Chapter -II

Review of Literature
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A literature review is an organizational outline which gives a new interpretation of old material and traces the intellectual progression, pattern and evaluation of the related subject. Keeping this aspect in view, this chapter is devoted to a brief review of existing literature on economic impact of SHGs. It is very hard to review all the relevant studies related to present research. Therefore, we have selected relevant studies, particularly case studies, papers and articles amongst these which throw light directly on issues under consideration in our study. We shall first undertake studies from abroad and then focus upon studies undertaken in India.

H. Mahabub (1988) did an impact assessment on microfinance entitled “Credit for the Alleviation of Rural Poverty: the Grameen Bank in Bangladesh”. He found that Grameen Bank members’ average household income were 43 percent higher than the non participants. This increase in income was higher for the landless members, followed by marginal land owner members. Members of Grameen bank were found to be younger and better educated than that of non members. Study also found that the members spent six times more on housing investment, 8 percent more on food and 13 percent more on clothing than that of non participants. This study found a significant positive impact on economic condition of members of Grameen bank.

Pitt and Khandkar (1998) in their paper entitled “Households and Grameen Bank and similar targeted credit programs in Bangladesh”, established that microfinance programme helps the poor through consumption smoothing, assets building, investment in human capital (such as schooling) and raise awareness of reproductive health issues. They also estimated impact of microfinance on gender basis and found that it had greater positive impact on women as compared to men that 11 percent of impact of microfinance for men and 18 percent for women. They also suggested that if same impact on consumption continues over time every year 5 percent of borrowers may cross
poverty line. Thus in their study they demonstrated a positive sign of microfinance on alleviation of poverty and socio economic improvement.

**Panjaitan- Drioadisuryo. D. M. Rosintan and Kathleen Cloud (1999)** undertook a study entitled “Gender, Self Employment and Microcredit Program: an Indonesian case study” to report the results of microcredit programme in Indonesia. In this study data were collected by interviewing 121 women of project members and 94 women of control groups (whom credit was not yet offered). This study found that the income of the project members who received the loans has increased by 112 percent. Around 60 percent of the members reported that they had expanded their economic activities and majority of them were encouraged to open saving accounts. Fifty four percent of sample members were able to increase the variety and the quality of their products. This study also revealed that micro credit programme had good impact on poverty reduction. About 90 percent of sample families have moved up from the poverty line. Only 12 respondents reported decrease in their income. This study also reveals that the additional income earned by project members enable their families to improve their nutrition level. Women who received loans have reported increase in their income substantially, greater participation in decision making, improved their families’ nutrition and children education.

**Remenyi and Quinones (2000)** conducted a study entitle “Microfinance and Poverty Alleviation: Case Studies from Asia and Pacific”. In their study they found that income of families with access to credit is significantly higher than for comparable households without access to credit. They further found that in Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non-borrowers (control group). Remenyi notes that, in Bangladesh, a 29.3 per cent annual average rise in income was recorded for borrowers and 22 percent annual average rise in income from non-borrowers. Sri-Lanka indicated a 15.6 percent rise in income from borrowers and 9 per cent rise from non-borrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers while non
borrower reported increase of 24 percent. Increase in income was higher for those who were just below the poverty line while among poorest income improvement was lowest. Thus this study established the positive impact of microfinance on income improvement.

G. Owuor, H.D. Groate, and M. Wangia (2001) presented a paper entitled “Impact of Self Help Groups Credit on Input Use in Maize Produce” in Seventh Eastern and Southern Africa Regional Maize Conference, in Nairobi, Kenya. They did a survey of 37 groups and 90 farmers in Siaya district through interviewing. This study revealed that the group credit had a positive and significant impact on the use of improved inputs such as improved maize seed and fertilizers that yield from borrowers were significantly higher than non borrowers. The study found that members of SHGs on an average contribute 106 Kenyan Shillings (KNS) per person per meetings on a total of 4000 KNS / month /group. About 46 percent of loans were used for agriculture, in particular, for fertilizer and seed, as a result farmers who borrowed from the groups used significantly more fertilizers than non borrowers (19.4 Vs 60.0 kg/ha) as well as more hybrid seeds (4 Vs 2 KG /ha) leading to higher maize yields (845 Vs 616 Kg/ha). Thus this study shows that SHGs are important institution for small scale farmer. It gives convenient, cost effective and sustainable financial services which easily cater to the credit demands amongst poor rural farmers.

W. Wood and H. Shon (2002) have undertaken a study entitled, “Local Development through Microfinance Tools in Central America” covering 884 clients of Latino help from three countries of Central America i.e. Nicaragua, Guatemala and El Salvador. In this study they compared clients by categorizing new client (just join), current client (participating for 1 year), ex-client (who left it) and non client. They found that those who participated in microloans on average, in Nicaragua, Guatemala, and El Salvador, earned more money per day and were less poor. Ex clients (who continued micro loan for some time and then graduate from the program) in all three countries on average had a DPCI (daily per capita income) of $ 1.21, current clients had $ 1.17 and
the new clients reported $1.13. This clarified that the ex-client were actually less poor than the current clients and the new clients. Ex client who earned $1.20 percent were compared to non client who earned $1.18 a day and found that ex-client were finally better off than the average person not participating in microfinance. In Guatemala and Nicaragua they found the same impact as those who participated in the microcredit program (current clients) and those who left (ex clients) were financially better than those who had never participated (non clients). In El Salvador they found a little contradiction where current clients were poorer compared to new clients but the difference between current clients DPCI (1.36) and new clients DPCI (1.32) is insignificant. This study highlighted the positive impact of Latino helps which attracts the poorest of the poor and helps them to become less poor by improving their economic conditions and financially self reliant and take more control of their lives. More studies with larger samples are clearly needed.

S. Afrane (2002) in the paper entitled, “Impact Assessment of Microfinance Interventions in Ghana and South Africa: A Synthesis of Major Impacts and Lessons” reviewed the impact results of two studies conducted in Ghana and South Africa. The first case study involved Sinapi Aba Trust (SAT) in Ghana. The second case study was the Soweto Microenterprise Development (SOMED) project—a microfinance program initiated in 1994 to provide credit and training to small and micro enterprises in South West Townships (Soweto) of Johannesburg in South Africa. Both the quantitative and qualitative results of the two studies have established that microfinance interventions have achieved significant improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly women. The studies established that 43% and 44% of the enterprises sampled in Ghana and South Africa, respectively, took on new workers. A comparison of the impact situations in both countries revealed that South Africa scored an overall positive impact of 56% as compared with 50% in Ghana. On the negative side, the figures were 7.6% and 3.3% for South Africa and Ghana, respectively. In addition, the level of negative impacts with respect to the social and spiritual
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indicators was more pronounced in South Africa than in Ghana. This shows that both positive as well as negative impacts of microfinance observed in South Africa were more extreme than those of Ghana. Analysing the two studies in this paper the researcher concluded that microfinance projects have impacted the businesses and lives of the beneficiaries in several positive ways, particularly in their economic circumstances and access to essential life-enhancing facilities and services. On the other hand, some disturbing and adverse effects have been observed in the social and spiritual lives of beneficiaries.

