CHAPTER II

REVIEW OF LITERATURE

This chapter deals with the reviews of the past and present studies related to the topic as it is quite significant in nature to understand the concepts in the first place and then the recent developments and feat achieved in the subject matter, so as not to repeat the efforts and findings of the past researchers. In due course, the research gap is identified and taken up for further research in the area under study. The chapter also presents the reviews of earlier studies in the related areas in the chronological order, the research methodology comprises primary and secondary data, pilot and final study, details of Sampling and Statistical tools and the period of study.

The review of past research and performance of SHG-Bank linkage in Tamilnadu suggest that SHG-Bank linkage approach is found to be an effective instrument by which very poor people can access hassle free formal credit without any collateral security and simultaneously improve their thrift habits. The approach successfully builds upon the self help potential of the target group. Due to enhanced education of the people and their opportunity to build common fund for investment, they are induced to a considerable improvement in their economic situation. The approach also contributes to a social empowerment of the women.

The findings and conclusions of various scholars presented in the form of articles, thesis and books related to this study are reviewed in this chapter. It includes the literature available in social abstracts both in India and abroad. Since the problem of Self Help Groups with the Bank linkage is universal, the experiences of the researchers all over the world are taken for consideration for the study. The
review of these studies on Micro Finance through Self help group bank linkages has helped the researcher to identify the research gap

2.1 SOURCES

In the field of development, the decade of 80s witnessed the growing popularity of the concept called ‘empowerment’. The concept has been considered as a panacea for various problems like gender equality, discrimination, oppression, exploitation etc. However, the concept of empowerment is an elusive one. As a result, it has wide interpretations in different contexts and often used loosely in the context of the development. The concept of empowerment must be understood in relation to another vital and inseparable concept called ‘power’, which is often left unspecified in the literatures dealing with development interventions.

Schuler, Margret (1986)\(^{15}\) described three levels of empowerment to mobilize resources to produce beneficial social change. First one is individual consciousness raising; the second one is the development of collective consciousness and the third is to translate the collective skills and resource into political and legal action.

Rengarajan (1996)\(^{16}\) in his paper “Linkages Banking for micro finance in India: some models and issues,” described the features of some micro level Institutions, which could be linked to the banks. The author illustrated the systems of linkages between the financial institutions and the various local institutions for reaching the poor people. According to him, each one of the Indian villages could be


treated as a social laboratory where various types of micro-level innovative experiments on development through credit could be conducted. He further pointed out that linking formal groups such as Self Help Groups and involvement of non–government organizations in micro financing were vital experiments for sustaining poverty alleviation in India.

Empowerment as a strongly articulated goal of development has become very attractive in recent years, even in the poor countries of the world. According to Bandura (1996)\(^{17}\), empowerment is the process of awareness and capacity building, leading to a greater participation, greater decision making power and control of the transformation action. Many development agencies realize that the key to long term poverty alleviation in development countries in empowerment in its broadest sense of increasing self reliance or poor people and especially poor women.

Mehrotra C.K. (1997)\(^{18}\) analyzed State Bank’s experience with Self Help Groups. According to him State Bank of India’s experience in financing Self Help Groups had been quite encouraging. The branch officials had themselves encouraged the poor to form Self Help Groups in a number of centers. They had also utilized the services of Non Government Organizations for the very same purpose. He pointed out that in the states of Tamilnadu, Karnataka, Kerala and some parts of Andra Pradesh, a good progress had been made possible due to the existence of some reputed Non Government Organizations in these states. As regards the recovery, the author had draws the conclusion that the branches have reported recovery ranging from 80 per cent to 90 per cent from the Self Help Groups in small scale industrial sector. In sum up, the author had stressed that Self Help Group is a good concept


and every effort should be made to ensure that this new experiment succeeds. He had also stated that Self Help Groups may eventually be the only viable units on accounts of low transaction cost, high percentage of recovery and mobilization of small savings through the informal system.

Swaminathan G. (1997)\textsuperscript{19}, Deputy Manager [Agriculture] of SBI asserted that involvement of women Self Help Groups in land based activities had changed a chronic defaulting Mannargudi area into a good recovery performance area in Thiruvarur district. According to him, the recovery of small loans given to farmers and farm laborers in the past was very poor in the area. But, a new idea of involving Self Help Groups comprising mostly farm women was mooted and the bank tried it as a pilot project. It was not only successful with good recovery but helped in tracing the lands which had changed hands and bringing it to the original holder.

Zoe Oxaal (1997)\textsuperscript{20} stated that the concept of power is at the root of the term empowerment that operates in different ways and at various levels. First is, power over that involves either/or a relationship of domination/subordination and based on a socially sanctioned threats of violence and intimidation. It also invites active and passive resistance. The second is power to that relates to the authority of decision-making, power to solve problems and can be creative and enabling. The third is power with which involves bringing people together and organizing them for a common purpose or common understanding to achieve collective goals. The fourth is power within that refers to self-confidence, self-awareness, and assertiveness.

