CHAPTER III
AN OVERVIEW OF WOMEN ENTREPRENEURSHIP AND MICRO-CREDIT SCHEME

3.1 Introduction

The socio-economic development of a country cannot be fully realized so long as its women are confined to a subordinate position and their talents are unexplored. In India the role of women as producers has been largely neglected in the design, formulation and implementation of development programmes till recently. Despite several developmental measures and constitutional guarantees, women are still lagging behind in almost all sectors. In compliance with the objectives of providing social justice to and even diffusion of economic power among the members from all strata of the society, it is necessary to develop the latent skill of entrepreneurship in women.

3.1 Women Entrepreneurship

An entrepreneur is a person, who has an enterprising quality with an eye on opportunities and an uncanny vision, commercial acumen and above all, a person is willing to take risks because of the adventurous spirit within. Same holds goods for women also.

Entrepreneurs grow in the tradition of their families and the society and imbibe certain values and norms. Socio-cultural factors like the family background and the norms and values of the immediate society contribute significantly to entrepreneurial development. Other important factors responsible for the growth of women entrepreneurship are socio-political and
economic policies of the Government, opportunities available in society, effective functioning of financial and commercial institutions, consultancy service.

The emergence of entrepreneurs in a society depends to a great extent on the economic, social, religious, cultural and psychological factors prevailing in the society. In the advanced countries of the world there is a phenomenal increase in the number of self employed women after World War II. In the US, women own 25 per cent of all business, even though their sales on an average are less than \(\frac{2}{5}\) of those small businesses. In the UK since 1980, the number of self employed women has increased three times as fast as the number of self employed men.

Women entrepreneurs have been making a significant impact in all segments of the economy. For example, retail trade, restaurants, education, cultural, insurance and manufacturing. This is the trend that is noticed in the developed counties. When we look at the global perspective the following observations are made:

The percentage of business stated and operated by women in USA is less than started by them. According to Bureau of Statistics, USA, the number of self employed women grew 74 per cent or 6 times further than self employed men. According in the table given below the highest number of self employed women was in Sweden followed by England, France and USA.
When look at the Indian female working population from 2001 to 2011 it is observed (census of India 2011 report) the number of females employed has moved up spectacularly from 46.27 million in 2001 to 71.43 millions in 2011.

The employment crisis countries to crush the millions in India. The generation of adequate employment and eradication of poverty has been one of the main objectives of successive five year plans. Women who constitute around 50 per cent of human, continues to remain socially, economically and politically looked women. Contrary to that, women have to be empowered to become equal partners in the household as much as in the society. This can be achieved through economic empowerment either through employment or entrepreneurship. Under the present conditions of chronic unemployment and under-employment the economic position of the women is in a pitiable state.

According to the then Prime Minister Dr. Monmohan Singh, “Women are central to human development”. As spouses as mothers and as part of productive force, women wield significant catalysis capabilities in, limiting the size of families, spreading the message of the small family norm and imparting education to the rising generations and enhancing, producing and productivity of economic enterprises.

Ironically liberalization and globalization propositions have further dampened the situation of employment potentially in general and women employments in particular as number of public and private sector units are threatened by imports from abroad. The inherent potential in women was not properly and completely nurtured by our society. However, in recent time,
there is a complete realization and acceptance of these inherent talents. In this, context, society is now looking up to women’s indispensable services in the fields of education, health, administration, science and technology.

Entrepreneurship is the ability of an individual or a group of individuals to set up an enterprise making use of the resources available to them and provide some goods and services of value of the society. People engaged in such activities enterprises are considered as entrepreneurs. When a women undertakes the above said activities she will be termed as a women entrepreneur.

Entrepreneurship among women in an old as women herself, in village it is well known fact how women contributes to supplement the family income by maintaining dairy, kitchen, gardens, poultry, tailoring etc. Women have the suitability to deal with an enterprise as they have the adaptability, patience and dependability – the three essentials for attaining success.

Entrepreneurship among women is a recent phenomena, therefore it is desirable that the first generation entrepreneurs with their limited financial resources and experience should go in for small sector which contributes nearly 30 per cent of our country’s export and in a position to produced more than 7400 consumer products, capital goods etc., based on local resources and skills.

Especially for women entrepreneurs, a number of institutions are coming forward to help guide for the promotional and growth of the enterprise.
Subsidy schemes, SBI, Shree Shakthi Package, IDBI, Mahila DUayam Nidhi (MUN) Schemes, AFSFC Scheme – Manila Vkikas Nidhi (MVN) Scheme and Shree Jyothi Scheme etc. The Indian Government having realized the importance of the role to be played by women in the development of the nation has incorporated in the 10th plan a special chapter on women development which explains in detail the plan of action for integration of women’s participation in National Development.

The position of women in industry has always been complex. In a land of different faiths and beliefs and people belonging to diverse cultures and ethnic groups, women in India subconsciously stand poised to enter the twenty-first century with their hearts full of hope and despair; hope for the future, but despair at constraints to reaching the goal. The late Pandit Jawaharlal Nehru, a great visionary and a architect of modern India, always felt that the development of women should be given top priority in the pattern of progress of economic development of the country. According to him, “one of the trust measures of a nation’s development is the state of its women. For out of women comes the new generation and it is from their lips and their laps that it beings to learn”.

Women entrepreneurs are fast increasing in number and the rate of growth of Women Owned businesses in Western Countries. It is also observed that the Women Entrepreneurs Associations are formed in different countries of the world and networking has been established in different regions of the world. Within each country also women entrepreneurs associations are formed
as non-profit associations and facilities the women entrepreneurs in several of entrepreneurial activities.