Hassan Zaman (2004) presented a paper entitled, “Microfinance in Bangladesh: Growth, Achievements and Lessons”, in conference “Scaling up Solution to poverty Reduction” held in Shanghai. He estimated that around thirteen million poor households in Bangladesh had been able to access the credit and about twelve hundred microfinance institutions (MFIs) were operating there. He also found four most dominated MFIs i.e. BRAC, Grameen, ASA (Association for Social Advancement), Proshika, which served around 11.5 million people. In his paper by over viewing the many studies he concluded that micro loan had considerably reduced the vulnerability of poor household in Bangladesh. He also revealed that the availability of micro credit had indirectly improved social conditions i.e. children of borrower are more likely to go to school, have better sanitation facilities and better nutrition. These impacts were due to the increased income effect of microcredit as well as the “social mobilization effect” of borrower group meetings.

N. Nargis and Husain (2004) in their article entitled, “A Welfare Economic Analysis of the Impact of Microfinance in Bangladesh” analyzed economic impact of microfinance. They selected 2500 households from the survey conducted during 1998-2004. They estimated that average annual household income of the sample households grew at an annual compound rate of 5.66 percent to rise from TK 35927 in 1998 to TK 49988 in 2004. The growth in employment consisted increase in the number of persons employed from 2, 652 to 2, 978 in sample and the growth in their annual average working hours rose
from 1, 747 to 1, 836 during 1998 to 2004. While the average annual working hour decreased in wage employment, farming and non farming agricultural activities, such as trading, micro enterprises services. The continual reallocation of labour increased the proportion of hours employed in self employed activities from 0.55 percent to 0.61 percent. They found that the incidence of poverty among the regular and occasional participants was below the average opposed to the non participants. The overall welfare had improved across all groups of households regular, occasional and non participants. In this study they also observed that the regular micro credit participants experienced faster growth in annual earnings and work hours compared to occasional participants followed by non participants. Thus this study revealed that the micro credit had proved its merit in overall welfare improvement by stimulating income and emploment growth and reducing poverty. However, it was found not uniform across the income distribution of the sample households which widen the average income gap between non participants and participants over 1998-04.

Khardhar (2005) in the article entitle, “Microfinance and Poverty: Evidence using panel data from Bangladesh” examines the effect of microfinance on poverty reduction at both the participant and the aggregate levels, using panel data from Bangladesh. The study carried out on impact assessment using the 1998/99 follow-up survey to the 1991/92 survey to assess the changes in the poverty effects of microfinance in rural Bangladesh. The study asserted that microfinance had a large impact on the welfare of borrowing households by raising consumption among participants. He estimated 10 percent increase in women’s individual current borrowing. The impact of microfinance was found much stronger for female borrowers than that of male borrowers. The study also revealed that microfinance reduced both moderate and extreme poverty. At an aggregate level microfinance reduced moderate poverty by about 1.0 percent point and extreme poverty by 1.3 percent point a year. The impact of microfinance was found much stronger for female borrowers then the male borrowers. In over all Bangladesh it had also found a very strong means in reducing the poverty.
Ms. R. Mwaniki (2006)\textsuperscript{11} presented a paper entitled, "Supporting SMEs Development and The Role of Microfinance in Africa", in African Union Conference Cario, Egypt. This paper demonstrated impacts of microfinance drawn from the lesson of INAFI (international Network Alternative Financial institution) Africa members MFIs from within continent. Over viewing the number of impact studies, this paper found that microfinance client had been able to accumulate the financial assets through the financial services offered by the MFIs which made them able to grow their business and generate even more income. The study also found positive impact on the livelihood of poor clients. Members save money to deal with life cycle event such as wedding, purchase of plot, education, old age and some of the members saved for production purposes such as to set up a business or expansion of old business. Similarly some members borrowed to purchase productive assets like sewing machines, welding tools, saloon, etc. This study shows that microfinance had significant positive impact on improving education, nutrition of its clients than that of non client. Microfinance has also improved self-esteem, bargaining power or autonomy of its clients which gave the clients more control over the political aspect. Thus microfinance had positive impact on all social, economic and political aspects. Besides these impacts this paper also highlights some challenges such as lack of appropriate technology, higher cost of processing, improper assessment and management of business risk, limited fund and continuous clients drawn paid.

Toshio Kondo (2007)\textsuperscript{12} in the study entitled, "Impact of Microfinance on Rural Households in Philippines: A Case study from the special evaluation study on the effect of microfinance operation on poor rural household and the status of women" has examined the impact of microfinance on rural households in Philippines. The survey covered 2276 households in 116 Barangays and 28 MFIs. The survey results indicate that majority of the existing clients, the new clients, and the non-participating households which are deemed qualified for the program are not poor according to the official definition. This is in sharp contrast to the other studies which indicated that majority of the microfinance program clients are poor. The study revealed that the 92 percent of the respondents were
female and 10 percent were poor. It found the positive impact of the program on the savings of respondents. In term of balance about 70 percent of household had personal savings to 5000 pesos, 15 percent had 5000 to 10000 pesos. The impact of availing of program loans on per capita income was found highly positive at level of 10 percent. The study estimated that every person 100 pesos loan availed income increased by P 47 and person who availed the loan were found to have about P 5222 income higher compared to those who not availed of the loan. Per Capita expenditure was also positively affected by the program loan which was estimated to have increased by 38 pesos per 100 pesos loan availed. Expenditure on food for those who availed the loan was about 1333 pesos higher compared to those who did not avail program loan. It shows that loan had direct impact on consumption level of the client. This study estimated that about 93 percent of the existing client respondents have household enterprises followed by new client respondent (87 percent) and non participating household 78 percent. It shows the significant positive impact of the microfinance on the number of enterprise households and number employed households. On account of economic condition of respondents about 20 percent of the respondents had land assets with an average current value of P 557 thousand. 15 percent of the respondents had their own farm equipment with an average current value of P 55 thousand and about 53 percent of the respondents had livestock and poultry assets with an average current value of P 46 thousand. Thus it could be concluded that microfinance had a significant positive impact on economic status of the participants.

