CHAPTER VI
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION
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Findings regarding the role of SHGs in the Socio- Economic Empowerment of women

An analysis of socio-economic empowerment of women SHG members under study based on select parameters has revealed the following points.

Profile of SHG members

- 77.4 per cent belong to Backward Classes followed by those from Scheduled Castes/ Scheduled Tribes category with 15.7 per cent.
- 80.9 per cent of the respondents are Hindus, with minorities comprising the rest.
- On an average 23.3 per cent of the sample respondents have completed primary, middle or high school education and it is distressing to note that illiterates account for 21.1 per cent.
- 58 per cent of SHG members, constituting the majority, are engaged in beedi rolling and the unemployed constitute 14.9 per cent.

Reasons and motivating factors and compelling factors for joining SHGs

- Motivational factors like procuring loan; to improve economic status and to improve social status evoked a 100 per cent response from the members.
- 92 per cent are underemployed. This was the main compelling factor for joining SHGs.

Social empowerment indicators of SHG members

Health

- Around 70.6 per cent of the respondents experience no health problems.
- Asthma, malaria and gynecological problems constitute the major ailments.
• 2 SHG members suffer from cancer.
• In 34.9 per cent of the cases, the medical expenditure ranged between Rs. 10,001 to Rs. 25,000. 17 per cent spent more than Rs. 50,000 towards medical expenses.
• For medical treatment, 50 per cent of the members availed SHG loans, 31.3 per cent availed SHG linked insurance, and only 18.7 per cent depended on their own savings.

Nutrition
• Consumption of vegetables and milk products increased in 85.7 per cent and 80.9 per cent of the cases respectively, and decreased by only 2 per cent and 1.4 per cent of the cases respectively.
• Consumption of cereals and pulses has gone up by 53.2 per cent of the cases, reduced by only 3.4 per cent and 43.4 per cent indicated no change.
• Consumption of rice has increased in 33.7 per cent of the cases and remained the same in 65.4 per cent of the cases.
• Non-vegetarian consumption increased in 35.1 per cent of the cases and reduced in 20.6 per cent of the cases.
• Only 3.7 per cent eat in restaurants and other eateries and the others consume food only at home.

Access to basic amenities
• Domestic electric light accessibility has gone up from 37.1 per cent to 61.7 per cent. Use of petromax light has gone down from 31.4 per cent to 23.4 per cent.
• Tap connections have gone up from 3.7 per cent to 44 per cent. About half of the members now have access to potable drinking water. 51 per cent still
face water scarcity during summers. Around 4.3 per cent do not have access to drinking water throughout the year.

- Members having their own toilets have gone up marginally from 52.2 percent to 53.4 per cent. Those who attend to the call of nature in open areas have reduced from 39.7 per cent to 37.4 per cent.
- Only 2.3 per cent have access to under ground drainage system and the remaining use open system of drainage.
- LPG connections have gone up from 1.1 per cent to 15.1 per cent. Usage of firewood in households has come down from 79.4 per cent to 66 per cent. 18.3 per cent of the members use both kerosene and firewood as fuel.
- Members owning vehicles have gone up from 5 per cent to 15 per cent. However, it is evident that public transport has been and remains the only means of transport in villages.
- Before joining SHGs none of the members had a new radio set, but 2.3 per cent of them have buy new sets. From 8.6 per cent who had an old radio the figure has gone up to 25.1 per cent.
- Ownership of old TV sets has gone up from 12.3 per cent to 21.4 per cent. Ownership of new TV sets has gone up from 2.3 per cent to 6.6 per cent.
- Below Poverty Line ration card holders fell from 92.6 per cent to 66.3 per cent, and Above Poverty Line card holders went up from 7.4 per cent to 33.7 per cent.

**Literacy**

- From 25.4 per cent of the members who were able to neither read nor write, the figure has now reduced to 21.1 per cent.
- It is noticeable that a high proportion of young girls are being sent to school.
Training and development

- 26.6 per cent of the members have attended training programmes. Among these 29 per cent of the members attended training programmes organized by NGOs lasting over a week.
- The hypothesis: “Number of training programmes attended and level of confidence among SHG members are independent” is accepted.

Changes in personal life

- 100 per cent of the SHG members stated that there is an improvement in their own communication skills and 92 per cent stated having gained confidence in dealing with officials. 97.1 per cent of them expressed improvement in their way of dressing up.
- SHG women show an increased awareness towards child care, education, environment, sanitation and drinking water.
- After joining SHGs there is an increase in allotting time for personal activity by 61 per cent, social activity by 72 per cent and economic activity by 82 per cent, and decrease in household activity by 62 per cent.

Level of confidence

- Prior to joining SHGs, 73.4 per cent of the members’ confidence level was very low but after joining the corresponding figure is nil. Highly confident members have moved from nil to 25 per cent, and those slightly higher in confidence have moved from nil to 54 per cent.
- The hypothesis: “Age and level of confidence among SHG members are independent” is accepted.
Respect and sense of recognition

- After joining the SHGs, the members enjoyed a sense of recognition and appreciation from their husbands (51.6%), in-laws (6%), parents (24%), and children (14%) respectively.
- Similarly, help is extended to the SHG members from their husbands (44.5%), in-laws (4.8%), and parents (34.3%). It is seen that the maximum appreciation and also help comes from their husbands. Success of SHGs depends crucially on the attitude and cooperation of the spouse.