However, in developing countries like India, women entrepreneurship is still in its infancy in most parts of the country. Only in Metropolitan and the state capital cities more women entrepreneurs are assuming entrepreneurial role both in the traditional and modern nature of activities. Also it is observed that business communities and technically and professionally educated are also increasingly taking up entrepreneurial ventures in non-traditional nature of business.

Recently, the information technology and its revolution also facilitated many capable women to do business in IT enabled activities sitting within four walls but dealing business with international countries. For example, software development, e-commerce, e-business, medical transcription etc may be stated. Hence it cannot be said anymore that women are weaker sex and they cannot do all the work, which the men do.

In entrepreneur research, most of the empirical and theoretical frameworks have been focusing only on male entrepreneurs. The search for independence and the challenge for ownership are, however, often found to be especially important motives behind establishing new firms and entrepreneurs are often found to be assertive, self-confident, creative willing to take risks, ambitious hardworking.

Only male entrepreneurs were focused most of the researches for the past three decades, most of the researches have been focused on. It is true that
not only the entrepreneurship is gendered by the material and socio-cultural contexts of the entrepreneurship must be studied. The material context such as, the labour market; the socio-cultural context like that local attitudes, towards entrepreneurship and social network business networks as well as family and friends.

In fact, women are doing better than men in terms of education and that too in professional studies. Thanks to the parents for investing in girl’s education also. But in the entrepreneurial sphere still it is male dominant. Though it was once male domain, now it has come to the state of male dominant, but eventually it will be female dominant if the growth rate of women owned business in small and medium industries in countries like Japan, UK, USA, Germany, China, Korea and France, which is growing more than 40 percent, it maintained. However, in India it is 7 percent, though Tamil Nadu is faring better than other states with 18 per cent. In a way it stands in the first place in the country.

It is true that at the global front, women entrepreneurs are emerging on a massive scale and they have a networking also. However, in developing countries one cannot say that women entrepreneurs are fast responding to the incentives due to various barriers both social and economics. Though women entrepreneurs as such do not suffer from any skill as the male counterpart, they need to attend to the household and industrial activities simultaneously. It is also found that the push and pull factor responsible for women to enter business make some entrepreneurs do better than others. In a survey of 250
women entrepreneurs in Chennai city, it is found that married women above 34 years are able to be successful in business than unmarried and younger women. It may be due to the uncertainty associated with her placement and status after marriage.

As already mentioned, the women once they assume entrepreneurial role, they behave like a typical male entrepreneur and it does not make any difference in terms, skill, intelligence, capability. However, the society has not recognized their skill in part with male. It is true that banks have the creditability problems and this is due to lack of asset ownership. Once these issues are addressed and any facility, which is given for a disadvantaged group is sufficient to promote women entrepreneurships.

Studies suggest that it is more difficult for women to start and be in business due to a) lack of previous opportunity to develop business skills b) expectations about male entrepreneurship and women that influence the granting of business credit and c) domestic responsibilities that make them feel a conflict of roles. It is thus concluded that female entrepreneurs want freedom to combine responsibilities for the family with a fair income i.e. they express need for flexibility that has not been found among male entrepreneur (Nina Gunnerud Berg -1990).

She also added that while studying entrepreneurship in which gender is a core’ perspective should take into consideration that gender relations are specific to time and place. Gender relations are negotiated spatially and embedded in the special organization of places, and they are temporal and
dynamic. One should conceive gender and place as integral parts of entrepreneurship and it is emphasized that difference that place makes to gender relations and the gendering of entrepreneurship should be into account in entrepreneurship research.

These factors together with the problems like lack of credibility from bankers and other financial institutions, lack of support from family members, the multiple legal, procedural formalities etc., discourage the women in setting up and enterprise. Lack of mobility is another factor for lack of women entrepreneurship. It is true that the socio-cultural norms and value of the immediate society contribute significantly to entrepreneurial development.

3.2 Status of Women

The status of women in Indian society has always been high. However, their areas of involvement in the past were largely confined, until the freedom movement, to teaching, literacy, pursuit of fine arts and household activities. Industry, trade, commerce and public administration by and large remained outside the realm of women. Now there are no social, Economic or any other barriers preventing women from entering any field of activity.

One of the thrust areas of the 10th Five Year Plan is to assist women to make further progress in attaining self reliance. Measures will be evolved for improving the status of women in society and facilitating the process of channelization of assistance through banking and institutional system. It is a considered view that schemes of assistance, whether introduced by government, financial institutions or commercial banks, should lake in to
account the problem and needs of this particular segment of society which constitutes 50 per cent of the population.

3.3 Women Entrepreneurs

It augurs well of women entrepreneurs on their own are making an impact and not as a result of any super-imposition by others. Women definitely get encouraged by their associations and by the back-up service available from government and development agencies. But the decision to be an entrepreneur has to be that of the individual women concerned. Those women who take the decision to become entrepreneurs are naturally endowed with greater confidence than those who are induced to put on the attire of entrepreneurs. However, in considering any support programme for development of women entrepreneurship we have to take into account certain hard realities involved in the decision. Entrepreneurship, as is well known, the process of creating value by bringing together unique package of resources to gainfully exploit an opportunity. The very essence of the concept requires: (i) existence of economic opportunity, (ii) sympathetic culture traits, A number of research studies have proved that the first factor is applicable to any gender while the other three are not. In the Indian context the fact that the cultural forces have not been sympathetic to women entrepreneurs cannot be overlooked. This is manifested in typical family reluctance to finance women’s ventures; unwillingness of bankers to take risk with regard to projects set up by women; and in an individual’s hesitation to stand surety for a loan to women entrepreneurs. Some other possible inhibiting factors could be; (i) lack of
appreciation and awareness of available opportunities; (ii) feeling of difference about success in a male-dominated environmental; and (iii) a hostile social environment. Women who occupy a position of decision-making and especially women employers are not looked upon kindly either by their subordinates or employees. All these aspects must be properly understood by those who promote or are interested in women entrepreneurship. Basically, in evolving any strategy for promotion of women entrepreneurship, attention should be focused or breaking the shackles of, attitudinal constraints of society in accepting women as promising entrepreneurs.

