Chapter-I

Introduction
INTRODUCTION:

Microfinance is a significant tool for providing easy and affordable credit and other financial services such as savings, insurance and remittance services at grass root level to under privileged people. It assists in reducing poverty, unemployment and raising entrepreneurial attitude and socio-economic condition of the poor. Now microfinance has become a global phenomenon, providing financial services to low-income groups or households. Bangladesh is the most important example where roughly one quarter of rural households are direct beneficiaries of these programs (Khandker 2003). In India too, microfinance programmes are making strong headway in its efforts to reduce poverty and empower the rural poor. Moreover, these programmes have come to be considered as development paradigm, which widens the financial services delivery system by linking the large rural population with formal financial institutions through SHGs (Self Help Groups). These self help groups enable them to come together for a common objective and gain strength from each other by adopting group approach. This has resulted in the formation of a large number of self help groups in the country, which mobilise savings and recycle the resources generated among the members. These groups mainly focus on alleviating poverty by providing small credit facilities to the poor who are not entertained by the formal banking system.

1.1. Conceptual Framework of Microfinance

Generally microfinance and microcredit are interchangeable. Micro credit is a small loan offered to an individual or a group, who are too poor to get the traditional bank loans. Whereas microfinance not only offers small amounts of money to the poor but also promote small savings among them to raise the saving habit. This micro credit and micro saving are the objectives of microfinance. Microfinance is a provision of small scale financial services which usually implies collection of very small loans and savings to low-income clients for generating income and socio economic betterment. In 1996, Robinson
referred microfinance as small-scale financial services provided to people who work in agriculture, fishing and herding; who operate small or micro-enterprises; who provide services; who work for wages or commission; and other individuals and groups at the local levels of developing countries both rural and urban. MF provides financial and non-financial services to low-income people, who are unable to approach the bank, due to high level of default risk and lack of collateral facilities. It works as an instrument to bridge this gap by adopting a group approach.

According to NABARD (2000) microfinance is the provision of thrift, credit and other financial services and product of very small amount to the poor in rural, semi-urban or urban areas enabling them to raise their income levels and improve living standard. Mc Keman (2002) defines Micro finance as a cost-effective instrument to reduce the poverty. Similarly, The Canadian International Development Agency (CIDA) (2002) describes microfinance as, “The provision of a broad range of financial services to poor, low income households and micro-enterprises. In 2006, Norwegian Noble committee while awarding Noble prize to Mr. Mohammad Yunus, pioneer in the field of MF stated “microfinance can help people to break out of poverty which in turn is seen as an important prerequisite to established long lasting peace”. According to M.Sharma (2007)’MF revolution is increasingly demand-led as contrasted to the supply- led, state sponsored rural credit and that microfinance is profitable-centre approach with customer-friendly saving and loan products”. Microfinance is a provision to cater the financial needs such as savings, loans and insurance of the poor people who are unable to obtain such services from the formal financial sector. Thus it is an attempt to improve access to small deposits and small loans for poor households neglected by banks. Micro finance called as the “bank for the poor” fills the gap between formal financial system and the poor. It is based on the three models Grameen model, Self Help Groups model and Micro-Finance Institution.
Introduction

(1) The Grameen Model

In 1976 Muhammad Yunus established “The Grameen Model”, of microfinance in Bangladesh. Now, it has become one of the most successful models in the microfinance industry. It provides loans and other financial services to the groups that have five or more members who are unable to approach the formal financial services. The Grameen bank also emphasizes on mobilizing the savings, generating employment, enhancing technical skills and reducing poverty. In India this Model is being followed by Association for Sarva Seva Farms (ASSEFA), Activists for Social Alternatives (ASA) and Other Financial and Technical Services Ltd (N. Tejmani singh. 2009).

