from their SHGs which is known as internal lending. The loan amount differs according to the years of membership, prompt repayment, and activity chosen by the member. It is inferred that nearly 39.6 per cent of respondents had borrowed less than Rs.2000, whereas 20.4 per cent of respondents had borrowed between Rs.4001 to 4500. Only 10 per cent of respondents had borrowed between Rs.2000 to 3000. In the case of agriculture and allied activities 45.55 per cent of respondents had borrowed less than Rs.2000 followed by 19.37 per cent respondents who had borrowed Rs.4001 to 5000, and only 11.78 per cent borrowed above Rs.5000. Whereas in the case of non-agricultural activities 29.66 per cent of respondents had borrowed above Rs.5000, 23.73 per cent of respondents had borrowed between Rs.4001 to 5000 and 20.34 per cent of respondents had borrowed less than Rs.2000.

The SHGs are free to fix their own rate of interest on the loans taken by the members of SHGs. It has been revealed that a maximum of 37 per cent respondents had borrowed at the rate of interest between 19 to 24 per cent, followed by 25.8 per cent who had borrowed at the rate of interest between 12 to 18 per cent. Nearly 18.40 per cent respondents had borrowed at the rate of interest above 30 per cent and 11.40 per cent had borrowed at the rate of interest below 12 per cent. In agriculture and allied activities a maximum of 41.10 per cent respondents had borrowed at the rate of interest between 19 to 24 per cent and a minimum of 6.02 per cent of respondents had borrowed at the rate of interest between 25 to 30 per cent whereas in the case of non-agricultural activities a maximum of 26.27
per cent of respondents had borrowed at the rate of interest between 12 to 18 per cent and a minimum of 11.86 per cent of respondents had borrowed at the rate of interest between 25 to 30 per cent respectively.

It is a commonly held belief that as an individual grows in age, he tends to mature in wisdom and experience. A null hypothesis has been formed that the age of respondents and level of borrowing are two independent attributes under agriculture and allied activities. To test the null hypothesis and also to know whether there is no relationship between the age of the respondent and level of borrowing, Chi-Square test was applied and as the calculated chi-square value was greater than the table value at 5 per cent level of significance the null hypothesis was rejected. Hence there existed a relationship between the age of the respondents and their level of borrowing under the agriculture and allied activities.

In the case of non-agricultural activities out of 118 respondents 20.34 per cent had borrowed below Rs.2,000, 26.27 per cent between Rs. 2,000 to 4,000 and 53.40 per cent had borrowed Rs.4,000 and above respectively. To test the null hypothesis and to find whether there was no relationship between age of the respondents and level of borrowing, chi-square test was applied. As the calculated chi-square value was less than the table value at 5 per cent level of significance, the null hypothesis was accepted. So it can be concluded that the age of respondents does not influence the level of borrowing under the non-agricultural activities.

The present position of members and extent of borrowing was analysed. A null hypothesis was formed that present position of the sample respondents and level of borrowing were two independent attributes under agriculture and allied activities. Chi-Square test was applied and since the calculated chi-square value was less than the table
value at 5 per cent level of significance the null hypothesis was accepted. There exist no relationship between present position of the respondents and their level of borrowing under the agriculture and allied activities.

In case of non-agricultural activities out of 118 respondents 17 respondents who were animators had borrowed below Rs.2000, 5 respondents had borrowed between Rs.2000 - 4000 and 9 respondents had borrowed Rs.4,000 and above respectively. To test the null hypothesis and also to know whether there was correlation between the present position of the respondents and level of borrowing, Chi-square test was applied. As the calculated chi-square value was less than the table value at 5 per cent level of significance the null hypothesis was accepted. Hence there exists no relationship between the present position of the respondents and their level of borrowing.

There was no holiday for repayment and repayment period was decided by the bank and SHG, jointly. It was also revealed that out of 500 respondents, for 186 respondents, the number of instalments ranged between 11 and 15. Installments of above 20 have been found in 50 of the respondents. The SHGs have turned out to be quality clients in view of better credit management, mobilization of thrift, low transaction costs and near full repayment.

