PREFACE

Rural development is cherished goal for all the developing countries. India is no exception to this where almost 70 percent population lives in six lakh villages. It is beyond the doubt that the sustainable development of rural India is essential for the country to realize its potential and unleash the processes of all around growth. The main and foremost problem of rural poor is unavailability of funds and all other problems center around this main problem. It is commonly held that banks are potent weapon for accelerating the process of rural development by providing the rural credit. Since the attainment of independence, a number of measures have been undertaken to institutionalize rural credit in the country. Government of India has made many efforts to overcome this problem by expanding the branches of commercial banks in rural areas. However the responsibility of meeting credit requirement in the rural areas was entrusted primary to the cooperative sector unit about the mid 1960’s. In 1969 the government of India took a decision of nationalization of fourteen major commercial banks. The main objective was to increase the banking facilities in rural areas and to meet the credit requirement of farmers. Priority sector lending and special banks were set up for rural areas like Cooperative Banks, Regional Rural Banks etc., to fill the credit need at grass root level. The government also set up national level institutions like NABARD, SIDBI, etc., to enhance credit in rural areas.

Microfinance has emerges as a significant tool for providing easy and affordable credit and other financial services such as savings, insurance and remittance services at grass root level to under privileged people. It assists in reducing poverty, unemployment and raising entrepreneurial attitude and socio-economic condition of the poor. Now microfinance has become a global phenomenon, providing financial services to low-income groups or households and is witnessing a positive response. Bangladesh is the vital example where roughly one quarter of rural households are direct beneficiaries of these programe. (Khandhker, 2003)
In India a large size of Indian population around 300 million households, are living below the poverty line and only 20 percent of these households access credit from the formal sector (Wanchoo rajat 2007). After nationalization of banks, financial and institutional credit facilities for the rural poor have increased, but fail in covering the small credit need of the poor due to high transaction cost, default risk and lack of collateral facilities. To solve these constraints India has developed a model of microfinance organization in the form of Self Help Group (SHGs). As on 31 March 2010, there were more than 69.53 lakh savings-linked Self Help Group and 48.52 lakh were credit-linked SHG covering 9.7 crore poor households under the microfinance programme (N Srinivasan, 2010). MFIs also posted higher growth rates as around two hundred and sixty MFIs has reported a total clientele of 26.7 million, and outstanding loans at Rs. 183.44 billion in 2009. The total outstanding loans of SHGs and MFIs constituted 1.40 percent of total bank credit of Rs. 32447 billion (NABARD 2010).

Though several studies are available on the effect of microfinance through SHGs but there is dearth of study on the impact of SHGs in Uttar Pradesh. The present study is an attempt in this direction highlighting the eastern region of this state. Based on the general observation in the field and also through the analysis of various data available, the study found that SBLP has helped the rural poor to raise their saving capacity, borrowing level, and expenditure level. 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.

The entire study is presented in 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 impact of the 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 five 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 fourth chapter highlights the status of microfinance in India at global level. The last segment manifests 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 suggestions of the study. It also provides directions for the future research.