(2) Self Help Group Bank Linkage Programme (SBLP)

Self Help Group is a group of about 20 homogenous people who come together to deal with their common problems. They save on a regular basis to mobilize their savings and invest on micro enterprises. In India the SHG model is mainly attributed to the SBLP. It was launched in 1992 by NABARD to integrate informal savings and credit groups with the mainstream banking system. Under the SBLP, a bank lends directly to a group after evaluating the group’s operations, maturity, and capacity to absorb credit. NGOs and government agencies usually act as SHG Promotion Agencies (SHPAs) which provide developmental support to the SHGs, promotes the groups. MYRADA (in Karnataka) and PRADAN (in Tamil Nadu and in Bihar) are the two successful examples practicing in India (F. Sinha 2009).

(3) Micro-Finance Institution (MFI)

Microfinance institution (MFI) is an organization that provides financial services to the poor and weaker section. It includes a wide range of providers that vary in their structure, procedure, and methodology. Such as NABARD, Commercial Banks, Regional Rural Banks (RRBs), Small Industries Development Bank of India (SIDBI), Housing Development Finance
Corporation (HDFC), co-operative societies and NGOs, etc., are some of the financial institutions.

**Difference among the models:** Generally all the models have same functions and fundamentals. The differences among them appear on ground of methodologies adopted by them in service delivery. Some important differences are as follows.

The SBLP system is mainly found in India. The basic principle of this model is saving first and no credit without saving. Where as saving of the group works as partial collateral for them. Where as, Grameen system dominates the market in Bangladesh. This model gives primary credence to grant the loans.

SBLP is run by the government while the MFI model is privately managed with some institutions being regulated by the Reserve Bank of India. In Bangladesh the Grameen Bank itself is protected from undue regulatory interference by being formally constituted by an act of parliament.

In SBLP, NGOs are involved in promoting SHGs and linking them to local banks for savings and credit. The NGOs provide development inputs to the groups they work with, but do not directly deal financial transactions. On the other hand, the MFIs may have started as NGOs but they have, in their work, developed a focus on financial intermediation as a key part of their operations. For them, financial transactions and reporting are a routine part of their systems.

In India, over a decade, the SBLP (SHG– Bank Linkage Programme) has seen tremendous growth. According to NABARD, as on 31 March 2010, a total of 69.53 lakh SHGs were having saving bank accounts with the banking sector with savings of Rs 6198.71 crore as against 61.21 lakh SHGs with savings of Rs 5545.62 crore as on 31 March 2009, thereby showing a growth rate of 13.6 per cent and 11.8 per cent, respectively. On account of coverage of poor households as March 2010, more than 97 million poor households were associated with banking agencies under SHG-Bank Linkage Programme which was reported 86 million poor in 2009. The share of women SHGs in the total SHGs with saving
bank accounts was 53.10 lakh SHGs on 31 March 2010, forming 76.4 per cent as compared to the previous year's share of 79.5 per cent. During 2009-10, banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loans of Rs 14,453.30 crore as against 16.10 lakh SHGs with bank loans of Rs 12,253.51 crore during 2008-09, registering a decline of 1.4 per cent of SHGs but a growth of 17.9 per cent in bank loans disbursed. Regarding the regional distribution of SHGs, the NABARD's report suggests that up to March 2010, 32.23 lakh SHGs are operating in south India, followed by 13.74 lakh SHGs in the east, 9.45 lakh SHGs in the west, 7.65 lakh SHGs in the central region and 3.51 lakh SHGs in the northern region. However, the north-east has only about 2.92 lakh SHGs.

1.2. Statement of the Problem:

Number of studies have been conducted on SHGs, with different objectives, by various stakeholder such as NABARD, National Institute of Rural Development (NIRD), BASIX, Planning commission of India, Andhra Pradesh Mahila Abhivruddhi Society (APMAS), Andhra Pradesh Academy of Rural Development (APARD), Centre for Economics and Social Sciences (CESS), Council for Social Development (CSD), and District Rural Development Authorities (DRDAs), etc. These studies have focused on a range of issues such as group composition, savings and borrowings enhancement, repayment performance, changes in entrepreneurial attitude, SHG federations, women empowerment, physical and financial performance of the SHGs etc., and raised many questions for further inquiry. We have chosen this topic as a case study to highlight how the SHGs has affected the standard of living of the members by using group lending and impacted on the economic condition of the members by adopting micro entrepreneurial activities with the help of loans granted by SHGs in sample areas of eastern Uttar Pradesh. The existing literature on SHG-bank linkage programme (discussed widely in the next chapter) demonstrates an overall picture of changes on the socioeconomic well being of the members of the group. Thus this study undertakes the job of analyzing that how SHGs has
impacted in eastern U.P. focusing on economic issues such as income level, savings, borrowings, expenditure pattern, assets value, etc.

