CHAPTER I

INTRODUCTION
1.1 Introduction

Micro-credit is a critical antipoverty tool, a wise investment in human capital. When the poorest especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relatives.

Micro-credit means providing small scale financial services to people, who operate very small or micro-enterprises who work in agriculture, fishing and herding, who provide services and other individuals or groups at the local levels of developing countries both rural and urban (Robinson, 1996).¹

The term ‘micro-credit’ is perceived to be a Paradigm shift in the quality of delivery of finance to micro-entrepreneurs. The old paradigm of micro-finance envisaged providing credit to poor people basically residing in rural and semi urban areas at subsidized rates of interest through public or government financial institutions. The new micro-finance continues to target the rural and urban poor household with emphasis on women borrowers, provision of finance for asset creation on the principle of ‘borrower knows best’ (Kaladhar, 1997).²


The essential features of the modern micro-finance concept include delivery of credit and other facilities in a convenient and user-friendly way, quick disbursement of small and short loans, maintenance of high recovery rates through pressure, incentives of access to larger loans immediately following successful repayment of the first loan, encouraging and accepting savings through group decisions and peer support and linking credit with savings. The new paradigm emphasizes financial intermediation with self-sustainability of institutions and qualitative and quantitative outreach to the poor.

Traditionally poor people, especially poor women have not been recognized as credit-worthy. This forces them to fall in the vicious cycle of everlasting high interest and high collateral loan from money lenders. The sine qua non of any anti-poverty strategy is the irrepressible desire and innate capacity of the poor to uplift their conditions. Therefore, the need comes for innovative credit delivery systems which deviate from formal collateral oriented lending institutions to informal structures. It has been felt all over the world today that micro-finance performances can simultaneously help in alleviation of poverty and empowering women.

This phenomenon is often referred to as feminization of poverty. Women face a wide range of biases in society against them – unequal opportunities in education, employment and asset ownership. The lingering poverty among women is linked to their unequal situation in the labour market, unfair treatment meted out to them under social welfare systems and their subordinate status as well as lack of power in family. Despite considerable progress achieved in recent decades in developing women’s
capabilities, their participation in economic and political fields remains limited.

Most banks require the borrowers to be wage/salary earners or property owners who can provide acceptable collateral. Limited education, complicated loan procedures and the location of the nearest bank at a long distance further constrain women’s access to institutional credit. As a result, women constitute a very small proportion of borrowers from formal financial institutions.

1.2 Micro Credit: An Innovative Financial Arrangement for the Poor

Since formal credit institutions rarely lend to the poor, special institutional arrangements become necessary to extend credit to those who have no collateral to offer. Microfinance, by providing small loans and savings facilities to those who have been excluded from commercial financial services, has been promoted as a key strategy for reducing poverty in all its forms by agencies all over the world. Micro credit has been defined as “programmes that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons” (Micro Credit Summit, 1997). Nowadays, microfinance represents something more than micro credit. It also refers to savings, insurance pawns and remittances, in sum to a much wider range of financial services (Tankha, 1999). Thus, microfinance refers to the entire range of financial and non-financial services, including skill up gradation and entrepreneurship development rendered to the poor for enabling them to overcome poverty.
Access to these facilities is seen as a way of providing the poor with opportunities for self-reliance through entrepreneurship, cushioning the poor against economic shocks and providing a means of social empowerment for poor women in their communities. In most cases, micro credit programmes offer a combination of services and resources to their clients in addition to usual credit for self-employment. Also, this is an effort to provide a bridge between formal financial markets and the informal groups in the formal microfinance initiatives.

The basic idea of microfinance is that poor people are ready and are willing to pull themselves out of poverty if given access to economic inputs. The success model of the Grameen Bank (GB) of Bangladesh attracts the attention of people from all over the world. Following the example of the Grameen Bank, many developing countries use the model of microfinance for financing the poor. Banco Solidario S.A. (BancoSol), an NGO converted into a commercial bank in Bolivia and Bangladesh Rural Advancement Committee (BRAC), an NGO in Bangladesh, are examples.

1.3 Micro Credit and Women

Many micro credit institutions/programmes (MFI/Ps) have targeted women who live in households having little or no assets. These MFI/Ps have significantly increased women’s security, autonomy, self-confidence and status within the households by providing opportunities for self-employment. Micro credit managed and utilized by women borrowers themselves has the greatest impact on poverty reduction. Over a decade of banking with the Grameen Bank, women as loan managers are less likely to
remain poor, as most of them (eight out of ten) will be out of poverty after a few loan cycles. Partnership of women with their spouses or other adult household members in loan utilisation and management, on the other hand, is also more likely to move them out of poverty, with a probability of six in ten (Todd, 1996).³

1.4 Theoretical and Empirical Issues

The innovative credit delivery system of micro-finance was a breakthrough in the world of finance. It changes the life of the poor, especially women, not only by providing financial services such as micro savings and micro insurance, also by imparting training in entrepreneurial development. Over the past few decades, microfinance institutions and programmes all over the world have adopted numerous innovative ways of providing credit and savings services to the entrepreneurial poor. These include the provision of small loans to poor people, especially in rural areas, at full-cost interest rates, without collateral, repayable in frequent installments. Borrowers are organized into groups, which reduce the risk of default. There are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor (Christabell. P.J 2003).⁴


The world of microfinance is fostered by a number of issues. Researchers have contributed substantially to the conceptual issues and methods of microfinance. The literature abounds with theoretical and empirical studies. The theoretical issues relating to microfinance may be broadly divided into three categories: sustainability of microfinance institutions/programmes, their outreach to target population, and their impact.