3.4 Misconceptions

There are misconceptions that women always prefer certain kinds of traditional enterprises like food processing, cosmetics, home services and accordingly many organizations have worked out and formulated profiles of products exclusively for women, this is far from the truth. Women have ventured into all areas, which were hitherto thought to be the domain of men. However, today women entrepreneurs have product line which in several cases are high-tech and sophisticated. There is enough empirical evidence to show that like men, women too are motivated by challenges and they too possess the desire to be independent. The numbers of women coming out of professional institutions like management, polytechnics, engineering and medical colleges with professional qualifications is increasing continuously. These professionally qualified women would like to be self-employed entrepreneurs. It hardly need to mention that women posses some special qualities of mind
and heart like patience, perseverance, imagination, design sense, and money management acumen, and that should be possible for them to make the best use of these trails to help emerge as successful entrepreneurs. Given the necessary managerial, technical and resource support, women too can develop business acumen, managerial competence and to tough and objective in managing their enterprises.

3.5 Promotional Schemes

So far as the Government of India’s policies and schemes in respect of women entrepreneurs are concerned, enough and more opportunities have been offered to women to take up industrial activity as a venture of self employment and also to create employment opportunities for the benefit of their other down-trodden sisters. State Bank of India, Central Bank of India and many other commercial banks have formulated alternative schemes for the promotion of women entrepreneurs. These schemes have liberal features, such as lower promoter’s contribution and provision of margin money along with training and consultancy facilities.

3.6 Scheme of Financial Institutions

The banking and developmental institutional set-up in our country is perhaps the largest in the world and well-knit with over 63000 branches of banks operating in the country apart from state level corporations with their own branch networks. For almost every segment of society, there are schemes tailored to meet their specific needs and perhaps have more concessions than what the society can permit. Banks and State Financial Corporation’s (SFCs)
operate the schemes assistance formulated and implemented by Small Industrial Development Bank of India (SIDBI) including those specially designed and targeted for women. Financial assistance schemes for women entrepreneurs have liberal features: reduced promoter’s contribution, and training and escort services support. No collateral security against the loan is to be insisted upon. For availing the assistance, the women entrepreneur’s business enterprise is defined by the Government of India as, “A small scale industrial unit, industry related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 per cent as partners/shareholders/director of private limited company/member cooperative society”.

3.7 Mahila Udyam Nidhi

The assistance by the Mahila Udayam Nidhi (MUN) is provided to women entrepreneurs to meet the gap in the equity for setting up new industrial projects in the small scale sector. All new industrial projects in the small scale sector as also service activities which are eligible as per SSI norms and set up by the women entrepreneurs qualify for assistance, provided the project cost does not exceed Rs.10 lakhs. Seed money assistance is provided in the form of a soft loan to meet the gap in the equity after taking into consideration promoter’s contribution. The quantum of assistance by way of a soft loan carrying a nominal service charge of 1 per cent per annum has been increased from 15 per cent to 25 per cent of the project cost subject to a maximum of
Rs.25 lakhs per project. No security, including collateral, should be insisted upon by banks. All qualified women professionals in management, accountancy, medicine, architecture, software engineering etc., can also get financial assistance from banks for setting up professional practices/consultancy ventures. A maximum assistance of Rs.20 lakhs is available, under this scheme wherein the cost of land and building should not exceed 50 per cent of the total outlay.

3.8 Mahila Vikas Nidhi

The credit needs of the rural poor are rather complex. It is difficult to adopt project lending approach as normally followed for organized sector projects. The dividing line between credit for consumption and production purposes is blurred. The need for credit arises more for meeting working capital requirement rather than for asset creation. In the circumstances, the informal arrangement for credit supply to poor through Self Help Group is fast emerging as a promising tool for job creation and income generation among the very poor. To encouraging women entrepreneurs to undertake income generating activities, SIDBI has set up a special fund viz, Mahila Vikas Nidhi. The basic objective of this fund is to bring about economic upliftment of women, especially the poor, by providing them avenues for taking up self/wage employment activities in the industrial sphere. Assistance by way of loan and gram mix is provided out of a fund to accredited voluntary organizations for taking up activities which would ensure that the needy women are provided with training and employment opportunities. The basis activity under the
programme involves setting up to Training-cum-Production Centers (TPCs) by the assisted voluntary organizations where in women, after being trained in special trades and skills, would contributes to the production of goods which in turn help in keeping the centre in self-sustaining condition.

3.9 Self Help Group

In order to enhance women’s access to credit for consumption and production, the establishment of new micro-credit mechanisms and strengthening of existing micro-credit mechanisms, micro-finance institution have to be undertaken so that the outreach of credit is enhanced. Other supportive measures would be taken to ensure adequate flow of credit through extant financial institutions and banks, so that all women below poverty line have easy access to credit.¹

The definition of micro-credit that was adopted in the First World Micro-credit Summit held in Washington in February 1997, is that “micro-credit means the programmes that extend small loans to poor people for self-help group-employment projects that generate income and allow them to care for themselves and their families”².
Definitions differ, of course, from country to country. Some of the criteria used for the definitions include:-

Size - Loans are micro, or very small in size.