1.3. Need of the Study:

Poverty is a serious problem in India. According to the data of planning commission, the percentage of people below poverty line in India has knock down, while the number of the poor barely changed over the last three decades (321.3 millions in 1973, 322.9 millions in 1983, 320.3 millions in 1993–94 to 301.7 millions in 2003–04). The majority of poor people are abode in rural areas, so high incidence of poverty prevails there. According to census 2011, the share of rural population is around 68 percent of total population. Thus poverty in India, like in most other developing countries, is predominantly a rural phenomenon. In rural areas majority of population are deprived in terms of income, access to resources, poor sanitation, gender biases, and child labour, and different forms of human abuse, etc. The major reasons for this are economic backwardness, large size of Indian population around 300 million people or about 60 million households, are living below the poverty line and only 20 percent of these households, have access to credit from the formal sector (Wanchoo, Rajat 2007). So, the main and foremost problem of rural poor is unavailability of funds and all other problems center around this main problem. Government has made many efforts to overcome this problem by opening out the branches of commercial banks in rural areas. Priority sector lending and special banks were set up for rural areas like Rural Cooperative Banks, Regional Rural Banks etc., to accomplish the same demand. The government also set up national level institutions like NABARD, SIDBI to enhance credit to rural areas and small and medium enterprises.

Microfinance has emerged as one of the way for combating poverty in rural areas. The basic objective of providing microfinance through SHGs is to fill the gap between demand and supply of funds of the rural poor. The range of activities undertaken in microfinance through SHGs include group lending, individual lending, the provision of savings and insurance, capacity building,
and business development. Various microfinance models yielded wonderful results and has proved that poor are bankable, credit worthy and can be trusted with collateral free loans.

The size of population and intensity of poverty varies widely across the states of India, with a high concentration of poor in the central region of the country. UP is the most populated state of India. According to census 2011, it covers 16 percent of the total population of the country and the share of rural population is 77 percent. SHG Bank linkage programme had a late start in the state. Eastern region of Uttar Pradesh is more backward both socially as well as economically and lag behind all spear of development. We have selected this region of UP for the purpose of this study as it is economically backward. However, there has been no fastidious study to analyse impact of SHGs in the eastern region of the Uttar Pradesh, specifically emphasizing the changes in economic condition of the members. Therefore, to fill this gap the present study has attempted to evaluate the impact of SHGs especially in eastern region (Gorakhpur, Faizabad and Maunathbanjan) of Uttar Pradesh under the topic “Economic impact of SHGs in Eastern Uttar Pradesh”.

1.4. Objectives of the Study:

The research objective of this study is to determine whether and to what extent participation in Self Help Groups has improved the economic condition of the members. The overall objective of the study is to measure the economic impact of SHG Bank Linkage programme on the SHG member households. The specific objectives of the study are:

1. To study the history, structure and models of micro financing in India.
2. To review the growth and development of SHGs in India.
3. To find out the status and performance of SHGs in U.P.
4. To quantify the changes in savings, borrowing and assets holding pattern among group members after joining the group.
5. To study changes in income, expenditure and employment of the members after joining SHGs.

6. To compare the impact of SHGs in respect of the different models of the SHGs and according to different ages of the SHGs.

