Chapter -2

Review of Literature
Targeted anti-poverty programmes constitute a major effort in tackling poverty. Among these, self-employment programmes are the main vehicles for poverty eradication. In India, an innovative and integrated development approach was initiated during 1980 with a view to generating employment and income in rural areas through a self-employment programme called Integrated Rural Development Programme (IRDP). Over the years, India has witnessed a number of such programmes. Consequent on the recommendations of a high powered committee of Planning Commission, Government of India, set up in 1997 to review and rationalise centrally sponsored schemes for poverty alleviation and employment generation, the IRDP and six related programmes like Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM), Supply of Improved Tool-kits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS) were re-structured and redesigned into a single and holistic programme called Swarnjayanti Gram Swarozgar Yojana (SGSY) and was implemented throughout India with effect from 01.04.1999.

SGSY is a mechanism through which physical and financial resources are mobilised in rural areas and public resources are transferred to identifiable groups of poor people who are willing to constitute a small informal group of people from same socio-economic status to evade chronic case of socio-economic crisis and vulnerability of one kind or the other. It being a holistic programme of self-employment tries to bring in all the components needed for successful implementation of micro enterprises like organisation of poor into self-help groups, provision of timely and adequate credit, training, technology and marketing. The micro-finance component of the programme is referred to as a small-scale
financial intermediation inclusive of savings, credit, insurance, business services and technical support. The objective of SGSY was to bring the assisted poor families (Swarozgaris) above the poverty line by ensuring appreciable sustained level of income over a period of time. This objective was proposed to be achieved by inter alia organising the rural poor into SHGs through the process of social mobilisation, their training and capacity building and provision of income-generating assets. This process aims at building the poor’s self-confidence through community action, collective decision-making, prioritisation of their needs and resources so as to improve their collective bargaining power and empower them socially and economically. SGSY tries to integrate various district and village level agencies – District Rural Development Agencies (DRDAs), banks, line departments, Panchayat Raj Institutions, non-governmental organisations (NGOs) and other semi-government organisations. Since the 1970s, developing countries, including India, have increasingly focussed on Micro-finance to facilitate the access of poor households to financial services like credit, savings, insurance etc. Since the rural population in India, forming about two-thirds of her total population are still dependent on agriculture, there is a crying need for timely and adequate availability of funds for agricultural and rural finance is a must for improving the lot and income of the poor.

India has an integrated and deep financial system as she witnesses a vast network of financial institutions focusing priority sector lending and rural customers. The basic aim of increasing access of finance in rural areas, the Indian Governments from her independence in 1947, have been emphasising on the linkage poor with formal finance and reduction of dependence on non-institutional finance.
The informal sector for rural finance in India is age-old and consists primarily of rural money lenders, traders, village shop owners, merchants etc. Since it proved to be avaricious and ruinous for rural India, a deterrent to the indigenous moneylenders, three-tier Co-operative Banking structure was set up by co-operative movement, which established the efficacy of co-operation. Growing sporadically, the co-operative societies are now the bastions of rural finance only in a number of States in India. The formal sector was set up only in the Planning era and banks were nationalised to extend support to the rural financial institutions like Co-operatives. Indeed, the present formal sector is based on a multi-agency approach consisting Public Sector Banks, Co-operatives and Regional Rural Banks. The Strategy of the government has been to loosen the grip of traditional informal sector moneylenders through the targeted low-priced loans through the deep formal credit institutions (Reddy 1999)

The SGSY envisages increasing outreach of micro-finance through Self-Help Groups (SHGs) in general and women groups in particular. Since the SHG is a small and informal group of 10 to 20 persons drawn from relatively homogenous backgrounds, the members, who join the group, know what benefit they would attain from the group through Micro-finance. Micro-finance has to be utilised in such a way that it benefits the SHGs to improve the quality of life of their members and their productivity to earn sustainable income. The SHGs need to firm up their financial and economic norms meant for selection of appropriate beneficiary and subsequent disbursement of credit to the needy. The borrowing member chooses economic activities for income-generation purposes and knows clearly the goals or objectives he has to attain for his own sustenance and stability of the group which he/she belongs to. Here,
the members through participative decision-making process prioritize their goals in terms of their urgency. All the members are aware of their individual needs so as to converge their needs with the group objective. They can utilize the team effort in addressing their problems and issues while approaching their target. Unity, group effort and team-work help them in achieving their goals. This re-packaged and revamped micro-finance driven self-employment programme is expected to help in beneficiary identification through participatory methods (Sriram, 2005).

The **Exhibit-2** indicates that the SGSY promotes micro-finance which is generally added to the group corpus and is sourced from Government, NGOs, Banks etc. While funds from the Government enrich the group corpus by way of subsidy, the NGOs and Banks supply credit as per the needs of the group. The group is then involved in inter-loaning activities for consumption and production purposes. By pursuing productive economic activities, the group enhances its income, repays the loan amount to the bank and spends on basic health, education etc so as to drive himself out of the poverty trap.

Exhibit-2 – Role of Group Corpus
Studies conducted on the income impact of micro-finance on the clients drawn from poverty line have indicated that most households are better off with micro-finance, but income impacts vary in magnitude and durability, and a sizeable proportion of clients find that their post-credit incomes stagnate or fall. (Copestake, Bhalotra & Johnson, 2001). However, studies conducted on the programmes implemented in Bangladesh for the poorest of the poor indicated that Micro-finance programmes are not suitable for all categories of the poor. For those trapped in chronic food insecurity with no asset base to protect themselves from the myriad web of shocks, Micro-finance can be ineffective and sometimes counterproductive Matin and Hulme (2003).

Micro-finance institutions are indeed effective weapons in the war against rural poverty (Mwenda & Muuka, 2004). Micro-finance schemes alone cannot alleviate the broader, non physical symptoms of poverty which deprive the poor of a full social existence through effective participation in various patterns of the everyday life of a society. The battle for total eradication of poverty from the lives of more than one billion poor, worldwide, requires combining Micro-finance schemes with parallel, complementary programmes at the local, national, regional and multi national levels. SHGs formed to enforce rights or improve their economic/social/political position through micro-financing have a chance to improve the position of their members, by creating and enhancing cohesive identities and enhancing a sense of self-worth as well as by improving the participations’ economic position (Throp et al., 2005).