Target users - Micro-entrepreneurs and low-income households.

Utilization - The use of funds not only for income generation and enterprise Development, but also for community use (Health, Education and the like)

Terms and Conditions - Many terms and conditions for micro-credit loans are flexible and easy to understand, and to the local conditions of the community.

The word micro itself suggests the small size of the loans made, the small size of savings made, the smaller frequency of loans, the shorter repayment periods and the amounts, the micro or local level of activities and the community-based immediacy of micro-credit.

3.10 Objectives of Micro-credit Scheme

The main objectives of the micro-credit, focused on poor and disadvantaged women^3 are social, economic and political empowerment. It also aims at capacity building.
i) Social Empowerment through:-

- Increased status, participation and powers of decision making of women in household;

- Increased status, participation and powers of decision-making of women in community and village;

- Breaking cultural barriers to equal development of women

- Increased status, participation and powers of decision-making of women in democratic institutions.

ii) Economic Empowerment through:-

- Greater access to financial resources outside household;

- Reduced vulnerability of the poor women to crisis-famine, and the like

- Increasing access and control over resources at the household level;

- Financial self-reliance of women.

iii) Capacity Building (is a strategy and an end in itself) through;

- Improvement in functional literacy, numeracy;

- Better communication skills;

- Better leadership skills;

- Self-help and Mutual help.
iv) Political Empowerment through:

Participation in Panchayat Raj Institutions;
- Negotiating political power;
- Accessing political power;
- Collective identify.

Such empowerment of the poor and disadvantaged women would lead to benefits at two levels – (i) direct benefits to the individual women and women’s groups and (ii) ripple-effect development benefits for other poor families, the community and the village as whole.

3.11 Features of Micro-Credit Scheme

Micro-credit is distinctly different from other populist poverty alleviation schemes. It must be understood that all small loans are not micro-credit\(^4\). Micro-credit has some important features and the following are the features:

1. Loans under micro-credit programmes are very small, on an average less than $100 by World Standards and in hundreds of Rupees by Indian standards.

2. Micro-credit targets the rural and urban households, with emphasis on women borrowers, provision of finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro-credit providers themselves.
independently or through Non-Governmental Organisations-
Governmental Organisations.

3. Credit follows thrift. The first stage is the formation of groups by
dividuals themselves, followed by the mobilization of petty savings
and recycling this by lending to group members.

4. The repayment period is generally very short. The amount increases
based on the borrower’s repayment history. This is called the loan
graduation process. The transactions are to be undertaken by mutual
consent in truly informal manner.

5. Loans are devoid of any concessionality and bear a comparatively
higher rate of interest. It is a significant departure from earlier exercise
in providing credit to the poor through financial institutions at
subsidized rates with high default rates.

6. RBI has not imposed any minimum or maximum ceiling on the loan
amount, assuming that the banks will be in a position to understand the
underlying idea.

7. The operational strategy under the new micro-credit involves several
features such as simple procedures for reviewing and approving loan
applications, delivery of credit and related services at commercial rates
of interest in a convenient and user friendly way; quick disbursement of
small and short term loans; clear recovery procedures and strategies;
maintaining high repayment rates; incentives of access to larger loans immediately following successful repayment of first loan.

8. Micro-credit focuses on the process retaining most of the earlier characteristics such as farm and Non-farm credits, the poor as a target group, operating largely in rural and semi-urban areas and small borrower accounts. The new paradigm emphasizes financial intermediation with self-sustainability of institutions and quantitative or qualitative outreach to the poor.

3.12 Target Group of Micro-Credit Scheme

Women street vendors or women doing small business like selling flowers, vegetables, fruits, toys plastic articles, bangles, mud pots or utensils, eatables and running petty shops are the beneficiaries of this scheme.

The banks participating in this scheme will determine the quantum of loan, period of repayment, number of installments and the like, according to the requirement and convenience of the beneficiaries. Under this scheme, the beneficiaries may avail loan in the range of Rs.100/-, Rs.200/-, Rs.500/-, and Rs.1,500/-, according to their requirement. This loan will be given up to a maximum of Rs.5,000/-.

The beneficiaries may themselves come to the bank to repay the loan or they may repay the loan to the bank official in a place specified by them or in their area of business as per the understanding reached between the bank and the self-help group. Further, loans will be given to those who regularly repay
the already availed loan with interest. Bank officials will maintain separate accounts for each beneficiary and give a pass book containing details about the loan transactions.

Later on, the beneficiaries are allowed to form a group among themselves and to select one beneficiary as their representative or as an animator. The animator would help them in getting loan from the bank for the group, disbursing the loan to the beneficiaries, collecting and remitting the amount repaid by the beneficiaries to the bank.

3.13 Model of the Micro-Credit Scheme

Three broad models of micro-credit scheme through self-help group bank linkage have emerged over the past few years in India. They are as follows:

Model I: Self-help groups Formed and Financed by Banks

Under this model, banks themselves act as Self-Help Promoting Institutions, for by the ways of forming and nurturing the groups, opening their savings accounts and providing them bank loans. As in March 2001, 13 per cent of the total numbers of self-help groups financed were from this category. After introduction of the ‘Low Cost Module’ of assistance from NABARD and making it applicable in all States during the ensuing years, it is expected that many more branches of RRBs would be involved in promotion and financing of self-help groups in the coming years.
Model II: Self-help groups Formed by Non-Governmental Organisations and Formal Agencies, but Directly Financed by Banks.

This appears to be the most popular model amongst bankers. Under this model Non-Governmental Organisations and Formal Agencies in the field of microfinance act as facilitators. They propagate the message, organize groups, train them in thrift and credit management and nurture them over a period. Banks, in due course, link these groups by directly providing loans to them. Major share of self-help group linked as at March 2001 (76%) is under this model as compared to 70 per cent as at March 2000.