7. To find out problems faced by members of SHGs and suggest measures to overcome these problems.

1.5. Hypothesis:

This study has been undertaken with the basic premise that for any rural upliftment some financial support is essential to the rural masses. The financial support provided to the rural areas through the financial institution and bank could not cater the full needs of the rural population. SHGs are designed to address the credit needs of rural poor in more systematic manner. So, to prove this we have taken this study to evaluate the impact of SHGs in sample areas. In order to test the hypothesis that there is “significant difference in the economic conditions of the members before and after becoming the members of the SHGs”, the paired t-test and independent t-test were used. The following are three basic hypothesis which will be tested in our study.

The hypothesis is tested to establish the positive changes in the economic conditions of the members in pre and post SHG situation. So,

1. Null hypothesis \( H_{01} \): There is no significant difference in economic condition of the members in pre to post SHG situation.

1. Alternate hypothesis \( H_{01} \): There is significant difference in economic condition of the members in pre to post SHG situation.

To support this hypothesis, we make the following sub-hypotheses:

\( H_{01} \): There is no significant difference in the income level of the members of bank groups in pre and post SHG situation.

\( H_{02} \): There is no significant difference in the income level of the members of NGO groups in pre and post SHG situation.

\( H_{03} \): There is no significant difference in the income level of the members of newly formed groups (upto 2 years) in pre and post SHG situation.
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Ho4: There is no significant difference in the income level of the members of groups of 3-5 year old in pre and post SHG situation.

Ho5: There is no significant difference in the income level of the members of old groups of (6 and above 6 years) in pre and post SHG situation.

Ho6: There is no significant difference in the saving level of the members of bank groups in pre and post SHG situation.

Ho7: There is no significant difference in the saving level of the members of NGO groups in pre and post SHG situation.

Ho8: There is no significant difference in the saving level of the members of newly formed groups (upto 2 years) in pre and post SHG situation.

Ho9: There is no significant difference in the saving level of the members of groups of 3-5 year old in pre and post SHG situation.

Ho10: There is no significant difference in the saving level of the members of old groups of (6 and above 6 years) in pre and post SHG situation.

Ho11: There is no significant difference in the borrowing level of the members of bank Groups in pre and post SHG situation.

Ho12: There is no significant difference in the borrowing level of the members of NGO groups in pre and post SHG situation.

Ho13: There is no significant difference in the borrowing level of the members of newly formed groups (upto 2 years) in pre and post SHG situation.

Ho14: There is no significant difference in the borrowing level of the members of groups of 3-5 year old in pre and post SHG situation.

Ho15: There is no significant difference in the borrowing level of the members of old groups of (6 and above 6 years) in pre and post SHG situation.

H016: There is no significant difference in the Assets value of the members of bank groups in pre and post SHG situation.

H017: There is no significant difference in the Assets value of the members of NGO groups in pre and post SHG situation.

H018: There is no significant difference in the Assets value of the members of newly formed groups (upto 2 years) in pre and post SHG situation.
H019: There is no significant difference in the Assets value of the members of groups of 3-5 year old in pre and post SHG situation.

H020: There is no significant difference in the Assets value of the members of old groups of (6 years and above) in pre and post SHG situation.

H021: There is no significant difference in the employment levels the members of bank groups in pre and post SHG situation.

H022: There is no significant difference in the employment levels of the members of NGO groups in pre and post SHG situation.

H023: There is no significant difference in the employment levels of the members of newly formed groups (upto 2 years) in pre and post SHG situation.

H024: There is no significant difference in the employment levels of the members of groups of 3-5 year old in pre and post SHG situation.

H025: There is no significant difference in the employment levels of the members of old groups of (6 years and above) in pre and post SHG situation.

2. The hypothesis was tested to establish the comparison of incremental difference in the NGO and bank groups.

2. **Null Hypothesis Ho2**: In post SHG period, the mean of the economic indicators of the members of the both groups (NGO, Bank) are not significantly different.

2. **Alternative Hypothesis H02**: In post SHG period, the mean of the economic indicators of the members of the both groups (NGO, Bank) are significantly different.

To support this hypothesis, we make the following sub-hypotheses:

Ho1: There is no significant difference between the mean value of saving level of the members of the bank groups and NGO groups in post SHG period.