Gerard Tchouassi (2011) in the paper entitled “Microfinance, inequality and vulnerability” examined the relationship of microfinance, inequality and vulnerability by providing a cross country empirical study of 11 developing countries in Central Africa. This study demonstrated the impact of microfinance on inequality and on vulnerability at the macro level. The author revealed that the number of microfinance institutions had a negative impact on the gini index in Central African countries. This means microfinance plays an important role in creating a financial system endowed with the equalizing effect.
Now we shall focus on different studies undertaken in India to get a clear picture of SHG’s impact in Indian scenario.

**NABARD (1989)** carried out a survey entitled, “Studies on Self Help Groups of the Rural Poor”, to highlight the emergence of self-help groups, their composition, methods of working and their linkages with the financial institutions, and to examine possibilities for development of linkages between the SHGs, Self Help Promotion Institutions and the financial institutions for providing support to the self-help initiatives of rural development. The survey covered 46 SHGs spread over 11 states and associated with 20 SHPIs (Self Help Promotion Institutions). The study revealed that sample SHGs were formed with an emphasis on self help and with a view to promote objectives like freedom from exploitation, economic enhancement, and raising resources for development. By and large, the sample SHGs were of “target group” people consisting of small and marginal farmers, agriculture labourers, artisans, scheduled castes and scheduled tribes and women. This study established that SHGs involved mainly in savings and credit activities, have evolved a variety of instruments to promote thrift among their members. These groups were involved in generating a “common fund” out of small thrift, promoted on a regular basis among their members by curtailing their unproductive expenditures. The study further pointed out that the SHPIs have played an admirable role in organizing the rural poor into SHGs and therefore promoting their proper functioning. The study suggested that the absence of a legal status of the SHGs seems to be major constraint in the development of linkages between the SHGs and banks.

**Puhazheendi (2000)** in his article “Evaluation study of self help groups in Tamil Nadu” highlight impact of self help groups on both socio-economic conditions of participants. This study found that 70 SHGs working in Tamil Nadu were promoted by leading NGOs i.e. ASSEFA, MYRADA, DHAN foundation and LEAD. The performance of groups was assessed using a scoring system covering indicators such as homogeneity of groups, increase in saving rate, share of production loan to total loan, training etc. Around 61 percent of
groups were found to be performing well 29 percent average and 10 percent poorly. In this article 29 percent family income was found to have more than doubled for the samples groups during the period of participation in SHGs. Participation in SHGs also had a positive impact on literacy levels, housing facilities, food securities. Empowerment of women was observed in the form of participation of financial decisions in the families, checking liquor addiction of male family members and sending children to school. Thus this study demonstrated a strong positive impact of SHGs on socio economic conditions of the members.

Puhazhendhi and Satyasai (2000) carried out the impact study of NABARD entitled, “Microfinance for Rural People-An Impact Evaluation”. This study evaluated the impact of SHGs bank linkage programme covering 560 household members from 223 SHGs located in 11 states of India, to find the changes in socioeconomic conditions of members between pre and post SHG situation. They found positive impact of SHGs on both account. The study estimated that average value of assets per household (including livestock and consumer durables) rose by 72.3 per cent to Rs. 11,793 during the three-year period. Average net income per household from income generating activities where loan amounts were deployed, increased from Rs. 20,177 prior to group formation to Rs. 26,889. Employment increased by 17 per cent and borrowing for income generation activities increased from 50 per cent to 70 per cent. An average savings per household increased three times from Rs. 440 to Rs. 1444. Similarly the average borrowing per households per year increased from Rs. 4282 to Rs. 8341 and loan repayment improved from 84 percent to 94 percent. It was estimated that 112 households or 47.8 per cent of the poor had crossed the poverty line. Other positive impacts experienced by SHG members related to increase in self-worth, communication skills, and desire to protest social evils, improved response to problem situations and a decrease in family violence. The study findings also revealed that social impact was stronger in the case of groups promoted by NGOs than in groups promoted by banks. Thus this study found
that a standard of living index of sample households comprising of socio-economic parameters rose for both economic and social parameters.

Planning Commission of India (2002) carried out a study entitled “Micro Finance and Empowerment of Scheduled Caste Women: An Impact Study of SHGs in Uttar Pradesh and Uttaranchal”. The study has covered a sample of 1120 beneficiaries, 224 SHG’s, 143 villages, 28 blocks and 7 districts. This study found that the most of the beneficiaries were belong to the age group of 26-45 years. They were found either illiterate or educationally backward. Their housing condition was not so good where they face problems of electricity, safe drinking water and sanitation. The average annual savings per group was reported to be Rs. 12442 while per member it was reported to be Rs. 1199. Similarly, per group, average annual credit was estimated Rs. 54274 while per member it was Rs. 5231. Only half of the respondents had received training and orientation for capacity building. After joining of SHGs more than one third respondents accepted that their participation in decision making had improved. The training programmes had a positive impact on confidence building, skill development, maintaining bank linkages, managerial efficiency, productivity and income generation etc. The main purpose of loaning was to meet consumption needs, emergencies, agriculture and other income generation activities. The SHG’s have provided social opportunities to make them aware regarding rights, entitlements and development programmes as well as starting income generation activities for substantial earnings and self-employment. This study revealed that the socio economic condition of members had been improved since joining the group. The positive changes had been reported in case of awareness, regarding nutrition, health, hygiene, family planning decision making, economic interventions, microenterprises promotion and growth of non farm economy in rural area. It also pointed out the improper training, lack of knowledge, lack of awareness, illiteracy, insignificance of banking system, lack of cooperation and low level of confidence among women entrepreneurs as main constraints. To wipe up these constraints the study highlighted the points such as proper regulation direction monitoring mechanism and good management and proper
utilization of the credit and training package for entrepreneurship development. Thus the study concluded that the microfinance had a positive impact on socioeconomic status of Scheduled caste women. But still need more attention and appreciation and promotion of SHGs can bring women into the mainstream of economic development.