Micro–credit summit held in February 1997 in Washington was considered to be the first step that seeks to entire delivery of credit for self


\textsuperscript{20} Zoe Oxaal ,”Gender and Empowerment”,(1997), Institute of Development Studies, Sally Baden Publisher. ISBN-13: 9781858641751
employment by 2005 to 100 million of the world’s poorest families especially to the women of those families. Development organizations and poverty makers in India also felt that access to credit for poor people is a major aspect of many poverty alleviations programmes. The basic idea of micro credit 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-enterprises that will allow them to break out of poverty.

Further, the micro-credit experience world wide has shown that poor borrowers especially women, make productive use of credit for self employment in micro enterprises and are prompt in repayments, with average repayment rates above 90 per cent much better than recoveries under normal lending.

Modkey (1999)\(^{21}\) in his article “Self Help Groups and Micro Credit: sustaining rural women” stated that the Self Help Groups usually generated a common fund out of small savings from persons or groups collected on a regular basis by curtailing unproductive expenditure. Sometimes, the internal savings generated were supplemented by external resources loaned or donated by voluntary agencies involved in promoting and strengthening the Self Help Group. The credit needs of members were usually assessed at monthly meetings. The Self Help Groups collectively ensured repayment of bank loans. The Self Help Groups thus provided access to credit for the poor. The transaction cost was low. Because of constant and effective supervision of the loan was properly utilized and repayments were prompt.

Dodkey (1999)\(^{22}\) had analyzed the role of the informal sector in improving the access of rural poor to the formal credit systems. According to him, Self Help


Groups had a vital link in the credit delivery system. He had stated that the programme of linking Self Help Groups with bank made rapid progress over the years. The number of Self Help Groups taking bank loans had increased from 255 in 1992-93 to 14317 in 1997-98. The programme had benefited nearly 1, 50,000 rural poor families. The repayment of loans both at Self Help Groups and bank level under the programme was excellent which was almost 100 per cent. RBI had achieved the banks to treat Self Help Groups financing as corporate agenda. Banks had also realized the potential of linkage banking.

Karmakar (1999) had studied the Self Help Groups, the Non Government Organizations and the Banks in Orissa. The study was conducted in the middle of 1996 and it had covered the entire state through a sample of 8 non governmental organizations, 11 banks and 14 Self Help Groups. The findings of the study were, that a few Non Government Organizations had started the savings and the credit programmes among the marine fishing folk through Self Help Groups. For lending purposes they had relied mainly on the mobilization of their savings. The loans were provided for raising crops for doing work in blacksmith for making hill brooms, for trading and business. Karmakar had found that the repayment was 100 per cent among the women Self Help Groups and the choice of the Self Help Group members was limited to certain activities in the initial years because of the limited amount of credit available.

One of the most influential scholars who put forth the concept of power was Max Weber. He defined power as “the chance of a man or a number of men to realize their own will in a social action even against the resistance of others who are participating in the action” (cited in Beteille, 1999).

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Empowerment, according to Beteille (1999)\textsuperscript{24} is both a means to an end and an end in itself. It is about radical social transformation of the ordinary and common people rather than politicians, experts and other socially or culturally advantaged persons. He further stated that empowerment and disempowerment go hand in hand: the empowerment of some sections of society has to be accompanied by the disempowerment of other sections of it.

Nagayya (2000)\textsuperscript{25}, in his paper, “Micro-Finance for Self Help Groups” has reviewed the initiatives taken at the National level with a few institutional arrangements to support this programme for alleviation of poverty among the poor, with special focus on women.

Jeya Anand (2000)\textsuperscript{26} in his study entitled “Micro Finance in Kerala” studied the community development society model in 1993 for the emancipation of the poor women of Alappuzha in Kerala state. It is evident from his study that those members who had some unit activity earlier could use the micro-credit effectively for expansion/modifications and they reaped the maximum benefit. In some cases, the failure of group activity led to a financial crisis and imbalance for all the members, while it was not complex in individual activities. It was observed that a few women dominated the group.

Laxmi R. Kulshresthan (2000)\textsuperscript{27} had studied the various aspects of Micro Finance and credit needs of rural women. It was observed that women were facing difficulty in applying for credit. The reasons cited were certification of identity and

lack of assets for furnishing security. It was found that Micro-credit through the banks had resulted in 85 per cent reduction in the transaction cost to the borrowers with the elimination of complex documents and procedures and reduction in time and cost incurred in repeated visits to banks.

**Vijayanthi (2000)**, in his study “women’s empowerment through Self Help Groups-A Participatory Approach”, have made an attempt to study the decision-making levels of husband and wife in a family. She has measured the decision making power based on 31 items. These items have been grouped into six Factors:

- The Factor one refers to decision making power related to education of children and housing needs of the respondents.
- The second and third are closely related to decision making power on economic aspects.
- The fourth Factor has been decision making on personal affairs of the respondents.
- The fifth Factor refers to items related to freedom to participate in community activities.
- The sixth Factor refers to the decision making of the women in the family affairs.

She concluded that the decision making has been high in Factor-1 that is on freedom to take decisions related to education of the children followed by taking decisions related to family needs of the respondents. Decisions making related to

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personal affairs of the family attending family functions and involvement in religious activities were taken by both husband and wife.