Model III: Self-help groups Financed by Banks Using Non-Governmental Organisations as Financial Intermediaries.

In this model, Non-Governmental Organisations take on the dual role of facilitators and financial intermediaries. They help in formation of self-help groups, nurturing them, training them in thrift and credit management. Eventually, the Non-Governmental Organisations approach banks for bulk loan assistance for lending to these self-help groups. The share of cumulative number of self-help groups linked under this model is relatively small that is, 11 per cent. However, in the years to come, a need may arise for the self-help groups as also for lending institutions to look for viable sub-structures for financial inter-mediation. This could eventually develop into an effective method to control transaction costs through economics of scale.
### Table 3.1

**Model – Wise SHG Linkage – Cumulative Position as at March 2013**

(₹ in Million)

<table>
<thead>
<tr>
<th>Model</th>
<th>Self-help Group</th>
<th>Bank Loan</th>
<th>Refinance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage</td>
<td>Amount</td>
</tr>
<tr>
<td>I</td>
<td>30,739</td>
<td>13</td>
<td>694.71</td>
</tr>
<tr>
<td>II</td>
<td>1,78,248</td>
<td>76</td>
<td>3,719.96</td>
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<tr>
<td>III</td>
<td>25,856</td>
<td>11</td>
<td>394.12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,34,843</td>
<td>100</td>
<td>4,808.79</td>
</tr>
</tbody>
</table>

**Source:** Report on NABARD and Micro Finance, 2012-2013, P.8.

#### 3.14 Modus Operandi of the Micro-Credit Scheme

Micro-credit scheme has been proposed to be implemented through banks. According to this scheme, the beneficiaries need to pay ₹1/- for a loan of ₹100/- per day. Out of this one rupee charged on them every day, fifty to seventy paise would be credited to their savings account. The remaining will be used towards interest and service charges by the banks. After six months, the beneficiaries can withdraw their savings with interest. The rate of interest per annum will differ according to the portion of amount to be credited to savings account.
3.15 Role of Participating Agencies

In the micro-credit scheme, there are three participating agencies namely, Self-help Group, Non-Governmental Organisations and Banking Institutions.

3.15.1 Role of Self-Help Group

A self-help group is a voluntary association of a homogenous set of people, either working together or living in the neighborhood, engaged in similar line of activity, working with or without registration, for the common good of the member. The minimum number of members to form a self-help group is 12 while the maximum is 20 without registration. The self-help group will have an animator and two representatives, selected by the group. All the members have a meet regularly every fortnight or every month, in a specified place at a stipulated time, as decided by the group. The members discuss their problems and try to find solutions of their own. During these meetings they collect their small savings and these savings are used to meet the credit requirements of the members. The savings can be either kept in a bank or kept by them. In this approach of self-help group, cash transaction is secondary while participatory approach for solving the problems receives primary importance. Through these meetings the women will be able to understand their problems and they will also be able to plan their future programmes to address the problems that they face. In this process they will be able to estimate their requirements and resources and find out the gap. In fact, the thrift and credit associated with the self-help group dynamics enable them to think of some
potential sources of resources from their midst and embark upon the mobilization of local resources as much as possible.

This self-help group mechanism has been widely accepted as an integral part of micro-credit. Several directives and guidelines from the Reserve Bank of India (RBI) and National Bank for Agricultural and Rural Development (NABARD) to the commercial banks have clearly mentioned the need to recognize the self-help group as a potential tool of micro-credit. The Reserve Bank of India has been launched the programme of linking self-help groups with lending institutions like commercial banks so that the credit requirements of the self-help groups can be properly attended by the commercial banks. In this sphere considerable improvements have been made over the past few years.

3.15.2 Role of Non-Governmental Organisations

The Non-Governmental Organisations (NGOs) have been playing a vital role in the country over the last quarter of the century in the sphere of social development. As development actors, they have passed through different stages taking up challenges from time to time. With the launching of the micro-credit system, the Non-Governmental Organisations also have come to the forefront of the system. The thrift and credit programme has been a part of wide and varied activities of Non-Governmental Organisations from the last decade itself. However, these activities were included in the broad category of “Credit Union” programmes. But with the advent of micro-credit, the ideology of which goes beyond the concept of simple cash transactions, it has been
generally accepted by the Non-Governmental Organisations as a powerful tool of poverty alleviation and development. The existing Non-Governmental Organisations have taken up micro-credit as one of the prominent programmes and several new Non-Governmental Organisations have been formed for the promotion of micro-credit among the poor, particularly women.

The role of Non-Governmental Organisations is more significant and pronounced in the sphere of micro-credit. The rich experience of Non-Governmental Organisations in the sphere of credit union and their grass root level involvement with the poor and their problems is a potential factor that affirms their elevated role in the sphere of micro-credit. In organizing the poor, especially the women and motivating and educating them, the Non-Governmental Organisations have proven skills and capabilities, which can be used in a better way in the empowerment process of poor women.

3.15.3 Role of Banking Institutions

a) Role of Bankers

- Helping self-help groups in opening bank accounts in the nearest branch on formation.

- Visiting self-help groups for establishing good rapport and assessing capacity for absorbing credit.

- Guiding the animators, representatives and members in relation to banking procedure.
- Attending Mahalir Thittam Block-level Co-ordination Committee (BLCC) meeting of PIU and DPCC/DLCC meeting of District Collector.

- Delivering credit in time to eligible and progressive self-help groups.

- Initiating efforts and participating in steps for prompt repayment of loan by self-help groups.