In the traditional approach to rural finance, the production side of rural farm households is generally seen as providing the logic for rural credit. However, the loans which were sanctioned on the pretext of its utilisation in productive, income generation economic units were not at
all monitored. Many a times the loan amount was misutilised and spent on consumption purposes. Thus, in the whole process of supplying rural credit to the small and marginal farmers in India, the forgotten issue was the poor household’s demand for financial services relating to consumption smoothing, human capital formation, insurance, savings services and off-farm income generating activities. {Zeller (1995) and Zeller, Von Braun, Johm and Puerz (1994)} The Indian Micro Finance Institutions (MFIs) have shown very limited impact on income enhancement and reduction of poverty (Chen 2001, Murthy 2002, Kalpana 2003, Rajivan 2001). The Government of India has noted that the rate of success of SHG-led self-employment programmes in terms of helping the poor to cross the poverty line in the semi-arid and arid and tribal villages has been very low. In fact, sometimes it goes below zero as many of the beneficiaries are in the debt trap. (Planning Commission, 2002-03). The following table presents a state wise SHG formed and assisted under SGSY between the period of 2000-01 and 2004-2005. It is evident from the table that Andhra Pradesh has the highest SHG formed between 2000-01 and 2004-05.

Since it is necessary for the researcher to be fully aware of the subject under investigation, it is essential for her/him to be familiar with related literature on the theme. It helps the investigator to acquaint herself/himself with the techniques and methodology followed by earlier investigators to find an answer to the problems under investigation. Therefore, it is imperative to review the existing literature on the working of the SHGs.
Table: State-wise SHG Formed and Assisted under SGSY (between 2000-01 and 2004-05)

<table>
<thead>
<tr>
<th>States</th>
<th>SHGs Formed 2001-02</th>
<th>SHGs Formed 2004-05</th>
<th>Percent Change</th>
<th>SHGs Assisted 2001-02</th>
<th>SHGs Assisted 2004-05</th>
<th>Increase (Col 6 over Col.5)</th>
<th>Percentage of SHG Assisted to Formed 2001-02</th>
<th>Percentage of SHG Assisted to Formed 2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Haryana</td>
<td>2105</td>
<td>985</td>
<td>-53%</td>
<td>171</td>
<td>1018</td>
<td>6.0</td>
<td>8.1</td>
<td>103.4</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>2033</td>
<td>372</td>
<td>-82%</td>
<td>646</td>
<td>717</td>
<td>1.1</td>
<td>31.8</td>
<td>192.7</td>
</tr>
<tr>
<td>Punjab</td>
<td>1223</td>
<td>730</td>
<td>-40%</td>
<td>176</td>
<td>221</td>
<td>1.3</td>
<td>14.4</td>
<td>30.3</td>
</tr>
<tr>
<td>J &amp; K</td>
<td>943</td>
<td>611</td>
<td>-35%</td>
<td>330</td>
<td>222</td>
<td>0.7</td>
<td>35.0</td>
<td>36.3</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>3326</td>
<td>1783</td>
<td>-46%</td>
<td>32</td>
<td>1000</td>
<td>31.3</td>
<td>1.0</td>
<td>56.1</td>
</tr>
<tr>
<td>Assam</td>
<td>12307</td>
<td>20232</td>
<td>64%</td>
<td>663</td>
<td>4933</td>
<td>7.4</td>
<td>5.4</td>
<td>24.4</td>
</tr>
<tr>
<td>Bihar</td>
<td>17390</td>
<td>15765</td>
<td>-9%</td>
<td>3757</td>
<td>2486</td>
<td>0.7</td>
<td>21.6</td>
<td>15.8</td>
</tr>
<tr>
<td>Orissa</td>
<td>29040</td>
<td>26393</td>
<td>-9%</td>
<td>1169</td>
<td>5058</td>
<td>4.3</td>
<td>4.0</td>
<td>19.2</td>
</tr>
<tr>
<td>West Bengal</td>
<td>7794</td>
<td>34958</td>
<td>349%</td>
<td>1235</td>
<td>1861</td>
<td>1.5</td>
<td>15.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>33736</td>
<td>10330</td>
<td>-69%</td>
<td>2103</td>
<td>4466</td>
<td>2.1</td>
<td>6.2</td>
<td>43.2</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>37466</td>
<td>24181</td>
<td>-35%</td>
<td>227</td>
<td>16923</td>
<td>74.6</td>
<td>0.6</td>
<td>70.0</td>
</tr>
<tr>
<td>Gujarat</td>
<td>9565</td>
<td>1916</td>
<td>-80%</td>
<td>655</td>
<td>733</td>
<td>1.1</td>
<td>6.8</td>
<td>38.3</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>36029</td>
<td>18307</td>
<td>-49%</td>
<td>1477</td>
<td>5603</td>
<td>3.8</td>
<td>4.1</td>
<td>30.6</td>
</tr>
<tr>
<td>Goa</td>
<td>0</td>
<td>138</td>
<td>-</td>
<td>0</td>
<td>49</td>
<td>-</td>
<td>35.5</td>
<td></td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>219943</td>
<td>60488</td>
<td>-72%</td>
<td>4123</td>
<td>5652</td>
<td>1.4</td>
<td>1.9</td>
<td>9.3</td>
</tr>
<tr>
<td>Karnataka</td>
<td>13403</td>
<td>3940</td>
<td>-71%</td>
<td>1441</td>
<td>3358</td>
<td>2.3</td>
<td>10.8</td>
<td>85.2</td>
</tr>
<tr>
<td>Kerala</td>
<td>19633</td>
<td>4030</td>
<td>-79%</td>
<td>756</td>
<td>1503</td>
<td>2.0</td>
<td>3.9</td>
<td>37.3</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>43985</td>
<td>25193</td>
<td>-43%</td>
<td>4712</td>
<td>4824</td>
<td>1.0</td>
<td>10.7</td>
<td>19.1</td>
</tr>
<tr>
<td>Pondicherry</td>
<td>285</td>
<td>83</td>
<td>-71%</td>
<td>1</td>
<td>99</td>
<td>99.0</td>
<td>0.4</td>
<td>119.3</td>
</tr>
<tr>
<td>All-India</td>
<td>515691</td>
<td>263935</td>
<td>-49%</td>
<td>26317</td>
<td>67175</td>
<td>2.6</td>
<td>5.1</td>
<td>25.5</td>
</tr>
</tbody>
</table>

Singh and Sharawat (2001) studied the objectives, type and composition, characterizes, rules and regulations, group activities, conditions to avail credit from banks status of SHGs and banks and their role in financing micro credit to the rural poor in villagers of Hissar, Fathehabd and Sirsa district (Haryana). They have pointed out that the women SHGs are maximum in number because of the small saving habit in them and due to their eagerness to generate additional sources of income through productive use of credit.

Kumaran (2002) has studied the role of SHGs in promoting micro enterprises through micro credit. He explained the role of NGOs in SHGs formation and linkages between SHGs, NGOs and SHPIs under the programmes like DWCRA, SGSY. His study stresses the fact that even the SHGs with heterogeneous socio-economic members, can operate successfully provided the intention of all the members is good. The new
concept of micro finance, according to him, can do wonders to the poor living in remote villages by improving their economic conditions and by protecting them from the clutches of the village moneylenders. He has, however, found weakness in the capacity building process, in the provision of the element of subsidy, and in the target approach for SHGs formation and promotion.