1.5 Microfinance: A Historical Overview

Finance is the lubricant, which oils the wheels of development. All economies rely upon the intermediary function to transfer resources from savers to investors. In market economies, this function is performed by commercial banks, financial institutions and capital markets. In many developing countries, capital markets are at a rudimentary stage, and commercial banks are reluctant to lend to the poor largely because of the lack of collateral and high transaction costs. The poor would borrow relatively small amounts, and the processing and supervision of lending to them would consume administrative costs disproportionate to the amount of lending. Several studies have confirmed that complicated loan procedures and paperwork, combined with a lack of accounting experience, limit poor people’s access to formal sources of credit. Commercial lenders in rural areas prefer to deal mainly with large-scale farmers. The absence of commercial banks in certain areas has led to non-conventional forms of lending.
In order to fill this void, financial institutions such as Rotating Savings and Credit Associations (ROSCAs), cooperatives and credit unions which patterned on traditional models of micro lending have emerged all over the world in recent years (Geertz, 1993). These organisations use innovative strategies for serving their clientele. These three types of institutions mobilise savings and lend money to local common groups, professions or neighbourhoods. These institutions which exist in many parts of the world may be considered as the models of the present day microfinance institutions. Most of the famous microfinance institutions/programmes (MFI/Ps) in the world have drawn many lessons from these institutions.

The decade of the 1980s saw an unprecedented growth in the number of MFI/Ps all over the world. The pioneer in this field, the Grammen Bank of Bangladesh, was started in 1976. The Bank convinced the world that the poor are able to save and that they are creditworthy. Viewing the success of the institution, various poverty alleviation and microenterprise programmes followed the Bank’s strategy. The Unit Desa System of Bank Rakyat Indonesia (BRI), the Thana Resource Development and Employment Programme (TRDEP) in Bangladesh, the Self-Employed Women’s Association (SEWA) in India etc, are the more reputed among them. While many of the programmes used the solidarity group methodology, others lent directly to individual borrowers. But several innovations have been made in repayment strategies, lending techniques, fixation of the periods of loan repayment, collaterals, etc. One of the most striking features of these programmes/institutions is that the majority of their borrowers are women. The repayment level of these institutions are also very high.
1.6 Impact

Microfinance programmes and institutions have become important components of strategies to reduce poverty and to promote micro enterprise development. Sustainable employment and income generation for the rural poor are indicators of the success and potential of a credit programme. For individual borrowers, the question of viability involves undertaking income generating activities and ensuring regular repayment of loans. Such positive effects indicate the ability of the borrowers to repay their loans on time; and a high recovery rate improves the financial and institutional viability of the credit delivery system. Impact assessment involves evaluation of a microfinance programme or an institution in terms of its income generating capacity and related aspects.

1.7 Traditional Models of Micro Lending

Informal and small-scale lending arrangements have long been in existence in many parts of the world, especially in rural areas. They provide the rural population access to loans within their localities and cushion against the vagaries of economic fluctuations; they also foster a cooperative and community feeling among the rural people. The groups formed among the local people provide joint guarantee to repayment of loans and serve as instruments for spreading information useful for their economic and social progress.

They work among people who have some common characteristics and use their members’ own resources for financing the loans. But in most cases, these institutions fail to reach the poor adequately. Hence, the
emergence of a set of new institutions in recent years for catering to the needs of the poor.

1.8 Emergence of Microfinance

Various institutions are involved in the delivery of microfinance services, especially since the dawn of the 1980s. They include formal commercial banks, rural banks, and NGOs. Their methods of doing business range from the Grameen Bank-style of solidarity groups and institutions dealing with individual clients to self-managed self help groups. These institutions provide relatively small loans and their repayment periods are relatively short. Women are the major beneficiaries of MFI/Ps, and the destination of the funds mainly includes agriculture, trading, small craft, processing units and consumption. The administrative structure is, in general, simple and the entire process is participatory in nature.

The interest rates charged by micro lending schemes are kept high with a view to covering all the costs. Nonetheless, the rate of repayment to loans is claimed to be quite high, an achievement attributable mainly to the informal participatory structure of the system which creates an atmosphere in which debtors honour their obligations. The prominence given to microcredit in recent times owes much to the success of a few microcredit programmes/institutions and the saga of their remarkable growth.

Women play a predominant role in our economy and there is always a dire need to bring them into the mainstream of economic activities by breaking out the shackles of old, traditional customs where women are by and large confined to household activities.
As per the ILO report of 1997, about 10 per cent of the world’s income are received by women, though they represent 50 per cent of the world’s population and perform two third of the total work in the world. “Women make up nearly 70 percent of the world’s poor and 65 percent of the world’s illiterate. Women work longer hours and are paid an average 25 percent less than men, but have made significant gains in entering formally male dominated jobs in the global labour force” (Dhameja 2002) India is far behind in this respect and women constitute 60 per cent of the rural unemployed and 56 per cent of the total unemployed. The Human Development Report points out that out of 1.3 billion poor people, 70 per cent are women.

Kulshrestha has identified lack of capital as a serious constraint to development for women in rural areas. She identified the following difficulties that women face in applying for credit:

1. Certification of identity.
2. Lack of assets for furnishing security.
3. The co-signing of loan by the husband since the women’s rights to property is often restricted.
4. Co-operating does not accept the women as a member if a male member of the family is already registered.
5. The necessity for traveling long distances frequently to transact the loan.
6. The majority of rural women are illiterate.5

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These constraints push the women to informal sources of finance. Though, borrowing from friends, relatives, moneylenders and pawnbrokers has several advantages, like easy access, immediate loan disbursement, micro-loan sizes, minimum collateral, etc., the disadvantages outweigh these advantages. The high interest rates prove to be very costly to the women and they become dragged in the vicious nets of moneylenders.

Therefore, there must be a system that can provide solutions to credit problems of women. It is in this context that micro-finance assumed great importance.

### 1.9 Different Models of Micro-financing

Different models that are being used universally for providing micro-finance can be helpful in comprehending the varieties that have evolved over time.

#### 1.9.1 Bank Guarantees for Loans

A bank guarantee is used to obtain loan from a commercial bank. This guarantee may be arranged externally (through a donor/donation, government agency etc.,) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group.

Bank guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organizations have been
creating international guarantee funds that banks and NGOs can subscribe, to lend or start micro-credit programmes.

1.9.2 Community Banking

The community banking model essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which micro-finance is dispensed. Such institutions are usually formed by extensive help from NGOs and other organizations, who also train the community members in various financial activities of the community bank. These institutions may have savings components and other income generating projects included in their structure. In many cases, community banks are also part of larger community development programmes, which use finance as an inducement for action.

1.9.3 Co-operative Society

A co-operative society is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise. Some co-operatives include member financing and savings activities in their mandate.