Decision making in households

- 51.4 per cent of the respondents belong to patriarchal households and 48.6 per cent belong to matriarchal households.
- In patriarchal households (PHHs) only 31.2 per cent of the respondents are being consulted on financial matters. However, in household matters 71.2 per cent of the members are consulted, and they exercise their decision making powers relating to children’s education, dietary pattern and family planning. In 17.2 per cent of the cases they are not consulted at all.
- In matriarchal households (MHHs), 57 per cent of them are fully consulted in financial matters and their decision is implemented. Regarding household matters 91 per cent of them are consulted and their decisions are fully implemented.

Perceived social status before and after joining SHGs

- Perceived ‘low’ social status before joining the group has gone down from 65.4 per cent to nil after joining the group. Perceived social status as ‘slightly higher’ has increased from 1 per cent to 50 per cent after joining the group.
• The hypothesis “Social empowerment of SHG members is more, where the attitude towards the chosen attributes is high” is proved.

• The hypothesis “There is no difference in attitude towards perceived social status among different SHG members” is accepted.

• The hypothesis “There is no difference in attitude towards perceived social status among different SHG members belonging to various agencies” is also accepted.

**Political participation**

• 12 members have contested in local civic elections. One member has been elected as zilla panchayat member.

**Economic Empowerment Indicators of SHG members**

**Income**

• Before joining the group 94.2 per cent of the members were earning less than Rs. 1000 a month which has reduced to 83 per cent.

• 5 per cent of the members were earning an income of Rs. 1000-Rs.2000 which has increased to 12 per cent. Members earning an income of Rs. 2000-Rs.3000 has increased from nil per cent to 4 per cent.

• Members’ family income of Rs. 3000-4000 has increased from 2.5 per cent to 22 per cent. Around 6.3 per cent of the members family income has increased to the Rs. 4000-Rs.5000 bracket.

**Expenditure**

• The proportion of respondents, who spend less than Rs. 1000 a month as expenditure, has reduced from 20.8 per cent to 2.5 per cent. Members who spend around Rs. 1000 to Rs.2000 have now reduced from 71.8 per cent to
41.8 per cent. Only 7.4 per cent of them spend more than Rs. 2000 per month.

- A majority of them (47.3%) incur expenditure between Rs.2000-Rs.3000. Around 8.5 per cent of them incur expenditure of about Rs. 4000 a month.

- 79.2 per cent of them opined that their expenditure has gone up due to increase in income levels but 20.8 per cent of the members said that their expenditure has also gone up due to rise in prices and increase in family size.

Savings

- Every member saved Rs. 10 a week and some saved Rs. 20 a week. Hence their savings increased. 93 per cent saved around Rs.40 monthly and 7 per cent saved above Rs. 40 monthly. Hence their cumulative savings have also gone up. 28 per cent of them have total savings of more than Rs. 2000, and 56 per cent have accumulated savings between Rs. 1000 to 2000.

Credit availed

- 44.6 per cent of the respondents have availed loans to repair their houses. Loans availed for illness and health care amount to 24.9 per cent and loans availed for childrens’ education is 24.1 percent.

Borrowings

- Around 25 per cent of the members borrowed upto Rs. 5000, 40 per cent borrowed between Rs.10,000- Rs.20,000 and only 7 per cent of them have taken loans of more than Rs. 50,000. However, 60 per cent of them have repaid upto Rs. 5000 and 23 per cent have repaid between Rs. 5000 and Rs.10, 000.
It is commendable to note that the repayment is 100 per cent among SHG loans. 97.5 per cent of the members repay from their family earnings and only 2.5 per cent of them further take loans for repayment.

62.5 per cent of them prefer SHG loans as there is no collateral security and 24 per cent of the members stated that they prefer SHG loans due to timely service to meet their emergent needs and the rest prefer them because of the linkage between savings and credit.

13.4 per cent of the members have also availed loans directly from banks apart from loans taken from SHGs, out of which 12 per cent have taken loans ranging between Rs.5000-Rs10000. This shows that there is institutional credit available to eligible members and is being availed.

Due to availability of SHG loans, the dependence on moneylenders has come down drastically to less than 10 per cent.

**Acquisition of consumptive and productive assets**

Out of 95 respondents who had possessed productive assets, 30.6 per cent acquired land. Others invested in dairy, poultry farm, cattle and equipment respectively.

24.8 per cent of the respondents purchased television sets, followed by 19.5 per cent who bought gold jewellery. Members experience pride in possessing gold.

The hypothesis “There is no difference in attitude towards possession of consumptive assets among different SHG members” is accepted.

The hypothesis “There is no difference in attitude towards possession of consumptive assets among different SHG members belonging to various agencies” is also accepted.

The hypothesis “There is no difference in attitude towards possession of productive assets among different SHG members” is accepted.
• The hypothesis “There is no difference in attitude towards possession of productive assets among different SHG members belonging to various agencies” is also accepted.

**Income generating activities**

• 52 per cent of the respondents are not involved in any income generating activity. Among these, 59 per cent expressed their inability due to lack of capital, 31.4 per cent due to lack of knowledge and skill and 7 per cent due to low demand for their products.

**Perceived economic status before and after joining SHG**

• Before joining the groups, 68.2 per cent of the members perceived their economic status was ‘very low’. But now none of them come under that category. 50.2 percent of the members have opined that their economic status has gone up to a ‘higher level’ and 22.2 per cent to ‘average level’. Only one member stated that her condition remained the same after joining the group.

• The hypothesis “The economic empowerment of SHG members is more, where the attitude towards the chosen attributes is high” is proved.

• The hypothesis “There is no difference in attitude towards perceived economic status among different SHG members” is accepted.

• The hypothesis “There is no difference in attitude towards perceived economic status among different SHG members belonging to various agencies” is also accepted.

**Profile of non-SHG members**

• 30 per cent of the non-members interviewed belong to the age group below 30 years, 40 per cent between 31-45 years and 30 per cent belong to the age group of 46-60 years.
30 per cent of the women non-members feel that SHG activity consumes too much time and that the benefits are not really significant. There exist other avenues to obtain loans and they also observe neglect of children and family responsibility by their neighbouring SHG members. They also feel that economically their conditions remain the same, but members have become arrogant and vociferous in the name of boldness and leadership qualities.

60 per cent of the non members are economically challenged and too vulnerable to be selected as members. Such BPL families feel that “SHGs for the poorest of the poor” is only a myth. Even among the marginalized, they are further marginalized. They are ignored by the NGOs and SHG members on the premise that they do not possess or generate enough income to repay any loans.

Findings regarding the role of NGOs in Socio Economic Empowerment of Women
An analysis of the role of NGOs and to gauge their impact on the socio-economic empowerment of women under study based on select parameters has revealed the following points.

Name, location and number of groups handled by the NGOs
- The majority of the sample staff members (31%) are from SKDRDP, NGVCT and Stree Shakthi of WCDD of G.O.K. The animators handle below 150 groups, the supervisors handle up to 1000 groups and project officers handle around 1000 to 1500 groups. The NGO animators deal with total savings less than Rs. 1 lakh and project officers deal up to Rs 5 lakhs of cumulative savings.
Number of groups handled by NGO staff members and loans disbursed in D.K. District

- The average number of groups handled by the NGO staff members in Mangalore taluk is around 25, with 276 members, with an average loan disbursement of Rs. 9.5 lakh.
- The average number of groups handled by the NGO staff members in Bantwal taluk is around 19 with 251 members, with an average loan disbursement of Rs. 12.25 lakh.
- The average number of groups handled by the NGO staff members in Belthangady taluk is around 26 with 303 members, with an average loan disbursement of Rs. 15.25 lakh.
- The average number of groups handled by the NGO staff members in Puttur taluk is around 22 with 243 members, with an average loan disbursement per NGO staff of Rs. 9.9 lakh.
- The average number of groups handled by the NGO staff members in Sullia taluk is around 22 with 249 members, with an average loan disbursement of Rs. 12.01 lakh per NGO staff members.

Attendance and periodicity of the SHG meeting

- 64.6 per cent of NGO staff members state that members held meetings weekly and 35.4 per cent state that meetings are held fortnightly. 26.2 per cent of NGO staff members state that the attendance is 100 per cent and 73.8 per cent state that the attendance is around 90 per cent.

Ranking of topics of discussion in meetings and reasons for irregularity in attendance

- Sincerity in savings is ranked I by 73 per cent of the respondents. Discussion in meetings regarding family problems are ranked II as NGO
staff members counsel the members on family matters, small family norms, cleanliness and hygiene matters.

- 60 per cent the NGO staff members are of the view that busy work schedule resulted in irregularity in attending the meetings. Others absent themselves due to the attitude of their husbands and due to child care and household responsibilities.

- 61 per cent of the NGO staff members stated that chronic absenteeism in 3 consecutive meetings is dealt with seriously and 39 per cent stated that such members are warned for their attitude.

**Number of visits by the NGO staff members to banks, number of days for sanction of loans by bankers and recovery rate**

- The NGO staff members visit the bank for the sanction of loans. 66 per cent of the NGO staff members feel that sanction of a loan requires 10-15 days and they require to make around 2-4 visits, others feel that about 16-30 days are needed and have to make 4-6 visits to banks.

- The recovery of loans is 100 per cent according to 93.8 per cent of the NGO staff and 6.2 per cent stated that the recovery is around 90-99 per cent.

- Only 3 per cent of the animators are of the view that the performance of their groups is very good, whereas 97 per cent of them rated them as good.

- About 3 per cent of the animators rate the support they receive from their employer NGO as ‘Very Good’ and 97 per cent rate this as ‘Good’.

- The hypothesis “Number of groups handled by the NGO staff members and monthly savings by the members are independent” is rejected.

- The hypothesis “Number of members in groups handled by the NGO staff members and monthly savings by the members are independent” is also rejected.

- During 2008, 78 per cent of the members are women and 22 per cent are men members. The men SHGs however constitute 40 per cent as against women SHGs which is 34 per cent. However, women SHGs have an average of 22 members and men SHGs only have an average of 6 members, mainly labour sharing Pragadhi Bandhu model members.

- In the year 2006, Belthangady taluk account for 34 per cent of Savings Bank account, 74 per cent of balances in SB account, 39 per cent of the total groups credit linked and 48 per cent of loans outstanding. This is followed by Puttur, Bantwal and Mangalore. The least is Sullia taluk with 11 per cent Savings Bank account, 2 per cent balances in SB accounts, 7 per cent of groups credit linked and 3 per cent of outstanding loan amount.