- Encouraging disciplined self-help groups, which promptly repay loans, through positive steps.

- Participating in training, group meeting, workshop, review meetings, and the like, at various levels on regular basis and

- Guiding group/members to choose right economic activities.

b) Role of National Bank of Agriculture and Rural Development (NAGARD)

National Bank of Agriculture and Rural Development initiated the pilot project for micro-credit through linking self-help groups with the formal banking system in February 1992. NAGARD provides 100 per cent refinance to banks on their lending to self-Help Group / Voluntary Agencies / Non-Governmental Organisations. It assists in the formulation of credit guidelines. NABARD also ensures that a self-help group friendly banking environment exists in the district and state, solving all field level bank related problems of self-help groups through prompt intervention, ensuring inclusion of self-help groups credit outlay under District Annual Credit Plan and disaggregation into
branch-wise credit, promotional assistance to Non-Governmental Organisations/ Self-help groups for their capacity building and providing training opportunities to banks, Non-Governmental Organisations and development agencies on self-help group related aspects.

3.16 Guarantee for the Loans

Under the scheme, the beneficiaries need not give any security in a big scale for the loan obtained. The beneficiaries of the same area availing this loan facility may stand as surety for each and take the responsibility to repay the loan.

3.17 Rate of Interest on Micro-Credit

The strategy and approach of the credit delivery system to meet the needs of the various segments have to be different when the same institution is required to cater to all the segments. The basic concern to ensuring adequate and timely credit. The rate of interest should be reasonable and yet not below cost. NABARD would continue to provide refinance support to the banks under the linkage project. The present interest rate structure stipulated by RBI/NABARD at different levels of SHG-banks linkage programme is as under:
### Table 3.2

<table>
<thead>
<tr>
<th>Lending Agency</th>
<th>Existing Rate of Interest (Percentage per annum)</th>
<th>Revised Rate of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>NABARD to Banks (Refinance)</td>
<td>6.5</td>
<td>6.5 (No Changes)</td>
</tr>
<tr>
<td>Bank to SHG</td>
<td>12.0*</td>
<td>As decided by the bank within the scope of RBI Directives.</td>
</tr>
<tr>
<td>Bank to NGO/MCO**</td>
<td>10.5*</td>
<td>Bank free to decide</td>
</tr>
<tr>
<td>NGO/MCO to SHG</td>
<td>12.0*</td>
<td>NGO/MCO free to decide</td>
</tr>
<tr>
<td>SHG to members</td>
<td>SHG free to decide</td>
<td>SHG free to decide</td>
</tr>
</tbody>
</table>

* Excludes Interest Tax wherever applicable

* MCO-Micro-credit Organization

The self-help groups will be free to decide the reasonable interest rate to be charged to their members.

### 3.18 Performance of Micro-Credit Scheme

#### 3.18.1 Micro-credit Scheme at National Level

NABARD has been spearheading the promotion and linkage of Self-help groups to the banking systems through refinance support, capacity building of stakeholders and initiating other proactive policies and systems.
During 2012-2013, 1,70,680 self-help groups were financed by banks including 21,630 repeat finance as against the target of 1,00,000 self-help groups proposed in the Union Budget, 2012-2013. The cumulative number of self-help groups credit-linked to the banks aggregated to 2,63,825, out of which 2,13,213 were refinanced by NABARD, by the end of March 2013.

The significant increase in the number of self-help groups linked during the year was the collective efforts of 1,030 Non-Governmental Organisations, 314 banks and many other agencies including developmental departments of different State Governments. The credit-linking programme has covered 412 districts in 27 States and Union Territories. A notable feature of the self-help groups was that more than 90 per cent of the groups formed were exclusively of women.

NABARD continued to provide 100 per cent refinance assistance to banks at the interest rate of 6.5 per cent per annum for financing self-help groups. During the year, an amount of ₹287.88 crore was disbursed to self-help groups by various banking institutions against which refinance support by NABARD was made to the tune of ₹250.62 crore. Cumulative till aggregated, bank loans disbursed to the self-help groups upto March 31, 2001 were ₹480.87 crore while NABARD refinance availed by banks aggregated to ₹400.74 crore.\(^7\)
### Table 3.3

Cumulative Progress in Micro-credit through SHG Linkage Programme

(₹ In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative Number of Self-help groups Linked*</th>
<th>Micro-credit</th>
<th>Refinance Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>255</td>
<td>0.29</td>
<td>0.27</td>
</tr>
<tr>
<td>2005-06</td>
<td>620</td>
<td>0.64</td>
<td>0.46</td>
</tr>
<tr>
<td>2006-07</td>
<td>2,122</td>
<td>2.44</td>
<td>2.30</td>
</tr>
<tr>
<td>2007-08</td>
<td>4,757</td>
<td>6.06</td>
<td>5.66</td>
</tr>
<tr>
<td>2008-09</td>
<td>8,598</td>
<td>11.84</td>
<td>10.65</td>
</tr>
<tr>
<td>2009-10</td>
<td>14,317</td>
<td>23.76</td>
<td>21.39</td>
</tr>
<tr>
<td>2010-11</td>
<td>32,995</td>
<td>57.07</td>
<td>52.06</td>
</tr>
<tr>
<td>2011-12</td>
<td>94,645</td>
<td>192.98</td>
<td>150.13</td>
</tr>
<tr>
<td>2012-13</td>
<td>2,13,213</td>
<td>480.87</td>
<td>400.74</td>
</tr>
</tbody>
</table>

**Source:** NABARD Annual Report

* Excluding those not covered under refinance.