MYRADA (2002)\(^{18}\) conducted a study entitled, "Impact of Self Help Groups (Group process) on the Social/Empowerment status of Women members in Southern India" in southern states namely Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. In all, 13 SHGs were interviewed and it covered four professionally managed NGOs (DHAN, RASS, CHASS and MYRADA), one from each state. Interactions were held with two types of groups, the first group consisting of those SHGs who were over three years old and the second group of those SHGs which were formed less than one year ago. The basic objective of the study was to establish whether and to what extent membership in the Self Help Groups had an impact on the social status and empowerment of the women member of such groups. The study found that most of the SHG sample household members were young (26-35 years of age) married women in both type of SHGs (less than one year and more than three years old) and over 45 per cent of respondents in both groups (new and old) were illiterate. This study revealed that 89 per cent of interviewees of the old groups and 71 percent of interviewees of younger groups agreed that their financial position had changed for the better after joining the SHG. The average share of earnings of SHG members in the family income was higher in the older SHGs. The members of older groups also expressed a higher level of confidence in comparison to member of young groups. The study also found that as compared to the newer groups, more respondents in the older groups reported that their control over their own lives had improved. Thus considering all these factors it can be concluded that members of the old group emerge as more confident, financially more secure, and in more control of their lives.
Puhazhendi and Badatya (2002) conducted a study entitled, "SHG Bank Linkage Programme for Rural Poor: An Impact Assessment" to examine the impact of microfinance through SHG bank Linkage programme on SHG members in states of Orissa, Jharkhand and Chhattisgarh. The study covered a sample of 115 members of 60 SHGs from three selected eastern states – Orissa, Jharkhand and Chhattisgarh. The reference period of the study was 2001-02. The socio-economic conditions of the members were compared between pre and post SHG situations to assess the impact. This study reveals that SHG Bank Linkage programme has made significant contribution to social and economic improvement of SHG members. Comparing the pre and post SHG situation, the study reported that there is an increase in household savings and assets for the SHG members after they formed the group. About 23 per cent of SHGs recorded an increase in savings over a period of time. Two fold increase was recorded in the mean annual savings of the members (from Rs 952 to Rs 1863) after joining the SHGs. About 45 per cent out of the total sample households reported an increase in asset structure after joining a SHG. The average loan per member increased significantly by 123 per cent during the post-SHG situation. The percentage of members which have taken loan is about 78 per cent, which indicates that loans were well distributed among SHG members. As far as loan repayment is concerned, the study reported that 83.3 per cent of the groups had promptly repaid the loans and only 16.7 per cent of the groups reported late payments on current loans. Comparing the pre-SHG and post-SHG situations it was found out that average annual net income per sample households was increased by 23 per cent and the employment per household increased by 34 per cent. The study further reported that about 15 per cent of the sample SHG member households were able to raise their income levels sufficiently to cross the poverty line. There was also a remarkable improvement in the social empowerment of SHG members in terms of self-confidence, involvement in decision-making, better communication skills etc. Emphasizing all these points they show a very effective and significant positive impact of SHGs in economic condition of the members.
J. S. Anand (2002)\textsuperscript{20} in his book entitled “Self-Help Groups in Empowering Women: Case study of selected SHGs and NHGs” examined the role of Self Help Groups in empowering women. In this paper he tried to evaluate the performance and impact of selected SHGs and NHGs (Neighbourhood Groups). For the study, SHGs promoted by three voluntary agencies in Changathara panchayat (in Nilambur Block of Malappuram district of Kerala) - Shreyas, BVM\textsuperscript{1}, and the CDS\textsuperscript{2} were selected. Five groups each from the three agencies were selected for a detailed study. The selected respondents were interviewed using a structured schedule. All the members irrespective of the group agreed that the most striking advantage of the SHGs was the thrift component and that because of the thrift component they have been freed from the clutches of moneylender. He also pointed out that around 55 percent of the selected members in BVM, 33 percent and 42 percent in Shreyas and CDS respectively have agreed that they have taken up income generating activities (IGAs) by availing micro-credit. The contribution of microenterprises to the family income was 35 percent in BVM, 25 percent in CDS, and 27 percent in Shreyas. Micro-credit thus seems to have created a positive impact on the income of families of the members. This paper revealed that the groups have provided a forum for women to express their concern and enabled them to see what is happening outside the house. Social actions were initiated by several selected SHGs against the dowry system, alcoholism, illiteracy and divorce. Selected respondents unanimously expressed the view that some improvement in their lives had taken place as a result of their increased confidence and ability to cope with difficulties. Thus in this paper researcher noticed impoverment in the attitude of the beneficiaries of the SHGs and NHGs.

H. R. Sharma (2004)\textsuperscript{21} in his study entitled, “Functioning and impact of Microfinance: Evidence from Himanchal Pradesh” highlighted the economic impact of the microfinance on members. For this study, out of 12 districts he selected Kangra district which ranks first with 2115 SHGs. To select the sample

\textsuperscript{1} BVM ------ Boothan Vikas Mandal
\textsuperscript{2} CDS ------ Community Development Society
households he used multistage simple random sampling procedure. The “control group” method was adopted in the study to examine the economic impact of microfinance. The data was collected using well designed and pre-tested schedules through personal interview method during the year (2003-04). The study estimated the households of the control group had lower economic status compared to their counterpart who had joined SHGs earlier. The amount of land owned by households of the control groups was nearly half in comparison to that of member households. The category of landless farmers household was 16.67 percent compared to 1.67 percent among member households. Similarly illiteracy was also much higher (17.13 percent) among the control group households compared to household who had joined the groups (7.28 percent). The study reveals that the level of income, employment and consumption of member households were significantly higher compared to the control groups. Poverty was estimated 13.33 percent for control household and 9.5 percent for the member household. After joining the group the level of income of the member households increased from Rs. 69800 to Rs. 85731 and number of employment days increased from 8 to 20. The incidence of poverty among these households declined from 9.17 percent to 2.5 percent. The study also highlighted some constraints such as low skills, human capital, lack of training and technical know how and lack of market information emerged as binding constraints that need to be addressed on a priority basis to make microfinance an effective instrument of creating and enhancing production and sustained increase in income and employment.

Jayaraman (2005) in the study entitled; “Performance Analysis of Fisherwomen Self Help Groups (SHGs) in Tamil Nadu” has made an attempt to evaluate socio-economic condition of Fisherwomen Self Help Groups in Tamil Nadu. Primary data required for the study were collected from 725 fisherwomen SHG members representing 41 SHGs from five coastal villages. The study

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3 Control Group: Households whose socio-economic status including physical environment was broadly similar to the member households when the later joined the SHGs.
concluded that the fisherwomen SHGs performed well in availing and repaying microcredit which had contributed to their socio-economic empowerment and to better livelihood conditions. The report pointed out that the average membership of the SHGs is about 17. About 88% of the fisherwomen belonged to the age group 21 to 50 years. Out of 41 sample SHGs, 29 SHGs (71%) are engaged in economic activities. Among the 725 sample fisherwomen, only 101 (above 14%) were engaged in traditional economic activities and 167 fishermen (23%) took up new economic activities. Overall, 268 fisherwomen (about 37%) are involved in economic activities. The report says that the internal loan amount as well as bank loan credit are used for various productive purposes by the members. The study found that microfinance had indeed contributed to the overall socio-economic empowerment of the fisherwomen apart from improving their livelihood conditions besides providing an opportunity to the banks to serve the ‘unreached’ coastal poor and to make profitable business. The SHG movement has also created awareness among the poor women about the Panchayat Raj Institution activities. Besides, linkage with the SHGs led to increase in participation in outdoor activities, an increase in participation in decision making and positive change in right on income. The study also find out about the positive change in the general attitude and behavior of the husbands and other family members towards the fisherwomen after joining the SHGs. As far as economic impact is concerned there is increase in the monthly income of the respondents, also there is increase in the expenditure incurred on various consumption needs (mainly on food, health and education) after joining the SHGs. The study suggested that microcredit interest rate should be reduced, loan repayment installment term should be increased and flexibility in loan repayment must be there. Efforts must also be there to provide marketing facilities to the SHG’s products and self employment training to the rural people.

**NABARD (2005)** carried out study entitled, “SHG- Bank Linkage Program in KBK Region in Orissa” in district of KBK region in Orissa. Data was collected from 997 members of 80 sample SHGs. Study manifested that around 89194 families in Kalahandi district and 394560 families in entire KBK
region of Orissa got benefited from the SHG bank linkage. It also had positive
impact in transferring the unorganized rural mass to organized rural mass;
discover their strength and courage to strive against all odds. The study reveals
that the linkage with banks stimulated the positive attitude towards savings and
investments amongst the members. It estimated Rs. 346 as an average monthly
saving of a SHG and Rs. 28 per month as an average monthly saving for a
member. The average borrowing was estimated at Rs. 852 per members. While
half of the members used for consumption purposes and about 19 percent used to
repay the old debt to money lenders and outsiders. Not merely for consumption
and repayment, 25 percent of the borrowing members have used their borrowing
for taking up small business and trading activities. As for as social impact is
concerned, study found about 26 percent sample member could learn reading
and writing the names after joining the SHG. 64430 persons in KBK regions
could get timely and proper medical attentions with the financial support from
the SHG. The SHG movement empowered the rural women with dignity,
identification, recognition and respect. It helps them to come out of the
conservative attitude. The rural poor who remained always in the borrowing
domain could find themselves with surplus funds merely because of
microfinance and the group approach under the SHG bank linkage programme.

Mathew P. M. (2005)\textsuperscript{24} in his article, "Micro Finance can help unleash
untapped entrepreneurial talent", has tried to find the link between microfinance
and entrepreneurship. He pointed out that supply side economics propounds that
provision of inputs and services will help the poor to empower themselves
provided the so-called 'social capital' is facilitated. The major inputs, according
to this logic are credit and the so-called business development services. Finance,
which adequately addresses the needs of these enterprises at the same time, helps
to unleash the productive forces as also the unlimited human capabilities. A
major contribution of micro finance innovations is the social intermediation it
has facilitated. Since micro finance has an instrumental role in this process, it is
vital to make this lubricant of the development machine more meaningful and
appropriate to the needs of enterprise development. The thumb rule for micro
finance and rural organization in India should not be big numerical targets but the imperatives of enterprise development.

K.C. Bataya, B.B. Wadavi, and Ananthi (2006) had undertaken a study entitled “Microfinance for Microenterprises: An Impact evaluation study of Self help groups”, to examine the impact of SHGs in Andhra Pradesh. Study covered three districts i.e. Chittor, Nizamabad and Warangal. They selected a sample of 56 SHGs and 310 SHGs members. In their study they estimated that 87 percent increment in net income of SHGs members, on an average which was equal to Rs.14115. The mean incremental net income was estimated Rs. 4800 for SHGs of 3 years old and Rs.22389 for SHGs of seven years. This demonstrates that the income generation is positively related with age of SHGs. On account of saving and borrowing this study revealed that mean annual savings per household increased by 18.4 percent and mean annual borrowing per household increased by 60.5 percent between the pre and post SHG situation. They found that the employment generated by microenterprises households increased by 33 percent in comparison to IGA households and 81 percent in comparison to Non-IGA households. Thus this study revealed that the microenterprise development through microfinance was an effective mechanism to generate employment and income amongst the members of the group.

APMAS (2005) conducted a study entitled, “A study on Self Help Group (SHG) - Bank Linkage Programme in Andhra Pradesh” covering 8 districts in the state of Andhra Pradesh. The sample for the study consists of 400 SHGs, spread over 8 districts of Andhra Pradesh and members from the sample SHGs mainly belonged to socially and economically disadvantaged sections. The study found that nearly 53% of the members were from Backward Castes, 19% from Scheduled Castes, 4.5% from each of Scheduled Tribes and Minority groups, and as many as 19% from other castes. In terms of changes in the financial status, most members (94%) reported a clear improvement in their savings habit, and 89% reported satisfactory to good availability of credit. Around 84.5 percent members reported an increase in income level. The report
also pointed out that 91% of SHGs in the OBC category reported improved access, and, even more significant, over 82% of SHGs in the ST category reported improved access to banks and other financial institutions. Another important point which the report has highlighted is that the dependence on moneylenders stood at a high 33% by the fourth and fifth linkage. On decision-making power, self-confidence, leadership, self-reliance, and group solidarity, the members agreed that there was a clear change for the better. Nearly 43% of women reported noticeable improvement in education levels. More than 81% of members reported momentous increase in self-reliance, and nearly 89% responded similarly with respect to self-confidence. Nearly 82% reported moderate to significant change in decision making ability at the first linkage, this increased steadily to 94.4% reporting increase in decision making ability by the fourth linkage. On account of improvement in leadership qualities, nearly 80% reported a moderate to significant increase. On the basis of group solidarity most of the groups, across various social categories, agreed that it has increased.