**Ronald T. (2000)** People usually do not like to classify themselves as poor, because this tends to be demanding and damaging to their Self-esteem. Microfinance clients participating in this study are no different. In most cases, clients feel fortunate to be able to meet their basic survival needs and see themselves as a relatively better off than many in their communities. Others who began as poor as their neighbors are aware of their relative improvement in living standards since joining a program. Typically, these clients consider themselves as ‘not rich, but not so poor’

**Dahich (2001)** in his paper “Banking with the poor-need for new savings linked loan products” had examined the poverty incidence, financing for the poverty alleviation programmes and Micro credit. Micro credit delivery mechanism had been tried in different parts of the world to improve the recovery of loans from the poor as to reduce the transaction costs and to improve the capacity of the poor through the social inter-mediation. The Self Help Groups movement had covered 1.19 million families as against 64 million poor families at the end of March 2000. Loans of the scheduled commercial banks up to Rs 25,000/ constituted 89 per cent of the total loan amounts whereas 12.5 per cent was outstanding in the end of March 1998. In his opinion, segregating the small loans to form a separate entity, banks would be able to reduce 89 per cent of accounts by loosing only 12.9 per cent of their lending link as a result of reduction in their transactions costs.

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Puyalvannan (2001)\(^{31}\) had studied micro-finance and women empowerment through, Centre for Rural System and Development [CRUSADE] a non governmental organization. A survey was conducted to access the economic status of the families especially the poorer households in the group. Women members were granted loans up to Rs 3000/ for enterprises such as small business, goat rearing, fish vending and the like. During the year 1998-1999 CRUSADE trained and arranged loan for 121 women for income generating activities. The training stirred the conscience of the members and encouraged at least one self help group to efficiency control illicit liquor brewing in their villages. CRUSADE in collaboration with Magalir Thittam helped the self help group members to attend gram sabhas and participate in discussions .It enabled political empowerment of the women.

Cohen Monique and Sebsted Jennfer (2001)\(^{32}\) in their paper “Micro Finance, Risk Management and Poverty”, have said that micro- finance programme extended a lot of help to the poor and the poor to cope with risks and vulnerability and to create opportunities for income generation. According to them the expansion of different countries in implementing micro credit exhibited that the programmes had been more successful in reaching moderately poor and vulnerable households rather than extremely poor home holds.


Kundu et al. (2001)\textsuperscript{33} also have attempted to study the efficiency of Micro Financing through Self Help Groups bank linkage programme in Haryana and found that commercial banks facilitated the access of the rural poor to financial services in a cost effective and sustainable manner. They had pointed out that through these rural poor in Self Help Groups not only developed confidence in them but in mass cultivated the habit of thrift/ saving and utilized collective wisdom to tackle their own problem.

Malaisamy and Srinivasan, R. (2001)\textsuperscript{34} compared the micro finance performance of SHGs and PACBs in Madurai district of Tamil Nadu and found that majority of the PACBs were willful defaulters which was not observed with SHGs. A comparison of over dues of SHGs beneficiaries with those of co-operatives showed that the latter had a high level of over dues compared to the former. The debt-asset ratio, educational level of the beneficiaries and membership of SHGs have explained the variation in over dues. The transaction cost found to be higher with SHGs due to higher interest rate as compared to co-operatives.

Lakshmanan (2001)\textsuperscript{35} in his study in rural Tamil Nadu observed that the saving of SHGs increased from Rs. 20 in the beginning to Rs. 50 in the latest period. The groups obtained revolving fund; there is transparency in administration. Members are engaged in production of mats with the sufficient encouragement and support of the husbands. The problem faced by them includes high cost raw

material. It was concluded that the SHG is really a boom, which gives financial autonomy and make the participants economically independent.

**Anjugam M. and Alagumani T. (2001)** in their study in Madurai district of Tamil Nadu assessed the economic, social and institutional impact of SHGs. It was underlined that the major purpose of loan extended was to pay off the loan from moneylenders. Other than this, loan was given to medical, house repair, educational and social obligations. The women could accumulate assets in terms of jewels, TV, Steel Bureau and able to install the facility of electricity, purchase livestock, land for construction, leasing in cultivable land etc. The repayment was 100% and the members’ awareness on girl’s education, outside contacts and decision-making skill etc were improved.

**Ponnarasi, T. and Saravanan M.P (2001)** brought out case studies of five SHGs in Cuddalore district of Tamil Nadu. Of the five groups, one has got the ‘Best SHG Award” for it has lent more than twice that of other groups, extended 90% of the loan for productive purposes and also availed a large loan of Rs. one lakh which was absent with other groups. It was concluded that the SHGs have influenced greatly to the well being of the villagers.

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Nedumaran, S., Palanisami, K. and Swaminathan, L.P. (2001)\(^{38}\) in a study conducted in Tamil Nadu on the impact of SHGs found that more than 60% of the SHG members were SC/STs. Nearly half of them registered high performance. The average loan availed is positively associated with age. Net income received increased by 33\% over pre SHG situations. Social conditions also have improved and SHGs have contributed for the overall improvement.

