ABSTRACT

Like most of the developing countries, India is also facing poverty as a crucial problem. The existence of large levels of poverty and the associated deprived socio-economic profile of individuals could actually slowdown the economy from achieving its full potential. According to UN Human Development report 2011 India had the world’s largest number of multi dimensional poor, more than half of the total population, at 612 million. The report released that India ranks a low 134 among 187 countries in term of the human development index (HDI), which assesses long term progress in health, education and income indicators. India is predominately a rural economy and majority of poor people are abode in rural areas so high incidence of poverty prevails in rural areas. Thus rural areas accommodates a vast majority of population which is economically deprived in terms of income, access to resources, gender biases, child labour, different forms of human abuse, etc.

The microfinance sector has emerged as one of the fastest growing segments of the Indian financial sector for alleviating poverty, raising the income levels and improving the living standard of the rural poor. Over 35,290 bank branches of 48 commercial banks, 96 Regional Rural Banks (RRBs) and 352 cooperatives are involved in financing these groups (Sunil Kumar, 2010). N. Srinivasan (2009) in his report highlighted an inter regional comparison which shows that South Asia, East Asia and the Pacific region posted the highest rate of growth in terms of client outreach to poor during the period 2002 to 2008. Sub-Saharan Africa, Middle East and North Africa region had the slowest growth rate. According to the MIX market data about 1400 MFIs operating across the world. Of all the MFIs, Latin America had a share of 28 per cent followed by Eastern Europe and Central Asia region with 21 per cent. Across countries, the survey found that Peru was best placed in terms of ranking, followed by Bolivia, the Philippines, India and Ghana. These countries score well in all three index categories, having a favourable legal and regulatory framework, a well investment climate and strong level of institutional development. In overall ranking India located at the 4th position. India’s position near the top is on account of good institutional development factors and a reasonable regulatory environment. India
emerged as the largest microfinance market, because of its’ large size and high proportion of poor

1.1. Conceptual Framework of Microfinance

Generally microfinance and microcredit are interchangeable. Microcredit 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 microcredit 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 Microfinance 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 profitability-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.

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.

1.4. 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:

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 Ho1: There is no significant difference in economic condition of the
   members in pre to post SHG situation.

1. Alternate hypothesis Ho1: 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:

Ho1: There is no significant difference in the income level of the members of Bank Group in
pre and post SHG situation.

Ho2: There is no significant difference in the income level of the members of NGO Group in
pre and post SHG situation.

Ho3: There is no significant difference in the income level of the members of newly formed
Group (upto 2 years) in pre and post SHG situation.

Ho4: There is no significant difference in the income level of the members of Group 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 Group 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 Group in
pre and post SHG situation.

Ho7: There is no significant difference in the saving level of the members of NGO Group in
pre and post SHG situation.
Ho8: There is no significant difference in the saving level of the members of newly formed Group (upto 2 years) in pre and post SHG situation.
Ho9: There is no significant difference in the saving level of the members of Group 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 Group 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 Group in pre and post SHG situation.
Ho12: There is no significant difference in the borrowing level of the members of NGO Group in pre and post SHG situation.
Ho13: There is no significant difference in the borrowing level of the members of newly formed Group (upto 2 years) in pre and post SHG situation.
Ho14: There is no significant difference in the borrowing level of the members of Group 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 Group of (6 and above 6 years) in pre and post SHG situation.
Ho16: There is no significant difference in the Assets value of the members of Bank Group in pre and post SHG situation.
Ho17: There is no significant difference in the Assets value of the members of NGO Group in pre and post SHG situation.
Ho18: There is no significant difference in the Assets value of the members of newly formed Group (upto 2 years) in pre and post SHG situation.
Ho19: There is no significant difference in the Assets value of the members of Group of 3-5 year old in pre and post SHG situation.
Ho20: There is no significant difference in the Assets value of the members of old Group of (6 years and above) in pre and post SHG situation.
Ho21: There is no significant difference in the employment levels the members of Bank Group in pre and post SHG situation.
Ho22: There is no significant difference in the employment levels of the members of NGO Group in pre and post SHG situation.
Ho23: There is no significant difference in the employment levels of the members of newly formed Group (upto 2 years) in pre and post SHG situation.
Ho24: There is no significant difference in the employment levels of the members of Group of 3-5 year old in pre and post SHG situation.
There is no significant difference in the employment levels of the members of old Group 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 $H_{02}$: The mean of the economic indicators of the members of the both group (NGO, Bank) are not significantly different in post SHG period.