Ho2: There is no significant difference between the mean value of borrowing level of the members of the bank groups and NGO groups in post SHG period.
Ho3: There is no significant difference between the mean value of the assets held by the members of the bank groups and NGO groups in post SHG period.

Ho4: There is no significant difference between the mean annual income level of the members of the bank groups and NGO groups in post SHG period.

Ho5: There is no significant difference between the mean value of employment days generated by the members of the bank groups and NGO groups in post SHG period.

3. The hypothesis was tested to establish the comparison of incremental difference according to the ages of the SHGs.

3. **Null Hypothesis Ho3**: The mean of the economic indicators of the members of different age groups are not significantly different in post SHG period.

3. **Alternative Hypothesis Ho3**: The mean of the economic indicators of the members of different age groups are significantly different in post SHG period.

To support this hypothesis, we make the following sub-hypotheses:

Ho1: The mean of the annual income of members of new groups and middle aged groups (3-5 year old) are not significantly different in post SHG situation.

Ho2: The mean of the annual income of members of the new groups and old groups are not significantly different in post SHG situation.

Ho3: The mean of the annual income of members of the old groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho4: The mean of the annual saving of members of the new groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho5: The mean of the annual saving of members of new groups and old groups are not significantly different in post SHG situation.
Ho6: The mean of the annual saving of members of the old groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho7: The mean of the annual borrowing of members of the new groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho8: The mean of the annual borrowing of members of the new groups and old groups are not significantly different in post SHG situation.

Ho9: The mean of the annual borrowing of members of old groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho10: The mean value of the assets held by members of new groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho11: The mean value of the assets held by the members of new groups and old groups are not significantly different in post SHG situation.

Ho12: The mean value of the assets held by the members of old groups and middle aged groups (3-5 years old) are not significantly different in post SHG situation.

Ho13: There is no significant difference between the mean value of employment days generated by the members of the old groups and middle aged groups (3-5 years old)

Ho14: There is no significant difference between the mean value of employment days generated by the members of the new groups and middle aged groups (3-5 years old)

Ho15: There is no significant difference between the mean value of employment days generated by the members of the old groups and new groups.
1.6. Research Methodology

The dimension of the study relates to the analysis the transformation of economic condition of SHGs’ members after joining the group. The impact of the SBLP on economic condition of the selected SHG members is based on the assessment of the detailed information obtained from a primary sample survey. The field survey was conducted in three selected districts of Uttar Pradesh. In order to assess the impact of the SBLP, the “before and after” approach is primarily followed. A structured questionnaire is used for the collection of qualitative data from the group members, as well as quantitative data from the records maintained by SHGs. Further, their responses on problems faced by the SHGs and their suggestions on improvement of the SHG’s performance are gathered through discussions. Besides, collection and analysis of primary data, secondary data and relevant literature has been compiled, analyzed and reviewed accordingly. The field survey was conducted over March and April 2010. The reference year for the study was January-December 2009. All the economic parameters for pre and post-SHG membership are measured at reference year prices.

1.6.1 Sampling Plan:

This study was conducted in three selected districts Gorakpur, Mau, and Faizabad from the eastern Uttar Pradesh. Two blocks in each selected district were further identified randomly where a large number of self-help groups have been formed under SGSY programme. According to DRDA, upto December 2010, the number of Self-Help Groups in Gorakhpur districts was 9064, in Maunathbanjan was 7289 and in Faizabad district it was 10144. For the field survey we have selected 60 SHG’s and 200 members of SHG’s randomly form the study area.
Table No. 1.1: Sample Frame of the Study

<table>
<thead>
<tr>
<th>Selected Districts</th>
<th>Selected Blocks</th>
<th>No. of SHGs (SGSY) till Dec. 2010(DRDA)</th>
<th>SHGs Selected</th>
<th>SHG members Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gorakhpur</td>
<td>Chargawan</td>
<td>9064</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Kauriram</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maunathbhanjan</td>
<td>Ghosi</td>
<td>7289</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Kopaganj</td>
<td></td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td>Faizabad</td>
<td>Sohawal</td>
<td>10144</td>
<td>10</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Purabazar</td>
<td></td>
<td>10</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>Six</td>
<td></td>
<td>60</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Field Survey

Multistage random sampling method was adopted for selecting the sample members. In the first stage, all given three districts, represent maximum number of SHGs linked with the banks, were selected randomly. In the second stage 2 blocks of each district were chosen on ground of active participation and having large number of SHGs. In third, 60 SHGs from the all selected districts and 10 SHGs from the each block were identified at random for the study. All SHGs have been chosen on the basis of convenience and easily approach. In the final stage, a sample of 200 SHG members were selected at random from six selected blocks of the three districts of the Eastern Uttar Pradesh. We have selected SHGs having completed at least two years for the study to ascertain results and benefit clearly (Table 1.1).

Table: 1.2: Stratification of the sample SHGs: Model wise and Age wise

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of sample SHG</th>
<th>Percentage</th>
<th>No. of Sample SHGs member</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO-groups</td>
<td>30</td>
<td>50</td>
<td>84</td>
<td>42</td>
</tr>
<tr>
<td>BANK-groups</td>
<td>30</td>
<td>50</td>
<td>116</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>
To assess the differences in economic impact of the SHGs of two different models, the sample were post-stratified as (i) NGO promoted groups and (ii) BANK promoted groups. Similarly to evaluate the differences in impact of the programme over SHGs of different ages, the sample SHGs were also post-stratified into three categories, i.e., (i) up to 2 years, (ii) 3 to 5 years and (iii) 6 years and above. The study covered a sample of 30 SHGs and 84 SHG members belonging to NGO promoted groups and 30 SHGs and 116 SHG members sample linked to bank groups. In respect of age of the SHGs study covered 20 SHGs and 50, 57 and 93 members of respectively SHGs’ age, up to 2 years, 3-5 years and 6 years and above table no. 1.2.

In this study primary data has been collected from the SHG members with the help of structured questionnaire to comprise the information and data from the members of different ages of the SHGs and models of the SHGs.

Table: 1.3: Sample Selection on the basis of Model and Age wise

<table>
<thead>
<tr>
<th>Category</th>
<th>NGO Selected SHG</th>
<th>NGO Selected members</th>
<th>Bank Selected SHG</th>
<th>Bank Selected members</th>
<th>Overall Selected SHG</th>
<th>Overall Selected members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2 yrs</td>
<td>10</td>
<td>18</td>
<td>10</td>
<td>32</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>3 – 5 years</td>
<td>10</td>
<td>23</td>
<td>10</td>
<td>34</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>6 years &amp; above</td>
<td>10</td>
<td>43</td>
<td>10</td>
<td>50</td>
<td>20</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>84</td>
<td>30</td>
<td>116</td>
<td>60</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Field Survey
In the study every block first stratified into two models, NGO wise and Bank wise. Further every model stratified into three categories of ages, upto 2 years (newly formed groups), 3-5 years (middle aged groups) and 6 years and above (older groups). SHGs having completed at least two years were selected for the study so that the benefits from the group could be clearly ascertained. In the study we have taken 32 SHG members from the bank linked and 18 members of NGO groups upto the age of 2 years (newly farmed SHGs). For the age groups of the 3-5 years 10 SHGs and 23 SHG members from NGOs and 10 SHGs and 34 SHG members from Bank groups have been selected. Similarly sample of 10 SHGs and 43 SHG members of NGOs and 10 SHGs and 50 SHG members of bank linked belong to age of 6 years and above, representing old and experience groups. (Table 1.3) all selection is based on random sampling and on the basis of easily availability of the members.

1.6.2. Collection of Data

This study is based both on the primary data as well as secondary data.