Srinivasan, G., Varadharaj, S. and Chandrakumar, M. (2001)\(^{39}\) in their study on financial performance of rural and urban SHGs in Coimbatore district of Tamil Nadu with 50 SHGs in terms of recovery index, [ratio of total recovery to total lending] thrift credit ratio [ratio of total saving to total lending] and outstanding credit ratio [ratio of outstanding to total lending] revealed that the average membership was 17, the average savings were Rs. 16,333 and the average total lending was Rs. 17537 and the average of defaults [Rs. 956] were found to be higher in rural SHGs than in urban SHGs. Due to higher defaults, the rural SHGs showed lower recovery index [80\%] and higher average outstanding credit ratio [0.14\%] than the urban SHGs [87\% and 0.09 respectively]. The average thrift credit ratio of urban SHGs [0.91] was lower than the rural SHGs[0.93], implying that the overall financial performance of the urban SHGs was better than that of the rural SHGs.


Manimekalai N. and Rajeswari G. (2001)\(^{40}\) studied the impact of SHG in creating women entrepreneurship in rural areas of Tamil Nadu by taking 150 SHG members. They found that the SHGs have helped to initiate micro enterprises including farm and non-farm activities, trading and service units. It was reported that there was significant difference in the mean performance of the entrepreneurs based on their age, education and previous 50 experiences. The micro finance has facilitated the women to have economic and social empowerment; it has developed a sense of leadership, organizational skill and management of various activities of a business, right from acquiring finance, identifying raw materials, marketing etc. by themselves.

A study conducted by NABARD (2002)\(^{41}\) covering 560 households from 223 SHGs in 11 States of India elucidated that there has been a positive result in enhancing the standard of living of SHG members in case of asset ownership. Savings and borrowing capacity, income generating activity and in come levels. The average value of asset including livestock and consumer durable has increased considerably. The housing condition of the people is improved, from the mud walls to thatched roofs to brick walls and tiled roofs. Almost all members developed saving habit in the post SHG. The trend of consumption loans come down in contrast the loan for income generating purpose has increased considerably during the pre-SHG period. Similarly the overall repayment of loans improved and the average net income per household has increased about 33%. The employment


increased by 18% between the pre and the post SHG conditions. It should be noted that after association with the SHGs, they have improved their self-confidence, self-worth and communication. In addition to this, they involved in addressing various social evils and problems of the society.

Jothy, K. and Sundar, J. (2002)\textsuperscript{42} in their study of evaluating the programme of Tamil Nadu Mahalir Thittam found that SHG women are currently involved in economic activities such as production and marketing of agarbathis, candle and soap, ready made garments, pickles, appalam, vathal, fur toys, bags, palm leaf products dhotis, herbal products, fancy sea shell, ornaments, eatables, coir mats and other coir products, mattress, chapels, leather good etc. In addition, the SHG women monitor the normal functioning of the ration shops, maintain vigil to prevent brewing of illicit group, help the aged, deserted and windows to obtain loan.

Rajasekar D (2002)\textsuperscript{43} analysed the impact of the economic programmes of SHARE, a NGO in Tamil Nadu on poverty reduction with the help of data collected from the house holds of 84 women members. The economic programmes have contributed to saving and income increase for the women. However, the member group was not found to be significantly different from the comparison group in terms of control over income and decision-making. The growing amount of saving provides confidence and security to women. They borrow mainly for consumption and crop production. Not much credit is provided to initiate income-generating

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activities. Women’s income constitutes a large proportion of household income. Women and minimum contribution by male members head majority of such households. It may result in a situation in which the male members withdrawing themselves from labour market. It seems to be putting more pressure on women. It was however emphasized that the men should also be brought within the purview of development intervention if women are to be empowered. It was further found that the women who earn do not convert income to meet their personal needs. Their mobility is restricted to visiting husband’s parents home and that is done after the permission granted from husband. SHG members possess knowledge of various government programmes, aware of reservation provided to women in panchayats, aware of mandating of Gramashaba meeting etc.

A study conducted by the Institute for Social and Economic Change (ISEC, 2002) about the function of two Non Government Organizations from Andhra Pradesh and Karnataka had showed that the members in both the Government, Non-Governmental organizations were having access to more than one revolving fund. They had enough credit sources to meet their needs and they were able to access services related to education and health and had acquired assets such as livestock and land. The group members had access to more than two livelihood sources, and were able to earn higher incomes which had a favorable impact on the acquisition of consumer durables and had increased their expenditure on food, education and health.

For **Narayana Reddy (2002)**, empowerment is the process of enabling people, especially women to acquire and possess power resources to make decisions on their own or resist decision that are made by others, which affect them. Thus, it is quite evident that the concept of empowerment has been understood in terms of rearrangement of power relations for bringing radical changes in the society. In this process, women should be actively involved and act as agents of change.

**Laxmi, R. Kulshrestha and Archana Gupta (2002)** had studied the role of micro-credit in the generation of income and promotion of savings habit among the poor, especially rural women to help them uplift their economic status. The results of the study indicated that significant changes had taken place in the living standards of rural poor in terms of increase in income, employment, consumption, savings and borrowing capacity.

**Punithavathy Pandian and Eswaran (2002)** “Empowerment of Women through Micro Credit” have examined the saving patterns and capacity building of the sample respondents through micro-credit. They have also analysed the impact of micro credit on the economic and social empowerment of women in Sedapatti block in Madurai District. Majority of the respondents seeking micro credit were found to have savings about Rs 25 to Rs50, which they deposit in banks weekly and

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fortnightly. Women’s own income has increased significantly through micro credit. Further, majority of the respondents had equal access and control over resources at the household level thereby reducing the vulnerability of the poor women to crisis. They found that the micro credit provided the rural poor access to finance without the burden of collateral through Self Help Groups, has empowered the women folk economically and socially. Further, they concluded that through the credit provided has been micro in nature it has brought in macro changes in the lives of women who received credit in terms of increase in income, saving pattern and capacity building.