1.9.4 Grameen Bank Model - The Pioneer

The pioneering institution of microfinance was the Grameen Bank of Bangladesh launched in 1976 by Professor Muhammad Yunus, an Economics professor at Chittagong University, mainly for the purpose of providing loans to the landless poor, in a manner acceptable to them, both
culturally and organisationally. The guiding principles have been to bring
the bank to the people in the villages, to replace collateral by group liability
and to give borrowers a free hand in the use of loans, though group
supervision is exercised over processing and repayment.

The bank grants individual and group loans secured by a system of
group liability. Every borrower is expected to repay the loan in weekly
instalments over a period of one year. The members are also asked to
deposit at least once take a week as personal savings and to contribute to an
emergency insurance fund against sickness, defaults and other
contingencies. Most of the loans are used for small-scale trading and shop
keeping, food-processing and livestock raising. The effective rate of
repayment is close to 95 per cent.

As a special bank for the poor, the Grameen Bank has been
remarkably successful. Large number of factors are responsible for the
success of the Grameen Bank. They are: (a) clear basic concept and guiding
vision of the institution, (b) strong institutional identity, (c) charismatic and
conscientious leadership (Prof. Muhammad Yunus), (d) disciplined staff
with a clear understanding of the norms of the organisation and its clientele,
(e) simple and transparent procedures, and (f) two-tier system of borrower
group. In spite of all these factors, the presence of a highly motivated,
socially cohesive target group plays a very important role.

The clients come from relatively homogenous traditional
communities with strong social control mechanisms. Women, in particular,
are economically and socially tied to their families and communities,
lacking viable opportunities to live elsewhere; they are highly susceptible to
social pressure. Also, in case of prospective borrowers, they know one another and therefore, are in a position to screen out individuals whom they perceive as credit risks. To a large extent, individuals screen themselves out, fearing negative consequences if they fail to repay loans. Lack of alternatives, sense of honour and relative social cohesion of their communities help the borrowers to pressurise one another to ensure repayment. Factors such as grant of loans for activities selected by borrowers, weekly repayments and availability of subsequent loans helped prompt repayment. Loans are kept small to avoid burdening of borrowers with debt burdens beyond their capacity to repay. Breaking loan repayment into small weekly installments pre-empts the need to raise a large amount of money at one time. Weekly repayment also facilitates monitoring of repayment by the Group.\(^6\)

From its inception, the Grameen Bank had some very innovative features that helped its success. First, no collateral was required from the poor. Individuals were asked to organise themselves into groups of five. The individuals in the group gave collective guarantee/group guarantee for one another so that loan repayment became a collective responsibility. Second, credit was provided to the rural poor who owned less than half an acre of land, 94 percent of these were women. Third, the loans were small (an average $100 each) and carried no interest subsidy. In fact, they were given at a much higher interest rate than bank loans in the market, reflecting

the extra administrative cost of small loans. Fourth, the poor were required to set aside some saving –at least one taka (US 2.5 cents)- a week. This encouraged the habit of self-reliance among the poor. Fifth, the bank went to the poor, rather than waiting for the poor to come to the bank.

The Grameen bank is a semi-government institution; 40 percent of its shares are held by the member-borrowers, landless men and women, the rest is held by the state. The bank has over 2,334,780 members, of which 2,210,160 (more than half) are women. It has disbursed over $2,408.30 million of credit and has accumulated borrowers’ savings of nearly $176.90 million. Although it reaches only a tiny fraction of the total landless households in the country, it has demonstrated the effectiveness of its approach – a clear commitment to poverty alleviation based on stringent conditions for membership. The bank operates through a network of village branches, each of which is run by a manager with the assistance, usually of five bank workers.

Grameen Bank’s continuing expansion clearly shows that the poor are creditworthy and that they can use loans productively. It has dispelled doubts about their promptitude and reliability as customers of commercial and public banks if services were made available to them under similar institutional arrangements with proper follow up.

A bank unit is set up with a Field Manager with a number of bank workers, covering an area of about 15 to 22 villages. The managers and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to
the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks, do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

1.9.5 Group other than Grameen Groups

The Group Model’s basic philosophy lies in the fact that the collective responsibility and security overcome shortcomings and weaknesses at the individual level afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes, such as educating and awareness building, collective bargaining power, peer, pressure, etc., (Samirendranath Dhar, 2005).^{7}

1.10 Microfinance in India

Against this backdrop, the idea of microfinance emerged in India. In a vast country like India with multi-class societies and with heterogeneity in terms of religion, caste, language, agro-economic climate and social systems, a single model or approach may not be suitable for all regions. Freedom to adopt models best suited to the local conditions is essential to enhance financial services in these regions. As a result, numerous

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microfinance institutions/programmes of various types and structures emerged in India, as was the case in other countries.

NGOs such as Self Employed Women’s Association (SEWA) and Mysore Resettlement Development Agency (MYRADA) were the pioneers in the field. Later, many more came into the field. NABARD also launched a programme for linking formal financial institutions with the informal groups. Government of India initiated programmes like Rashtriya Mahila Kosh (RMK), Swarna Jayanthi Shahari Swarozgar Yojana (SJSRY), and Swarnajayanthi Grama Swarozgar Yojana (SGSY) to reach the poor.

1.11 Microfinance and NGOs

The Non-Governmental Organizations (NGOs) are the institutions started for the welfare of or service to society. They are formed by individuals or a group of individuals or by some institutions. They generally get registered themselves under the Indian Trust Act, 1886 or Societies Registration Act, 1975. Recognizing their services in a particular field, the central and state government involves these NGOs, in getting their welfare schemes implemented. The government provides grants and assistance, to these NGOs to support and enhance their developmental programmes. Some NGOs are able to derive benefits under the various schemes promoted by institutions abroad. As a part of rendering service to the society, of late, NGOs enter into the field of promoting Self-Help Groups to make them self-sufficient and empowered.

In India, a major step towards enlisting the support of NGOs for rural development was taken while formulating the Seventh Five Year Plan. It
was stated in the plan document that serious effort would be made to involve voluntary agencies in developmental programmes. During this plan period (1985-1990) it gave a substantial role to NGOs, particularly in the areas of rural development, basic needs and poverty alleviation. Today, NGOs operate over a wide range of activities, including government’s anti-poverty programmes, training of rural youth, promotion of safe drinking water, rural housing, promotion of science and technology, wasteland development, health care and family welfare, education and welfare of women, children, SC and ST.