Govt. of India (2002) pointed out the characteristics of rural poor. According to this study, income and social status of the rural are determined by their occupation though they are usually engaged in a number of diverse activities. For instance, a landless agricultural labourer may also be a sharecropper, a tenant may also be an artisan or a fisherman. The authors of this work also pointed out that the rural poor share common characteristics. These include a high degree of vulnerability to climate changes, seasonal pattern of employment, low income participation, exclusion from many agrarian programmes, low income participation, social exploitation through unwritten contracts which lead to their economic deprivation and social degradation. The rural poor, they argue, cannot be helped to organize themselves by symbolic measures such as nominating them on committees, assigning them a formal position in any executive or even efforts at consulting them on certain occasions. The strategy for organizing them has not taken note of the diversity of social situation in which rural poor are placed. There is a need of organizing them rural poor for attaining the objectives of the government sponsored programmes.

Sen (2001) has studied ten SHGs of Nadai district of West Bengal. The main objectives of this exercise were to bring a societal change in the operational area, to eliminate poverty, illiteracy, inadequate health consciousness, superstition, social injustice, gender discrimination
and atrocities against women and eradication of health problems. Her findings were that the individual loans contrary to common belief were mostly used for productive purposes. She emphasized that group development is an instrument for bringing about the quality of life of the poor people.

Singh (2005) has in his study of Haryana documented the experiences of working of the SHGs promoted under scheme like SGSY, Swayam Siddha, Haryana Community Forestry project promoted by NGO and Bank Linkage Programme of NABARD. He also assessed the socio-economic impact of this micro finances on the beneficiaries of SHGs. Besides, he studied the role played by the Panchayati Raj Institutions in promotion of the SHGs and suggested the strategies for strengthening the working of SHGs. District Rewari of Haryana constituted the area of the study. Out of it, 244 members of 20 SHGs were purposively selected by Singh. The impact of SHGs was measured by him in terms of improvement in socio-economic conditions of the members. He pointed out that there is an absolute lack of coordination among the DRDAs, the Banks and the NGOs and all of them are working in watertight compartments without unawareness of each other’s programmes and schemes. He emphasized that there is a need of market surveys/studies for selection of key activities for the success of SHGs.

Dowla(2006) has studied the role of third party-Grameen Bank in Bangladesh created social capital that has been the boon to the explosive growth of micro finance in Bangladesh and elsewhere. In this paper, he described the definition of social capital used by Putnam, “features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions”. According
to him that micro finance has been quite successful in reducing vulnerability and poverty in Bangladesh. In his study, he mentioned in detail as how Grameen Bank was established primarily for providing credit to the poor but later took up the responsibility of creating social capital to achieve its non-negotiable goal of alleviating poverty. This study also examined as how an organization such as Grameen Bank that has survived various crises such as major natural disasters, labour unrest, borrowers protest, repayment crises and liquidity crises can still create and maintain social capital. Social capital has been shown to be valuable for solving collective action problems such as forest management, distribution of irrigation water and reduction of crime in the neighborhood. He concludes as how Grameen Bank created trust, norms and networks to solve collective action problems.

Ndemo and Maina (2007) explore the strategic decision making process by women owner-managers of micro and small enterprise in developing countries, focusing on environmental dynamics as strategy for the development of the micro and small enterprise sector. They found that women, whether pushed or pulled into starting an enterprise, desire to make independent decisions. They pointed out that a number of initiatives have been made to reduce poverty among the women in Kenya. Focus has only been on income generating activities and education without seriously looking at other variables such as family, business interface which to a greater extent has impoverished women. Lack of resources made them dependent on their spouses, thus limiting their capacity to make independent decisions. Those pushed into setting up subsistence enterprise had greater discretion in term of decision making compared with those who started enterprises to exploit an opportunity and whose basic needs were comfortably met by the spouse’s income. Other factors
determining levels of decision making include: culture, level of education and poverty.

Katz, (1965) reports that in the fields of physical handicap, mental illness, mental retardation and drug addiction, the self-help organizations formed by patients, ex-patients and their relatives assumed prominent roles in providing social services, education, group aid and support to research, and have significantly influenced public awareness and policy in these fields. These practical developments often occurred without much professional aid or understanding.

Kurtz (1999) pointed out that with the self-help groups, members achieve life-altering goals namely insight, empowerment, reframing, identity transformation and formation of a new way of life. All of these may not necessarily be present in all groups and at all situations. Practitioners must be aware of the difference between short term participation and long term involvement. Short term participation starts the process of change, provides information and supports people in crisis, all of which are worthwhile goals and are often all that is needed by the participant. Longer-term involvement provides the participant an opportunity to give back, to help others, and to acquire leadership skills. Long term attendance presents the participants with new avenues for achieving self-worth, increasing self-esteem, making a difference in the society and acquiring a sense of purpose. Members, should, therefore, be encouraged to remain involved in order to receive these rewards.

Gidron and Cesler (1995) maintain that different arrangements for caring for people are followed by different nations. For example, in the United States, self-help groups confirm to an anti social-welfare ideology that prohibits dependence on the government. It favors peer
leadership that is independent of formal authority. On the other hand, countries that have welfare orientation, the government assist self-help groups as part of the state’s responsibility.

Nanda (2001) reports that the Thrift and Credit Groups are mostly informal groups whose members pool their savings and relend them within the group on rotational or need base. Many of these groups were formed around specific production activities and promoted saving among members to use the pooled resources to meet their emergent needs, including consumption needs. Sometimes the internal savings were supplemented by external resources loaned/donated by the voluntary agencies that promoted the self-help groups. Since the self-help groups were able to mobilize savings from the poor, who were not expected to have many savings, and were also not able to recycle the savings among the members effectively, therefore these groups succeeded in performing/providing banking services to their members and above all without any default in repayment by the borrowers.

Robison and Henry (1977) point out that there are certain functions that professionals are equipped to perform in self-help groups. One is to act as a catalyst or facilitator, particularly in the early stages so that the group is formed by linking the clients with the group and giving moral support to leaders and by helping to carve out its role and modalities in the right direction. The other is to undertake research and conceptualize the group’s experiences with a view to provide feedback necessary for further improvement and development in the function and the strategies adopted by the self-help groups as well as for theory-building.
Harper (2003) maintains that micro finance through SHG has begun to make a significant contribution in poverty alleviation and empowerment of poor, especially women in rural areas of the country. He further maintains that poverty alleviations policies and programmes being pursed by Government and Non-Government Organizations have not made any significant impact on the abysmal situation of poverty. One of the main reasons for the failure on this front has been lack of training. He suggests that in order to make SHG movement more vibrant and strong, it is imperative that training is imparted to NGOs, the managers of the bank and others who are part of it. He stressed the fact that training should be more of economical and much more effective and it should hold in a local community centre or village school rather than in a five star hotel or an international institution.