Panda, S.K. (2003)\textsuperscript{48} had analyzed the impact of Micro –credit provided by the National schedule caste finance development corporation [NSFDC], National Safai Karmacharis Finance and Development Corporation [NSKFDC], National Backward Classes Finance and Development corporation [NBCFDC] and National Minorities Development and Financial Corporation [NMDFC]. The analysis had shown that, the loans provided by these corporations had been increased tremendously due to the adoption of micro-finance. NMDFC had provided assistance to over one lakh women living in the city of Mumbai and other parts of Maharashtra Karnataka and Goa. Under micro-finance, assistance had been provided for purchase of equipment like utensils, gas stove, pressure cookers, tiffin carriers and working capital.

Ritu Jain et al. (2003)\textsuperscript{49} had examined the functioning of Self Help Groups in Kanpur Dehat District. For the study, 25 women Self Help Groups were selected; ten women members from each Self Help Group and 10 non members from the same village were selected as respondents, to study the impact of Self Help


Groups on their socio–economic status. The results revealed that the impact of Self Help Groups on socio–economic status of women was found to be significant in education, housing facilities, exposure of mass media, occupation, size of land holding and material possessions.

**Bibhudutt Pandhi (2003)** in his study on maintaining Micro Finance had pointed out that Non Government Organizations had a crucial role in group formation, nurturing Self Help Groups in pre-micro enterprise stage, capacity building and enhancing credit absorption capacities. He had mentioned that Self Help Groups provided effective coping mechanisms and peer pressure acts as the best collateral. The author pointed out those high repayment rates of Self Help Groups run through Non Government Organizations was not an inherent structural feature of Self Help Groups but a commitment to group values.

**Indira Misra (2004)** in her book “Micro credit for Macro impact on poverty” explained in a detailed way that Micro Finance is a god-like in the sense, that it helps those who help themselves. Micro Finance knows no bounds and restrictions and further it is a self-rejuvenating process. She has discussed the things in various ways but she had not made any case study.

**Rim Jhim Mousmi Das (2004)**, analysed the “Impact of Micro Finance through Self Help Groups in Botemara village of Mankswar block of District Sambalpur of Orissa. He clearly revealed the inevitability of loan for consumption purpose with an authentic example of a mother of 11 children who was a member of a Self Help Group and whose husband was a tuberculosis patient, got a credit of the

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5000/= for running a business but was forced to spend this loan amount on the treatment of her 8 years old son. He concluded that no development programmes from “Garibi hatao to IRDP” can ever get its ultimate result until there was a co-ordination and co-operation between the government and the beneficiaries. The author pointed out the need for frequent follow up, better management and participation from Government, Non Governmental Organizations as beneficiaries for the success.

**Nanda Y.C. (2004)** Micro Finance could be defined as the provision of a broad range of financial services such as deposits, loans, money transfers and insurance to the poor, low income households and micro enterprises. Another definition of micro is the small scale financial services provided to the people who work in agriculture, fishing, herding; who operate small or micro-enterprises; who provide services; who work for wages or commission; and other individuals or groups at the local level of developing countries, both rural and urban. Financial services usually include credit and savings, but there are micro-finance institutions that provide additional services also, such as issue of cheques, drafts, guarantees etc.

**Vasudeva Rao, D (2004)** The study has shown that the group dynamics through SHG has brought a change in the attitude and behavior of the tribal, across the districts. Yet, their cultural background is so overwhelming that they need constant interface with not only government officials but also with social counselors. This would go a long way in bringing the tribal into the mainstream.

Various interventions were recommended for empowering women. One such intervention was the introduction of SHGs that aimed at enhancing women’s access

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to credit by organizing them into groups. The concept of SHGs if not exclusively, but primarily revolves around women. There have been umpteen studies which highlighted women empowerment through SHGs.

**Purushotham (2004)**\(^{55}\) reported that micro-credit intervention benefited many women entrepreneurs. He observed these benefits in terms of women shifting from wage to self employment, increased income, repayment of old debts, purchase of personal jewellery, sending of girl children to school.

**Archana Sinha (2004)**\(^{56}\) in her study “Micro Finance for Women’s Empowerment” has found out that households with loans are better off in terms of income and consumption patterns than those without. Women tend to spend the benefits on family welfare, food and health and school fees and less on investments into their own businesses. The education of girls increases in households where women have taken loan.

A survey contacted by the **Institute of Public Opinion (2004)**\(^{57}\) on “performance of Micro Financing through Self Help Groups” has made an attempt to review as to why the formal financial institutions were not accessible for the poorest of poor/ women to cater to their micro credit and to evaluate the progress of micro financing programme in India and its impact on rural women.