The micro-credit experience world wide had shown that poor borrowers, especially women, made productive use of credit for self-employed micro enterprises / small firms and are prompt in repayment, with average repayment rates above 90 per cent, much better than recoveries under small lending. It was observed that out of 500 respondents only 29 were irregular while 471 of the respondents were regular in repayment. Good recoveries from SHGs have spurred banks to
accept them as a main stream activity, and have demolished the popular myth that the poor can not pay back the loan.

The reason for difficulty in repayment of loan was analysed and two main reasons expressed by the respondents were delay in commencement of the business and low profit from the ventures. While 51.73 per cent had cited delay in commencing business as the reason, 13.79 per cent had stated less profit as the reason for difficulty in repayment.

SHGs availing micro-credit have shown excellent records of loan repayment. According to Garrett ranking results the foremost reason cited by the respondents is the availability of income followed by peer group pressure, availing of further loan, fear of legal action and self ethics.

**IMPACT OF SHG PROGRAMME ON INCOME, SAVINGS EMPOWERMENT AND INTENSITY OF POVERTY**

The savings as the first concept enables the poor to gradually understand the importance of savings, appreciate the nuances of credit concept using their own money before seeking external support (Credit) for fulfilling future needs. The poor tend to understand and respect the terms of credit better.

The incremental income between pre and post SHG periods had been worked out and tested with ‘t’ statistics. It has been identified that the income position of the members in agriculture and allied activities had increased from Rs.1124.23 at pre – SHG to Rs.1835.41 at post – SHG period whereas in non-agricultural activities it had increased from Rs.1106.73 to Rs.2191.84. The average increase in the income of the members in agriculture and allied activities and non-agricultural activities
was Rs.1120.10 and Rs.919.53 respectively. By an average, for the pooled data, the average incremental income was Rs.799.43. The changes in income in agricultural and allied activities non–agricultural activities and for pooled data are statistically significant since, the ‘t’ values are greater than the respective table values. This indicates that the increase in years of membership in SHG’s makes significant changes in the income position of the members.

The average assets position of the member in each group is calculated at the pre and post–SHG periods and it has been observed that the over-all data indicates that the increase in assets value among the members together was Rs.8743.61. The ‘t’ test results are significant in agriculture and allied activities, non-agricultural activities and in the pooled data. It indicates that the period of membership shows a significant change in assets position of members.

The members availed loans both in pre and post-SHG periods. It has been observed that for the pooled data, the average loan amount had increased from Rs.1521.14 at pre – SHG period to Rs.3165.85 at post – SHG period. The changes in loan amount borrowed by the members in agriculture and allied activities, non – agricultural activities and pooled data are significant as the ‘t’ test shows.

The members took loans for different purposes at different rates. It has been inferred that the annual rate of interest for all the members together had declined from 73.65 per cent in pre – SHG period. The changes in the rate of interest in all the cases were negative. The ‘t’ test indicates that the changes in the rate of interest regarding all the three cases in the two periods were statistically significant. It shows that the rates of interest at which loans were taken were significantly declining in post – SHG period, compared with the pre – SHG period.
The average family income of the members were calculated at pre and post – SHG periods separately for the two different activities and also for the pooled data. It is discovered that the family income of the members altogether had increased from Rs.3029.54 at pre – SHG period to Rs.4287.71 at post – SHG respectively. The changes in the family income in agriculture and allied activities and non – agricultural activities are statistically significant since the ‘t’ values are greater than the respective table values. For the pooled data, there was no significant change in the family income of members in pre and post – SHG periods.

The increment in savings of the members in pre and post – SHG periods is measured with the help of savings of the members in the two periods. It is observed that in total, the incremental savings in pre and post – SHG periods was Rs.78.07. The ‘t’ test showed that there was a significant difference of average savings in pre and post – SHG periods in agriculture and allied activities, non- agricultural activities and the over all data on an average basis. There are significant changes in savings amount in pre and post SHG periods.