Today in India, there are 15,000 registered NGOs and many more non-registered informal groups. These organizations have touched the lives of an estimated number of 15 million persons. According to an international estimate, 100 million persons have been helped worldwide by NGOs of one sort or another. NGOs follow different methods to reach the poor. Those who follow the ‘grassroots’ or the ‘barefoot’ approach have attracted a good deal of admiration (Dunkley, 1993).

NGOs contribute significantly to improve the quality, sustainability and effectiveness of social programmes by
1. developing and experimenting with innovative approaches
2. promoting popular participation and community ownership
3. encouraging programme uptake and
4. extending benefits to those segments of the population otherwise difficult to reach (e.g. Tribals).

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Microfinance helps people all over the world in alleviation of urban and rural poverty through promoting micro enterprises as a solution to the problem of unemployment and underemployment among the poor. NGOs undertake the responsibility of forming self help groups, give training to members, and monitor business performance and promptness in repayment.

In India also NGOs use this methodology for financing the poor. MYRADA in Karnataka and SEWA in Gujarat are the forerunners in the field in India. SEWA has promoted a co-operative bank exclusively for women and is engaged in financing income generating activities of women. Friends of WWB (FWWB) Ahmedabad, an affiliate of Women’s World Banking, New York, networks with NGOs giving financial assistance to women groups. The Working Women’s Forum (WWF), Chennai has organized women cooperative societies for pursuing income generating activities and facilitated empowerment of women. Attempts have also been made to replicate Bangladesh Grammeen Bank model by SHARE in Andhra Pradesh and RDO in Manipur (Agarwal et al., 1997).  

1.12 Role of NGOs in Self-Help Group activities in Tirunelveli District

In Tirunelveli District there are many NGOs originally started with varying objectives (Appendix-II). The DRDA in Tirunelveli District listed 29 NGOs. With each year of Self-Help Group linkage programmes, more and more NGOs are participating and increasingly adopting this programme as one of their organizational strategies to serve the needs of the poor. Their activities are mainly:

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• Awareness generation and motivation of Self-Help Group members.
• Upgrading of skills of Self-Help Group members through relevant training.
• Ensuring prompt repayment of internal loans to build credit worthiness for external credit.
• Improving skills in financial management.
• Encouraging Self-Help Groups to involve in income generating activities.
• Planning for and achieving sustainability of Self-Help Groups as local institutions.

In the study area, the list of NGOs along with the number of Self-Help Groups and total members is given in Table No 1.1
### TABLE NO 1.1

LIST OF NGOs IN TIRUNELVELI DISTRICT

<table>
<thead>
<tr>
<th>SNO</th>
<th>NGOs</th>
<th>Total No of Groups</th>
<th>Total Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AKMM</td>
<td>660 (8.07)</td>
<td>10526 (7.66)</td>
</tr>
<tr>
<td>2</td>
<td>BLM</td>
<td>93 (1.13)</td>
<td>1280 (0.93)</td>
</tr>
<tr>
<td>3</td>
<td>CHORD</td>
<td>58 (0.70)</td>
<td>975 (0.70)</td>
</tr>
<tr>
<td>4</td>
<td>CWS</td>
<td>348 (4.25)</td>
<td>6205 (4.51)</td>
</tr>
<tr>
<td>5</td>
<td>EO</td>
<td>5 (0.06)</td>
<td>61 (0.04)</td>
</tr>
<tr>
<td>6</td>
<td>FREEDOM</td>
<td>222 (2.71)</td>
<td>3741 (2.72)</td>
</tr>
<tr>
<td>7</td>
<td>GNS</td>
<td>110 (1.34)</td>
<td>2049 (1.49)</td>
</tr>
<tr>
<td>8</td>
<td>IRCDS</td>
<td>544 (6.65)</td>
<td>9654 (7.02)</td>
</tr>
<tr>
<td>9</td>
<td>CCD</td>
<td>210 (2.56)</td>
<td>3076 (2.23)</td>
</tr>
<tr>
<td>10</td>
<td>CRWD</td>
<td>248 (3.03)</td>
<td>3730 (2.72)</td>
</tr>
<tr>
<td>11</td>
<td>DARPA</td>
<td>138 (1.68)</td>
<td>2422 (1.76)</td>
</tr>
<tr>
<td>12</td>
<td>FOREST</td>
<td>3 (0.03)</td>
<td>38 (0.02)</td>
</tr>
<tr>
<td>13</td>
<td>GANDEEPAM</td>
<td>175 (2.14)</td>
<td>3026 (2.22)</td>
</tr>
<tr>
<td>14</td>
<td>ICDS</td>
<td>62 (0.75)</td>
<td>876 (0.63)</td>
</tr>
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<td>15</td>
<td>PAGE</td>
<td>221 (2.70)</td>
<td>3711 (2.70)</td>
</tr>
<tr>
<td>16</td>
<td>PERD</td>
<td>596 (7.29)</td>
<td>10531 (7.66)</td>
</tr>
<tr>
<td>17</td>
<td>REEDA</td>
<td>489 (5.98)</td>
<td>8820 (6.41)</td>
</tr>
<tr>
<td>18</td>
<td>SDMI</td>
<td>239 (2.92)</td>
<td>3846 (2.79)</td>
</tr>
<tr>
<td>19</td>
<td>SGF</td>
<td>476 (5.82)</td>
<td>7354 (5.35)</td>
</tr>
<tr>
<td>20</td>
<td>SWOT</td>
<td>141 (1.72)</td>
<td>1926 (1.40)</td>
</tr>
<tr>
<td>21</td>
<td>TRUSS</td>
<td>553 (6.76)</td>
<td>9897 (7.21)</td>
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<tr>
<td>22</td>
<td>WASA</td>
<td>100 (1.22)</td>
<td>1519 (1.10)</td>
</tr>
<tr>
<td>23</td>
<td>PLF</td>
<td>248 (3.03)</td>
<td>4417 (3.21)</td>
</tr>
<tr>
<td>24</td>
<td>RWT</td>
<td>102 (1.24)</td>
<td>1824 (1.33)</td>
</tr>
<tr>
<td>25</td>
<td>SERD</td>
<td>530 (6.48)</td>
<td>7793 (5.67)</td>
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<tr>
<td>26</td>
<td>SMSSS</td>
<td>962 (11.76)</td>
<td>17286 (12.58)</td>
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<tr>
<td>27</td>
<td>TRUBA</td>
<td>359 (4.39)</td>
<td>6449 (4.69)</td>
</tr>
<tr>
<td>28</td>
<td>VIDIYAL</td>
<td>282 (3.44)</td>
<td>4349 (3.16)</td>
</tr>
<tr>
<td>29</td>
<td>BLANKS</td>
<td>1 (0.01)</td>
<td>20 (0.01)</td>
</tr>
<tr>
<td><strong>TOTAL</strong>  </td>
<td><strong>8175 (100.0)</strong>  </td>
<td><strong>137401 (100.0)</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: DRDA and Mahalirthittam, Tirunelveli, year-2009.