Mandal (2005) maintains that among the various programmes launched for poverty alleviation, the SGSY seems to be more viable, comprehensive and bold initiative. Earlier programmes suffered form isolated approach, disparate thrust and lack of adequate focus on substantive issues of sustainable income generation and social intermediation. Building capacity to manage own resources, developing saving habit and community orientation, the members will have economic emancipation, self-identity and assertiveness. He maintains that selection of group members, reasons behind the association and continuous sensitization/facilitation are few key factors responsible for the fructification of the group. He further suggests that monitoring and intermediary role should be played continuously, at least until the group takes up economic activity.

Das (2004) points out that easy access of poor to credit is the biggest need of the hour rather than cheaper rate of interest. Micro
Finance provides opportunity to the poor for getting sufficient amount of credit easily to start any income generating activity. Micro finance not only deals with credit part but also deals with savings and insurance part. He points out that generally for poor people it is not all possible to save their money in mainstream banks as they are least in amount and also it is very difficult for them to fill up the formalities of the banks. Micro finance ensures their right to save and it is one of the most powerful weapons, which works for bringing the poor rural people to mix with the mainstream. He suggests that many programmes from “Garebi Hatao” to SGSY were started by the government but they were not able to achieve their objectives. The reason behind this is poor follow up, lack of management and participation from the Government as well as people. No programme can ever get its ultimate result unless and until there is coordination and cooperation between the government and the beneficiaries.

Crowell (2000) focuses on the SEWA’s initiatives in empowering women in two districts namely Banaskantha and Kutch of Gujarat state. He narrates biographies of some of the women entrepreneurs he met. The book generally deals with as how women have organized themselves to generate sustainable employment in various spheres especially dairy development and handicrafts, used water as a regenerative resource by employing innovative methods of water harvesting, augmenting health care and nutrition among both adults and children and undertake disaster relief and rehabilitation. In addition, emphasis was also given on the advocacy of women’s issues affecting their day to day life through legislation and their effective implementation.

Sri ram (2005) points out that micro-finance is extended under the SGSY programme to only those SHGs who have passed a subjective grading test and are at least involved in regular thrift and credit activities.
for not less than six month. To improve the quality of life of the SHGs and their productivity, the programme tries to firm up their financial and economic norms meant for selection of appropriate beneficiary and subsequent disbursement of credit to the needy. This micro-finance driven self-employment programme is also expected to help in beneficiary identification through participatory methods. Subsidy given by Government to SHGs is bank ended and is disbursed to all the potential SHGs along with the credit portion of finance by the sponsoring banks. Savings and credit associations and micro-credit institutions are not only largely meeting the credit needs of the poor but also improve the loan repayment habits of the poor borrowers. Micro credit has given women in India an opportunity to become agents of change. Poor women, who are in the forefront of the micro credit movement in the country, use small loans to jumpstart a long chain of economic activity. Keeping in view the immense potential inherent in SHGs in saving mobilization and credit multiplication, banks are shedding their age-old reluctance to lend to the poor, and are considering Micro-finance as one of their important marketing avenues thereby facilitating to create a new market of Micro-finance.

Nagayya (2000) maintains 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 maintained that NABARD and SIDBI are playing a prominent role at various stages of implementation of this programme. There are other national level bodies also supporting NGO's/VA/s, viz. Rastriya Mahila Kosh (RMK), Rashtriya Gramin Vikas Nidhi (RGVN)
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.

**Ahmad (1999)** through a case study on Thrift Groups in Assam, highlighted that women are coming to the administration directly for their just rights and to address their grievances boldly. It proved that Self Help Groups are successful in North East India even in the midst of insurgency. Similarly Gurumoorthy (2000) maintained that SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHG is a viable organizational setup to disburse micro credit to the rural women for the purpose of making them entrepreneur and encouraging them to enter into entrepreneurial activities. Credit needs of the rural women can be fulfilled wholesomely through the SHG's. The women led SHG's have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, maintain linkages with the banks and enforce financial self discipline. SHG's enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic and social and cultural spheres of life. They encourage women to take active part in the socio-economic progress of the society.

**Bhatia and Bhatia (2000)** through few case studies highlighted that recovery of SHG's is higher than other credit extended to borrowers. Moreover, involvement of SHG's had helped the bank branches in recovery of old dues. They observed that there has been perceptible changes in the living standards of the SHG's members, in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and income levels as well.
V.M. Rao (2002) maintain that a review of the genesis and development of SHG's in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHG's could be treated to mutual aid in Indian village community. SHG's encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggests that SHG's are sustainable to have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty.

Rakesh Malhotra (2000) in his study of 174 women beneficiaries, in Rae Bareilly of the state of Uttar Pradesh, drawn and covered randomly from four formal agencies of credit i.e. CB's, RRB's, PACS, and ARDB's revealed that less than half a per cent of female population against 3.5 per cent of male population in the study area were clients of the banks. Furthermore, only 7.64 per cent of the total number of cases financed and only 6.96 percent of the total quantum of credit extended by RFI's have gone to women. It was observed that 83 per cent of loan cases availed by women; male members were primarily responsible for the end use of credit.

Puhazhendhi (1999) 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.

Dasgupta (2000) in his paper on informal journey through Self Help Groups observed that micro-financing through informal group
approach has effected quite a few benefits viz.: (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) matching the demand and supply of credit structure and opening new market for FI's; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery; (vi) heralding a new realization of subsidyless and corruptionless credit, and (vii) remarkable empowerment of poor women. He stressed that SHG's should be considered as one of the best means to counter social and financial citizenship not as an end in itself.

Datta and Raman (2000) highlighted that SHG's are characterized by heterogeneity in terms of social and economic indicators. The success of SHG's in terms of high repayment is mostly related to the exploitation of prevailing social ties and cohesion found among women members. Social cohesiveness among members spring not only from their diverse background of knowledge base, skills occupations and income levels, but also due to the dynamic incentive system of progressive lending to the groups on the successful completion of loan repayment. However, SHG's are heavily dependent on external financial agencies for their lending operations.

Satish (2001) in his paper raised certain issues related to the functioning of SHG's. Adequate care should be taken to ensure homogeneity of socio-economic status of the members, while forming SHG's. The process of SHG formation has to be systematic whether a Bank or an N.G.O forms it. He emphasized that SHG's experiment has to be spread throughout rural India rather than being concentrated in a few pockets of the country. NGO's are more suited for forming and nurturing of the SHG's, and therefore, it is essential to strengthen them and their resources so that they should increasingly undertake this work.
Barbara and Mahanta (2001) in their paper maintained that the SHG's have helped to set up a number of micro-enterprises for income generation. Rastriya Gramin Vikas Nidhi's credit and saving programme in Assam has been found successful as its focus is exclusively on the rural poor. It adopted a credit delivery system designed specially 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.