The economic empowerment is measured with the help of increase in assets value, income, savings, loan amount and family income. It was found that in agriculture and allied activities 21.41 per cent of the members had an index up to 20 in pre – SHG whereas the figure declined to 11.81 per cent in the post – SHG stage, followed by 16.02 percent of members had an index value between 21 to 40 at pre – SHG stage and the figures declined to 14.67 per cent in post – SHG stage and 24.47 percent of members who had an index value above 80 at pre – SHG stage declined to 22.24 per cent in post – SHG stage. Whereas in the case of Non – Agricultural activities, 12.52 per cent of the members had an index up to 20 in pre – SHG whereas the figure declined to 9.42 per cent in post –
SHG followed by 28.61 per cent of members who had an index value between 21 to 40 at pre – SHG and the figure declined to 12.16 per cent in post – SHG stage and 21.94 per cent of members who had an index value above 80 at pre – SHG stage and the figure increased to 27.08 per cent at post – SHG stage.

The economic indices of the members are compared at pre and post – SHG stages. The changes of the economic index during the two periods in non-agricultural activities and pooled data are statistically significant and the changes in non-agricultural activities are not statistically significant.

The social empowerment of sample SHG members was measured by using the changes in a set of parameters such as improvement in social recognition, participation, self-sufficiency, social communication, social independence, social interaction and social responsibility between pre and post – SHG situations. It was found that the social empowerment of the members had increased during the two periods of the study.

The social indices of members belonging to each group are separately calculated to verify the changes in pre and post – SHG situations. The incremental indices in agriculture and allied activities and non – agricultural activities are 41.95 and 33. 74 respectively. The changes in the social index during the two periods in agriculture and allied activities non-agricultural activities and for pooled data were statistically significant since the ‘t’ values were greater than the respective table values.

The economic and social empowerment index is the combined index of social and economic indices. It is calculated by product of weight and the values of economic and social indices respectively. The‘t’ test
revealed that the change in economic and social empowerment index in the pre and post – SHG situations were significant only in non-agricultural activities and pooled data.

The significant differences in each economic variable at two different periods namely pre and post – SHG situations, were ascertained. The significant differences are measured with the help of Fisher’s ‘F’ test, and was found that when the year of membership increased, there was a significant change in the economic performance of the members during the two different periods.

The social performance of the members measured with the help of social index which consisted of 7 variables. In order to find out the significant changes in social performance of the members, the members scoring in the social variables at Pre and Post – SHG situations were taken into account. The Fisher ‘F’ test was used to find out the significant changes in the two periods. It was found that the social empowerment of women was brought through the SHGs but it was a matter of time and active participation.

**CORRELATION BETWEEN ECONOMIC VARIABLES AND INCOME GENERATION IN PRE AND POST- SHG SITUATION.**

The relationship between economic variables namely material possession, savings, family income, loan amount and overall economic indexes and the income generation was calculated with the help of Karl Pearson’s Correlation coefficient at pre and post – SHG situation. The loan amount was negatively correlated. The coefficient was insignificant in all the 5 groups. The pooled data showed that there was a positive correlation between the savings and family income of the members.
The correlation coefficients between the economic variables and income generation at post SHG situations were calculated and was found that all the five economic variables were positively correlated with the income generation of the members of post-SHG situation.

**CORRELATION BETWEEN SOCIAL VARIABLES AND INCOME GENERATION IN PRE SHG PERIOD**

In all the groups the correlation coefficients are insignificant and indicates that at the pre-SHG situation, the correlation between the social variables and income generation was less and also insignificant.

The relationship between the social variables and income generation was calculated in the post – SHG situation and was observed that there was a positive correlation between all social variables and the related income generation.

**ANALYSIS OF INTENSITY OF POVERTY**

In order to test the intensity of poverty among the beneficiaries before and after joining Self Help Group scheme, Sen’s Index of poverty was applied. Poverty was measured by using head count ratio, income Gap Ratio, Gini co-efficient concentration ratio and Sen’s Index of poverty. The percentage of poor living below the poverty line before and after joining SHG scheme was observed. The overall increase of the Income Gap Ratio was to the extent of 44.70 per cent. The Head Count Ratio had been reduced to 47.52 per cent overall. The Gini Co-efficient of concentration Ratio had increased to 48.18 per cent which means that there was a marginal increase in inequality in the distribution of income after joining SHG. This may be due to the increase in income earned by 220(44 per cent) of SHG members.
The above analysis indicates that the SHG member had generated more income after joining SHG Scheme. The increased income level helped them to move above the poverty line. Hence it was found that SHG Scheme had reduced the poverty of the member beneficiaries to a certain extent.