(Figures in paranthesis denote percentage to total)

#### 1.1.3 Micro-Finance Institution (MFI)

A Micro-Finance Institution is an organization that offers financial services to the very poor. Most MFIs are non governmental organizations
committed to assisting some sector of the low-income population. Almost all of these offer micro credit and only take back small amounts of savings from their own borrowers, not from the general public. With in the Micro-Financing Industry, the term “Micro - Finance Institution” has come to refer to a wide range of organizations dedicated to providing these services, viz., NGOs co-operatives, private commercial banks and non-bank financial institutions etc., (Samanta,2003).¹⁰ These institutions aim at

1. enabling the rural poor to save, and thereby, improve their confidence, and reduce vulnerability.
2. enabling rural women to borrow for consumption which would lead to their decreased dependence on, and liberation from the clutches of moneylenders.
3. providing better health, education, etc.,
4. Sanctioning loans for production purposes which would enable the poor to improve their agricultural production and enable them to undertake income generating activities and that could alleviate poverty.
5. Making increased credit available for women to undertake income-generating activities would give them access to resources and income. Such mobility would gradually enable them to play an active role in social, political and economic issues affecting self, household and community.

¹⁰Samanta, R.K., Empowering Rural Women Issues and Opportunities and Approaches”, Published by the Women Press, Delhi, 2005, pp. 132-149.
Women’s development is directly related to national development. The effective management and development of interest, skills, and other potentialities are of paramount importance. It could be well ascertained that women’s development could be achieved by empowerment which enables women to be the agents of social change. Women’s empowerment in fact, begins with the awareness about their rights and capabilities and the understanding as to how the socio-economic and political forces affect them. Empowerment enhances the self-confidence, dignity and self determination which helps in eliminating the socio-economic disadvantages.

Organisational behaviour is the key to women’s empowerment. Women’s organisation in SHGs is catching up as the most viable means to empower women, especially at the gross root level. Women have extraordinary dynamism in organising themselves in group activities for income generation, better bargaining power and improvement in the quality of life.

1.14 NABARD and Microfinance

National Bank for Agriculture and Rural Development (NABARD) is the apex financial body in India for rural development and agriculture through refinancing. With the formal credit system failing to effectively reach the poorest of the poor, various alternatives were being explored by NABARD to find out a solution. The concept of self help group as one of the alternatives caught the attention of NABARD during the 1980s. To gather a definite feedback on the SHG-Bank linkage, an Action Research Project on “Savings and Credit Management of SHGs’ sponsored by MYRADA was funded by NABARD in 1986-87. The project results
provided useful insights into aspects like dynamics of group organisation, saving potential, approach to use of financial resources, prioritisation of needs and repayment performance.\footnote{NABARD, “RBI and NABARD”, \textit{Guidelines on linking Self – Help Groups in Rural Banks}, 1999. p.54.}

\subsection*{1.15 Micro-Finance Delivery through SHGs-The Bank Credit Linkage}

The very savings mobilised by the poor in the common fund of their SHGs, will be sufficient for emergency needs, are quite inadequate for groups to make production. It is imperative for SHGs to link up with commercial banks to grant loans to their members. Group meets the smaller consumption and emergency needs of the member ranging from Rs.500 – 1000 from its member’s own savings and common fund generated. As the age of group increases, the capacity of group and credit needs also grow up. By this time the group would have gained enough experience and discipline to manage the finances but the funds available in the group are not adequate. At this stage, the group needs the support of the local financial institution to provide finance to meet the growing credit demand.

\subsubsection*{1.15.1 Types of Linkages}

Some distinct models have been observed in bank - SHG linkages.

\textbf{I. Bank – SHG with active support of SHPI}

This is the most common form of linkage model found in India where the banks deal directly with SHGs. The role of the self-help promotion
institution (SHPI) is limited to help the members to get organised into groups, providing support for resource mobilisation and giving initial training and guidance. However, after the linkage, the SHPI (NGOs and Panchayats) can ensure smooth functioning of the SHGs.

II. Linkage through Self-Help Promotional Institutions or NGOs

In this case, loans are given to NGOs, which in turn will lend to SHGs. In some cases, the federation of SHGs can also play this role. The financial intermediation capacity of NGO or the federation is very critical for successful linkage in this method. In this method, the promotional institute will have a small margin to meet its cost of operation. Banks lend to the promotional institution say at a rate of 9 per cent and promotional institution in turn lends to SHG at 12 per cent.

III. Bank – SHG Direct Linkage

In this case, banks provide financial support to SHGs, which had grown without any intervention of NGOs. The SHGs may have grown spontaneously or the banks may have acted as the self-help promotional institutions.

IV. Government Sponsored Linkage

Banks provide loan to SHGs formed under government programmes such as SGSY, SJSRY, etc., Government agencies supply doses of subsidies along with the bank loans.
1.15.2 SHG – Bank Linkage Programme

The SHG Bank Linkage Programme led by NABARD also caters to a large number of clients and their credit needs. According to available data for 2008-2009, a total 6,86,408 new SHGs were credit linked with banks taking the cumulative number of credit linked SHGs to 29,24,973. The data further indicates that outreach of the programme has enabled an estimated 409.5 lakh households to gain access to micro-finance from the formal banking system till 31st March 2009, registering a growth of 24.2 percent over the previous year.

Based on the growth rate computed on the basis of the outreach trend for the last three years, the projected outreach of bank linked SHGs by 2009-10 would be around 74 million families through 54,43,153 groups. This is based on a compound annual growth rate of 23.5 percent. The projected outreach by considering a higher growth rate of 30 percent is estimated to be around 64, 26,363 SHGs by year 2009-10.
### TABLE.1.2

PROGRESS IN CREDIT LINKED SHGS

<table>
<thead>
<tr>
<th>Year</th>
<th>New SHGs financed by banks</th>
<th>Bank Loan (Rs.in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During the year</td>
<td>Cumulative</td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td>Growth (%)</td>
</tr>
<tr>
<td>2000-01</td>
<td>32,995</td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>81,780</td>
<td>148</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,49,050</td>
<td>82</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,97,653</td>
<td>33</td>
</tr>
<tr>
<td>2004-05</td>
<td>2,55,882</td>
<td>29</td>
</tr>
<tr>
<td>2005-06</td>
<td>3,61,731</td>
<td>41</td>
</tr>
<tr>
<td>2006-07</td>
<td>5,39,365</td>
<td>49</td>
</tr>
<tr>
<td>2007-08</td>
<td>6,20,109</td>
<td>15</td>
</tr>
<tr>
<td>2008-09</td>
<td>6,86,408</td>
<td></td>
</tr>
</tbody>
</table>


#### 1.15.3 Regional spread of SHG – Bank Linkage

The year 2007 witnessed a perceptible increase of SHG-Bank linkage across all the regions. The Southern region currently constitutes about 52.1 per cent of the credit linked SHGs in the country. The share of Southern region has come down from 71 per cent in March 2003 to 54 per cent in March 2008.
### TABLE 1.3
REGIONAL SPREAD OF SHGS- BANK LINKAGE

<table>
<thead>
<tr>
<th>Region</th>
<th>2002-03 SHGs credit linked to banks percent to total as on 31 March 2003</th>
<th>2007-08 SHGs credit linked to banks percent to total as on 31 March 2008</th>
<th>2008-09 SHGs credit linked to banks percent to total as on 31 March 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Northern</td>
<td>9,012</td>
<td>3.4</td>
<td>1,33,097</td>
</tr>
<tr>
<td>North</td>
<td>477</td>
<td>0.2</td>
<td>62,517</td>
</tr>
<tr>
<td>Eastern</td>
<td>22,252</td>
<td>8.4</td>
<td>3,94,351</td>
</tr>
<tr>
<td>Central</td>
<td>28,851</td>
<td>10.9</td>
<td>2,67,915</td>
</tr>
<tr>
<td>Western</td>
<td>15,543</td>
<td>5.9</td>
<td>1,66,254</td>
</tr>
<tr>
<td>Southern</td>
<td>1,87,690</td>
<td>71.2</td>
<td>12,14,431</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,63,825</strong></td>
<td><strong>100</strong></td>
<td><strong>22,38,565</strong></td>
</tr>
</tbody>
</table>


### Figure 1.1
Regional Spread of SHGs - Bank Linkage

![Graph showing the regional spread of SHGs bank linkage from 2002-03 to 2008-09](image-url)
### TABLE 1.4

**DISTRICT – WISE PERFORMANCE OF SHGS CREDIT LINKAGE PROGRESS FROM ALL SOURCES OF MAHALIR THITTAM AS ON MARCH 2009**

<table>
<thead>
<tr>
<th>Districts</th>
<th>No. of SHG upto this month</th>
<th>No. of SHGs credit linked</th>
<th>Total Amount of loan disbursed (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chennai</td>
<td>16327</td>
<td>12068</td>
<td>4535.44</td>
</tr>
<tr>
<td>Coimbatore</td>
<td>19306</td>
<td>16546</td>
<td>6577.84</td>
</tr>
<tr>
<td>Cuddalore</td>
<td>14337</td>
<td>12189</td>
<td>7645.07</td>
</tr>
<tr>
<td>Dharamapuri</td>
<td>5732</td>
<td>5108</td>
<td>15533.48</td>
</tr>
<tr>
<td>Dhindigul</td>
<td>10882</td>
<td>9087</td>
<td>4348.76</td>
</tr>
<tr>
<td>Erode</td>
<td>15958</td>
<td>13613</td>
<td>8113.177</td>
</tr>
<tr>
<td>Kancheepuram</td>
<td>20551</td>
<td>18916</td>
<td>8146.04</td>
</tr>
<tr>
<td>Kanyakumari</td>
<td>13093</td>
<td>12681</td>
<td>21185.14</td>
</tr>
<tr>
<td>Karur</td>
<td>8039</td>
<td>5905</td>
<td>5432.67</td>
</tr>
<tr>
<td>Krishnagiri</td>
<td>6668</td>
<td>5380</td>
<td>12855.1</td>
</tr>
<tr>
<td>Madurai</td>
<td>10481</td>
<td>8121</td>
<td>5492.54</td>
</tr>
<tr>
<td>Nagapattinam</td>
<td>11390</td>
<td>10567</td>
<td>6482.26</td>
</tr>
<tr>
<td>Namakkal</td>
<td>9258</td>
<td>8746</td>
<td>9606.77</td>
</tr>
<tr>
<td>Nilgiris</td>
<td>6481</td>
<td>6042</td>
<td>2964.08</td>
</tr>
<tr>
<td>Perambalur</td>
<td>8436</td>
<td>8020</td>
<td>6021.49</td>
</tr>
<tr>
<td>Pudukottai</td>
<td>9199</td>
<td>8419</td>
<td>7082.87</td>
</tr>
<tr>
<td>Ramnad</td>
<td>8156</td>
<td>7724</td>
<td>12599.73</td>
</tr>
<tr>
<td>Salem</td>
<td>15592</td>
<td>9647</td>
<td>8711</td>
</tr>
<tr>
<td>Sivagangai</td>
<td>8760</td>
<td>8496</td>
<td>8304.66</td>
</tr>
<tr>
<td>Thanjavur</td>
<td>14866</td>
<td>13834</td>
<td>9666.85</td>
</tr>
<tr>
<td>Theni</td>
<td>9163</td>
<td>8001</td>
<td>4218.31</td>
</tr>
<tr>
<td>Thirunelveli</td>
<td>15678</td>
<td>1406</td>
<td>13042.84</td>
</tr>
<tr>
<td>Thiruvallur</td>
<td>13209</td>
<td>8698</td>
<td>4174.64</td>
</tr>
<tr>
<td>Thiruvannamalai</td>
<td>13434</td>
<td>11128</td>
<td>9018.54</td>
</tr>
<tr>
<td>Thiruvurur</td>
<td>8817</td>
<td>7792</td>
<td>5993.29</td>
</tr>
<tr>
<td>Thoothukudi</td>
<td>11677</td>
<td>9601</td>
<td>12347.14</td>
</tr>
<tr>
<td>Trichy</td>
<td>11855</td>
<td>11099</td>
<td>5406.9</td>
</tr>
<tr>
<td>Vellore</td>
<td>12503</td>
<td>10058</td>
<td>5037.82</td>
</tr>
<tr>
<td>Villupuram</td>
<td>15248</td>
<td>10747</td>
<td>12730.09</td>
</tr>
<tr>
<td>Virudhunagar</td>
<td>9687</td>
<td>9057</td>
<td>8780.45</td>
</tr>
</tbody>
</table>