It has been found that the micro financing through Self Help Groups Bank linkage programme of NABARD is working very effectively and the credit needs of

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the rural poor are catered by the rural financial institutions through Self Help Groups. It instills the propensity to enhance the beneficiary’s saving potential, credit handling capacity and access to financial institution, and also inculcates entrepreneurial skill, besides developing an urge for investment and also risk taking attitude through Self Help Groups. As a result in combats poverty, employment opportunities lead to the socio-economic empowerment of women.

Thara Bhai et al. (2004)\textsuperscript{58} in their article “Micro Credit and social capitalism in rural Tamil Nadu” have made an attempt to find out the level of development among women after becoming members of Self Help Groups through SGSY scheme. The objectives of their study were to access the development by understanding the social mobility of women, to find out their participation and involvement in the group and thereby their individual development, their economic independence through savings and economic [key] activities. Madurai, Theni and Sivagangai districts have been selected as their area of study. Respondents were selected by adopting stratified random sampling technique. The results of the study had been that the saving habit and credit management had created self-confidence and self reliance within the down trodden women as they had their own resource base. Their economic independence had elevated their level to involve them in the developmental activities of the village. They have been enjoying a decent role in the decision making process. They have been participating in rural welfare activities after becoming the member of Self Help Groups. Importance of the education of the girl child was stressed to women through Self Help Groups.

Agnes (2005) in her study on Self Help Groups and Micro Financing through Self Help Groups had turned out to be an effective strategy for formal financing agencies. Because, group lending minimized transaction cost and at the same time the members of a group were able to avail of small loans through that group. The chances of wrong utilization were minimal and there was an assured repayment because of peer monitoring by the group. She found that the system had been found beneficial because of minimal procedural formalities access to institutional credit without collateral offering, full autonomy in the selection of activity and the availability of thrift for meeting urgent needs. The skill needed for filling the application forms and the absence of procedural formalities had made the programme, customer friendly and encouraged women to step up or expand micro enterprises to increase their income, saving, access to information and possibilities for development of other social and political roles. She concludes that micro financing programmes targeting women have led to their empowerment in economic, social and political spheres and also empowerment within the family. Members had got awareness in issues such as government programmes and schemes, bank transactions, health, hygiene and family welfare, social welfare and in legal aspects.

Mahendra Varman’s (2005) paper on “Impact of Self Help Groups on Formal Banking Habits” focused with the twin objectives of examining the association between the growth of Self Help Groups and the increase in female bank deposit accounts and the influence of Self Help Groups in their account holding in


formal banks. In the process, this paper traced that there is a positive relationship among Self Help Group membership, bank deposits and account holding.

**Banumathy (2005)** in her article “Self help groups and Bank linkages” explained that, women population constitutes nearly half of the national population. The empowerment of women through Self Help Groups would lead to benefits not only to the individual women, but also for the family and community as a whole through collective action for development. Self Help Groups have linkages with banks and Non Government Organizations to get finance for development. In turn it will promote the economy of the country by its contribution to rural economy. Self Help Groups aim at providing awareness among the rural poor about the ongoing development programmes. Self Help Groups not only empower women, but also solve their personal problems apart from their economic developments. The main objective of Self Help Groups are thus to develop leadership quality, self-confidence and reliance. Thus Self Help Groups play a major role in women empowerment, micro finance through bank linkages in collaboration with Non Government Organizations and contribute to the rural economy.

Self Help Group Banking Repayment rates ranged between 98% to 100% compared to the overall bank repayment rates of 35% to 83% confirming the paradox that the poor repay their bank loans while many of the non poor don’t.

**Holvoet (2005)** carried out one of the more carefully designed studies of the impact of micro credit on decision making in the context of Tamil Nadu in her

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article entitled, “The impact of Micro Finance on decision making agency: Evidence from South India” she compared patterns of decision making for three groups of women: MYRADA organized Self Help Groups members who received loans from the WDP and RIDO who had received loans from Tamilnadu government’s women development programmes and a third group made up of women and men who received individual loans from the government’s IRDP programmes. She explained that a member of different areas of decision making, using four different categories of decision making:

- Women dominated decision making,
- Male dominated decision making,
- Norm following decision making and
- Bargaining over decisions.

She found that channeling loans through women substantially increased the likelihood of female decision making and bargaining relative to male decision making norms following.

This has been particularly the case for loan use, money management, time and task allocation and decisions related to enterprise/ business/ occupation. For MYRADA group members the shift from norm following to bargaining for different areas of decision making has been far more striking than for RIDO Self Help Groups.

Gangai et al. (2006)\textsuperscript{64} in their study on “Impact of Self Help Groups on income and employment” explained that self help groups strategy aimed at bringing

the excluded and neglected women into mainstream of economic development through “savings investment-employment and income generation strategy”. Keeping in view the role of SHGs in the development of women in rural areas, a micro level field study in Renigunta Mandal of Chittoor district was conducted, by randomly selecting 202 SHG women members from 17 SHGs. A well structured schedule was prepared canvassed and interview method was adopted to record their opinions. According to them, SHG had substantially increased, mobilizing thrift deposits and receiving timely matching and revolving funds to generate employment activities to earn their livelihood. Increasing awareness among rural women about Government development programmes, beneficial change in social outlook of the women, better sense of equality of status of women as participants, decision makers and beneficiaries in the democratic, economic and social spheres of life sensitized the women members to take active part in socio economic progress of rural areas.