7.3. PROBLEMS

On the basis of the primary survey conducted by the investigator among the few groups functioning in the state of Tamil Nadu, in Ramanathapuram District, it was found that SHGs faced problems in different areas.

Even though the authorities take measures for creating awareness among the group members about the schemes beneficial to them, Some of the groups are unaware of the schemes of assistance offered to them.

The training facilities given to the members of SHGs in the specific areas of product selection, quality of products, production techniques, managerial ability, Packing, other technical knowledge are not adequate to compete with that of strong units.

Normally each SHG procures raw materials individually from the suppliers. They purchase raw materials in smaller quantities and hence they may not able to enjoy the benefits of large-scale purchase like discount and Credit facilities. Moreover, there is no systematic arrangement to collect raw materials in bulk quantities. Most of the SHGs are ignorant of the major raw material suppliers and their terms and conditions increase the cost of raw materials.
Marketing is an important area of functioning of the SHGs. However, they face different problems in the marketing of products produced by them, such as lack of sufficient orders, lack of linkage with the marketing agencies, lack of adequate sales promotion measures, lack of permanent market for the products of SHGs, absence of proper brand names and Poor / unattractive packing system. Poor quality of products is due to the application of traditional technology, resulting in poor market. Stiff competition from other major suppliers and lack of a well-defined and well-knit channel of distribution for marketing, also cause hardship.

It was found out that there was no stability of the units as, many married women were not in a position to associate with the group due to shifting their residence. Moreover, there was no unity among women members owing to personal reasons.

It was found that in the case of a few units strong members tried to earn a lion’s share of the profit of the group, by exploiting the ignorant and illiterate members.

The returns from the business is not properly invested further in the unit, and the funds are diverted for other personal purposes. The return on investment is not attractive in certain groups due to inefficient management, high cost of production, absence of quality consciousness and the like.

In most of the SHGs the financial assistance provided to them by the agencies concerned is not adequate to meet their actual requirements. The financial authorities are not giving adequate subsidy to them.
In India the Banking structure has spread to every nook and corner of the country. It is estimated that there are about 1,25,000 rural credit delivery systems in terms of resource mobilization, geographical coverage and functional reach during the last three decades. There has been deterioration in the credit delivery mechanism and quality of lending. Over the years, the emphasis on achievements of quantitative targets has resulted in wrong selection of projects. In other cases it has resulted in under-financing. In some cases it had also created instances of wilful default. In the process, an impression has been created in the Banking system that the poor do not have the ability to make productive use of the credit provided to them and to repay as well. A rethinking, therefore, is necessary to establish an effective and trust-worthy linkage between the rural poor and the credit delivery system in the country. Social mobilization of the poor through the Self Help Groups (SHGs) can be considered to be an effective means to establish this linkage. The banks have to be willing partners along with other non-governmental organizations in making the SHG movement a success.

SHGs should exercise pressure on banks in order to ensure that bankers accede to their request. Bankers refuse to link if any one of the SHG members had been a defaulter. The bankers should simplify the procedures to help women. If one particular day of the week and time of the day are fixed for the SHG interaction, the process may become easier.

The credit linkage programme for the SHGs adopted by the NABARD comprises women from poor families and mainly for thrift and credit activities among the members. The loans to SHGs, which are given initially for consumption purposes, can be at later stages, provided for taking up productive activities as well. The NABARD does not insist on
enterprise development among the members but such activities can be
taken up if they are so inclined. However, the NABARD provides about
Rs.1,500 to NGOs / VOs for formation of each group. The average size of
a loan is around Rs.15,000/-.

It was also felt that while thrift and credit
activities were key elements of the SHGs, the Group Corpus is an
empowering factor. The Group Corpus makes a group eligible for
accessing bank credit. It was suggested that Revolving Fund should be
used to supplement the group corpus and to enhance the thrift and credit
activities of the group.