**EDA Rural System and APMAS (2006)** undertook the study entitled, “The Light and Shades of SHGs in India”, to emphasize the SHG-Bank-linkage programme in India. The study covered 214 SHGs in 108 villages in 9 districts of four states, two southern (Andhra Pradesh and Karnataka) and two northern (Orissa and Rajasthan). The sample of the study was based on older women’s groups, mostly bank-linked (with a bank loan) before March 2000. The study established that 51 per cent of SHG members were poor and 55 per cent belonged to the SC/ST category. It also found that average monthly savings were Rs. 45 and the modest rate of interest charged on loans to members was 2 per cent per month. Around 77 per cent of the groups had borrowed from banks or federations at least once and the average number of borrowings was 2.5 times. On account of longevity, it was found that the proportion of defunct and broken groups was only 7 per cent, which is low considering that the average group age was 6 years. 10 per cent of members had dropped out of the functioning SHGs of above sample, with over a third of them for reasons of migrations, death or illness. The dropout rate from the very poor was 11 per cent and was less for
those who were financially better off. The study also reported that at least one member in a SHG ran a local political office and one in every five SHGs had a woman member who was elected either as a ward member at the village level or a ‘Sarpanch’ at the block level. The proportion of active representatives was found higher in the northern region than in the south. The study also reported that two-thirds of total sample were single caste groups and one third of SHGs had members from different castes. However, in some places with SHPI initiative, SHGs started bridging differences through mixed caste membership or through joint actions across groups of different castes. The study found that though SHGs supported their members in their fight for social justice, they did not deal with such issues regularly. Only 12 per cent of SHGs had taken up issues like domestic and sexual violence, bigamy (a punishable crime), dowry deaths, or had prevented child marriage or supported the remarriage of separated women. The study also did not find any significant involvement of members in community participation. Only 30 per cent of SHGs in the sample were involved in community actions. Of the total SHG members involved in community actions, 43 per cent were in community services (related to water supply, education, health care, veterinary care, and building and maintenance of village roads), 31 per cent in campaigning against alcoholism, and 12 per cent for protecting natural resources and acts of charity work for non-members. On issues related to sustainability and financial aspects of SHGs, the study found that the quality of records/note books was good only in 15 per cent of groups, moderate in 39 per cent and weak in 40 per cent. The government-promoted groups were weakest in record keeping and were half as likely as NGO or bank-promoted groups to have well or moderately maintained records. In matters of distribution of loan amount, the number of non-borrowers was quite small -5 per cent in the southern region and 8 per cent in the north. Overall, the data reflect relatively low standard deviation around the mean for the number of loans and amount borrowed by members. Group leaders generally have better access to loans. The study evaluated the repayment of loans by members to SHGs on monthly basis. It was found that 24 per cent of borrowers were more than three
months behind schedule on repayments, of whom 5 per cent were more than 12 months behind schedule. Default by 12 months was significantly higher for the very poor and 8-9 per cent for poor borrowers, compared to borderline cases at 4 per cent and for non-poor at 1 per cent. Data on portfolio at risk (PAR) for 155 SHGs show that 45 per cent of such groups (but 66 per cent in Andhra Pradesh) had defaulted for more than a year, amounting to 17 per cent of the portfolio (but one-third in Andhra Pradesh).

**MP Vasimalai, K. Narender (2007)**\(^{28}\) in their article entitled “Microfinance for Poverty Reduction: Kalanjiam Way” has evaluated the study undertaken by the Center of Research of DHAN foundation between August 2002 to September 2003. The study used 3 stages stratified sampling technique for the selection of Kalanjiam. This study had selected 240 members and 60 respondents from control group who were personally interviewed using a structured interview schedule. This study found that around 51 percent of the members completely repaid their old debts. It was estimated that the major proportion of the loans (28 percent) provided from the Kalanjiam, were used for repayment of debt followed by productive and asset creation purpose such as agriculture and livestock (15 percent), housing (14 percent) and small scale economic activities (9 percent). This study also found that after the intervention of the Kalanjiam about 72 percent of the members were able to save Rs. 100 per month. After the intervention of the Kalanjiam the members were able to avail more loans at affordable interest rates. This led to a significant declined in usury in the villages. They estimated that loans borrowed at 120 percent interest rate decline from 17 percent to 8 percent. About 55 percent members (old member, having more than 5 years) improved their housing condition. Family income of members also increased after joining the programme by around 30 percent and 45 percent for members of 3-5 years age group and more than 5 years age group respectively. The study finding also revealed that the intervention of the Kalanjiam programme, had empowered a considerable proportion of women 12 percent of Kalanjiam women’s had assets, 80 percent had developed skills to solve issue at family and village level, 49 percent were observed to participate in
village/ slum development activities as against 9 percent respondents from the control groups. Despite all these achievements, Dhan also manifested several challenges and new opportunities for the microfinance, such as expansion of social security, micro insurance and lack of promotional costs required to promote the groups.

G.R. Sudersana and Panduranga (2009)\(^{29}\) undertook a case study entitled, “Role of Microfinance in Rural Development: A case study of Bangalore rural district in Karnataka in India” to find out the role of microfinance in Jhyamagondiv, village of Banglor. 200 SHG members had been selected as sample for this study. This study asserted that there was no specific age, education level and criteria for SHG membership. It estimated that 50 percent of the respondents were female, 92 percent of respondents were having the education level that was SSLC, and 92 percent of its members were poor people. Study found that 80 percent of members had taken loan from SHGs for self employment which was productive investment and 98 percent of the loan had been paid back before the due date. SHG’s processes of loan sanction were easy compared to banks loan sanction process. Cent percent transparency in the operation brought confidence amongst the members. 86 percent of the respondents opined that microfinance helped them in improving their economic status and livelihood. This study also established the positive impact of microfinance on economy of rural area.

Chatterjee (2009)\(^{30}\) conducted a study entitled “Economic Impact of Self Help Groups- case study” in the district of North 24 Parganas of west Bengal. The study highlighted the economic impact of group formation on the group members, created under SGSY programme of government of India on the basis of primary survey undertaken in the districts North 24 Parganas of west Bengal. Data were collected from group members as well as from the non-group members. The study covered 300 group members of 27 groups from of all four sub divisions of the district where programme under operation. The sample size for people who were not member of the group is 143. Data was collected on
different socio-economic and demographic factors like religion, families income level, occupational pattern, number of children, consumption pattern, food expenditure, number of school dropouts in the family from group members and non group members. In this study he found that there was an increase in individual income and family income of group members. The study revealed that the formation of SHGs has promoted the saving habit among the group members and improvement in health awareness. It also reported a significant decline in the school dropout rate in the families of the group members than those of non group members. Thus he found that the women empowerment through group activities is improving the level of families’ welfare. These results signify the importance of group forming agency in the overall welfare of the group members.

NABARD (2009) in the report entitled “Status of Microfinance in India 2008-09” highlighted the major finding of the national level study entitled ‘Impact and Sustainability of SHG Bank Linkage Programme” conducted by the National Council of Applied Economic Research (NCAER). The study was conducted to assess the impact and sustainability of SHG-Bank linkage on the socio-economic conditions of the individual members and their households in the pre-SHG and post-SHG scenarios. The study covered six states (Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam) from five regions viz. the south, west, east, central and north-east. This study estimated that the net household income between pre-SHG and post-SHG registered a significant growth per year at 6.1 per cent. The annual growth rate in per household consumption expenditure on food and non-food items recorded 5.1 percent and 5.4 percent, respectively. Per household annual expenditure on education and health recorded 5.6 per cent and 5.5 per cent growth, respectively. Net increase in the value of consumer durable assets per household was Rs. 4,329 between pre-SHG and post-SHG periods and the annual growth of assets recorded a high growth between the two periods at 9.9 per cent. The average loan amount per household grew at an annual rate of 20.5 per cent between the pre-SHG and the post-SHG periods. About 93 per cent of households reported that loans had been taken in the post-SHG situation as compared to that of 46.5
per cent during pre-SHG. On the issue of repayment of loan by SHG members, the findings showed that 96.4 per cent of households had reported regularity in repayments of loans. The share of households living below the poverty line reduced from 58.3 per cent in the pre-SHG period to 33 per cent in the post-SHG situation. The average annual poverty reduction rate was 10 per cent. About 92 per cent of households reported that the social empowerment of women had increased after joining membership in SHGs over a period of time. More than 60 per cent of the households indicated that there had been an increase in the ownership of productive assets in post-SHG situation as compared to pre-SHGs situation. The findings showed that 22.5 per cent of women SHG members in the households had taken decision in the post-SHG period as compared to 9.1 per cent in the pre-SHG period with respect to children’s education. The study also highlighted that the major problems in promoting new SHGs were mainly illiteracy and ignorance of people and shortage of field staffs. The overall findings of the study suggested that SBLP has significantly improved the accessibility of financial services to the rural poor and had considerable positive impact on the socio-economic conditions and the reduction of poverty of SHG members. The study also reported a considerable empowerment in self-confidence and positive behavioral changes in women members in the post-SHG period as compared to the pre-SHG period.

Thakur, Sharma and Jain (2010), in their study entitled “Microfinance- A Tool for Poverty Control (With Special Reference to Gwalior and Chambal Division of Madhya Pradesh)” has tried to find out how microfinance can help in poverty control. The data collected from 300 respondents. The study concluded that employment opportunity and tenure of SHGs and NGOs (in years) are the most important factors responsible for poverty control. The study suggested that although microfinance is an effective technique to meet the financial requirements in the rural areas, nevertheless, it is essential to develop a smooth credit system with support from financial institutions. There is a possibility that microfinance may prove to be an important poverty control and alleviation tool.
Khosla Vinod (2010), in the article entitled “Lending a Helping Hand” explains how microfinance has enabled women to improve their socio-economic condition, and how sometimes they become successful local employers. He asserted that to take microfinance to the next level, microfinance must lead the financial services industry in responsible lending practices. According to him, social investors can help in monitoring short-term financial objectives of purely commercial investors who have entered the microfinance sector just for financial purposes. He suggested that investments in technology and R&D that improve efficiency of microfinance lending are also very important. He concluded that microfinance will open up cheaper distribution channels into the rural economy and accelerate rural GDP growth, ultimately having far more impact than most of the world's foreign aid and similar non-scalable, non-sustainable efforts.

Sushil Kumar Mehta, Hari Govind Mishra & Amrinder Singh (2011) conducted a study entitled “Role of Self Help Groups in Socio-Economic change of vulnerable poor of Jammu Region”. A sample of 10 SHGs (SHGs promoted by Gramudyog Hastakala Kendra, an NGO working for promotion of SHGs in Kathua District of Jammu) consisting of 162 members have been taken for this study. As far as economic condition is concerned, the study found that there had been 5.5, 5, 10.5, 14.8 and 19.8 per cent increase in SHG members from the pre SHG period, who had taken loan between zero and Rs. 5000, Rs. 5000-10000, Rs. 10000-20000 and Rs. 20000-35000 respectively in the post SHG period. In respect of assets value 113 SHG members (70 per cent) reported increase in their asset value in the post SHG period, 33 members (20 per cent) stated no change in their asset value and only 16 members (10 per cent) found decrease in their asset value. This shows that majority of the sample SHG members were benefited by joining the SHGs. Thus the study concluded that SHG – Bank Linkage Programme had significant impact on the accessing to financial services for the rural poor and has considerable positive impact on the socio-economic conditions.
Most of the above studies emphasized the impact assessment of microfinance and found a positive impact of the microfinance programme. Significant improvement has been noticed in socio-economic condition of SHG members in terms of increase in savings, annual net income, employment and average value of the households, self confidence, decision-making and better communication, etc., On the other hand many studies have highlighted the problems and negative impacts also. A brief review of some such studies is being given below.

Karmakar (1999)\textsuperscript{35}, under his article entitled, “Rural Credit and Self Help Groups, Microfinance Needs and Concepts in India” pointed out the various problems of rural credit delivery system in India. The major problems according to him are the repayment and recovery of the loans at the borrowers’ level and the consequent weakening of the entire institutional credit system. He found that the causes on the internal front were defective loan policies and procedure, inadequate supervision and monitoring and unprofessional management. On the external front, the problems were occurrence of natural floods and droughts, absence of backward and forward linkages, defective legal frame work, and lack of support from the government machinery in recoveries. Because of all this, he summarized that instead of mobilizing resources for rural development, the programme for rural development has actually been consuming scarce monetary resources and has not worked out to the advantage of the rural borrowers, the bank and the government.

Coleman (2002)\textsuperscript{36} in his paper entitled “Microfinance in Northeast Thailand: Who Benefits and How Much?”. refined the earlier study to evaluate the outreach and impact of two microfinance “village bank” programs that targets the poor in Northeast Thailand. This study shows that participants are significantly wealthier than nonparticipants, and the wealthiest villagers are almost twice as likely to participate as the poorer villagers. Moreover, the wealthiest often become program committee members and borrow substantially more than rank-and-file participants. The study demonstrated that microfinance
loans positively affect many measures of household welfare for the wealthy committee members, but the impact is largely insignificant for poorer rank and file members. Essentially, by overcoming the low borrowing limits set by the program, the wealthiest and most powerful members of the village were able to benefit significantly from the microfinance programs. Policy recommendations include vigilance in targeting the poor, publicly disseminating the program rules and purpose, and introducing and enforcing eligibility criteria.