**Primary Data:** The relevant primary data has been collected from the selected SHG members by employing well structured interview schedule/questionnaire. One set of questionnaire was used to collect information about SHGs and selected SHG members. The primary data was collected from 200 respondents spanning over 60 SHGs. The researcher has visited different villages from each block and met the respondents. Before collection of data the purpose and importance of investigations have been explained to them. The respondents were encouraged to give free and frank information. The respondents have extended full co-operation in successful data collection. Information was also collected through discussions with functionaries, like officials of bank branches, officials of NGOs. NABARD etc in the selected district.

**Secondary Data:** the secondary data has been obtained from published documents of government departments and private agencies such as, annual reports of NABARD, Ministry of Rural Development, project reports of Planning Commission, Zila Sankhiyiki patrika, statistical diaries and information...
collected from the offices like district economic and statistical offices, DRDA etc. apart from this, research paper, magazines, new papers, books, Statements, Journals and Periodicals etc formed the sources for the collection of secondary data for the study.

1.6.3. Analysis of Data

In order to bring out the clear picture the data of primary and secondary sources has been carefully scrutinized and transcribed before the commencement of data tabulation and interpreted through statistical tools. Editing is done to assure that the data are accurate, consistent with the facts gathered and as complete as possible. Descriptive statistical tools such as average, mean, percentage, percentages changes, standard division, standard error, paired sample t test and independent t-test are used to analyze the primary data. The analyzed data were presented in the form of tables and diagrams. The data were thoroughly checked, edited, processed and analyzed using appropriate statistical tools.

For the study purpose the total numbers of selected SHGs have been discussed into two types: model wise and ages wise. In model wise the total numbers of selected SHGs have been classified in two groups: Bank group and NGO group. In respect of age of the SHGs it has been classified into three groups: SHG upto two year (new groups), SHG working three to five years (middle aged groups) and SHG existing six and more than six years (older groups). The sample member’s responses to various elements under each question are totaled and divided by 200 sample numbers to get the mean response. Paired and Independent t-test is used to test for the significance of differences between means of different groups. Significant values of t indicate that the means are significantly different from one another. The entire statistical tests are conducted at 5 per cent significance.
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Inferences, results and conclusion have been drawn out from the analysis of data. The data in tabular form has been analyzed, interpreted and discussed in the respective chapters. The policy recommendations are based on critical appreciation of pertinent literature and analysis of research findings.

1.7. Limitations of the Study

The present study suffers from many limitations due to the unavailability of data, time, money and resources constraints. Some of the limitations are as follows.

- The SHGs sample size and numbers of respondents are limited to 100 and 200 respectively.

- The current study is based on small sample size taken from only six blocks of the three districts of Eastern Uttar Pradesh. Results based on the sample have been generalized for eastern Uttar Pradesh.

- Data on the list of SHGs, number of linkages, performance of the SHGs and details of loan sanctioned to the SHGs was not fully available with the Department of DRDA in the districts selected for the study.

- While interviewing the people, we have faced problems in explaining the questions as most of the people are illiterate and living in villages. Therefore, it was too difficult to make them understand some of the technical terms: like Assets value, capital, entrepreneurship etc.

- The study focuses on change in economic condition of the members after joining the SHG while ignoring social impact of the SHG.

- The data is collected through recall which sometimes may not be very accurate. Some respondents did not want to reveal their actual income and their debt status so data produced by them could not be very authentic.
1.8. Scheme of the Study

The present work is divided into six chapters. Chapter one deals with the introduction of the study, this covers the concept of microfinance, significance of the study, objectives, study design, methodology of the research and scope of the study. Chapter two presents a review of literatures related to impact assessment of microfinance covering both appraisal and critical reviews. Chapter third gives an overview of need, growth and development of SHG-Bank Linkage Programme in India. Profile of the study area and status of SHGs in Uttar Pradesh has been described in the fourth chapter. Chapter five analyses the impact of the SHGs on the selected members emphasizing nine economic indicators such as income, savings, borrowings, expenditure pattern, employment level, literacy level repayment performance, interest rate. Finally chapter six provides conclusions, main findings and suggestions.