NABARD is also providing grant on a selective basis to Non-Governmental Organisations, primarily for promoting and nurturing self-help groups. NABARD sanctioned the grant assistance of two crores of rupees to 126 Non-Governmental Organisations during 2012-2013 for promotion and linkage of 20,033 self-help groups. With this, the cumulative grant assistance sanctioned till the end of March 2013, for promotion and linkage of self-help groups aggregated to ₹4.6 crore towards 198 Non-Governmental
Organisations for promoting 36,944 self-help groups. NABARD has provided financial and other types of support for training the staff, Non-Governmental Organisations and government agencies engaged in the field of micro-finance. During 2012-2013, more than 1,000 training and awareness programmes were conducted for training 36,370 bank officials, Non-Governmental Organisations and Government agencies. The loan repayment performance of self-help groups during the year was reported to be more than 95 per cent.

**SHG-Bank Linkage Programme**

The number of new self-help groups resorting to micro-credit from banks during 2012-13 have increased to 1,49,050 from 81,780 in 2011-12 (81% growth during 2010-11). The number of self-help groups accessing micro-credit from banks reached 2,63,825 at the end of March 2013 when compared to 1,14,775 self-help groups at the end of March 2012 (130% cumulative growth in March 2013). This was made possible by the synergy that developed out of the close co-operation and co-ordination between the different field level partners in micro-finance, namely, banks, Non-Governmental Organisations and Government agencies. The number of Non-Governmental Organisations and other self-help group promoting Institutions (SHPIs) participating in the programme had increased to 1,030, when compared to 718 institution during the previous year. More than 15,000 Non-Governmental Organisations and 314 banks were involved in credit-linkage of self-help groups. The policy support extended by Government of India and Reserve Bank of India and various
initiatives taken by NABARD including capacity building of partner agencies contributed to the success of the programme.

**Regional spread**

Despite the good progress in all the four regions, the southern Region continued to lead the other regions in the performance of SHG-bank linkage programme. Its share in the total achievement has increased from 67 percent in central region from 13 percent to 9 percent. The Eastern and Western Regions have also slipped marginally by 1 percent as compared with the previous year. The SHG-bank linkage programme has not widely acknowledged in the North Eastern region where the linkage accounted for less than 1 percent only. In order to address the deficiencies arising from poor banking network and resultant credit flow, NABARD has been encouraging various Non-Governmental Organisations in the region to undertake formation, nurturing and financial inter-mediation roles in the North Eastern Region. Special state specific initiatives for reaching the very poor in the region are also being taken.

NABARD has been paying special attention to the backward areas of Kalahandi Bolangir-koraput (KBK Region) in Orissa. As a strategy, NABARD is encouraging collaboration with large number of small NGO-partners and micro-finance agencies for enhancing the coverage of poor rural households through SHG-bank linkage. These efforts have resulted in increasing the number of self-help groups credit linked to banks in the KBK Region to the tune of 2,767 in 2012-13 from 899 in the previous year.

**Partner Agencies**
Banks

Three hundred and fourteen banks have participated in the SHG-linkage programme. The agency-wise self-help groups credit linked and their percentage share in the total achievements are indicated in table 3.4.

Table 3.4
Agency-wise Classification of SHG Credit Linkage

<table>
<thead>
<tr>
<th>Agency</th>
<th>Number</th>
<th>Self-help group linked as on 31.03.2001</th>
<th>Percentage Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>43</td>
<td>1,24,246</td>
<td>53</td>
</tr>
<tr>
<td>Regional Rural Bank</td>
<td>177</td>
<td>97,824</td>
<td>42</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>94</td>
<td>12,773</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: NABARD Annual Report

Commercial Banks

All the 27 public sector banks and 16 private sector banks have participated in the SHG-bank linkage programme. Refinance support was available from NABARD to these banks against their loans to self-help groups.

During the year, Andhra Bank had the highest credit linked self-help groups (17,358), which was followed by state bank of India (17,105) and State Bank of Hyderabad (6,273). The other banks which had a significant share in the SHE-linkage programme were Indian Overseas Bank, Indian Bank, Canara Bank, Bank of India and Bank of Baroda. The private sector commercial banks which had provided loans to self-help groups in significant number in the year
2012-13 were Vysya Bank (918), Global trust Bank (604) and Industrial Credit Investment Corporation of India (363)

**Regional Rural Banks (RRBs)**

Out of total 196 RRBs in the country, 177 have participated in the SHG-bank linkage programme, that is, more than 90 percent. RRBs share in the total cumulative achievement has increased in terms of self-help groups linked, bank loan disbursed and refinance availed from NABARD. The highest number of self-help groups linked during the year was recorded by Shri Bisakha Gramin Bank in Andhra Pradesh (7,339), which was followed by Nagarjuna Gramin Bank (4,802) in Andhra Pradesh, pandiyand Gramin Bank in Tamil Nadu (4,155), and Manjira Gramin Bank (2,189) in Andhra Pradesh. The other RRBs, which had significant achievement, were Kalahandi Gramin Bank in Orissa, Vallalar Gramin Bank in Tamil Nadu, Cauvery and Sahyadri Gramin Banks in Karnataka, North and South Malabar Gramin Banks in Kerela, Kanpur and Raebareli Gramin Banks in Utter Pradesh.

**Co-operatives**

Ninety four co-operatives at the district and village levels in 18 States and union Territories have participated in the programme as in March 2001. they shared 5 percent of the total number of self-help groups credit links. In many of the States, suitable amendments in the Co-operative Societies Act have been made to enable the self-help groups to become members of PACS so as to avail loans.
3.18.2 Micro-credit Scheme in Tamil Nadu

In Tamil Nadu, the savings linked micro-credit scheme was commenced on January 1, 1997. It has benefited 95,144 women till May 15, 2000 and a sum of ₹9.68 crores have been granted as loan to them and their savings amounted to ₹4.85 crores. Micro-credit is generally channelized through the self-help groups. The micro-credit scheme along with state funding now covers all rural areas of the entire country. In three different phases the scheme has been implemented in various districts.