Puhazhendhi, and Satyasai (2001) in their paper attempted 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 four 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 later 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 SHG's programme has been found more popular in the southern region and its progress in other regions is quite low, thus signifying an uneven achievement among the regions. Older groups had relatively more positive features like better performance than younger groups.

Manimekalai and Rajeshwari (2001) in their paper highlighted that the provision of micro-finance by the NGO's to women SHG's has helped the groups to achieve a measure of economic and social
empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.

Similarly, K.C. Sharma (2001) maintained 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, macro-financing through SHG's is contributing to the development of rural people in a meaningful manner.

Interestingly, D.K. Singh (2001) in his study in Uttar Pradesh highlighted that the SHG's is now functioning in the place of moneylenders because loan could be taken at any time as and when needed for any purpose. There are no formalities involved and the transaction cost is low.

Mishra and Others have attempted to study the size, composition, characteristics of rural self help groups, to examine their functions and the impact on generation of income and employment, to identify the major constrains and problems of the group and suggest measures for overcoming these problems. They suggested that the banks and other financial institutions and state government should come forward to help the rural poor through the SHG's and provide liberalized credit facilities at cheaper rates of interest.

The above studies simply demonstrate that SHG's are playing a vital role in extending macro-finance to the rural poor. The functioning of
SHG's has been based on participatory mechanism and therefore the impacts of SHG's on its members in terms of empowerment, accessibility to credit, socio-economic change etc. has been found positive. Though there are a number of studies which are related to functioning and micro-finance but only a few studies have been taken so far to assess the impact of Women Self Help Groups on the socioeconomic empowerment. In this context, the present study is important to assess the impact of Women Self Help Groups on its members in terms of socio-economic empowerment in the state of Uttar Pradesh. The study findings may be useful for policy imperatives and smooth functioning of SHG's. More benefits of SHG's may be obtained through proper functioning of these groups and extending of micro-finance to develop and promote micro-enterprises.

An overview of the review of the existing literature on the SHGs shows that none of these has been done from the perspective of the description of social work. Poverty and unemployment are the major problems of any under developed countries, to which India is no exception. In India, at the end of ninth five year plan 26.1% of the population was living below poverty line. In the rural area 27.1% of the population was living under poverty. The overall unemployment rate is estimated to 7.32%. The female unemployment rate is 8.5%. The rate of growth of women unemployment in the rural area is 9.8%. This is because of the low growth rate of new and productive employment. In the end of IX plan the rate of growth of implemented various schemes to reduce poverty and to promote the gainful employment. But the more attractive scheme with less effort (finance) is “Self Help Group”. It is a tool to remove poverty and improve the rural development (Sabyasachi Das. 2003).
The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. In India NABARD is initiated in 1986-87. But the real effort was taken after 1991-92 from the linkage of SHGs with the banks. A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amount regularly, which are deposited in a common fund to meet members emergency needs and to provide collateral free loans decided by the group. (Abhaskumar Jha 2000). They have been recognized as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift (V. M. Rao 2002) SHG is a media for the development of saving habit among the women (S. Rajamohan 2003). SHGs enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. (Ritu Jain 2003). The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment (N. Lalitha).

Self-help Groups (SHGs) are playing a major role in rural India today. The group-based model of self-help is widely practised for rural development, poverty alleviation and empowerment of women. Self-help as a strategy for social development places emphasis onself-reliance, human agency and action. It aims to mobilise people, to give them voice and build people’s organisations that will overcome barriers to participation and empowerment.

Central to the idea of self-help is the formation of groups, concept of a ‘community’ and the development of egalitarian relationships that
will promote people’s well-being. The self-help model in India facilitates institution-building in the form of people’s organisations in the form of groups, clusters and federations. The poor, however, seldom organize themselves. It is an assisted self-help (Uphoff & Esman, 1984) process where the State, the financial institutions and the non-governmental organisations (NGOs) play an important role in mobilising and assisting the poor and the needy. While the policies of the external agents of development place emphasis on building institutions to assist the poor and women, the practice-oriented reality has to deal with the structural barriers that people, women and the organisations face. At the level of practice, the outcomes of self-help depend on building mutually beneficial relationships, negotiating power and gaining control.

Alternative development thinkers emphasise participation, self-reliance and self-help as basic human rights (Friedman 1992, Gran 1983, Rahman 1993). Development involves changes in the awareness, motivation and behaviour of individuals, in the relations between individuals as well as between groups within a society (Burkey, 1993:48). These changes can come from within individuals and groups through self-help, and not necessarily from outside. The experiences of self-reliance have led to attempts to build local level organisations like, cooperatives, credit societies, neighbourhood or community development associations, water sharing associations or women’s groups. The Neo-liberal paradigm has also incorporated self-reliance as a strategy for building people’s entrepreneurial spirits and absorption into the capital market (Fernando 2006:17).