Revolving Fund is a very critical component and its proper
use encourages the group members to even manage economic activities of
adequate size. Hence, it is suggested that the operation / use of Revolving
Fund should be made a continuous process at any point of time; a group
can draw as loan from Revolving Fund (both subsidy and Bank Credit) any
amount up to the entitled amount. The entire amount drawn, however, has
to be repaid and the interest charge will be made only on the amount
exceeding the subsidy entitlement of the group. The amount of RF may
be linked with the size of the corpus of an SHG.

The plan while giving loans to the SHGs quality rating would
be important. SHG scoring greater than 75 per cent will be eligible for
four times the groups corpus or the amount requested by the SHG or
Rs.25,000 which ever is lower. SHGs scoring more than 60 per cent and
less than 74 per cent will be eligible for three times the groups corpus or
the amount requested by the SHG or Rs.15,000 whichever is lower SHGs
scoring lesser than 60 per cent should not be considered until they
improve their rating.

Planning commission may consider allocation of funds to the
State Industrial Development Bank of India (SIDBI) and the Rashtriya
Mahila Kosh (RMK) and the NABARD for the promotion of SHGs. There should be a provision for getting individuals trained by the selected NGOs as animators / motivators. These trained motivators / animators can be made use of by the District Rural Development Authorities (DRDAs) for social mobilization. Remuneration for such work by motivators / animators can be decided as it has been done for NGOs.

In addition to the existing credit delivery mechanism, other financial institutions like Regional Rural Banks (RRBs), Cooperative Banks and Primary Agricultural Co-operative Societies (PACs) which have been presently working effectively for SHGs, SHG – Bank linkage by these financial institutions as well may be considered on larger scale in different parts of the country. Earmarking of the allocation comes in the way and leads to faulty implementation of the scheme. Various states and districts are in different stages of the implementation of the Swarnajayanthi Gram Swaraj Rozgar Yojana (SGSY). Flexibility should be allowed to states / Districts to decide their own priorities so far as social mobilization, training and Revolving Fund, subsidy is concerned. Skill development training wherever necessary, should be provided free of cost.

For the sake of consistency and administrative expediency and also in order to foster a genuine micro credit movement in the country, there must be uniformity relating to all micro finance schemes of different departments such that the subsidy element does not attract and wean away individuals from other genuine savings and thrift groups.

There must be a provision for the compulsory capacity building and training of the individual or group being targeted before the loan is sanctioned rather than after the sanction of loan. Targeted capacity building as well as the formation of SHGs should be taken up in the
weaker states on a priority basis and funded separately through either NGOs or Micro financial institutions by giving them outright grant for this purpose. Training and capacity building should not be a part of the loan portfolio but should be seen as separate.

The areas where infrastructure is poor, basic services are poor, education and skill levels are low and the environment is highly degraded. These areas perhaps need wage employment programmes more, which can provide work to the poor and build up infrastructure, protect environment and regenerate the ecology so as to create conditions for further economic growth. The Swarnajayanti Gram Swarojgar Yojana should be implemented in those areas where opportunities for wage employment are more.

The subsidy component of the Swarnajayanti Gram Swarojgar Yojana should be utilized for capacity building, skill training, infrastructure development, marketing and technology support.

To ensure committed and competent NGOs at the district level, the selection of NGOs should be entrusted to a state level empowered committee of self employment comprising Secretary, Rural Development, and vigilance commissioner, Banker, Representatives from all India NGO Association, NABARD and other Banks. There should be appropriate criteria for selection of the NGOs. The selection process should be duly advertised in advance and transparency should be ensured. Complaints if any, regarding selection of the NGOs should be handled by a National Committee on Self – Employment (NCSE) presided over by the secretary. In case, there are not enough good NGOs, which are very common in some of the poorer areas, the solution can be provided through a “Consultative Group” at the national level.
The formation and support of SHGs can also be done by Self Help Promoting Institutions (SHPI) which would be specialized entities such as Banks, Micro finance Institutions or NGOs engaged only in this work. The incentives / remuneration to the NGOs and Self Help Promoting Institutions may be suitably revised.