2. Alternative Hypothesis $H_{02}^*$: The mean of the economic indicators of the members of the both group (NGO, Bank) are significantly different in post SHG period.

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

$H_{01}$: 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.

$H_{02}$: 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.

$H_{03}$: 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.

$H_{04}$: 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.

$H_{05}$: 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 $H_{03}$: The mean of the economic indicators of the members of different age groups are not significantly different in post SHG period.

3. Alternative Hypothesis $H_{03}^*$: 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:

**H01:** 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.

**H02:** The mean of the annual income of members of the new groups and Old groups are not significantly different in post SHG situation.

**H03:** 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.

**H04:** 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.

**H05:** The mean of the annual saving of members of new groups and old groups are not significantly different in post SHG situation.

**H06:** 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.

**H07:** 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.

**H08:** The mean of the annual borrowing of members of the new groups and Old groups are not significantly different in post SHG situation.

**H09:** 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.

**H010:** 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.

**H011:** The mean value of the assets held by the members of new groups and Old groups are not significantly different in post SHG situation.

**H012:** 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.

**H013:** 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)

**H014:** 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.

### 1.7. Scheme of the Study

The present work is divided into six chapters.

Chapter 1 gives an introductory note highlighting the rationale of the study, objectives, hypotheses and methodology used in testing the impact of SHG on economic status of the members.

Chapter 2 contains a detailed discussion of the studies that have been done on SHGs. The studies made in the past reviews both positive and negative aspect of the SHGs.

Chapter 3 this chapter highlights the need, evolution and growth of SHGs on Indian aspects. It has been categorized into the four sub chapters. The part discusses the need of microfinance in Indian economy and second sub chapter structured to give the detail and conceptual frame of SHGs. Evolution of SHGs in India is further discussed in the third part of this chapter and the last segment manifested the growth and progress of SHGs in India over the last decades.
Chapter 4 to conceptualize the research this chapter describes the demographic profile of the study area. It covers 3 districts of the eastern region of the state keeping in view the various geographical area and demographic figures of the sampled districts.

Chapter 5 discusses the results of the present study. Impact of SHG on various economic aspects has been discussed in detail. The chapter is divided into four sub chapters. The first sub section deals with the socio-economic profiles of the sample SHG households which include households’ distribution according to level of economic activity, family size, age profile and literacy level. All distribution has been presented in terms of model wise and SHGs’ age wise. The second sub-section analyses the impact of the programme on economic conditions of SHG members in terms of asset creation, saving and borrowing patterns, income and employment, etc. Last two sections present the comparison of the impact of the programme between two models and among three different ages of SHGs.

Chapter 6 deals with summary of conclusion, major findings and limitation of the study. It also provides directions for the future research.

Review of Literature

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.


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. Microfinance through SHGs was expected to improve socio-economic condition of weaker sections specially women of this region. SBPL programe 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 as 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.

Uttar Pradesh is a most populous state of India which is enriched with the high fertile soil, natural and human capital. The population of the state continues to grow at a much faster rate than the national rate. In term of per capita income Uttar Pradesh is lacking behind in comparison to our national average which indicates the backwardness of the state. Due to slow economic growth in U.P., the gap in per capita income of the State and that of the country has been increasing. The poverty level in the state is also very high in comparison to other states, and about 27.02 percent (1999-00) of its population lives below the poverty line. It lags behind not only in economic progress but in terms of indicators of human development too. In Uttar Pradesh the share of rural population in total population has reported a higher chunk in comparison to India. So the development of the country depends on the development of the rural mass.