The SHGs in India are small, informal and homogenous groups of not more than twenty members each. The groups are kept informal to minimise their association with bureaucracy and corruption, unnecessary
administrative expenditure and profit constraints. The size of twenty is devised as any group larger than that would need to be registered under the Indian legal system and that brings a whole range of regulatory constraints (Harper, 2002a: 179). After a group is formed, it starts collecting a fixed amount from each member for about six months. During this period, the groups are expected to open a savings account with a financial institution which would like to extend credit. After accumulating a reasonable amount of resources, the group starts lending to its members. As the group members develop the experience of handling resources, understand the value of credit and the importance of repayment and accountability to the group, it can approach the financial institution for term loans. The group becomes jointly liable to the bank for repayment and it is expected to assume responsibility in monitoring the members. This joint liability provides incentives or compels the group to undertake the burden of selection, monitoring and enforcement that would otherwise fall on the lender (Hoff and Stiglitz, 1990). The roots of the SHG model lie partly in indigenous savings systems of India and partly in the group-based model of Grameen Bank in Bangladesh, though it differs from it in several aspects. The Indian experience is distinctive in that the groups are mostly formed by women, they are formed through grassroots mobilisation with the help of NGOs and they are engaged in both poverty alleviation and empowerment activities. Through the selective incentives of benefits in the form of savings and credit (Olson 1965), the SHG model seeks to build collective action and enhance people/women's power. The State and the voluntary sector play an important role in mobilisation through facilitation and linking the groups to credit. The promotional strategies of the external agents can impact on how the participants develop their expectations from the system and what they gain. The spread of SHGs in India has been phenomenal. It has made
dramatic progress from 500 groups in 1992 (Titus 2002) to some 1,618,456 groups that have taken loans from banks. About 24.25 million poor households have gained access to formal banking system through SHG-bank linkage programme and 90% of these groups are women only groups (NABARD 2005). The NABARD (2006) homepage declares that more than 400 women join the SHG movement every hour and an NGO joins the micro-finance programme every day. There are also agencies which provide bulk funds to the system through NGOs. Thus organizations engaged in micro finance activities in India may be categorised as Wholesalers, NGOs supporting SHG Federations and NGOs directly retailing credit borrowers or groups of borrower. The spread of the SHGs again show that it is highly concentrated in the southern part of the country with very few in the north and the east. Over half a million SHGs have been linked to banks over the years but a handful of States, mostly in South India, account for almost 60% of this figure (Harper 2002b, NABARD 2005:41). Andhra Pradesh has over 42%, Tamil Nadu and Uttar Pradesh have 12% and 11% respectively, and Karnataka has about 9% of the total SHGs (Chakrabarti, 2004). Thus, the rise of the movement has been very high in the Southern States, and very minor in Haryana and in the North-East. The widespread formation of the SHGs means that it has also taken the form of a movement for women’s social development in India. Self-help groups, as a strategy for women’s development, have arisen out of the perceived problem of women’s lack of access to resources at both the household and the village level. Women’s development has to go beyond the economic and place emphasis on issues relating to equality, autonomy and selfreliance at the individual level and on solidarity of the community (of women) at the group level (Hardiman & Midgley 1982, Dube 1988, Pieterse 2001). As a group-oriented model, SHG is a mechanism for women’s development to
bring in individual and collective empowerment through improvement in both ‘condition’ and ‘position’ of women. Women are organised as collectives towards the overall goal of achieving gender equality as well as sustainable, comprehensive community development (Purushothaman, 1998:80). As women experience powerlessness in and through the interaction of multiple social, political and economic institutions (Carr, Chen & Jhabvala 1996:4), the self-reliance model for women’s development aims to empower them.

Thus, an important aspect of SHGs is the implicit assumption that through participation in the groups, women will gain, generate and acquire power, and improve their ‘position’ within the family and the society (Mazumdar 1986:24). Psychological empowerment or the inner processes are given importance for the development of self-esteem and self-confidence so that women are able to motivate themselves into action (Monkman, 1998:499). The SHGs, however, work within an existing socio-cultural structure and there is a need to look at SHGs as an emerging structure of women in a patriarchal society. The SHGs have to be able to address the structural inequalities in which women are located, yet affect the hold of patriarchy in a manner that does not work to the detriment of women unlike other structures that are dominated by patriarchal interest (Agarwal, 1988:2).

The SHGs in India are primarily micro-credit groups and the direct objective of micro-credit is to improve the ‘condition’ of women. There is, however, conflicting evidence as to whether micro-credit groups improve the ‘position’ of women. Social ‘position’ or status of women is an aspect of positional power that refers to the power or authority assigned to specific positions and roles in a society (Stamm & Ryff, 1984:4). Studies have found positive indicators of the cost effectiveness
and economic potential of micro-credit loans (Pitt, Khandker & Cartwright 2003; Montgomery, Bhattacharya and Hulme 1996), but their positive social impact remained doubtful. Literature review points to conflicting evidence of women’s ability to achieve control over decision-making and loans, incidence of increases in violence and dowry and evidence of economic and social empowerment. The link between access to credit for women and that of transformation in gender and power relations was not found to be automatic (Hunt & Kasynathan 2001). Goetz and Sengupta’s study (1996) of Bangladeshi women’s actual control of the credit received by them from the banks had found that a significant proportion of the loans are actually controlled by male relatives. Mahmud (2002:222) found that the group fund provides an economic base that holds the groups together. The group fund fosters a sense of unity and solidarity since it represents a source of collective bargaining power for women in the market place. While it provides a base from which to assert control and autonomy, it is only within a particular configuration of male power relationships in the family or village. Rahman (1999:71) found that financial sustainability was taking precedence over women’s socio-economic empowerment (and women were not acting as autonomous agents in any meaningful sense). The pressure to return loans can increase tension and frustration among household members, produce new forms of dominance over women and increase violence in society. Providing resources to women and encouraging them to maintain control over these resources may provoke violent behaviour in men (Schuler, Hashemi & Badal, 1998:155). Rahman (1999:150) concluded that loans alone, without viable opportunities for women to transform the power relations and create their own spaces in the prevailing power structure, make equitable development and empowerment of women unattainable in the society.
Similarly as Mahmud (2003) found, micro-credit participation did not improve women’s access to material resources nor did it expand women’s choice a great deal. Women’s participation in the public sphere that could become choice enhancing remained limited, as they were not able to overcome the structural barriers.

In aiming to improve women’s rights and status and thereby, responding to not only their practical interests, but also strategic interests, the self-help efforts enter the realm of the Indian women’s movement. The Indian women’s movement is influenced by various efforts to characterise the specificity of women’s oppression and the links with other forms of social oppression (Omvedt, 2004:181). Women are mobilised to protest against domestic violence, legal discrimination, rising prices, prohibition of liquor, rape, dowry, child marriage, female infanticide, sexual abuse, domestic violence, male alcoholism and so on. In dealing with women’s strategic interests, women participate in collective activities through SHGs to address these strategic needs. In the process, it aims to empower women with several forms of power. SHGs are nascent organisations that are supposed to achieve ‘power to’ (increasing capacity) through NGO facilitation, ‘power within’ (internal change) through self-empowerment, ‘power with’ (collective mobilisation) to gain ‘power over’ (challenge and change subordination) (Mayoux 2001:248, Rowlands 1999). Development for women through SHGs, thus, aims at transformation of power relations so that the disempowered can achieve increased control and choice.

It becomes, therefore, important to analyse the meanings of self-help to the promoters of SHGs, the strategies adopted to assist the SHGs, and the manner in which women exercise agency through SHGs to address powerlessness. It is also pertinent to understand the paradigms
through which the external agents look at women’s development – from Women in- Development (WID) to Gender-and-Development (GAD).