**Chandra Kavate (2006)** made a study on the “Self Help Groups Model of Micro Finance” – A Silent movement Towards Empowering Rural Women” with the objectives of identifying the positive impact and problems of Micro Financing reached by the author was increased saving. The regular savings generated and collected by the members, though they were small, provided them to fall back on when in need. Otherwise they were developing on hand outs from others. The system of group guarantee combined with the individual responsibility was the innovation that had enabled the credit to be expanded to millions of poor women to fulfill their credit requirement both meeting emergent consumption needs as small production requirement without requirement of collateral security. By making the active activities of the members as commercial, the SHGs imbibed in them a sense of productive partner’s democratic spirit and secular approach among members.

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The Nagarbasti Gramin Vikas Samiti has been engaged by the State Bank of India as its authorised recovery agent at a compensation rate of 10% of total loan recovered through the group. In this regard the SBI has issued an identity card to the SHG authorizing them to effect recovery from willful defaulters of the bank. This SHG has helped SBI to recover several bad loans in the District.\textsuperscript{66}

Venkatasalam G. Vijayarani, K (2009)\textsuperscript{67} The concept of the SHGs can also be extended to service sector which is increasing many folds in Tamilnadu. Newer ideas to promote the concept of the SHGs among rural poor, middle income group, development and expansion of SHGs activities many fold will give very good results to the state economy.

Nedunchezian V.R. (2009)\textsuperscript{68} It is unique to India. Membership in SHGs starts with savings as a base. It is similar to the Grameen model, but not as rigid as Grameen. RBI has accepted this model for a nationwide SHG-Bank linkage program.

Rasheeda Bhagat (2009)\textsuperscript{69} “Eradicate Poverty by providing financial services to the poor in a sustainable manner and eventually serve 180 million households across India” is a huge challenge in itself. The constant endeavor is to have sufficient technological interventions to keep costs low and speed up delivery to newer areas.


\textsuperscript{69} Rasheeda Bhagat- Business line, August 21, 2009 life p. 1.
With about 180 million poor households in India, poverty alleviation commands a significant portion of our policy makers’ attention. Financial inclusion is widely accepted as a crucial step in this direction. In the past few years, the RBI has mandated that banks open many more No Frills accounts for the poorer sections. In parallel, the profusion of microfinance has brought a wide range of poorer people [especially women] into the formal financial services fold.

### 2.2 RESEARCH GAP FILLED UP IN THE STUDY

The review of earlier studies on Micro Finance through Self help group bank linkages has helped the researcher to identify the research gap. Though many studies have been conducted, the studies covered mainly the profile and growth of Self Help Groups in term of number of members, savings and Loan amount obtained. Moreover, the studies on Self Help Groups are concentrated on only the descriptive nature relating to the functions of Self Help Groups and role of Non Government Organizations. The studies pertaining to Micro finance through SBLPs in Tirunelveli district have not been found so far. The Micro finance and its multifaceted impact on Self Help Group members through bank linkages in Tirunelveli District remain unexplored.

Therefore, a comprehensive and analytical study covering the multi-dimensional aspects of Micro Finance and assessment of its impact through Self Help Group – Bank Linkages at the micro level in the district of Tirunelveli in Tamilnadu have been chosen by the researcher. It may be mutually beneficial for both the policy makers and the people of the region to alleviate poverty more effectively and efficiently.

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70 Vasudevan, P. N ,“There’s profit all around”, Business line January 3,2009
2.3 METHODOLOGY

The researcher has used both primary and secondary sources. The primary sources are the responses and views of the animators, representatives and members of SHGs, NGOs, public and private sector banks through interviews and well-defined interview schedules. The invaluable inputs of banks and NGOs officials have been incorporated in the execution of the study.

2.3.1 Primary data

The primary data relating to the profile, socio-economic background, income, savings culture, expenditure patterns, details of loans availed, its utilization and repayment schedules and their views, feedbacks and opinions about the policies, approaches, constraints, execution, benefits and difficulties of SHG membership have been collected directly in person from SHG members, Bank and NGO officials in Tirunelveli District with the help of pre tested interview schedules prepared by the researcher. The interview schedule was developed with the views and preliminary discussions of all the stakeholders of SBLPs. In order to have thorough study and understanding about the ground reality of Self Help Groups and micro-finance, the researcher had many discussions with the officials of District Lead Bank, the Indian Overseas Bank, State Bank of India, Indian Bank, Pandyan Grama Bank, Lakshmi Vilas Bank, Repco Bank and NGOs in Tirunelveli district.

2.3.2 Secondary data

The secondary data are collected from the records of Tirunelveli District Lead bank, Annual Credit Plan from the year of 2004-05 to 2009-10, Annual performance reports and statements. The reports, brochures and other records of Mahalir Thittam in Tirunelveli District have also been referred and incorporated in
the study. The regional magazines such as Muttram and Kisan, and other printed statements like monthly Information Statements, books and journals are also referred to. In addition, the researcher has collected data from reports, circulars, journals and websites of NABARD, the reading materials given to the bank staff at their Training centers and other banks Annual reports, Census report and other published results of survey containing relevant information.

2.3.3 Sampling and Statistical Tools

The appropriate statistical tools have been deployed such as simple average, percentage, standard deviation, Correlation Coefficient, Student T test, F test, Analysis of Variance, Wilcoxon test, Friedman test and other relevant tests. The application of statistical tools in the study is necessitated to check the validity, independence, correlation, variation and consistency of the data. The sampling technique is random sampling. SHGs are randomly selected from Tirunelveli District spread over all the villages, panchayaths, municipalities and corporation. The sample size is 500 members which consist of 450 female and 50 male samples in proportion to the gender distribution in the population (SHGs in SBLP). The data collected are analyzed with the aid of Statistical Package for Social Sciences (SPSS). The data were tested for normality to ensure it represents the true population and to avert any skewness in the data. The multivariate technique – Factor Analysis was used to reduce the number of variables/impact into few. So that the impact can be analyzed with and in the presence of other variables with the aid of statistical tools.

Group members are told that the information collected would be used for research purposes only and that neither the bank nor the NGO would have access to individual data. In addition to the structured individual interviews, focus group discussions are also conducted, in which a majority of group members participated.
During the focus groups discussion, all group members are asked to discuss group dynamics (with a specific focus on their loan allocation system) their history of bank linkage, their involvement in the community and their assessment of the main benefits from being in the group. The researcher has also asked each group a series of general questions on its saving and lending rules, the number of dropouts and its contributions to community initiatives. The information from the NGOs’ admission, loan registers are also used to complete the study analysis. Admission registers are filled in by members as they join the group and contain basic demographic information like age, religion, caste and educational background. Loan registers record all of the savings and loan transactions for each member in an SHG. Each time a member takes a loan, makes a repayment or contributes to the group savings, the transaction is recorded in the loan register. This includes loans that are taken from the group’s common fund as loans received from the bank. The data that is extracted for analysis from the loan registers included loan amount, loan purpose, date of disbursement and loan term. The loan purpose and amount are the critical pieces of data in this analysis. The secondary data were collected from the records of Tirunelveli District Lead bank, Annual Credit Plan of Mahalir Thittam, Tirunelveli District and their reports, brochures and books and journals were also referred to.

2.3.4 Pilot Study

In order to gain thorough understanding of the structure, functions and performance of micro finance through Self Help Groups Bank linkages and the Multifaceted developments attained by the members, the researcher visited various parts and blocks of Tirunelveli district and the researcher conducted a pre test towards the end of February 2007 before finalizing the interview schedule. Data from 5 Self Help Groups and 25 beneficiaries were collected during this period. The conscious effort was taken to cover the questions on varied aspects and also to avoid
close questions. Otherwise, the number of questions in the interview schedule increase and it could affect the interest and attention of the respondents to provide right information. On an average, the interview last for about 35 minutes to collect data from each respondent. The data was tested for normal distribution and the interview schedule did not require much an alteration.

2.3.5 Period of Study

The field survey was conducted during 2007-08. The information was collected during the weekly meetings of SHGs, training sessions and other gatherings of SHG members. In some instances, the researcher visited the homes of respondents. The NGOs and Banks were contacted for meeting the SHG members depending on the place of interview. The interview schedule for an individual member and groups took an average of 30 minutes per group / person. The reference period of the study is 2006-09. The random sampling technique was adopted to choose the respondents and the multivariate technique of factor analysis was employed to assess and analyse the impacts from various perspectives.

2.3.6 Final Study

Self Help Groups members are randomly selected from Tirunelveli District spread over all the villages, panchayaths, municipalities and corporation. The sample comprises both male and female members who engage themselves in agriculture activities, and non-agricultural activities like tailoring, Xeroxing, goat rearing, dairy, flour grinding, beedi-rolling etc.

The data has been collected from randomly selected 500 Self Help Groups members who are promoted by the Non Government Organizations, and Banks through SHG – Bank Linkage Programmes (SBLPs). Group members are told that the information collected would be used for research purposes only and that neither the bank nor the Non Government Organizations would have access to individual
data. In addition to the structured individual interviews, focus group discussions, in which a majority of group members participated. During the focus of group discussion, all group members are asked to discuss group dynamics (with a specific focus on their loan allocation system) their history of bank linkage, their involvement in the community and their assessment of the main benefits from being in the group. Also, the scope for the improvement in the programme and the reasons for client drop outs are also discussed. The Researcher has also asked each group, a series of general questions on its saving and lending rules, the number of dropouts and its contributions to community initiatives.

Random selection is sometimes difficult to implement because some of the women selected for interviews are not available even when rescheduled group meetings for a later date. In these rare cases another member from the group who is present is randomly selected for the interview. It happened for less than 5% of samples. In addition to the data collected through individual interviews and focus group discussions, the information from the Non Government Organizations admission and loan registers are also used to complete the study analysis. Admission registers are filled in by members as they join the group and contain basic demographic information like age, caste, religion and educational background. Loan registers record all of the savings and loan transactions for each member in a Self Help Groups. Each time a member takes a loan, makes a repayment or contributes to the group savings, the transaction is recorded in the loan register. This includes loans that are taken from the group’s common fund as loans received from the bank. The data that is extracted for analysis from the loan registers included loan amount, loan purpose, date of disbursement and loan term. The loan purpose and amount are the critical pieces of data in this analysis.