- During 2007, groups having SB accounts have registered an overall growth rate of 23.5 per cent, but the balance in SB accounts has shown a negative growth of 18.9 per cent. The groups credit linked have registered an overall growth rate of 41.8 per cent and the outstanding amount has registered a growth rate of 93.5 per cent. The negative growth rate regarding SB balances is due to loans disbursed and credited to SB accounts but not withdrawn in 2006, but withdrawn in 2007.

- During 2008, groups having SB accounts show a growth rate of 20.3 per cent, and the balances in SB accounts show a growth rate of 11.9 per cent. The groups credit linked have shown a growth rate of 13.5 per cent and the loan balances outstanding have shown a growth rate of 56.8 per cent.

SHGs promoted by NGVCT in D.K. District as on 31st March, 2007 and 2008

- In 2007, NGVCT has increased the number of centres in D.K. district to expand the outreach of poor households. Women SHGs in Mangalore taluk
constitute (61.5%) and Bantwal (60.2%) and the average women groups stand at 50.5 per cent of the total groups.

- In 2008, in Mangalore taluk women savings constitute over 80 per cent of the total savings against the average of around 60 per cent in the district, recording an increase in total savings of Rs.759.61 lakh, and registering a growth rate of 63 per cent of the total savings.

Membership details of Stree Shakthi schemes in Dakshina Kannada District as on 31st March, 2007

- In March 2007, on an average SC women constitute 9.7%, ST women 7%, minorities 19.4%, and other backward classes register 64%.

Financial details of Stree Shakthi in Dakshina Kannada District as on 31st March, 2008

- Bantwal taluk registers the highest number of groups having savings (33.8%) and total savings amount (28.7%), while Sullia taluk has the lowest number of groups having savings (7.8%) and lowest savings amount (6.2%).

- The number of groups who have taken loans exhibit an increasing trend again in Bantwal taluk (35%), but the total loan amounts stands highest in Mangalore taluk (36.2%), followed by Bantwal (26%), and least in Sullia taluk (5.1%).

- Loan disbursement shows an increasing trend in Mangalore taluk (38.1%), followed by Bantwal (22.6%), but loan disbursed to groups registers the highest in Bantwal (33.8%) and Mangalore registers a decreasing trend (23.6%), the lowest in both being Sullia taluk, representing 6% and 7% respectively.
• Total repayment to SHGs and banks is the highest in Mangalore (37.2%) and lowest in Sullia (6.1%).

**SHGs promoted by Nagarika Seva Trust as on 31st March, 2007 and 2008**

• In March 2007, Sullia taluk registers more women groups (62.3%) than other taluks. Mixed groups are the highest in Mangalore taluk (37.2%). On an average, women groups account for 47.2 per cent of the total. Similarly women members register the highest (63.5%) and men register the lowest (36.5%)

• In March 2008, Belthangady taluk registers highest number of men groups (32.5%) and Mangalore taluk the least (17.5%) of men groups. On an average, women groups account for (47.7%), men groups account for (28.1%) and mixed group (24.3%) of the total.

• The total savings is Rs.6,81,54,635. Internal lending amounts to Rs. 16,97,39,800 and loans through Banks amounts to Rs. 9,59,72,500 as on 31st March 2008.

**Prajna Counselling Centre**

112 SHGs have been promoted and nurtured in Mangalore taluk and credit linked to the extent of Rs.75 lakh as on 31st March, 2008.

• PCC renders counseling and supportive services for individuals and families suffering from emotional and psychological problems. The main thrust of these services is to prevent families from breaking up and bringforth reconciliation.

**Findings regarding linkage between SHGs and banks**

An analysis of SHG-Bank linkage in this study based on select parameters revealed the following points.
Growth of SHGs in India from 1992 to 2008

During the study period the number of SHGs, the bank loan and refinance by NABARD clearly indicate a rapidly increasing trend. The number of SHGs has increased from 255 in 1992 to 34,77,965 in 2008. The bank loan amount has increased from Rs. 0.29 crore to Rs.22,195 crore and the corresponding NABARD refinance amount has increased from Rs. 0.27 crore to Rs. 7064.92 crore.

SHG-BLP in Karnataka

Karnataka has been among the top three states in the country in terms of credit linkage and has initiated many innovations in furthering the growth of the SHG movement in the country. The fresh SHGs formed and credit linked (including indirect linkage) during 2006-07 and 2007-08 were 97645 and 94280 taking the cumulative SHGs credit linked in the State to 3.17 lakh and 4.59 lakh as on 31st March, 2007 and 31st March, 2008 respectively.

Credit linkage by all agencies in Karnataka

- Loans from commercial banks to SHGs have increased from Rs. 42.85 lakh in the year 1995 to Rs. 1,04,446.47 lakh in the year 2008. The number of SHGs credit linked has gone up from 316 in the year 1995 to 2,33,621 in the year 2008. NABARD refinance has increased from Rs.45 lakh to Rs. 6623.45 lakh by 2008, thereby registering an average growth rate of 77.9 per cent.

- Credit linkage by RRBs shows an increasing trend. Loans from RRBs to SHGs have increased from Rs. 46.10 lakh in the year 1995 to Rs.82,387.83 lakh in the year 2008, and refinance has gone up from Rs. 37 lakh to Rs. 42,480.25 lakh, thereby showing an average growth rate of 78.9 per cent.

- Loans from DCCBs to SHGs have increased from Rs. 0.50 lakh in the year 1997 to Rs. 64,560.04 lakh in the year 2008, and refinance has gone up
correspondingly from Rs. 0.50 lakh to Rs. 26,116.39 lakh, showing a growth rate of 63.7 per cent for the year 2008. The number of SHGs credit linked has increased from 5 in 1997 to 96,616 in the year 2008.

Model-wise SHGs linked in Karnataka

- Model 1, in which banks act as SHPIs, promoting and directly lending to SHGs, constitutes 54.7 per cent. Model 2, in which NGOs act as SHPIs and facilitators with banks lending directly to the SHGs, constitutes 30.4 per cent. Model 3, in which banks directly lend to the NGOs as financial intermediaries for on-lending to the SHGs, constitutes 14.9 per cent.

SHG-BLP in Dakshina Kannada district

- In D.K. district, Commercial bank branches constitute (86.5%) followed by Co-operative bank branches (10.5%) and the RRB branches (3%).
- Bank details of SHG –Bank linkage in D.K. District as on 31-3-2008 reveals that Canara Bank has the maximum amount of loan sanctioned (25.7%), followed by Vijaya Bank(18.1%), Syndicate Bank(16.8%), South Canara District Central Cooperative Bank (SCDCC bank) (14%) and ING Vysya Bank (10.4%). In terms of numbers, SCDCC Bank has the most groups credit linked at 34 per cent.
- SCDCC Bank does bulk onlending to Navodaya Grama Vikasa Charitable Trust promoted by it; Syndicate Bank, Belthangady branch does bulk onlending to SKDRDP and Syndicate Bank, Guruvayunkare branch has directly lent to 4115 SHGs of Nagarika Seva Trust indicating that all the three models of lending are present in D.K district.
- SHG - BLP of controlling office of bank in D.K. District as on 31.03.2008 reveals that Vijaya Bank, Canara Bank, SCDDC Bank and Syndicate Bank sanction larger volumes than the other banks. The loan amount outstanding is highest in Syndicate Bank followed by Vijaya Bank and other banks.
• Over the years 2006, 2007 and 2008, the number of SHGs promoted, savings collected, the number of groups credit linked and loan balances outstanding have shown a consistent increase. However, there has been a slight decline in the growth rates in the year 2008.

• Karnataka Vikas Grameena Bank (KVGB), sponsored by Syndicate Bank is the Regional Rural Bank in D.K. District.


• Number of groups promoted in commercial banks shows a growth rate of 5.3 per cent. From 2007 to 2008 the increase in number of groups promoted was 668 and growth rate was 4.7 per cent. Savings collected by CBs show a growth rate of 14.4 per cent in 2007 and 4.1 per cent in 2008. The number of groups credit linked by CBs shows a growth rate of 1.3 per cent and 4.7 per cent respectively.

• Regarding RRBs, the number of groups promoted shows a growth rate of 12 per cent in 2007 and 10.2 per cent in 2008. Saving collected by RRBs show a growth rate of 13.2 per cent in 2007 and 21 per cent by 2008. The number of groups credit linked shows a growth rates of 49.2 per cent in the year 2007 and 40.9 per cent in the year 2008.

• The number of groups promoted by DCCBs shows a growth rate of 15.4 per cent in 2007 and 5 per cent in 2008. Savings collected by DCCBs show a growth rate of 7.7 per cent in 2007 and 13.2 per cent in 2008. The number of groups credit linked by DCCBs shows a growth rate of 23.3 per cent in 2007 and 12.4 per cent in 2008.
**Transaction cost of SHG Loans**

- The transaction cost for a SHG loan amounts to Rs. 580/- for RRBs, Rs. 535/- for Commercial banks, Rs. 380/- for the NGOs, and Rs. 165/- for DCCBs. The transaction cost per Rs. 100 expressed in percentage is highest for NGOs at 2.58, followed by commercial banks at 1.91, DCCBs at 1.86 and the lowest for RRBs at 1.32.

- For Model 1 the transaction cost for DCCBs was 7.87 per cent and for RRBs it was 6.5 per cent, for Model II the transaction cost was 7.16 per cent and for Model III the transaction cost was 6.74 per cent.

- The hypothesis “There is no difference in attitude towards transaction costs of SHG loans given by different agencies” is accepted.

- The hypothesis “Financial costs and transaction costs of SHG loans given by various agencies are independent” is rejected.

- The recovery of SHG loans is almost 100 per cent in all the formal financial institutions. Therefore the risk cost for SHG loans could be considered as zero.

- The total transaction cost incurred by SHGs in borrowing from commercial banks, DCCB, RRBs and NGO-MFI were 11.2 per cent, 11.15 per cent, 12.13 per cent and 12 per cent respectively.

**Summary of focused interviews**

In the focused interviews with the researcher, the following opined as under:

- The Dharmadhikari and Managing Director of SKDRDP said that several alternatives to reach out to the poor had been tried and the SHG concept was found most suitable and acceptable to the psyche of the people.

- The Executive Director of SKDRDP said that SHGs were a major deviation from welfare schemes of the Government as that they emphasize on savings, peer pressure and learning from each other.
• The President of NGVCT expressed concern that peer group pressure sometimes forced members to repay loans by borrowings elsewhere, leading them to a debt trap. He feared that suicides in the agriculture sector would spillover to the SHG sector too and strongly felt that NGOs had a great responsibility in prevent over burdening.

• The District Programme Officer of WCDD defined ‘Empowerment’ as energy that had to be enkindled and channelised. She felt that increased awareness and participation in Taluk Panchayats is a must for sustained growth.