Market linkages are another very important element in the entire gamut of self employment promotion. The success of the SHG movement depends on the availability of the market for the goods produced. Selection of key activities to promote self employment of the poor should have a basis of providing marketing linkages. The village market should be established and strengthened by allotting permanent place, construction of internal path ways, Semi-pucca sheds, storage godowns, cold storages, and stands for bus, luggage vans. The marketing facilities could be mostly in the form of promotion through exhibitions at regular intervals in selected areas. Such exhibition also provides scope for promoting exports of the products.

In order to solve the various problems relating to marketing of SHGs, the state level organization should extend its activities throughout the state instead of limiting its operations in a particular area.

Marketing outlets is to be provided in every state by the Central Social Welfare Board under its innovative scheme. In addition bulk management tie ups are to be provided by Khadi and village Industries Board.

The Swarnajayanti Gram Swarozgar Yojana should define itself as a quality and process- oriented micro-finance and micro-enterprise programme for the poor. There should be adequate effort to educate and
enlighten the poor about the anti-poverty programmes. The anti-poverty programme should also be linked to the health programme and supported by adequate insurance cover.

The focus of the 10th Five-Year plan is on the eradication of poverty of the families below poverty line. Hence the focus of the 10th plan and the programmes should be aimed at the families below poverty line.

Information about locally available matters and other varied uses should disseminate to SHGs. Proper encouragement and training should be given to them to make innovative products by using the materials. In order to have a knowledge base about the availability of materials in panchayats levels, surveys can be conducted under the auspices of local authorities.

All the members in the SHGs may not have the same calibre and expertise. NGOs can identify the inefficient members of the group and can impart proper training to them in order to make them competent. For this purpose, short term training programmes can be arranged at the panchayats level.

Frequent awareness camps can be organized by the Rural Development authorities to create awareness of the different schemes of assistance available to the participants in the SHGs.

Arrangements may be made by the financial institutions for providing adequate financial assistance to the SHGs strictly on the basis of their actual performance without any discrimination of caste or politics.
For any financing institution, appraisal is very important for ensuring the utility of the loan and repayment of the loan. In case of SHG financing, most of the project appraisal norms like assessing the cost benefit and profits will not be workable due to the peculiarities of SHG financing. For considering a loan application for financing, the financier has to evaluate the capacity and character of the prospective borrower. SHGs also being customers have to be appraised before extending credit facilities. SHGs are not to be assessed in terms of their ability to provide collateral or guarantees of net worth. The SHGs have to be assessed in terms of group dynamics like cohesion, vibrancy, and goal-oriented action, participation of members, democratic decision and collective leadership. The appraiser has to see whether the group is functioning, actually as a group, why the members have come together, whether it is for obtaining loan from the bank or for other purposes, what is the group discipline and whether it is sustainable.

The group decides on the amount of savings as also its periodicity. It has to be seen whether the saving, as decided upon, is regularly made, how the defaults are dealt with and whether the system is modified as per the requirements of the members.

The level of dependency on the Non-Governmental Organization / promoter of the group and impact of withdrawal of NGO / promoter on the group is to be assessed.

Micro finance should be linked with micro enterprises in order to improve the socio-economic conditions of rural women by enhancing their income earning potential through the financial support given to them.

Several factors have led to the current tense situation vis-à-vis micro finance in India. Firstly, , the stated interest rate ranges from 10 to 25 per cent per annum. But the effective interest rate is any where
between 20 to 45 per cent per annum, which includes various factors such as processing fees, the repayment frequency and the number of instalments. This explains how a flat interest rate, of say, 15 per cent per annum, can amount to an effective interest rate 38 per cent per annum. Secondly, as with most issues, when the Government becomes an active player, the issue becomes politicized. So the state is not a neutral umpire and faces competition from existing micro finance institutions. Thirdly, the objective of micro finance institutions to serve the poor while aiming for financial sustainability calls for a fine balance. They face high transaction costs as their business involves making small loans to a large number of clients. One way to reduce these costs and take advantage of economics of scale is by standardizing products and operations. Uniform treatment of clients and greater professionalism translate into persistent efforts to collect repayment. The trade-off in this case is reduced flexibility in contracts which may lead to debt spirals when customers turn to money lenders for help. Lastly, micro finance has grown at an alarming rate over the years when financial products offered to clients have increased in range and sophistication. In such a scenario, concerns for consumer protection will naturally intensify and expand to address issues relevant to the marketing and sale of microfinance products.