3,54,783  3,01,496  2,52,054.98

1.16 Revolving Fund

Every SHG that is in existence at least for a period of six months and which demonstrated the potential of a viable group will receive a revolving fund of Rs.25,000 from banks as cash credit facility. Of this, a sum of Rs.10,000 will be given to the bank by District Rural Development Cell (DRDC). Bank may charge interest only on the sum exceeding Rs.10,000 at 12.5 percent per year. The revolving fund is provided to the groups to enhance the group corpus so as to enable larger number of members to avail of loans and also to facilitate increase in the per capita loan available to the members. The revolving fund imparts credit discipline and financial management skills to the members so that they become credit worthy.

1.17 Government Subsidy

In the order issued by the Ministry of Rural Development, Government of India, on 23rd September 2003 (No.28103/13/2003-SGSY-111 (pt)), certain revisions have been made in the amount of subsidy and loan amounts. The circular states that a subsidy equal to the group corpus within the range of Rs.5,000 to 10,000 may be released by DRDC in the first instance towards revolving fund assistance after the group passes first grading. The banks are to extend credit in multiples of group corpus that can go up to four times.

1.18 Grading of SHGs

The revolving fund can be extended to the SHG, provided that it passes the grading test I at the end of six months from the date of formation. The objective of grading is to identify the weaknesses of the groups.
Eradication of poverty and unemployment stands as the central goal of our development policies and programmes formulated by the government. The achievement of this goal requires sustained and rapid economic growth combined with programmes for rural development, employment generation and social services to provide an effective safety net for all those millions.\(^\text{12}\) One of the tools to bring up and develop the rural people and artisans is urging the rural community to involve in the programmes for rural development. Majority of the community who come forward for the active participation and involvement are the rural women and the people who are below the poverty line.

Women contribute one third of the nation’s labour force and plays an integral part in the socio-economic development. They constitute half of human population. Rural women in India constitute nearly 77 per cent of the total female population with over 700 million women living in poverty globally”.

There is a paradigm shift in the development of women because of incorporating and acknowledging the women in the participatory model of development. In this context, self-help group has bloomed as the most successful strategy in the process of participatory development and empowerment of women.

SHG movement moulds women as the responsible citizens of the country as they achieve socio and economic status. In all stages of economic and social activities, involvement of women has added significance to them and to the society. The origin of SHGs created mutual

aid in Indian village community and a form of co-operation for the development of the society. A women led SHG is an alternative to achieve the objectives of rural development. It is also a viable set up to encourage them to enter into entrepreneurial activities.

At the end of six months from the date of receipt of the revolving fund, the SHG will be subjected to another grading test to see if it is functioning effectively and capable of taking up economic activity through higher level of investment.

1.19 Rashtriya Mahila Khash (RMK)

The National Credit Fund for women or the Rashtriya Mahila Khash (RMK) was set up in March 1993 as an independent registered society by the Department of Women and Child Development to fill up the gap between what the banking sector offers and what the poor need.

It acts as a wholesaling apex organisation for channeling funds from the government and donors for retailing intermediate micro-finance organisations.

It develops the supply side of the micro-finance market by offering institution building support to new and existing but inexperienced intermediate micro-finance organisations by giving incentives, transferring technology, training of staff and other non-financial services.

In the advocacy role, the RMK can act as an advocate or agent influencing enabling policy and legal environment for the spread of micro-
credit activities in India. Being a creation and representative of the
government, the RMK has a particular advantage in this area.

1.20 Mahalir Thittam

In the light of the experiences gained in the implementation of the
IFAD assisted TNWDP since 1989-90, the Mahalir Thittam has been
launched with state fund to cover the entire state in a phased manner. It was
an ambitious five year project envisaging the formation of 60,000 SHGs
comprising 10 lakh women below the poverty line in the state by the
terminating year of the project, with a total financial outlay of Rs.1,440
crore. The mission of Mahalir Thittam is:

1. To build the capacity of the poor and disadvantaged women to enable
   them cross all social and economic barriers and thereby facilitating
   their full development.
2. To achieve the equality of status of poor women as participants,
   decision-makers and beneficiaries in the economic, social, cultural
   and democratic spheres of life;
3. To create or reorient democratic, economic and social processes and
   institutions to enable poor women to participate fully and actively in
   decision making in the family and community.
4. To inspire a new generation of women and men to work together for
   equality, sustainable development and communal harmony.
5. To promote and ensure the human rights of women at all stages of
   their life cycles and
6. To advocate changes in Government policies and programmes in
   favour of disadvantaged women.
Under the Mahalir Thittam, poor women of SHGs are being helped by facilitators like Commercial Banks, NABARD, NGOs and Government Agencies.

### 1.20.1 Activities of Mahalir Thittam

2. Systematic Training to enhance capacities for members and leaders.
3. Encourage Thrift and savings among members.
4. EDP and skill training to start Income generation activities.
5. Linkage with banks for income generation activities and starting micro-enterprises.
6. Convergence with other Government Department for harnessing schemes benefiting women.
7. Marketing support for SHG products.