• The President of NST felt that though the poor formed the largest vote bank, there were no lobbies for them and that it was necessary to put pressure on the Government and political parties for their rights.

• The President of PCC said that the SHG movement was only one of the ways of empowering women, and that in order to be meaningful, it was necessary to have specialized counselling for members to cope up with existing physical and mental agonies and to face the challenges of life. She emphasized that schemes stressing on merely savings-credit or IGAs were insufficient to empower women, unless the mental and emotional abilities of women are strengthened.

• The former Chairman and Managing Director, Syndicate Bank said that SHG-BLP bankers should take the responsibility in covering all villages. He confirmed that transaction costs to banks are reduced by lending to SHGs, thereby increasing their profitability.

• The District Lead Bank Manager said that though the SHG concept had brought about changes in social status and awareness, economic development was not substantial, the main reason being lack of enterprise activities and capacity building.
• A Karnataka Vikas Grameen Bank branch manager stated that banks were reluctant to open accounts for SHGs till 1998, but now accounts for SHGs have balances of upto Rs.1 lakh, and it is a revolution in the banking sector.

Suggestions
In the background of the above findings, the researcher places the following suggestions which may help the players for their betterment.

Deep outreach - An analysis of the profile of the non-members indicates that the poorest of the poor are not been encouraged to become members of SHGs. This is mainly because; even among the marginalized, they are further marginalized. Hence there should be a concerted effort to increase the depth of outreach to cater to the needs of the poorest of the poor. Active targeting of the clients is necessary if MFIs have to exclusively focus on the very poor.

Large Scale – In order to be sustainable, operating on a larger volumes is the only solution. Therefore, NGOs must adopt a relentless drive towards a large scale without compromising on quality. They should adopt fast-growth strategies, such as grafting whereby institutional development is speedier, which allows for faster initial growth and is less expensive.

Sustainability – Sustainability is another grey area in SHG-BLP, hence covering the costs of administering small transactions requires cost control, highly efficient operations, extraordinary productivity, simplified operations and standardized systems with client and staff retention. The most effective way to achieve sustainability is by creating organized structures and regulated financial institutions.

Pursuing partnership and Linkages – Priority sector lending is one of the social obligations of banks in India, but financial institutions cannot provide all the
services that clients need or demand. To overcome this challenge, some banking institutions must enter partnering with other institutions that have specialized expertise, enabling each partner to do what it does best. For example, offering voluntary services like providing health services by linking with local health care centres and providing insurance services by serving as a sales and marketing agent for insurance companies.

Income Generating Intervention -

- The majority SHGs members (52%) are unable to cope up with concrete livelihood plans due to lack capital and specific skills. Hence they need to be helped to develop a vision of where they can reach, given the opportunities available to them. This calls for a dynamic positive behavioural transformation. Techniques of livelihood and resource, achievement, motivation, planning, visioning exercises and methodologies have to be developed to help members set medium term livelihood goals for themselves.

- Rarely do ready-made economic opportunities exist in the poverty belt for poor people to exploit with the aid of credit. There are always missing links that cannot be built by the poor on their own. Implementing these plans requires skill, training, organization for input and output linkage and access to technical services. Strategies and interventions to organize training programmes, community based services and to develop an efficient service linkage are to be explored. A degree of experimentation is sometimes required.

Reengineering Operations – In order to pursue a large scale, sustainability and deeper outreach, institutions must reanalyze their entire operations and simplify branch operations to be low-cost, standardized, and decentralized. Reorganized staffing and supervision are required in order to achieve profitability and
revamped services to reach the targeted clients, addresses client demand better and reduces client desertion.

**Client focus** – Banks in rural areas need to provide services that maximize client value at a minimum cost. Client focus involves providing outstanding customer service by friendly and responsive staff. Products should be tailor-made to provide required services to the customer and there should be a feedback mechanism to monitor progress periodically. On the basis of feedback received, new products and strategies need to be developed. Diversification into new market niches must be explored.

**Promoting a culture of innovation that lower transaction costs**

- In order to ensure that the transaction cost is least, the first course of action is to, provide a fixed methodology rather than replicating and a culture of innovation requires institutions to first consider their objectives and then find the best ways to pursue them so that NGOs/MFIs can ensure that the entire organization is totally geared towards continuous improvements.
- The key to reaching those clients at lower levels of poverty with commercial funding on a sustainable basis is to find ways to reduce the costs of reaching those clients.
- The first course of action is to provide safe and reliable services to save.
- ATMs, Smart cards, and wireless phones can be used to drastically reduce these costs, but they need to be tied up to delivery mechanisms that are safe and reliable for the clients and can operate in rural areas without consistent access to electricity.

**Flexibility within the Group-Based Product** – This is another concern which needs to be addressed. The MFIs and rural banks should respond to customer needs by making their group-based loan products more flexible; by allowing borrowers
to select loan amounts, repayment schedule, and loan terms. Borrowers must be eligible for more than one loan at a time and emergency loans must also be available to assist clients in case of need.

**Voluntary Saving services** – ‘Voluntary’ implies that savers determine both the amounts and the timings of their deposits and withdrawals. For all savings needs, the poor require services that are convenient – close by, quick, and offered during convenient hours. For unexpected savings needs, the poor prefer voluntary deposits with frequent opportunity to deposit small and variable amounts with competitive returns and confidentiality.

**Micro Insurance Products** – There is a need for comprehensive insurance products for poor rural clients to be geared for the various risks they face. Their exposure to financial harm is severe in the event of prolonged illness, property loss, disability, and death. For each of these risks, different types of insurance schemes can be offered. NGOs/MFIs must choose its insurance partner carefully. Managers must know how to analyze an offer from an insurance provider based on the demand from their clients and their needs Each MFI should work with more than one insurance company.

**Lending for housing**
Housing finance is a popular product for mainstream financial intermediaries. The motivation for offering housing loans is however, significantly different between mainstream banks and MFIs. In most cases, housing loan provided by MFIs are used to improve an existing dwelling and there is little enhanced income-stream from this activity. Graduating a client from a thatched hut to a tiled-roof house to a concrete house provides a very powerful visual impact and is important not only for the client’s self-confidence and to attract further clients to the MFIs, but also for donors of the MFIs.
Governance of NGOs

- NGOs must change their levels of intervention at different stages of the life of SHGs. Their intervention should neither create a dependency syndrome among the SHGs nor should they overstay in the SHG-NGO relationship. Overstay by the NGOs is likely to create tensions and would work detrimental to the very concept of ‘Self-Help’. They should seek new pastures to reach out to more villages than continuing to guide the established SHGs permanently.

- Internal group processes need also to be well developed so that the SHGs can intermediate between individual members and leaders without the help and monitoring support of the promoter or lender. Developing SHGs with such a perspective requires a high order of motivation.

- The role of SHGs in providing mutual help should be based on trust, equality among members, rational decision making for livelihood support and a transparent system. Mutual aid alone does not lead to the removal of economic poverty. To make a significant impact on members’ lives, SHGs need to be able to leverage larger resources from banks to enable members to create viable income earning assets. As members cannot offer collateral to leverage credit, SHGs have to be accepted by banks as “Social Collateral”. Thus the SHG processes must be truly such that the group can reduce the risk from the external lenders and protect themselves against adverse selection and moral hazards besides reducing transaction costs.

- In order to empower the poor and socially deprived sections, particularly women, the NGO has to ensure equity and opportunity for all to contribute to betterment of local livelihood systems, through enhancing skills for the better management of available natural resources. NGOs have to unleash energy and creativity of each and every SHG member to end poverty and for overall development.
• It is inadequate to look only at hygiene factors such as attendance, regularity of meetings, democracy and leadership, regularity of savings, repayment track record and book keeping. Groups must learn and adopt processes to enforce and understand the imperatives of banking business, and tailor their behaviour to inspire confidence in a banker. Members must learn to challenge and critique each other and use information acquired through affinity for the larger good of the group.

• The NGO has to offer a potentially large platform for promoting livelihood to poor women to ensure that they get credit on demand. They have to find a way to work with banks to increase the flow and quantum of finances directed to promote livelihood for the poor, on a large scale. Although participatory enterprise training brought changes in the women’s lives and attitude, it did not enable women to become successful entrepreneurs. Women are to be trained suitably.

• Considerable effort has to be spent to standardize the major features of the SHG programme in terms of systems and procedures, emphasis and manner of implementation like standardizing systems at group level, developing pilot systems for expansion and building staff capability to implement the system properly. The field teams have to work systematically to develop relationship with SHG members as they constitute good business prospects. They should build bridges between local bank branch staff members and the SHG members. The NGO requires leveraging credit on a large scale to poor SHG members which was done earlier in small pockets.

• Micro finance has an important role in women’s empowerment. However, this impact depends to a large degree on how the programme is designed and delivered. SHGs have empowered the already motivated and dominating women. They have to energise all the other members as well.

• Not all changes in the members lives or in the villages can be attributed to the group or micro credit interventions. It is therefore, important to examine
the improvement or deterioration amongst the lives of non-members along with changes in the lives of the members.

**The Banking System:**

- The banking system accepts the SHG-Bank linkage as a cost effective means of reaching out to the poor. As bankers are facing the challenge of managing the mounting Non-Performing Assets (NPAs), they are in search of lending avenues, where the probability of the emergence of NPAs is very low.

- Though profit maximization is their prime goal, operating in an economy like that of India, they cannot afford to ignore the rural economy. Direct lending is slowly becoming an unwelcome guest at the bank counters. Yet they cannot afford to shut their doors for the rural customers, who would out-number their existing customers, if a proper atmosphere is created for them to do banking business. For reaching out to them, without sacrificing the financial viability norms, SHGs would be a reliable media for extending microfinance.

- In addition, lending to this sector gives the much-needed social recognition for banks. Though, as a business model, SHG lending is an attractive proposition, there is little evidence to show that the banks have incorporated SHG financing as an integral part of their business plans. Adhocism continues to influence their interest in this sphere. It is necessary to incorporate SHG-financing as a part of the Service Area Credit Planning, which unfortunately has become an annual form filling ritual undertaken by the lead banks. The Service Area Credit Planning exercise itself needs overhauling and redefining its scope.

- The Lead Managers should take the lead in assessing the credit needs of the poor and then drawing plans for reaching out to them in a phased manner. They have to work in close association with the District Development
Managers of NABARD, RRBs, DCCBs and the local NGOs in identifying the areas, which require the support of the SHG movement. This exercise should not become a formality, providing an immense volume of data, giving bank-wise allocations of targets. It is necessary to avoid over emphasis on targets and instead stress on quality.

- Village-wise credit mapping for microfinance has to be prepared, with a long term perspective. The Lead Bank Managers have to be suitably trained for this purpose. Their offices should be strengthened with officers conversant with economic survey, credit assessment and data warehousing.

- Interactions with the branch managers in general have revealed that most of them do not have a clear idea of the operations of the SHGs. There is a need for training them to enlarge the outreach of SHGs. The Lead Banks have to take the necessary steps to impart training, as is being done by a couple of banks, including RRBs. RRBs are the most suitable financial agency for promoting and fostering SHGs in rural India. Rural banking is their core competence. In the future banking scenario they would be the major players in this arena. Commercial banks do not have their hearts in the relatively less remunerative rural business. Recognizing their strategic position, it is desirable to make RRBs the kingpins in the SHG movement.

Models of SHG-BLP

All the three models of SHG-BLP have certain limitations.

- In Model 1, banks act as SHPIs, promoting and directly lending to SHGs. However, it is observed that bankers do not have the necessary orientation or sufficient time to form and nurture such groups and look into their credit requirements.

- In Model 2, NGOs act as SHPIs and facilitators, with banks lending directly to the SHGs. SHG members, who need hassle free, timely and adequate
credit at their door steps, do not have the skills in obtaining loans on their own and they need to depend on other agencies.

- In Model 3, banks directly lend to the NGOs as financial intermediaries for on-lending to the SHGs. This model creates too much dependency on the part of SHGs towards the NGOs, thereby curtailing their confidence and independence in handling their own financial requirements.

Thus, to overcome these limitations, the following modifications of the three models of SHG- BLP are recommended by the researcher.

- In Model 1, since RRBs are the most suitable agency for extending micro-credit, organizationally and temperamentally, their core competencies in this area need to be encouraged and exclusive branches with expertise on SHG operations should be set up to lend to the groups.

- In Model 2, NGOs, acting as SHPIs and facilitators, need to monitor the requirements of all needy members, and encourage lasting partnerships and sound linkages with financial institutions.

- In Model 3, creation of a separate MFI partner is desirable wherein NGOs can concentrate on promoting and nurturing the groups and their affiliated MFI partner lends to these groups.

**The Government:**

- Entry of the government departments as the agencies promoting SHGs has brought in both advantages and limitations. While the State has been successful in bringing people together through SHGs using the official machinery, the ill-effects of State interventions had started percolating at the grass root level. Schemes have been formulated wherein the SHGs formed by the Government become eligible for certain subsidies. This sort of State benevolence works against the very spirit of SHGs. With least regard for the need-based groups formed with voluntary spirit, target oriented SHG formation takes place under this scheme. This creates, once
again a peculiar psychology among the rural poor expecting the State to play ‘Santa-Claus’, dolling out subsidies and other concessions. The ugly manifestation of this trend is evident in the massive public rallies organized by the political parties in power, wherein the SHG members are made to participate and parade, wearing uniforms provided by them.

- Yet another significant outcome is the competition among the NGOs and the State. Since the SHGs promoted by the State are eligible for subsidies, it is observed that there is dissatisfaction among the non-State sponsored SHGs. There are cases of some members of NGO-sponsored SHGs moving to State sponsored SHGs. This kind of migration acquires political colour and has to be avoided for their survival in long run. There were also incidences of dual membership. But the trend harms the very SHG concept, which believes in ‘self-empowerment’ and ‘saving by thrift’. According to the study there were several instances of dual membership in the Belthangady belt and the Bantwal –Rural Mangalore belt.

- Subsidy- disbursement in the past had killed a scheme as laudable as the Integrated Rural Development Programme. Learning a lesson from this mistake, subsidy-linking should not be mixed with the SHG structure.

**Conclusion**

The growth of micro finance over the last 30 years has come from those committed to reaching the very poor using marketplace tools to develop a sustainable delivery system. Now a point has been reached where MFIs are generating returns and the commercial sector has begun to notice its potential. With access to commercial funds, these organisations can serve more number of poor people and provide their clients with a wider range of financial services. However, the job of innovation and risk taking is not over. Growth of this sector requires reaching out to poorer and more remote clients. For MFIs focusing on
reaching out to the very poor, the lesson of this research is clear: there is a large scope in future, which is both profitable and sustaining.

The research also indicates that commercial banks operating in our country must grow their market, with a focus on microfinance operations, and should find one to partner with or need to develop one. This requires both creativity and humility. Governments and stakeholders have realized the link between poverty and peace and have begun working zealously in this direction. But the researcher feels that the efforts are inadequate and much more has to be done.

The Nobel Committee has put poverty on the international agenda by awarding the Peace Prize to the Bangladeshi Micro-credit pioneer Prof. Mohammed Yunus, and his Grameen Bank. In its citation the committee said, “Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro credit is one such means. Across cultures and civilizations, Prof. Yunus and Grameen bank have shown that even the poorest of the poor can work to bring about their own development.”

This fledging movement of growing confidence among the underprivileged women, who are willing to draw from their collective strengths and play the game according to the rules set up by others, not whining for a level playing field but challenging the establishment on commercial terms needs encouragement from the State and from society.

The study has made it clear that within a short period of the SHG experiment, NGOs, Banks and the Government have created a place for themselves in the Indian economy and have made their presence strongly felt in empowering underprivileged women through SHG-Bank linkage programme and that there is further scope for development.

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