Commercial banks must regularly review their linkages with Self Help Groups (SHGs) and conduct an audit of the funds lent to them. It is the best model for financial inclusion. The SHG – bank linkage is the most popular model of micro finance in India. There are over two crore SHGs in India and the cumulative assistance from the banking sector is put at Rs.11,400 crore. In 2005 – 06 nine lakh SHGs received assistance from banks. Once in a while banks need to see who the members are, what are the recovery methods and not merely confirm that the loan is getting repaid. Banks should reduce transaction costs utilizing the facilities at the
rural branches. The RBI is working on regulations for the Micro financial institutions. There is also need for a credit bureau as the lack of information is raising the cost. Credit information companies can be set up.

7.5. CONCLUSION

The provisional results of the fifth Economic Census 2005 released on June 12 have revealed interesting trends in the growth of non-agricultural enterprises and employment in these, between 1998 and 2005. The new data show that while there has been a pick-up in the growth of the enterprises and employment, the unemployment rate has also increased over the period and there has been no appreciable decline in poverty.

It is a well-known fact that most of the employment growth in the 1990s and in recent years, has occurred in the unorganized sector, which is of low quality and characterized by vulnerabilities. As per the preliminary estimates of 2004-05 NSS Sample Survey, while the percentage of people living below the poverty line has gone down from 36 per cent in 1993-94 to 26 per cent in 1999-2000 and further to 22 per cent in 2004-05, in absolute terms, some 230 million people in the country continue to live below the poverty line even today. Thus, the problem of hard core poverty continues to remain formidable. This shows that the series of poverty alleviation programmes undertaken by the Government between 1993-94 and 2004-05 have had only a limited impact on improving the situation. If economic reforms are to gain wider popular support, the benefits of growth have to reach the poor and the marginalized. To tackle hard core poverty, there is a strong case to foster the growth of rural enterprises by involving among other, self-help groups and micro finance institutions on a much bigger scale, apart from stepping up public investment in agriculture on a big scale.
To sum up, the study indicates that the SHG programme has a favourable impact on the living standards of its beneficiaries. It holds better promises for poverty alleviation and employment generation than the earlier programme due to its structure of easy credit, savings and peer monitoring. However, for its greater success, imparting activity-oriented training appropriate to the present activities and future needs, enhancing increasing capacity building abilities for full participation and provision of supportive infrastructure cannot be ignored. Empowerment also requires the development of consciousness among the members to use credit effectively and ensure sustainability of the activity in the future. Further, it also requires constant, monitoring and supervision by the implementing agencies as well.

To give momentum to the SHG movement and to cover another 15 lakhs women over a period of 3 years from 2003 – 04 to 2005 – 06, the Government has provided a sum of Rs. 262.50 lakhs for forming 75,000 new SHGs and released a sum of Rs. 87.50 lakhs each for the years 2003 – 04 and 2004 – 05. So far, about 50,000 new groups have been formed and 8.52 lakhs women have been enrolled by utilizing the released amount of Rs.175 lakhs. For the year 2005 – 06, The Government has provided Rs.87.50 lakhs to form 25,000 new women groups in the remote rural and tribal areas, fisherman villages, weaver’s habitations and urban slums.

With a large percentage of Indian population living in poverty, the logical demand is growth. But the growth is not an end in itself. It blooms in consort and radiates in association with the happiness of the dejected, banishment of poverty, homelessness and others deprivations. To make life worth living, steps should be taken. As the economic scenario
evolves, there are discernible promises that the situation can be bettered, and a human face etched

How remarkable is the situation as the nation-ship had set sail on its turbulent course in the early nineteen fifties. A lacerated nation was determined to have a tryst with destiny. There are challenges of the agrarian economy to be met, canalizing funds for rural uplift subsidies, strengthening the defence bulwark and pegging the price line down to give the consumer a breather.