The population of eastern U.P. is about 35 percent of the total population of the state. Nearly 85 percent population lives in rural areas and about 54 percent of the population directly engaged in agriculture. The socio-economic status of this region is much lower as compare to that of the other region of state. Feudal and hierarchical social structure has always been insensitive towards women and the poorest of the poor. In all the three sample districts the number of post offices and commercial banks are very low and the population per bank is very high. So, the banking structure in selected districts of the eastern U.P. has been found insufficient to fill the huge need of the large population. Thus, there is mandatory need of more attention in the improvement in banking structure in the sample area.

Since 1999, 435175 SHGs have been formed under the SGSY scheme in Uttar Pradesh upto December 2010. Out of the total number of SHGs formed, 255234 have passed GRADE I, and 160051 have passed GRADE II. 151740 groups have actually started up economic activities. In sample districts the highest number of SHGs has found 10144 in Faizabad followed by 9064 in Gorakhpur and 7289 in Mau district since 1999.
economic activities taken up by SHGs, Gorakhpur district reported highest number of SHG in sample districts, followed by Faizabad and Mau.

**MAJOR FINDINGS**

The present study demonstrated that SHGs had positive impact on economic condition of the members. Major findings of the present study are given below:

The socio-economic profile of the sample members shows that in the sample areas literacy rate is very low. 45 per cent of sample households were illiterate and about 33 per cent of the respondents could only sign. The SC/ST and backward class constituted 81 per cent of the total sample. NGOs covered more SCs/STs than banks mainly because of easy and affordable procedure of NGOs which attracts more poor population. The distribution of sample households, according to age of the members reveals that the majority of the sample SHG members (50%) belonged to productive age group (21-40 years). This study found that agriculture (farming) constituted the major share employing 36 per cent of sample households and about 26 per cent of the sample households accounted as a daily labourer (mazdor). The proportion of respondents who were engaged in service sector and self employed/business was 7 percent and 21 percent respectively. The work status of the respondents reveals that about 10 percent of the respondents were not doing any work. They were mostly women engaged in house keeping. In the selected SHGs out of 1423 members 1036 were women consisting 73.81 percent of total population. Thus the programme is focusing on women, who are marginalized and the weaker sections of the society.

Conclusion of the study are summarised as follows

1. Our study found a positive impact of the SHG on saving level of the members. Before joining the group on an average per member annual saving was Rs.581 which rose to Rs. 1805 after joining the group. The incremental saving was about 210 percent increase between the pre and post SHG period. The study also highlights that the members of NGO groups had little higher saving level than the members of bank groups but there is no significant difference between the saving of NGO groups and bank Groups. Our study also concludes that there is direct positive relationship between the age of the SHG and level of saving of the members. This means that the saving level of members increases with the age of the SHGs.
2. Study reveals implying the significant increase in microcredit by SHGs to its members, positive impact of the SHGs on borrowing level of the members. The loan amount received per member during the pre SHG situation was Rs.4312 which reached to Rs. 11807 in post SHGs situation. There was significant difference between the mean value of borrowing level of the bank groups and NGO groups. The respondents of the bank groups had significantly higher average borrowing level than the members of NGO groups in post SHG situation. The increase in quantum of loan between pre and post-SHG situations, according to the age of the groups, shows an increasing trend along with an increase in the age of the groups. The older groups (6 and above) registered highest percentage of incremental borrowing (295 percent), followed by 3-4 years old groups (183 percent) and newly formed groups (upto 2 year) recorded 47 percent. Though in post SHG period the members of middle aged groups recorded higher level of borrowing followed by older groups and new groups.