The launching of NABARD’s Pilot phase of the SHG-Bank Linkage programme in February 1992 was a landmark development in rural banking with the poor. For financial institutions, such as, the Banks, SHGs form the basic constituent unit of the microfinance movement. The SHG model with bank lending to groups of (often) poor women without collateral has become an accepted part of rural finance. Self-help for the banks is understood through the performance of SHGs in savings and credit activities. As the women learn the nuances of financial discipline, bank credit becomes available to the groups to augment their resources for increased lending to members. The objective is to attain financial sustainability through fees charged and interests earned from borrowers of the group fund including interests paid by banks on the money deposited. The activities associated with SHGs are part of an overall arrangement for providing financial services to the poor in a sustainable manner. It needs to be emphasised that NABARD sees the promotion and bank linking of SHGs not simply as a credit programme but also as an exercise in capacity building for the members of these SHGs (NABARD 2005). It is assumed that increasing women’s knowledge and access to micro-finance services will lead to individual economic empowerment through enabling women’s decisions about savings and credit use, enabling women to set up micro-enterprises, and increasing incomes under their control. This in turn is assumed to enable women to initiate broader social and political changes. Within the guise of poverty alleviation and empowerment, the financial sustainability paradigm assumes importance for the banking sector (Mayoux 2001:248).
The SHG – Bank linkage programme, referred to as the Indian Microfinance Model began formally in 1992 with a set of guidelines passed by NABARD and RBI enabling commercial banks to lend to SHGs without collateral. Loan repayment rates from SHGs of 98% against 32% from other programmes to the poor, convinced the banking sector of the viability of SHG lending. Currently, over 90% of SHGs in India consist exclusively of women and SHGs are the preferred strategy for both credit delivery for the poor and women’s empowerment. Targets of NABARD to credit link one million SHGs by 2008 have been overshot by the exponential growth of these groups. Latest data showed that cumulatively banks have lent 39.04 billion (US $ 156 million) to 1,079,091 SHGs (NABARD, 31 March, 2004). About 16 million poor households have gained access to formal banking system through SHG bank linkage programme. The Self Help Groups have become the focal point of development schemes under the unified poverty alleviation programme, “Swaranjayanti Gram Swarozgar Yojana” (SGSY) launched by the government of India. It has, however, been argued that development agencies committed to empowerment of women need to question the nature of the link between access to credit by targeting women, and the transformation of gender relations needed for empowerment and equality. Significant research and much anecdotal evidence suggest that women’s empowerment cannot be assumed to be an automatic outcome of microfinance programs. Development agencies committed to the empowerment of women need to question the nature of the link between access to credit by targeting women, and the transformation in gender relations needed for empowerment and equality (Kabeer 1998; Mayoux 1998).
Some evaluations paint a positive picture of the impact of credit programs on women's lives (Kabeer 2001). Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing 'virtuous spirals' of empowerment (Mayoux, 2000).

The first set of assessments point out that women can use savings and credit for economic activity, thus increasing incomes and assets and control over these incomes and assets (Mayoux, 2000). Rahman (1986) established that "active" women loanees had higher consumption standards and a role in household decision-making, either on their own or jointly with their husbands, than 'passive' female loanees. Both in turn had significantly higher consumption standards and were more likely to partake in household decision-making than women from male loanee households or from households who had not received credit. Similarly, Self-help groups through microcredit have an important role in lessening the vulnerability of poor by creating assets, income and consumption smoothing, providing emergency assistance, and empowering and making women confident by giving them control over assets and increased self-esteem and knowledge (Zaman 2001). A World Bank study found that a 10 per cent increase in borrowing had led to an increase in women's non-land assets by 2 per cent for loans from the Grameen Bank and 1.2 per cent for loans from the Bangladesh Rural Advancement Committee (BRAC) (World Bank 1998). In India, microcredit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans (Lalitha and Nagarajan 2002). During the South East Asian economic crisis, self-help groups proved to be important cushions and safety nets; a high proportion of the funds made available for self-help micro credit schemes were utilized by women,
facilitating them to meet the subsistence requirements of their families during those hard economic times (ESCAP 2002).

Another group of evaluations have tried to establish that economic contribution may increase their role in economic decision making in the household, leading to greater well being for women and children as well as men (Mayoux, 2000). A study by Pitt and Khandker (1995) in exploring the impact of female membership of credit programs found that women’s preferences carried greater weight (compared to households where either men received the loans or in households where no loans had been received) in determining decision-making outcomes including the value of women's no land assets, the total hours worked per month for cash income by men and women within the household, fertility levels, the education of children as well as total consumption expenditure.

It has also been studied that women’s increased economic role may lead to change in gender roles and increased status within households and communities (Mayoux, 2000). Hashemi, Schuler, and Riley (1996) explored the impact of credit on a number of indicators of empowerment: (i) the reported magnitude of women's economic contribution; (ii) their mobility in the public domain; (iii) their ability to make large and small purchases; (iv) their ownership of productive assets, including house or homestead land and cash savings; (v) involvement in major decision making, such as purchasing land, rickshaw or livestock for income earning purposes; (vi) freedom from family domination, including the ability to make choices concerning how their money was used, the ability to visit their natal home when desired and a say in decisions relating to the sale of their jewellery or land or to taking up outside work; (vii) political awareness such as knowledge of key national and political figures and the law on inheritance and participation in political action of
various kinds; and finally, (viii) a composite of all these indicators. They found that women's access to credit was a significant determinant of the magnitude of economic contributions reported by women; an increase in asset holdings in their own names; an increase in their purchasing power; their political and legal awareness and their composite empowerment index. BRAC loanees report significantly higher levels of mobility and political participation. Grameen members reported higher involvement in "major decision-making". The study also found that access to credit was associated with an overall reduction of the incidence of violence against women; women's participation in the expanded set of social relationships as a result of membership of credit organizations rather than increases in their productivity per se were responsible for reductions in domestic violence.

Other empowering aspects noted in studies are cognitive in nature. The IFAD gender mainstreaming review has reported gains in self-confidence and self-esteem amongst the women, enhanced capacity to articulate their needs and an increased respect in the household (FAO, 2002). Women's groups have emerged as a dynamic, articulate constituency enabling women to work together in collective agency (Krishnaraj and Kay 2002). Self-help groups have facilitated the formation of social capital, where people learn to work together for a common purpose in a group or organization (Putnam 2000). Laurence, (2001) from a village level investigation of Bangladesh’s Grameen Bank that center meeting norms enable women to establish individual identities and the group interaction at regular center meetings facilitate collective identity.

There can be a synergistic convergence of inputs (micro insurance, health services, non formal education and inputs on nutrition) in “Micro
credit plus” programs. A few attempts to link micro credit with HIV/AIDS programmes have been reasonably successful (UNDP 1999). The newly set up pension fund of the Grameen Bank II is apparently quite successful (Yunus 2002).

As Mayoux (2000) puts it, these virtuous spirals are potentially mutually reinforcing in that both improved well being and change in women’s position may further increase their ability to increase incomes and so on. This process of empowerment may be further reinforced by group formation focusing on savings and credit delivery as women can access wider information and support networks for economic activity; groups can support women in disputes within the household and community and groups can link to wider movements for change in women’s position.