### 1.20.2 Impact of Mahalir Thittam

Mahalir Thittam has systematically cultivated the SHG movement and strengthened their capacity through various training programmes which have resulted in perceptible change in the social status of women in general and rural women in particular. The SHG movement has brought about the following:

1. Increased self-confidence and communication skills among SHG women.
2. Greater awareness and participation of poor women in various welfare schemes of the Government.
3. SHG women undertake multifarious economic activities leading to economic empowerment.
4. Women have united together breaking the social barriers of caste, creed and religion.
5. Participation in Grama Sabha and Panchayat Raj activities.
6. More than 8161 women SHG members were elected to Local Bodies in 2006.
7. Easy access of credit and improved credit worthiness of women SHGs.
8. The problem of “Kandhu vatti” (Usurious interest) system has been solved.
9. Formation of youth groups encouraged by success of women SHGs.

1.21 Statement of the Problem

Micro credit programmes have, in the recent past, become one of the more promising ways to use scarce development funds to achieve the objectives of poverty alleviation. World-wide awareness and the importance of micro credit for the upliftment of the poor has been growing over the years as different countries are attempting to devise ways and means to enhance the access of the poor to credit facilities. Micro credit scheme is adopted in many countries in the world such as Bangladesh, Indonesia, Sri Lanka, Thailand and Pakistan. Further, the micro credit experience world-wide has shown that poor borrowers, especially women, make productive use of credit for self-employed micro-enterprises/small farms and are prompt in repayments, with average repayment rates above 90 per cent, much better than recoveries under normal lending.
Development organization and policy makers in India also felt that access to credit for poor people is a major aspect of many poverty alleviation programmes. The basic idea of microcredit is simple: if poor people are provided access to financial services, including credit, they may very well be able to start or expand a micro-enterprise that will allow them to break out of poverty. An estimate in India envisaged that approximately 75 million households would need microcredit of whom 60 million families are in rural areas while the remaining 15 million families are in urban areas.

For overall development and upliftment of women, it is important to initiate income generating economic activities through the provision of credit. Microcredit aims at making the women beneficiaries self-reliant. It also focuses on women upliftment and empowerment. In India, the synergy among banks, non-governmental organizations and government working in the field of microcredit enabled the banking system to provide microcredit to 4.5 million very poor households as on March 2001, as compared to 1.9 million households as on March 2000. In this context, the effectiveness of microcredit in improving the economic and the social conditions of the beneficiaries has to be analysed.

The impacts of microcredit have to be studied in-depth study on microcredit scheme in Tirunelveli district with special reference to rural women beneficiaries.
1.22 Objectives of the Study

The objectives of the study are,

1. To study the profile of the sample rural women beneficiaries and their family background.
2. To study the relationship between family background and income, savings and asset holdings.
3. To examine the impact of Micro-credit on income, savings and assets of the respondents.
4. To evaluate the impact of micro-credit on rural women empowerment with reference to socio-economic and decision making.
5. To offer suitable suggestions based on the findings.

1.23 Hypotheses of the Study

The following null hypotheses are framed for this study:

1. Age of the sample respondents does not significantly influence the shift in various sectors.
2. Educational status of the respondents does not significantly influence the shift in various sectors.
3. There is no relationship between annual income of the respondents and the various sectors
4. There is no relationship between community of the respondents and the various sectors.
5. There is no relationship between the family size of the respondents and the various sectors.

6. There is no relationship between income of the respondents and their family size in manufacturing sector.

7. There is no association between income of the respondents and their education in manufacturing sector.

8. There is no association between family size of the respondents and their occupation in manufacturing sector.

9. There is no association between income of the respondents and their occupation in manufacturing sector.

10. There is no association between income of the respondents and their family size in service sector.

11. There is no association between income of the respondents and their education in service sector.

12. There is no association between family size of the respondents and their occupation in service sector.

13. There is no association between occupation of the respondents in service sector and their income.

14. There is no association between family size of the respondents and their occupation in trading sector.

15. There is no association between income of the respondents and their family size in trading sector.

16. There is no association between income of the respondents and their educational level in trading sector.
17. There is no association between occupation of the respondents in trading sector and their income.

18. There is no relationship between annual income of the respondents and their annual family income.

19. There is no relationship between annual savings of the respondents and the various sectors.

20. There is no association between income of the respondents and their savings (Post-Credit) in various sectors.

21. There is no association between family size of the respondents and their savings (Post-Credit) in various sectors.

22. There is no association between family income (Post-Credit) of the respondents and their savings (Post-Credit) in various sectors.

23. There is no relationship between assets holding of the respondents and the various sectors.

24. There is no association between family size of the respondents and their assets (Post-Credit) in various sectors.

25. There is no association between family income of the respondents and their assets (Post-Credit) in various sectors.

26. There is no association between savings of the respondents and their assets (Post-Credit) in various sectors
1.24 Limitations of the Study

This study has covered one district namely, Tirunelveli district which has diverse nature of activities and the findings may not be generalized to macro level.

Since some of the beneficiaries were illiterate and were reluctant to furnish the data, a lot of persuasion had to be done for getting their response.

Even though care was taken to reduce recall bias through cross check, questions in interview schedule, the information furnished by the sample respondents may be subjected to recall bias.

1.25 Chapter Scheme

The present study “Role of Micro Credit in Uplifting the Socio-Economic Status of Rural Women in Tirunelveli District” has been divided into seven chapters.

Chapter I introduces the subject and discusses the concept of micro-finance, micro finance and women, theoretical and empirical issues, emergence of micro finance, micro finance in India, micro finance and NGO, micro finance institution, the bank credit linage, statement of the problem, objectives, limitations of the study and the scheme of work.

Chapter II makes a survey of related literature along with concepts.

Chapter III deals with the methodology and profile of the study area.
Chapter IV discusses the socio–economic characteristics of the respondents and their family background. Further, it examines the relationship between family characteristics and economic benefits obtained through Micro-credit.

Chapter V evaluates the impact of micro–credit on income, savings and assets holding of the respondents among various sectors.

Chapter VI analyses the impact of micro-credit on empowerment of rural women beneficiaries and variables influencing the empowerment of women.

Chapter VII records the summary of findings, suggestions and conclusions.