Asian Development Bank (2007) conducted a study entitled “Effect of Microfinance Operations on Poor Rural Households and the Status of Women” in Bangladesh, Philippines, and Uzbekistan, representing three of the five operational regions of ADB. Qualitative tools to gather information were used to assess the effects of microfinance on the status of women. A total of 27 focus group discussions were undertaken in three countries. The study found that the availability of microcredit loans had positive and mildly significant impacts (significance level of 10%) on the per capita income of the beneficiaries. The income of those that received microcredit loans increased by P 5,222 per year compared with those that did not receive a loan. Similarly positive impacts were also found for per capita total expenditures and per capita food expenditures. But, the impact on per capita income and expenditures was found to be regressive (i.e., the impact was negative on households with per capita incomes of less than P 34,428, and becomes positive only for households with per capita incomes above P 56,200). This study also revealed that microcredit loans did not generate sufficient profit to increase household income among the poorest households.

A study was conducted by Planning Commission of India (2008) entitled, “A Report on the Success and Failure of SHG’s in India – Impediments and Paradigm of Success”. The study was conducted in five states of India selected from the South, North, West, East and Central region of the country. In Southern region, the study covered Andhra Pradesh, in Northern region Uttar Pradesh, in western region Gujarat, from central region Chhattisgarh and from
Eastern region Bihar. Among these five states Uttar Pradesh and Bihar represented the lesser developed SHG’s of the country. In the study about 59 percent of the sample SGSY beneficiaries were observed to be women. On the basis of respondents’ opinion the study revealed that about 26% of the respondent swarozgaries did not find the training useful due to too much focus on very micro issues, 34 % found the training was useful and productive due to content clarity and 29 % of group swarozgaries felt that the training was somewhat effective in pursuing micro enterprise activity. The study also revealed that selected women members stated that their workload also increased with improvement of their work life due to some supplementary work provided by SHGs. But these new activities could not generate enough income for them. The study suggested that more publicity should give among the potential beneficiaries about the scheme.

Md. Al-amin and Tayub Chowdhury (2008) in the paper entitled “Women, Poverty and Empowerment: An Investigation into the Dark Side of Microfinance” focused on both positive and negative impacts of microfinance. They found that microfinance is diverse, complex and context specific. They stated that microfinance is not a panacea to tackle all the causes of poverty and it may take a long time to bring about gender equity and women’s empowerment. Therefore, it needed a comprehensive strategic and long-term policy package to reduce poverty and gender inequalities with the involvement and strong commitments from all pertinent stakeholders like government, non-governmental organizations, private sectors, donors etc. The study highlighted that the role of the state is very vital for creating an enabling framework for microfinance to enhance and produce expected outputs for poverty reduction and gender equity.

Stewart R, Van Rooyen C, Dickson K and Majoro M, (2010) in their report entitled “What is the impact of microfinance on poor people?” reviewed the empirical research on the impact of microfinance (specifically micro-credit and micro-savings) on poor people in sub-Saharan Africa. In their report they
concluded that some people are made poorer by microfinance, particularly micro-credit clients because they consume more instead of investing in their futures and because of this their businesses fail to produce enough profit to pay high interest rates. Thus their investment in other long-term aspects of their futures was not sufficient to give a return on their investment. They also reported that there was some evidence that microfinance enabled poor people to be better placed to deal with shocks, but this was not universal. They suggested that more focus needed specifically on providing loans to entrepreneurs, rather than treating everyone as a potential entrepreneur.

Research Gap

Thus the above brief account of the existing literature on the subject shows that various attempts have been made to highlight the impact of microfinance. Though it is difficult to evaluate the impact of microfinance on members’ life as changes over time depends on a number of factors. From the studies discussed above, it can be concluded that while several studies (Puhazhendi and Satyasai, 2000; Puhazhendi and Badatya, 2002; MYRADA, 2002; Afrane, Sam 2002; APMAS, 2005; and EDA Rural System and APMAS, 2006; NABARD, 2009) discussed mainly various socio-economic parameters of SHG members related to the situation during pre-SHG and post-SHG periods. The major findings of these studies suggested that during the post-SHG period household savings, annual net income, employment and average value of has increased significantly in comparison to the pre-SHG period. Thus from the above review we find that generally the studies has come across positive results of the microfinance programmes. Significant improvement is noticed in social empowerment of SHG members in terms of self confidence, decision-making and better communication.

On contrast, some of the studies have tried to look into the problems, loopholes and negative impact of microfinance like Karmakar (1999) highlighted the problems of defective policies and procedures, inadequate supervision and monitoring and unprofessional management. Coleman (2001)
found that only the wealthy client’s had benefited from the loans. Afrane, Sam (2002) in his paper also established negative impacts, with respect to the social and spiritual indicators, of the microfinance in both counties Africa and Ghana. The study of Planning Commission (2008) highlighted the fact that instead of improving economic condition of the women, joining the SHGs had increased their workload. Md. Al-amin and Tayub Chowdhury (2008) show that success of microfinance depends on the proper framework of strategy adopted by State. Setwart R. Van Rooyen C. Dickson K and Majoro M, (2010) found that some people are made poorer by microfinance, particularly micro-credit clients because they consume more instead of investing in their futures and because of this their businesses fail to produce enough profit to pay high interest rates.

Thus the impact of microfinance on the members is still a debatable issue. Eastern U.P. is economically very backward region characterized by, widespread illiteracy, poverty, malnutrition, unemployment, etc. Fruits of development have not reached to the lowest segment of the society in this region. Microfinance through SHGs was expected to improve socio-economic condition of weaker sections specially women of this region. SBPL programme had been started with great expectations. Upto now no study has been undertaken to assess its impact in this region. Present study is aimed to fill up this gap. Special focus will be placed on analyzing economic indicators of poorest SHG members both in Pre and Post SHG period. In the study, covering the economic indicators such savings, borrowings, employment, income and assets holdings based on primary data collected from the selected districts, we have tried to give a clear picture and reliable outcome of SHGs’ impact on economic condition in eastern Uttar Pradesh.