Table 3.5
Performance of Micro-credit in Tamil Nadu
As on 31st March 2013 – Cumulative
(₹ In Lakhs)

<table>
<thead>
<tr>
<th>Self-help group Starting Year</th>
<th>No.of Eligible SHG sent upto the Month</th>
<th>No. of Women Availin g of Bank Credit</th>
<th>Loan Sanctioned</th>
<th>Loan Disbursed</th>
<th>Repayment in Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.of SHGs</td>
<td>Amoun t</td>
<td>No. of SHG s</td>
<td>Amoun t</td>
<td></td>
</tr>
<tr>
<td>Phase–I 2010-11</td>
<td>6,236</td>
<td>71,670</td>
<td>4,347</td>
<td>2,184.76</td>
<td>2,134.01</td>
</tr>
<tr>
<td>Phase–II 2011-12</td>
<td>1,143</td>
<td>7,611</td>
<td>753</td>
<td>147.27</td>
<td>141.56</td>
</tr>
<tr>
<td>Phase-III 2012-13</td>
<td>717</td>
<td>5,638</td>
<td>425</td>
<td>57.11</td>
<td>52.86</td>
</tr>
<tr>
<td>Total</td>
<td>8,096</td>
<td>84,919</td>
<td>5,525</td>
<td>2,389.14</td>
<td>2,328.43</td>
</tr>
</tbody>
</table>
In phase I self-help groups were started in the year 2010-11, but the micro-credit was introduced in January 1999. The first phase has covered the following districts: Vilupuram, Dharmapuri, Namakkal, Cuddalore, Ramnad, Thiruvarur, Vellore, Madurai, Thiruvallur, Salem, Karur, Thoothukudi, Theni and Virudhunagar.

In phase II, self-help groups were started in the year 2011-12 but the micro-credit was given from January 1999 onwards. The second phase has covered the following districts: Sivagangai, Thirunelveli, Trichy, Thiruvannamalai, Pudukkottai, Nilgiris and Erode.

In phase III, self-help groups were stated in the year 2012-13. This phase covered Coimbatore, Kanchipuram, Kanyakumari, Perambalur, Thanjavur, Nagapattinam and Dindigul districts.
Table 3.6
SHG – Bank Linkage Programme in Tamil Nadu / UTP
(₹ In Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Groups</th>
<th>Cumulative No. of Groups</th>
<th>Bank Loan</th>
<th>NABARD Refinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>22</td>
<td>22</td>
<td>2.239</td>
<td>2.277</td>
</tr>
<tr>
<td>2005-06</td>
<td>34</td>
<td>56</td>
<td>4.247</td>
<td>4.08</td>
</tr>
<tr>
<td>2006-07</td>
<td>203</td>
<td>259</td>
<td>20.994</td>
<td>20.883</td>
</tr>
<tr>
<td>2007-08</td>
<td>205</td>
<td>464</td>
<td>33.468</td>
<td>33.468</td>
</tr>
<tr>
<td>2008-09</td>
<td>408</td>
<td>872</td>
<td>59.52</td>
<td>59.453</td>
</tr>
<tr>
<td>2009-10</td>
<td>444</td>
<td>1316</td>
<td>217.74</td>
<td>217.74</td>
</tr>
<tr>
<td>2010-11</td>
<td>2633</td>
<td>3849</td>
<td>558.935</td>
<td>558.935</td>
</tr>
<tr>
<td>2012-13</td>
<td>16926</td>
<td>28590</td>
<td>5137.523</td>
<td>5080.448</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28590</strong></td>
<td>-</td>
<td><strong>7992.903</strong></td>
<td><strong>7935.521</strong></td>
</tr>
</tbody>
</table>

**Source:** Tamil Nadu Corporation for Development of Women Limited, Annual Report 2012-2013.

3.19 Constraints

Major constrains to effective and beneficial credit programming for women on a larger scale are, the lack of banking data disaggregated by gender and lack of an adequate analytical framework for integrating women into credit analysis. The policy concern for increasing women’s access to credit and generating a sustained favorable impact on their socio-economic uplift is possible only by integration of women. To do this, changes need to be made in the recording systems. In recent years, Government agencies in India have
started collecting gender-wise data on anti-poverty programmes and this database needs to be widened. To understand the way in which credit impacts on resource generation and households’ consumption, household level tools need to be developed for generating gender-wise data.

3.20 Conclusion

The new generations of women entrepreneurs have every reason to be optimistic about the future. Banks and financial institutions have formulated several schemes to encourage small entrepreneur and also to solve problems faced by them. The ‘smaller’ among the small entrepreneurs have always been preferred category. It is this group of women entrepreneurs who should derive the maximum benefit out of the liberal schemes formulated for institutions. While these institutions should take the initiative to popularize their schemes, it is left to the potential women entrepreneurs to take the initiative and exploit the opportunities.

Micro-credit is the extension of small loans to entrepreneurs who are not qualified for traditional bank loans. It is a popular measure in the on-going struggle against poverty, enabling those who access to lending institutions to borrow at banks rates, and start small business. The innovation of micro-credit scheme through the Self-help groups (SHGs) enables the poor women to participate in the process of development. Micro-credit approach has been extensively used by voluntary agencies for a long time. In the present decade, it has been incorporated in the conventional development programmes.
References:


