CHAPTER – II

REVIEW OF LITERATURE

A review of literature is a body of text that aims to review the critical point of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Review of literature are secondary sources and as such, do not report any new or original experimental work. Simai Haji Mati quoted that literature review should be referred to as reviewing and analyzing the work of literature in relation to the specified topic in research.

The Empirical Study aims at the investigation of the perception of the members of the SHGs or on the Social, Economic and Personal benefits derived by them because of their membership in SHGs. The subsequent section describes about review of related literature, which was collected through various sources. The reviews are presented under respective aspects reviewed for this study.

Abdullahel (2001)\(^3\) aims to assess the contribution of the microcredit programme in raising health knowledge among poor women in rural Bangladesh. Findings revealed that the socio-demographic factors such as the age of the woman, land ownership of the family and occupation of husband had no association with the prevalence of maternal knowledge. The knowledge was much greater among credit forum participants than non-participants, although exposure to the media and the education of women had also played a significant role in raising the level of knowledge. Multivariate analysis suggested that the duration of credit programme participation and exposure to the media were significantly more likely to raise the health knowledge among women when the influence of demographic and socio-economic factors was controlled. The paper concludes that the microcredit programme can be an effective tool in promoting health among poor women in Bangladesh.

Aminur (1999)\(^4\) in his study describes that there is a growing acknowledgement that microcredit programs have potential for equitable and sustainable development. However, the anthropological research on the microcredit program of the Grameen Bank shows that bank workers are expected to increase disbursement of loans among their members and press for high recovery rates to earn profit necessary for economic viability of the institution. To ensure timely repayment in the loan centers bank workers and borrowing peers inflict an intense pressure on women clients. In the study community many borrowers maintain their regular payment schedules through a process of loan recycling that considerably increases the debt-liability on the individual households, increases tension and frustration among household members produces new forms of dominance over women and increases violence in society.

Anwarul et.al (2012)\(^5\) tried to present evidence of the important contributions made by microcredit in the eradication of poverty by increasing the income generating activities, empowerment of poor people to access development services such as health and education, and reduction in vulnerability. Microcredit is now being considered as one of the most important and an effective mechanism for poverty reduction. Present study describes about microcredit activities and helps to investigate the impact of microcredit on the poor people of the society with the main focus on target people of the study area. Therefore, the objective of this study is to show how microcredit works to improve the quality of poor targeted groups and reducing poverty and how it affects the living standard (income, saving & health etc.) of the poor people in study area.


Aradhana (2003) describes that “empowerment” of women increasingly appears among the stated objectives of NGOs and other development agencies, to the extent that efforts to “empower women” have come to be an expected component of any credible development project or strategy. By critically assessing the discourse of empowerment as it pertains to the microcredit program of Grameen Bank in Bangladesh, this paper challenges the prevailing concept of empowerment and highlights the potential dangers and limitations that it entails for women by reducing them to objects as opposed to agents in the process of their own empowerment and by appropriating their struggles for liberation.

Barbara and Mahanta (2001) in their research mentioned that the SHG’s have helped to set up a number of micro enterprises for income generation. Rastriya Gramin Vikas Nidhi credit and saving programme in Anam, has been found successful as its focus is exclusively on the rural poor. It adopted a credit delivery system designed especially for them with the support of a specially trained staff and a supportive policy with no political intervention at any stage in the implementation of the programme.

Beatriz and Jonathan (2000) in his study describes that microlending is growing in Eastern Europe, Russia and China as a flexible means of widening access to financial services, both to help alleviate poverty and to encourage private sector activity. This article describes mechanisms that allow these programmes to successfully penetrate new segments of credit markets. These features include direct monitoring, regular repayment schedules, and the use of non-refinancing threats. These mechanisms allow the programmes to generate

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high repayment rates from low income borrowers without requiring collateral and without using group lending contracts that feature joint liability.

**Ben (1996)** in this study challenges the recent uncritical enthusiasm for the potential of microfinance institutions to reduce poverty. It is argued that, although understanding about how to design anti-poverty financial intermediation has improved, the current campaign to increase resource allocation in this sector may undermine the very sustainability that is being sought. Further, studies of the impact of microenterprise credit suggest that it is not necessarily beneficial to very poor people. Interventions in the provision of financial services should not be made without locally specific analysis of the functions of existing savings and credit facilities.

**Cheston and Kuhn (2004)** in their study concluded that Micro Finance programmes have been very successful in reaching women. This gives microfinance on extraordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impacts some women experience.

**Christian and Neville (2008)** examined the long-run effects of microcredit on development in an occupational choice model similar to Banerjee and Newman (JPE, 1993). This study distinguishes between two avenues for graduation: “winner” graduation (of those who earn above average returns in self-employment) and “saver” graduation (due to gradual accumulation of average returns in self-employment). Long-run development is not attainable via microcredit if “winner” graduation is the sole avenue for graduation. In contrast, if the saving rate and self-employment returns of the average microborrower are jointly high enough, then microcredit can bring an economy from stagnation to

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full development through “saver” graduation. Thus the lasting effects of microcredit may partially depend on simultaneous facilitation of microsaving.

**Cuong Nguyen et.al (2007)**\(^{12}\) examine the poverty targeting and impact of the microcredit program. It is found that the program is not very pro-poor in terms of targeting. Among the participants, the non-poor account for a larger proportion of loans. The non-poor also tend to receive larger amounts of credit compared to the poor. However, the program has positive impact on poverty reduction of the participants. This positive impact is found for all the three Foster-Greer-Thorbecke poverty measures.

**Cynthia and Frank (2009)**\(^{13}\) in their study reports on research into the impacts of microfinance on gender roles, the extent to which socio-cultural factors influence these changes, and how such changes affect the well being of rural Bogoso households in the Wassa West District of Ghana. Findings indicated that microfinance has changed men's and women's control over decisions and resource allocations, which consequentially affected financial responsibilities and the education of children, and largely contributed to household well being. However, the small size of the loans was a limitation. The article concludes that socio-cultural factors may promote or inhibit well being in rural households, and that microfinance is not a sufficient tool in itself to promote women's and households' well being.

**Dalglish (2011)**\(^{14}\) Microfinance, which includes microcredit as one of its core services, has become an important component of a range of business models from those that operate on a strictly economic basis to those that come from a philanthropic base, through Non Government Organisations (NGOs). Its success


\(^{14}\) Dalglish, Carol L. & Tonelli, Marcello, “A socially responsible model of micro-credit delivery to support sustainable community development in emerging economies”, In Social Entrepreneurship Research Forum, 2011.
is often measured by the number of loans issued, their size, and the repayment rates. This paper has a dual purpose: to identify whether the models currently used to deliver microcredit services to the poor are socially responsible and to suggest a new model of delivery that addresses some of the social responsibility issues, while supporting community development.

David (2000)\textsuperscript{15} in his study reviews the methodological options for the impact assessment (IA) of microfinance. Following a discussion of the varying objectives of IA it examines the choice of conceptual frameworks and presents three paradigms of impact assessment: the scientific method, the humanities tradition and participatory learning and action (PLA). Key issues and lessons in the practice of microfinance IAs are then explored and it is argued that the central issue in IA design is how to combine different methodological approaches so that a “fit” is achieved between IA objectives, program context and the constraints of IA costs, human resources and timing. The conclusion argues for a greater focus on internal impact monitoring by microfinance institutions.

Dean and Jonathan (2008)\textsuperscript{16} in their study describes that policymakers often prescribe that microfinance institutions increase interest rates to eliminate their reliance on subsidies. This strategy makes sense if the poor are rate insensitive then microlenders increase profitability without reducing the poor's access to credit. This study tests the assumption of price in elastic demand using randomized trials conducted by a consumer lender in South Africa. The demand curves are downward sloping, and steeper for price increases relative to the lender's standard rates. It is also found that loan size is far more responsive to changes in loan maturity than to changes in interest rates, which is consistent with binding liquidity constraints.


Dean and Martin (2011)\textsuperscript{17} in their study describes that a growing number of microfinance organizations are attempting to build the human capital of microentrepreneurs in order to improve the livelihood of their clients and help further their mission of poverty alleviation. Using a randomized control trial, this article measures the marginal impact of adding business training to a Peruvian group lending program for female microentrepreneurs. Treatment groups received thirty to sixty minute entrepreneurship training sessions during their normal weekly or monthly banking meeting over a period of one to two years. It is found that little or no evidence of changes in key outcomes such as business revenue, profits, or employment.

Denise and Christine (2003)\textsuperscript{18} Does gender affect cooperation? In this study the authors analyze the effects of gender and group gender composition on prosocial behaviour. This study makes two competing predictions: one based on literature suggesting that women are more cooperative than men, the other building on research regarding the effect of expectations on behaviour. Using data drawn from microcredit borrowing groups, we find that gender composition, not gender person, is correlated with the likelihood that individuals will default on loan payments. The findings suggest that behaviour which might appear to be a consequence of inherent gender differences more likely results from expectations associated with group gender composition.

Dwaraki et al. (1996)\textsuperscript{19} describe SHG as an unregistered body of people, preferably the disadvantaged who willingly contribute an agreed sum of money which would be lent at a price for a short period, as fixed by the group itself.


Edward et.al (2006)\textsuperscript{20} examined qualitative local data on microfinance in southern Andhra Pradesh. This study compares and contrasts Mayoux's three paradigms of microfinance as being differentiated by their assumptions, their claims, and the mode of operation of those who adhere to them. Each paradigm offers grounding for practice as well as a mode of discourse for microfinance practitioners. In Andhra Pradesh, the empowerment paradigm is fading away compared with the financial sustainability paradigm of microfinance. The anti-poverty paradigm is also muted. The financial sustainability school is presently dominant in this complex microenterprise scene.

Famithe (2005)\textsuperscript{21} in her Dissertation states that various department of state and central government should produce the product which are demanded and manufactured by women SHGs. Technology upgradation training with arguments of marketing nature both at internal and international level should be arranged by the state government.

Graeme (1997)\textsuperscript{22} this study is based on research undertaken on microenterprises in the informal sector in Kenya, Malawi and Ghana. It seeks to provoke critical reflection on the uncritical enthusiasm that lies behind much proselytizing of microfinance for informal sector microenterprise. It questions whether the extensive donor interest in microenterprise finance really addresses the problems of microentrepreneurs or whether it offers the illusion of a quick fix. It suggests that the real problems are more profound and cannot be tackled solely by capital injections but require fundamental structural changes of the socioeconomic conditions that define informal sector activity and a fuller understanding of the “psyche” of informal sector entrepreneurs.

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**Gustavo and Sandra (2009)** described that Microcredit (MC) programs lend money to poor borrowers using innovative mechanisms such as group lending under joint liability while successfully accounting for the presence of asymmetric information in underdeveloped financial markets. MC programs have achieved what the conventional financial institutions and the government have not been able to: lend to the poor, impressive loan recuperation, and a positive impact in poverty reduction. This article analyzes the performance of ALSOL, an MC program in Chiapas, Mexico, for 2151 participants in urban and rural areas for the time period between July 2000 and July 2001. While loan recuperation is high (95%), administrative costs also remain high. Socially responsible lenders and donors play a key role in providing continuous funding to MC programs and assisting in reducing the level of poverty.

**Hans Dieter and Uben (1998)** this study analyses the performance of Bank Shinta Daya, a private rural bank in Java, in terms of outreach to the poor and non-poor, financial viability and sustainability, resource mobilisation, and best microfinance practices. Bank Shinta Daya combines individual and group-lending technologies. The experience indicates that the latter cover their costs and greatly increase the bank's outreach to the poor as a new market segment, but initially add little to the bank's overall profitability. The case study shows how viability and sustainability can be attained in banking with the poor and the non-poor to conclude that only financially viable institutions can sustainably reach the poor in significant numbers.

**Hasan (2008)** in his study with the objective of evaluating the performance of microcredit and its impact on poverty reduction in Bangladesh from a human security perspective, identifies three unintended, yet fundamental,

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consequences: the exclusion of the hardcore poor from the program, producing hardcore poverty through irresponsible operation and the erosion of the value of charity. Embracing the norm of human security in microcredit would be helpful in addressing these counter-consequences. This would require NGOs to redesign microcredit operation in order to include all the poor, to develop social safety nets for the borrowers so that they are not pushed downwards in times of loss, and to identify alternative sources of fund so that the NGOs can continue providing charitable welfare services for the poor.

Herani (2007)\(^\text{26}\) in his study attempt has been made to analyze the conditions and possibilities for Self-Reliance Microfinance (SRMF), and propose a Thar Microfinance Bank (TMFB) and suggest implications. The study reveals that the proposed bank can be established in Tharparkar. Some active NGOs have started such type of programs in some of the villages out of these some people are getting benefits. Introducing this system requires motivation and awareness among people about its benefits. This system will give dual benefits, first the assistance and second completion of social and economic projects. People will get benefit at the required time. This system will provide the safety nets to Tharis that will alleviate poverty to enable the Thari people to prosper, thus improving the economy of Pakistan.

Isabelle and Ariane (2010)\(^\text{27}\) Microfinance institutions serve a majority of female borrowers. But do men and women benefit from the same credit conditions? The model determines the optimal loan size fixed by a gender-biased lender, depending on the borrower's creditworthiness and the intensity of the lender's bias. The empirical analysis detects no gender bias in loan denial, but uncovers disparate treatment with regard to credit conditions. In particular, this


study finds a glass-ceiling effect. The gender gap in loan size increases disproportionately with respect to the borrower's project scale.

**J. Murugesan (2008)**\(^28\) presents with the fervent hope that this thesis will draw the attention of the authorities, departments and organizations concerned with Microfinance and SHGs on various issues in respect of the development of women empowerment in any way, the researcher will feel that he is amply rewarded.

**Jaideep and Prabal Roy (2009)**\(^29\) in their study examines public–private partnerships in microfinance, whereby NGOs can help in channelizing credit to the poor, both in borrower selection, as well as in project implementation. This study argues that a distortion may arise out of the fact that the private partner, i.e. the NGO, is a motivated agent. It is found that whenever the project is neither too productive, nor too unproductive, reducing such distortion requires unbundling borrower selection and project implementation, with the NGO being involved in borrower selection only. Further, this article compares and contrasts two alternative credit delivery mechanisms, the linkage mechanism.

**Jane (2003)**\(^30\) in this study describes that “Women in Development” aid-funded credit schemes in the Kingdom of Tonga were designated as ‘failures’ by the funders because the recipient groups of textile producers, who were meant to be engaging in commercial handicraft production as development, were instead making and seemingly ‘retaining’ textile koloa. This paper looks at the implications of this disjuncture and the funders’ lack of understanding of indigenous global economic systems and hybrid notions of development inherent in the women textile producers’ actions.


Jaya.S.Anand (2002) in her study found that one major impact of SHGs promoted by the Grameen Bank on the women members has been the creation of awareness about newer economic opportunities available to women and the abilities needed to tap them. More members of the poor households have to be brought into the credit network together with necessary guidance and technical support. All the groups have taken up individual economic activities; but group activities are very few. There was apprehension among the leaders about the success of group enterprises because cases in which the group activity failed had led to financial imbalances and activity in loan repayment for all the members of the group concerned.

Jens (1998) in a study reports about an alternative, non-participatory approach to microcredit prompted by the apparent inability of group credit schemes to reign in lending costs, the article sets out the institutional requirements for cheap, ‘mass-produced’ credit. It argues that such credit can be viable if mechanisms are in place enforcing the self-selection of potential borrowers and self-motivation of existing borrowers. The analysis of a ‘mass-minimalist’ microcredit institution from South Africa supports the argument.

John and Heather (2005) in his study described that microfinance institutions (MFIs) are often seen by aid practitioners as a manifestly effective means of improving the position of the poor. Despite this widely held view, detailed research studies have been much more guarded about the impact of MFIs. In particular, several studies have raised doubts about the effectiveness of MFIs in reaching the “core poor”. This paper surveys the evidence from Asia and Latin America and contrasts experiences in the two regions. Studies on the former have


been carried out more “rigorously”, but in both regions the evidence that microfinance is reaching the core poor is very limited.

Jonathan (1999)\(^{34}\) says that the Grameen Bank of Bangladesh has been in the vanguard of the microfinance movement, showing the potential to alleviate poverty by providing credit to poor households. Part of this success has been built on subsidies. In 1996, for example, total subsidies evaluated at the economic opportunity cost of capital amounted to about US$26–30 million. The evidence helps to explain why institutions like Grameen have not just sprung up on their own as private commercial ventures, and it underscores the value of openly addressing the costs and benefits of subsidization. The paper also describes recent difficulties in maintaining high repayment rates.

Jonathan (2000)\(^{35}\) has put forward an enticing “win-win” proposition: microfinance institutions that follow the principles of good banking will also be those that alleviate the most poverty. This vision forms the core of widely-circulated “best practices,” but as a general proposition the vision is fully supported neither by logic nor by the available empirical evidence. Recognizing the limits to the win-win proposition is an important step toward reaching a more constructive dialogue between microfinance advocates that privilege financial development and those that privilege social impacts.

Jude (1997)\(^{36}\) in his study describes that Empowerment of women by means of microcredit based income generation programs is a new orthodoxy in the development discourse. The first part of the article appraises this phenomenon in a broader historical context. It shows how women's interests are being subsumed by and subordinated to the priorities of mainstream development in ways detrimental to the radical aspirations of the NGOs' empowerment project.


The second part is a critical evaluation of the current approaches used in studies on microcredit and empowerment. These studies have mostly focused on the final outcomes of microenterprises rather than the process through which they are achieved. The third part, based on field research in Bangladesh, demonstrates that the widely documented successes of microenterprises are a result of the activities of the very institutions that are considered to be oppressive to women. In this process, NGOs contribute to further legitimization of the same institutions that their microenterprises desire to transform.

Katharine (2001) in her research study addresses the emergence of microcredit programmes as a preferred strategy for poverty alleviation worldwide. Taking the paradigmatic case of Nepal, it engages a genealogical approach to trace how Nepalese planners' enduring concerns about rural development intersect in surprising (and gendered) ways with donors' present focus on deepening financial markets. In the resulting microcredit model, the onus for rural lending is devolved from commercial banks to subsidized 'rural development banks' and women borrowers become the target of an aggressive 'self help' approach to development. As a governmental strategy, microcredit thus constitutes social citizenship and women's needs in a manner consistent with neoliberalism.

Katherine (2002) in his study describes that policy makers increasingly rely on theories of social capital to fashion development interventions that mobilize local social networks in the alleviation of poverty. The potential of such theory lies in its recognition of the social dimensions of economic growth. This recognition has inspired some innovative approaches to development, such as the now-popular microfinance model. In assessing the implications of these recent developments for feminist objectives of social transformation, this paper evaluates

prevailing ideas about social capital (rooted in rational choice theory) against the grain of three alternative approaches: The paper concludes by bringing these critical insights to bear on possibilities for designing microfinance programs - and practicing a kind of development more generally - that could engage women's solidarity to challenge dominant gender ideologies.

Kenneth Kaoma (2004)\textsuperscript{39} opines that microfinance institutions are critical to Africa's quest for solutions to the continent's development challenge. The area of their greatest potential impact, rural Africa, is not only home to the bulk of the continent's population, but also the vast majority of Africa's poor. This paper not only defines MFIs with examples from Zambia, South Africa, Mali and Zimbabwe, it also establishes a clear link between MFIs and both poverty eradication and the empowerment and equality of women, two of the major Millennium Development Goals. The paper concludes with some policy recommendations and a set of “best practices” for the future success of MFIs on the continent, including the need to ensure flexibility and careful government regulation and supervision of MFIs.

Krishnamurthy (1996)\textsuperscript{40} conceptualize SHG as an organization formed by people for pooling their resources to help each other.

Lamia (2008)\textsuperscript{41} This is an ethnographic study of the effects of microcredit on gender relations in rural Bangladesh. Focusing on the Grameen Bank of Bangladesh and three other leading non-governmental organizations (NGOs) in the country, the author analyzes the role of gender in the expansion of globalization and neo-liberalism in Bangladesh. The Grameen Bank has become a global symbol of poor women's empowerment and is celebrated for its 98 percent


\textsuperscript{40} Krishnamurthy, G., “Self help organization – A case study of thrift and credit cooperatives of Adilabad district”, Rediscovering Cooperation, IRMA, 1996.

loan recovery. This article examines some of the NGO tactics behind the loan recovery programs. In particular, how Bangladeshi rural women's honor and shame are instrumentally appropriated by microcredit NGOs in the furtherance of their capitalist interests.

Linda (1998)\(^42\) proposes frameworks and participatory methodologies for integrating empowerment concerns into ongoing programme learning. These would themselves be a contribution to empowerment. First, programme staff would be given a more representative and reliable exposure to the priorities and problems of programme participants. Second, it would develop networks and a forum for discussion between women themselves on issues relevant to their interests and integrated into programme decision-making. The quantitative and qualitative information obtained by programmes and clients on an ongoing basis would be directly and immediately available to inform policy decisions and enable independent outsider research to be cost-effectively targeted to issues where it is really needed for policy development.

Lixin (2009)\(^43\) in this article explains that rural microcredit, which has been passed for 15 years in China, gained great social and economic benefits, while its sustainability is still facing the challenges. This passage reviews the development course of rural microcredit, points out the problems that existed and puts forward the corresponding suggestions.

Manfred and Manohar (2000)\(^44\) focus on the linkages between access to credit, savings and insurance services and household food security. What is the role of micro-finance in the overall mix of policy instruments? What types of financial services are demanded by the poor, and which are offered by micro-


finance institutions (MFIs)? Hence, which are the gaps in financial products? A conceptual framework is presented to address these questions, and provide a synthesis of the empirical results of a multi-country research program in ten African and Asian countries. It is concluded that insurance can be considered as the missing third of micro-finance during the 1990s, and that the MFI's outreach to the poor can be improved by offering savings, credit and insurance products that enhance the poor's ability to bear risks.

Maniekalai (2004)\(^{45}\) in her research commented that to run the income generating activities successfully, the SHGs must get the help of NGOs. The bank officials should counsel and guide the women in selecting and implementing profitable income generating activities. He remarked that the formation of SHGs have boosted the self image and confidence of rural women.

Manivel (2005)\(^{46}\) in his thesis states that the revolution of the SHGs has proved that women that too poor women are bankable. As a result there is a change in the outlook of bank not looking for any of the requirements but only their group’s savings and thrift performance for a period of one year. It is possible for women to view enterprises of other schemes also by adopting to SHGs strategy. This would address the issue of general inequality in entrepreneurship.

Mark (2002)\(^{47}\) in his study, proposed a framework for outreach, the social benefits of microfinance in terms of six aspects: worth, cost, depth, breadth, length, and scope. The framework encompasses both the poverty approach to microfinance and the self-sustainability approach. The poverty approach assumes that great depth of outreach can compensate for narrow breadth, short length, and


limited scope. The self-sustainability approach assumes that wide breadth, long length, and ample scope can compensate for shallow depth.

Merten and Paul (2007)\(^{48}\) suggested that access to both financial and business development services (BDS) can aid the growth of micro and small enterprises. Early efforts to combine or “link” these two types of services proved unsuccessful, however. BDS was supply driven, of poor quality, and often confined to management training. A renewed interest in linking services is driven both by a concern that “credit is not enough” to generate bottom-up poverty reduction and by a new approach to BDS. Business services must be demand driven, managed in a sustainable manner, and diversified beyond management training.

Michael (1999)\(^{49}\) in his study identified five cases of failure within group-based microfinance programs. The author argues that group performance turns not only on the program's lending policies and cost structures important as these are on the nature and extent of social relations (a) among potential and actual group members, (b) between group members and program staff, and (c) among program staff. Failures teach us important lessons regarding how these programs work in happier times. Those seeking to replicate microfinance programs, especially at the rate envisioned by the Microcredit Summit, need to pay serious attention to these institutional junctures.

Nagayya (2000)\(^{50}\) in his study states that an informal arrangement for credit supply to the poor through SHG’s is fast emerging as a promising tool for promoting income generating enterprises. He has reviewed the initiatives taken at the national level with a view of institutional arrangements to support this programme for alleviation of poverty among the poor, with focus on women. He

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mentioned that NABARD and SIDBI are playing a prominent role at various stages of implemented of this program. There are other national level bodies also supporting NGO’s/ VA’s, viz. Rashtriya Mahila Kosh (RMK), Rashtriya Gramin Vikas Nidhi (RAGVN) etc. He called for an imperative need to enlarge the coverage of SHG’s in advance portfolio of banks as part of their corporate strategy, to recognize perceived benefits of SHG’s financing in terms of reduced default risk and transaction costs.

Narasaiah (2004)\(^{51}\) in his study mentioned that the change in women’s contribution to society is one of the striking phenomena of the late twentieth century. According to him microcredit plays an important role in empowering women. Giving women the opportunity to realise their potential in all spheres of society is increasingly important.

Nathalie (2005)\(^{52}\) evaluated the effects of microfinance programmes on women's empowerment and gave generate mixed results. While some are supportive of microfinance's ability to induce a process of economic, social and political empowerment, others are more sceptical and even point to a deterioration of women's overall well being. This article formally tests the impact of some of the suggested changes in programme features on one particular dimension of empowerment: decision-making agency. Using household survey data from South India, the author explores the importance of the borrower's gender and the lending technology for intra-household decision-making processes. It is shown that direct bank–borrower credit delivery does not challenge the existing decision-making patterns, regardless of whether men or women receive the credit. These findings change when credit is combined with financial and social group intermediation.


Nitin and Shui-Yan (2001)\textsuperscript{53} review three major controversies in the microfinance field: vehicles, technologies, and performance assessments for financial service delivery. Then it proposes that these controversies be resolved by a perspective emphasizing institutional plurality and external and internal efficiencies for individual programs.

P. Kanchana devi (2009)\textsuperscript{54} in her thesis has found that women have achieved moderate success in marketing and their success has been in large part due to the decision making styles and capabilities such as a collaborative style, team orientation and facility with consensus building, thoughtfulness and listening skills that are increasingly ascribed to female business decision makers.

Pallavi and Ramakumar (2002)\textsuperscript{55} in his study reviews empirical evidence on NGO-led microcredit programmes in several developing countries, and compares them with state-led poverty alleviation schemes in India. The study shows that microcredit programmes have been able to bring about a marginal improvement in the beneficiaries' income. However, the beneficiaries have not gained much by way of technological improvements, given the emphasis on 'survival skill'. Also, in Bangladesh the practice of repayment of Grameen Bank loans by making fresh loans from moneylenders has resulted in the creation of 'debt cycles'.

Puhazhendhi and Satyasai (2001)\textsuperscript{56} in their attempt to evaluate the performance of SHG’s with special reference to social and economic empowerment primary data collected with the help of structured questionnaire


from 560 sample households in 223 SHG’s functioning in 11 states representing 4 different regions across the country formed the basis of the study. The findings of the study revealed that the SHG’s as institutional arrangement could positively contribute to the economic and social empowerment of rural poor and the impact on the latter was more pronounced than on the former. Though there was no specific pattern in the performance of SHG’s among different regions, the southern region could edge out other regions. The SHGs programme has been in other regions is quite low. Thus signifying an uneven achievement among the region. Other groups had relatively more positive features like better performance than younger groups.

**Puhazhendi (1999)**\(^5^7\) in his study analyzed the functioning of SHG’s, in performance, sustainability, empowerment of women, economic impact on the members, future potentials etc. He observed that SHG’s in Tamil Nadu are performing well towards social change and transformation. The emerging trends are leading to positive direction of empowerment of members and promotion of micro finance.

**Rafael and Eric (2001)**\(^5^8\) in examined the determinants of self-employment success for microcredit borrowers. Theories of social capital and neighbourhood effects are integrated in an attempt to account for earnings differentials among a unique sample of microfinance borrowers. This article posits that social capital and social relations that facilitate individual action is essential for microentrepreneurial success. Based on a survey and data collected by the authors, it is demonstrated that social capital is a positive determinant of self-employment earnings. The role that neighbourhoods play in fostering social capital and improving microentrepreneurial performance are also highlighted.

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Rajasekhar (2002) in his assessed study the impact of the following three types of microfinance programmes in the states of Andhra Pradesh and Kerala, India, on poverty and gender equality (1) credit union model with top-down implementation and women as clients; (2) an integrated approach with several activities in which microfinance plays a major role; and (3) participatory management based on the formation of SHGs. Group formation, savings systems, conditions of credit delivery, poverty reach, and loan repayments in different types of programmes of non-governmental organizations are examined. It is concluded that an overemphasis on short-term financial sustainability can actually create conditions that make long-term financial sustainability unlikely. A lack of explicit attention to developing mechanisms for participation and institutional sustainability may hinder poverty reduction and empowerment.

Ranjula and Adel (2009) evaluated the effect of SHG participation on a long-term impact parameter, namely, asset creation. Indian SHGs are unique in that they are mainly NGO-formed microfinance groups but later funded by commercial banks. The results reveal that longer membership in SHGs positively impacts asset creation, robust to various asset specifications. With longer participation in SHGs, members move away from pure agriculture as an income source towards other sources such as livestock income. Training by NGOs positively impacts asset creation but the type of SHG linkage has no effect.

Richard (1996) in his research utilizes case studies from Bangladesh and Sri Lanka to explore a disadvantage of group lending schemes: the unnecessary social costs of repayment pressure. The author argues that extending credit and meeting the needs of the poor need not be incompatible. The poor can be protected from socially damaging peer pressure lending practices via flexible


repayment schedules, savings facilities and short-term, high-interest consumption loans. The analysis suggests protectional devices for poor borrowers, better staff performance indicators, and self-management of some resources by the poor.

**Robert et.al (2005)** 62 in his study examines empirically the impact of microcredit on poverty in Bangladesh. The focus is on both objective and subjective poverty and particular attention is paid to the length of time programme participants have had access to microcredit. A household-level survey (N = 954) was carried out, collecting information about microcredit recipients from Grameen Bank, the Bangladesh Rural Advancement Committee and the Association of Social Advancement. The two main findings of this study are, first, microcredit is associated with both lower objective and subjective poverty and, secondly, the impact of microcredit on poverty is particularly strong for about six years with some leveling off after that point.

**Roul (1996)** 63 define SHG as an institutional frame work for individuals or households who have agreed to cooperate on a continuing basis to pursue one or more objectives.

**Roy (2011)** 64 in his study describes that microfinance is high on the public agenda, and better corporate governance has been identified as a key factor for enhancing the viability of the industry. The findings indicate that monitoring by bank associations, depositors, donors, and local communities was important in securing the survival of savings banks. In addition, a willingness to expand their mission to serve wealthier customers alongside the poor helped the banks become financially viable. The paper argues that a broader and more stakeholder-based understanding of corporate governance is necessary. Moreover, the paper demonstrates that historical studies can provide governance lessons for today.

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Rusdy (2007)\(^\text{65}\) provides a deep understanding of success factors contributing to a microfinance institution (MFI) in a developing country, e.g. Bank Rakyat Indonesia (BRI) and how MFI in developing country might learn from this success. Factor contributing to the success of BRI lay on the decision to keep adapting its practice with environmental changing. Well-trained and dedicated staffs operating a simple, transparent system, clear incentives to staffs and clients, tight internal supervision and audit capacities and financial procedures and sound financial risk management contributes to its success as well. The case study took place in a developing country, in Indonesia. Given that any developing country has unique environment and circumstances, this success model will not automatically transferable to any MFI in other developing countries.

S. Santhosh Babu (2010)\(^\text{66}\) in his thesis states that women SHGs cannot only enhance the national conscience but also enable them to achieve the millennium development goals.

“One for all, all for one and all for all” women SHGs have made a silent revolution in the rural womenfolk by enabling them to become self dependent and self reliant by accepting gross root women entrepreneurship.

Saurabh and Imran (1998)\(^\text{67}\) in his study the authors experimented a detailed study of informal credit transactions in a village in northern Bangladesh, the research empirically establishes that increased access to credit from microfinance institutions (MFIs) in Bangladesh has been unable to substitute for the higher-cost informal credit sources. The reason for this is that MFI lending technology is insensitive to variations in household conditions. Most MFIs put all households on a treadmill of continuously increasing loan size and insist on a


fixed repayment schedule. While an easily accessible loan may seem attractive to a cash-starved poor household, its resource profile and the wider economic and policy environment impose limits on the marginal return to capital. It is suggested that MFI lending technology be redesigned to be sensitive to household initial conditions only then can MFIs seriously compete with the informal lenders.

**Serajul (2004)** explores the relationship between microcredit and the reduction of poverty by looking at a unique data set about BRAC, one of the largest microcredit providers in Bangladesh. The article shows that the majority of population in the data set lived below the poverty line and that poverty was slightly more prevalent among households receiving BRAC credit than among similar non-BRAC households. Moreover, regression results suggest that BRAC's microcredit program has had an insignificant impact on household consumption. The analysis in the article leads to the conclusion that microcredit had minimal impact on the reduction of poverty.

**Sergio et.al (2000)** constructed a theoretical framework that describes the social worth of a microfinance organization in terms of the depth, worth to users, cost to users, breadth, length, and scope of its output. This study then analyzes the evidence of depth of outreach for five microfinance organizations in Bolivia. Most of the poor households reached by the microfinance organizations were near the poverty line—they were the richest of the poor. Group lenders had more depth of outreach than individual lenders. The urban poorest were more likely to be borrowers, but rural borrowers were more likely to be among the poorest.

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S. Shanthi (2008)\textsuperscript{70} in her thesis states that Micro enterprise promotion among women requires comprehension of market dynamics also in addition to innovation and creativity.

SHG approach is a very powerful instrument for Socio-Economic empowerment of the women. It could be used as a launch pad for various development initiatives. It can really become a national movement and be an answer for eradicating poverty from the country.

Shahidur (1998)\textsuperscript{71} explains that microcredit programmes have emerged as an antipoverty instrument in many low-income countries. They target the poor, especially women, with financial services to help them become self-employed in rural non-farm activities of their choice. In contrast, microcredit programmes of the village banks supported by Women's World Banking provide financial services in response to market failures in which formal financial institutions failed to cater financial services to small and medium-scale enterprises. No matter whether they are instruments for poverty reduction or market failure, microcredit programmes practice financial intermediation for their targeted clientele. The article reviews the methodologies practiced to evaluate microcredit programmes, provides a unified framework for analysis.

Shahidur et.al (1998)\textsuperscript{72} in his research attempts to quantify the village level impacts of the three most important microcredit programmes of Bangladesh, namely Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), and Bangladesh Rural Development Board's (BRDB) RD-12 project. Descriptive and econometric analyses show that these programmes have positive impacts on income, production, and employment, particularly in the rural non-farm sector.


Also, growth in self employment has been achieved at the expense of wage employment, which implies an increase in rural wages. The article emphasize that an upward shift in the labour demand curve is required for both improved productivity and wage gains on a sustainable basis, which can only be supported through a structural transformation of the rural economy.

Sharma.K.C., (2001)\textsuperscript{15} in his study mentioned that through SHG’s women empowerment is taking place. Their participation in the economic activities and decision making at the household and society level is increasing and making the process of rural development participatory, democratic, sustainable and independent of subsidy. Thus, microfinancing through SHG’s is contributing to the development of rural people in a meaningful manner.

Sharmina et.al (2008)\textsuperscript{73} aim at identifying the factors related to the development of entrepreneurship among the rural women borrowers through microcredit programs. A multivariate analysis technique like Factor Analysis was conducted to identify the entrepreneurship development related factors. Structural equation modeling was used to develop a model of microcredit program and the development of rural women entrepreneurship in Bangladesh. Results show that the financial management skills and the group identity of the women borrowers have significant relationship with the development of rural women entrepreneurship in Bangladesh.

Signe-Mary (2002)\textsuperscript{74} found that the microcredit programs provide a two-tiered approach to poverty alleviation: credit for the purchase of capital inputs in order to promote self-employment and noncredit services and incentives. These noncredit aspects may be an important component of the success of microcredit programs. This paper uses primary data on household participants and nonparticipants in Grameen Bank and two similar microcredit programs to


measure the total and noncredit effects of microcredit program participation on productivity. The total effect is measured by estimating a profit equation and the noncredit effect by estimating the profit equation conditional on productive capital. Productive capital and program participation are treated as endogenous variables in the analysis.

Singh (1995)\(^7\) conceptualize SHG as an informal association of individuals which comes together voluntarily for promotion of economic and social objectives.

Susan (1998)\(^6\) explains that Impact assessment in micro-finance has focused on the impact of services on users and the ability of the organisation delivering those services to sustain its operations into the future. The search for a framework within which to undertake such an assessment must incorporate the complex array of social and political, as well as economic, relationships which financial markets embody. A fourfold analytical approach is proposed which can incorporate gender relations and which focuses on state involvement, market organisation, market structure and social embeddedness.

Syed Masud and Mushtaque (2001)\(^7\) in his study explores experiences of emotional stress by poor rural women, including those involved in credit based income generating activities, from Matlab, Bangladesh. In the multivariate analysis, BRAC membership failed to show any discernable effect on the prevalence of emotional stress among poor women. Women reported symptoms of depression while coping such situations. The implications of these findings for emotional well being of women are discussed.


Tapan Parikh et al. (2003) in his study describes the design process, results and observations obtained in designing a user interface for managing community-based financial institutions in rural India. The primary users are semi-literate village women from local communities. This study presents detailed observations from the field visits and the resulting evolution in our design vision. This article describes a successful design artifact that is the result of this process, and list several important features that contributed to its success.

Thomasina (1976) in his study explains that experiential knowledge is introduced as a new analytical concept that characterizes SHGs. The attributes of experiential and professional knowledge are compared. This new concept is useful in considering the theoretical and practical issues regarding the relationship between SHGs and professionals.

Usharani (2005) in her thesis states that the marketing Strategies taken by SHGs are highly inadequate as the SHG members are moderately satisfied with the subsequent maintenance of account, performance of NGO and government schemes. The study revealed that sales and loan from government are the two major determinants of financial viability. It is a concern that SHGs need to go a long way with the support of government and NGOs if their micro enterprise ventures are to have competitive edge over others.

Vrajlal (2010) explains that micro enterprises make an important contribution to economic output and employment in developing economies. While estimates vary greatly depending on definitions, recent work by the World Bank suggests that almost 30 per cent of employment in low-income countries is

generated by the informal economy, while an additional 18 percent is provided by small and medium enterprises. Microenterprise faces more problems in raising finance, as the provider of finance may not find the return on investment interesting as compared to large enterprise, and also investor is more skeptical about repayment. The microfinancing has blend of social and economic characteristics and hence the foundation can be strong that can achieve objectives of microfinancing efficiently and effectively, if one knows the pillars of micro financing.

**Wadud and Herath (2005)**\(^82\) evaluate the success of the Grameen Bank, the premier microcredit provider in rural areas in Bangladesh in the context of contemporary development philosophies. Only a few studies have evaluated the performance of the Grameen Bank from a poverty alleviation perspective. Many have evaluated the efficiency of the Grameen Bank's microcredit programmes using attributes such as the repayment rate. This article adds a new dimension to the literature by arguing that if poverty alleviation is the ultimate objective, then the bank's microcredit programme should be assessed from the borrowers' perspective. The analysis reveals that while Grameen Bank is an efficient provider of microcredit in rural Bangladesh, its programmes fall short of achieving poverty alleviation for a multitude of borrowers and reshaping the process is hence a critical imperative.

**Weiss (2003)**\(^83\) suggests that whilst microfinance clearly may have had positive impacts on poverty it is unlikely to be a simple panacea for reaching the core poor, remains valid. Reaching the core poor is difficult and some of the reasons that made them difficult to reach with conventional financial instruments mean that they may also be high risk and therefore unattractive microfinance clients. Hence there is a need to continually improve design and outreach and to

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see MFIs as part of the package for targeting the poor, rather than the whole solution.

Yaqub and Shahin (1995)\textsuperscript{84} investigates whether the acquisition of greater skills, resources, confidence and social position through repeated microcredit borrowing might reduce the effectiveness of mechanisms which promote repayment. The idea is motivated by new data from BRAC's (Bangladesh Rural Advancement Committee) Rural Development Programme, in which repayment appears to decline with repeated borrowing. In lending without physical collateral, group based finance (GBF) uses alternative 'collateral', such as obligation to peers, which is socially based. The BRAC experience suggests that a microcredit intervention, based strongly on incentives for individual self-enrichment alone, eventually undermines the social forces inducing repayment by changing the incentives and costs associated with honouring the financial contract.

The studies reviewed in this chapter are all related to the empowerment of women through SHG. Intense analysis has not so far been done with reference to microcredit scheme and SHG in Namakkal district. This study systematically analyses the utilization of microcredit scheme by SHG members for their empowerment by applying the cross tab and chi-square analysis. The past researches on empowerment of women have never used these kinds of tools for analysis. Then the SHG profile of respondents and problem faced by them are analysed with the use of correlation and regression analysis. This study is unique in this aspect and a pioneer in analyzing the effectiveness of microcredit scheme among SHG members in Namakkal district.