Micro finance and women empowerment is a subject that has received growing research attention in recent years. Several organisations have promoted SHGs taking up the philosophy and approach of successful experiments of extending credit to poor women. Since the early 1980s, a large number of studies have examined the various dimensions of micro finance programmes and women empowerment. Several international organisations like Action-Aid UK, CGAP (Consultative Group to Assist the Poorest), and Overseas Development Authority have conducted case studies and organised workshops in various countries. The workshops had looked mainly into the experiences of different countries and the impact of the micro finance programmes in a cross cultural perspective. Other sources of information include published and unpublished materials including materials from the Micro-Credit Summit (February 1997 and 2001) and action research programmes of IRMA, NIRD, and CIRDAP Digest. Over the years, the
“informal sector debate” (Hart, 1973; ILO, 1972) has increased in scope and complexity. Terms such as informality, were used interchangeably with informal activity, sector or economy, self-employment and microenterprise. The popularity of the informal sector concept among policy advisors and governments arose from a convergence of interest in poverty issues and the need for a policy instrument (Tokman, 1987).

Governments, international financial institutions, and private foundations found in the concept a common language to co-ordinate their activities and, in the case of governments, to improve their access to international welfare funds earmarked for income-generating activities.

In part, the popularity of the informal sector concept comes from its ability to bridge diverse analytical and policy approaches, while its drawback is the inability to integrate approaches or improve analytical usefulness (Peattie, 1987). Though many approaches and perspectives have dominated since 1984, we have focused only on the micro-enterprise development approach.

Though new to the informal sector debate, micro-enterprise promotion has evolved from poverty alleviation activities from the early 1960’s. The proponents of the micro-enterprise development approach are action-oriented, not interested in conceptual issues, and are only marginally concerned with theories of the origin of micro-enterprises (used synonymously with informal sector and poverty). They accept notions of stratification, exploitation, and privileged sectors of society and expand jobs and improve productivity and income. They aim to empower groups and communities through business assistance and development of organisational skills and capacity. They promote, fund,
and carry out programmes that address the needs of the poor (Rakowski, 1994).

Many micro-enterprises began as charitable and disaster relief organisations operating in rural and urban areas, while others were founded specifically to bring multinational corporate funds to the aid of the poor. Local groups often had financial support from and strong ties to international groups, especially during the first five years of operations. Charitable and welfare organisations started with short-term goals, but work turned out to be never-ending. As a result many found their organisational structure “institutionalising” and their staff “professionalising”. From direct assistance and welfare, they were transformed over time into organisations, which focused on “helping the poor help themselves”. By the early 1970s, their work concentrated on working with neighbourhood or village groups on selfhelp initiatives and grassroots economic projects (Korten, 1987). For these NGOs the shift from charitable work and services to income-generating activities was a natural outgrowth of their collective and cumulative experience in helping organize community groups. Additionally, the expansion of the informal sector, especially in the poor neighbourhoods where NGO activities concentrated, led to an awareness of this sector of people in regulated, unlicensed, low resource, “marginal” activities which were critical to the survival of the poor, especially women (who predominated as heads of poor households) (Otero, 1990). The 1970’s marked the promotion of empowerment and social welfare through economic growth.

The NGOs of the late 1980s and the early 1990s have been expanding their role. Despite the time and resources, which NGOs as a group have invested in the poor, a tremendous amount of need remains unmet. NGOs have begun to assume a role of catalyst for micro and
macro level policies and they engage in dialogues with governments and the private sector. In fact, private sector business leaders, foundations, and corporations has created new local-level NGOs for promoting micro-enterprise development through “massification” applying the NGO method and philosophy on a broader scale to help increasing number of entrepreneurs and poor families (Bejar and Korten, 1987). Massification and overcoming institutional obstacles demand government and private sector collaboration. In direct contradiction with the legalists, NGOs stress that the most important role for governments is to provide the appropriate policy environment for micro-enterprise development (Otero, 1990).

A large number of studies have been undertaken so far by CGAP, NGOs, and donors of micro-finance programmes highlighting the strengths and weaknesses of the programme in various countries. We present below a few studies conducted on SHGs in India – only those that have a direct relevance to the present study.

**Choudhary (1996),** in her study stressed the need for sharpening women’s empowering strategies to make them effective and result-oriented. She pointed out that money earned by poor women is more likely to be spent on the basic needs of life than that by men and that this realisation would bring women as the focus of development efforts. She also examined the advantages of organising women groups thereby creating a new sense of dignity and confidence to tackle their problems with a sense of solidarity and to work together for the cause of economic independence.

**Shylendra (1998),** in his paper attempted to evaluate the performance of eight women SHGs promoted in the Vidaj village by the
Institute of Rural Management, Anand (IRMA). Here the SHGs failed to enable members to realise their potential benefits. The reasons identified for the failure were the wrong approach followed in the SHG formation by the team, misconceptions about SHG goals both among the team and the members, and lack of clarity about the concept. The main lessons drawn from the project are the need for creating SHGs based on a clear assessment of the needs of different sections of the society, ensuring clear understanding of the concept of SHG among team members involved in promoting SHGs, and enhancing the relevance of SHGs to their members by enabling them to meet effectively their requirements, be it savings or credit or income-generating activities.

**Gain and Satish (1996)** in their paper had described the factors affecting group dynamics and group functioning such as feeling of solidarity and pervasive benefits from group formation, increased awareness of group members, self reliance, and transparency. They feel that dependence on outside source either in material or human terms exist and so the group autonomy is not attained in many cases.

**Kartar Singh and Jain (1995)** in their working paper ‘Evolution and survival of SHGs: Some theoretical and empirical evidences’ explained that there are four stages of group formation: forming, storming, norming, and performing. They identified the factors, which have an impact on group formation as full participation of all members, quality in leadership, some sort of homogeneity among the members, and transparency in operations and functioning of the groups.

The study conducted by **Karkar (1995)** revealed that as the programme was effectively implemented, the monthly income of the beneficiaries had increased substantially. A large number of groups had
become mini-banks reducing the dependence on moneylenders. It had also resulted in improving their standards of hygiene and nutrition. The major findings were that the urge for literacy especially for the girl child and the adoption of family planning measures had increased. The process of group dynamics strengthened the networking, homogeneity, and self-esteem of women. The “We can do it” syndrome is a part of their psyche today. The scheme had also provided women the opportunity to sit together, discuss, and share their long-pending problems, and seek joint solutions through sympathetic cooperation and advice. The group thus acts both as a pillar of strength and an information window.

An article (Gramin Vikas, 1995) highlights the role of an innovative saving/credit programme called *Podupu Lakshmi* that had been successfully launched and carried out in the Nellore district of Andhra Pradesh. *Podupu Lakshmi* is based on a very simple principle of saving a rupee per day/per member. The erstwhile submissive, docile, silent, and meek women changed their psyche into assertive, confident, mobile, articulate, questioning and demanding pressure lobby groups. The aspirations of women for economic prosperity went up and they started climbing up the social ladder through the programme. The other factor for the success was the timely intervention of the government machinery. The careful identification of key government functionaries also led to the success of the programme.