3. SHGs have encouraged their members to undertake more productive economic activities. The share of borrowing for productive purposes increased from 28.74 per cent to 61.87 per cent in pre SHG to post SHG situation. This is a noticeable positive switchover of the respondents’ behavior form consumption to production purpose. By providing some training and support the members of SHGs can easily become micro entrepreneurial in rural development. The study data reveal that SHGs played a vital role of the replacement of all sorts of informal agencies in catering the credit needs of the sample households. After the intervention of the SHGs, the borrowing pattern had also changed. A reduction of about 60 per cent in share of the moneylenders has been recorded and 76 per cent of the loan was received from SHGs.

4. The present study found that SHGs had helped its members to their assets. On an average, the sample members possessed assets worth Rs. 46543 in pre SHGs situation which increased to Rs. 70919 in post SHGs. The members of the bank groups had significantly higher value of assets size than that of the members of NGO groups. The members of older groups had reported greater percentage increase (220 percent) followed by members of 3-5 years old SHGs (108 percent) and members of newly formed SHGs. The study also reveals that in post SHG period, the members of the middle aged groups had significantly higher level of asset value than that of new groups. Members of the old groups had also significantly higher level of assets value
than that of new groups. Though members of old groups had little higher assets value than the members of middle aged groups but there is no significant difference between the old groups and middle aged groups. Thus study demonstrates a positive and direct relation between the age of the SHG and assets value held by the members.

5. In respect of repayment of the loan, after joining the SHGs the members have become more disciplined and responsible by making loans repayment on time. About 68.5 percent sample members made repayment on time after associating the group. The percentage of defaulters has decreased from 14.5 to 3.5 percent.

6. In pre SHG period the major share of loan accounts (41 percent) and loan amount (34 percent) were availed at the interest rate of more than 50 percent. On the other hand, in post SHG period the major share of the loan amount (60.9 percent) and account (64 percent) were contracted at the interest rate of 11 to 20 percent. This implies a positive impact of the programme in reducing the interest burden of the respondents and reducing the exploitation by informal agencies, mainly money lenders. However, the average rate of interest changed by the SHGs is still much higher than banks and other institutional sources.

7. Our study also has found an improvement in the literacy level of the sample members. The literate members have increased from 10 percent to 23 percent; similarly the percentage of the members who can sign only also rose from 8 percent to 34 percent. On the contrast the percentage of illiterate members has come down to 45 percent from 78.4 percent after joining the group.

8. The present study shows that SHGs has a positive impact on the income level of the members. Our data reveal that in pre-SHG average individual annual income was Rs. 8992 which rose to Rs. 11785 to post- SHG period. The study found that though members of bank groups had little higher income level than the members of NGO groups but there is no significant difference between the NGO groups and bank groups. The members of the older groups have recorded higher level of annual income, followed by middle aged group and new group. This means there is strong positive direct relation between the incremental income of the members and the age of the SHGs.
9. After joining the SHGs the members were able to generate new source of income or expand their old income source which enhanced their income level and raised their purchasing power. In pre SHG period, the expenditure of 27.5 percent of the respondents was less than Rs. 10000 per annum which declined to 9 percent. On the other hand the percentage of respondents having annual expenditure between Rs. 20000-30000 increased drastically from 20.5 percent in per SHG to 46.5 percent in the post SHG period. This implies that average consumption expenditure of the SHG members have increased after joining the SHGs.

10. The study also found that the share of respondents engaged in agriculture has declined from 46.5 percent to 37.5 percent in pre to post SHGs situation. The percentage of respondents engaged in self employed/business has increased 6 percentage to 21 percent. On the other hand the percentage of unemployed/housekeeping respondent has come down to 9.5 in post SHG, from 15 percent in pre SHG. This shows that after joining the SHG members become more business oriented.

11. In respect of employment generation the study reveals that average employment days per respondent worked out to 309 person days during post-SHG period that had registered an increase of about 66 per cent between pre to post SHG situations. The members of bank groups had little higher employment days than the members of NGO groups but there is no significant difference between the NGO groups and bank groups. On analyzing the data we came to the conclusion that the members of the old groups have recorded higher level of employment followed by middle aged groups and new groups. Thus the study found positive impact of the SHGs on the employment level of the members of the different ages of the SHGs.

12. Findings of the study also indicate that the micro credits have raised micro entrepreneurial activities among the members in the surveyed groups. As in post SHGs the members had started some additional income sources such as some of them brought milk animal, some of them had poultry, some started small new business or extended their old bussiness which enhanced their income and made them able to contribute household income, expenditure and savings. On analyzing the primary
data the study found that in post SHG period members have better economic conditions than that of pre SHG period. Thus this study establishes a positive impact of SHG on saving, borrowing, asset holding, income and employment levels of the member.

13. On the other hand it is also observed during the field survey that many SHG members have been taken loan for business purposes but used it for the consumption purposes. So, beside generating any profit it become burden on the members. Some of women members have reported that their husband forces them to borrow from the group and unable to pay back. Lack of market facilities and inability to scale up production, grab them to remain small. Low level of technical knowledge, lack of understanding and cooperation among the Group and capital scarcity creates a negative effect on economic condition of the members which leads to decrease in their assets value and increase the loan burden.

1.2. SUGGESTIONS

The following recommendations are geared towards improving performance of micro-finance services particularly in economic upliftment and development in rural areas. There is a need for an examination of the strategies adopted for funds flow and its utilization, organizational structure of the SHGs etc., to understand the impact of microfinance. The following recommendations are based on the field observations and the issues emerging therein.

- There is a need to simplify the procedure for applying, seeking and lending of credit from the banks. The procedural difficulties are one of the major constraints, which have discouraged members to take financial benefits from the banks. Therefore, the procedure to access credit should be made more easy and simple.

- Bank staff and other functionaries of financial institutions should be cooperative to the SHGs members. They should ensure the existing level and types of group activity and informal intermediation, and be ready to offer services and selling products, which are appropriate for local communities.
Motivational training programmes should also be deployed for bank functionaries to generate in them a sense of cooperation and positive orientation towards SHG members. There is also a need to sensitize bank staff towards the needs, constraints and inhibitions of rural poor.

Selling of the finished products appears to be the biggest problem for the members. So, members of SHGs need marketing support and institutional capacity to handle marketing activities independently. Banks and NGO should provide support and training facilities to enable the members as successful business managers and sustaining micro-enterprises.

Under SGSY programme the funding to the SHGs must also be increased as the fund provided to the member of SHGs is not sufficient to start a suitable business which may be sustainable and profitable in the long run.

A large proportion of sample members in the sample areas were utilizing the loans availed from the banks to lend to others at a high rate. This practice is discouraged as a new form of moneylenders can not be allowed to replace the old one. Micro-finance institutions should give more emphasis on training facilities to help members for better use of their loans.

Banks and NGOs should also provide training to the members particularly on basic book keeping, loan records, internal loaning and basic accounting. This will ensure that members are equipped with necessary skills to enable them to use their loans effectively and productively.

A good regulatory framework for micro-financial services should be adopted to bring in much transparency, accountability and sustainability in the SHGs.

NGOs should not be organized only for the formation of SHGs they must stay and work with the members of the SHGs till they mature. It will help in creating the faith of the members in the NGOs.
- The micro credit should emphasize the policies and plans oriented towards women empowerment to enhance women’s participation in SHGs.

- Economic viability of the group is said to be achieved when the group is able to cover its operational costs from its own income. SHGs can be used as a powerful tool to create a responsible civil society which could take care of themselves and made them economic viable.

- During the field survey most of the sample SHG’s member were engaged in traditional activities. So, the income gain of SHG’s member through these activities was found to be low. This suggests that there is further need to search for entrepreneurial activities that are profitable and sustainable for the long run.

- The implementing of these recommendations can improve the effectiveness and efficiency of the SHGs which improve the economic condition of the members.