CHAPTER – 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

Microfinance has emerged as a powerful tool for eradication of poverty. Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. Provision of financial services for poor people have proven to be an effective instrument for reducing poverty, enabling them to build assets, increase incomes and reduce their vulnerability to economic stress. In depth in sight into the prevailing literature about microfinance provides solid background for conducting research, developing hypotheses and interpreting the results thereof. Wide range of literature is available on microfinance. Literature reviewed for this study can be broadly classified into different sub parts namely concept of micro credit, microfinance & self help group, review of the benefits and drawbacks of microfinance programme particularly of self help groups and lastly is assessment of performance of the microfinance institutions including SHGs.

This chapter has been divided into 6 sections. Section 2.1 deals with the introduction. Further sections show the division of literature review into four parts. Section 2.2 discusses the concept of SHGs and microfinance. Benefits and drawbacks of microfinance have been presented in section 2.3 and 2.4 respectively. Section 2.5 deals with the evaluation of performance of SHGs and MFIs. Summary and literature gaps have been presented in section 2.6.

2.2 CONCEPT, TERMINOLOGY AND BACKGROUND OF MICROFINANCE AND SELF HELP GROUPS

Fernandez (1995a): discusses the entire concept of the self help groups in detail. These are groups formed on some affinity which may be because of caste, sub-caste, blood, community, place of origin or activity. SHGs provide poor with the space and support necessary to make them confident to take greater control of their lives in private and in society. Study further enlists that benefits of SHGs accrue not only to its members but also to the society. Also, it discusses the different organisations which are involved in the group formation like DWACRA, Mahila Samakhya, Milk
Societies, etc. and the problems faced by them. Researcher’s basic purpose behind this study is to discuss the process of formation of the SHGs. Process of SHG formation comprises of three phases. The first stage is the identification and formation of SHGs. This phase takes time from 0 - 4 months. Second phase involves group stabilisation which takes around 4 -15 months. Third and the last stage is that of withdrawal and it takes around 15 - 36 months. During this phase the NGO withdraw themselves from the operations of the groups to make them self reliant. Present study has elaborated the entire concept of SHGs from their formation to maturity highlighting the characteristics of each phase.

Dunford (2000): views that microfinance is a broader term, that in compasses variety of types and combination of services and clients. Microfinance practitioners can be divided into two extremes points: one point practising traditional business and the other traditional social service. But with the changing times there is a middle point emerging that combines both the earlier approaches: Microfinance that is seeking to balance the business objective and social objective. Author has demonstrated this concept with the case of Freedom from Hunger’s Bolivian counterpart, CRECER. This institution is trying to help the poor and becoming sustainable at the same time. CRECER is working hard to achieve the two ends of reaching the poor and obtaining sustainability. This enterprise is dependent on subsidy from donors but if sustainability means totally subsidy free then it can never be sustainable. Requirement of the time is that microfinance institutions should strive to needy people value in exchange for value and that too for a very long period of time. This is possible only if MFIs should be capable of consistently make efforts to grab the opportunities provided by markets and convert them into valuable social goods and services to serve a large number of needy people.

Harper (2002): conducted this study under the guidance of NABARD to examine and compare the different ways in which SHPIs promote SHGs, in order to enhance the efficiency and quality of the SHG promotion process. This in turn will improve the extent and level of financial service provision to rural people without access to formal financial services. This study covered a small sample of SHPIs, the SHGs they had promoted and banks which had lent to them. The study was conducted in three states of Uttar Pradesh, Orissa and Karnataka. Data was collected through interviews and also through two simple SHPI ranking instruments. This study covered 35 SHGs,
20 SHPIs and 16 bank branches. Findings show that SHGs promoted by NGOs and Government were more inclusive of the poor as compared to banks and VVVs. There is no increase in the saving contributions of SHG members, regardless of the SHPI promoting them. Both bank and government promoted SHGs open saving bank account within a few days of the formation while NGO promoted SHGs take much longer to reach this stage. Nearly all SHGs meet monthly and only SHGs promoted by individuals meet weekly. Internal repayment rates of SHGs promoted by banks are almost 100%. Repayment rates of SHGs promoted by different SHPIs are good. The dropout rate is higher in case of SHGs promoted by VVVs. The strengths and weaknesses of the SHGs are fairly evenly spread irrespective of the type of SHPI by which they were promoted. Interviews with SHPIs revealed that the banks are generally more businesslike in their approach. Some bankers and even some NABARD staff do not treat SHG members as customers. They treat them as if they were inferior beings. VVVs are slow and somewhat weaker than the other SHPIs. Major recommendations of the study include that non-management bank staff should be encouraged to promote SHGs. The management of the schemes to encourage SHG promotion should be experimentally delegated to banks in order to avoid the problems caused by NABARD’s thin district representation and to take full advantage of the bank’s greater field coverage.

Chathukulam (2003): reviews the poverty reduction strategies under Ninth and Tenth five-year plans, with special reference to People’s Plan and Kudumbashree experiences. Researcher has used secondary data from Economic Review (2001), Planning Board, Government of Kerala and other documents for the analysis. Method of data collection employed in this study includes questionnaire, focus group discussions and interviews with key informants. This study focuses on the activities of the Self Help Groups, as a means of survival strategy of women to address poverty, in a village panchayat. Researcher has tried to relate the survival needs of women with the self-help groups. Since the SHGs are still in the evolving stage, this study does not attempt to go beyond identifying some pattern and trends and it may need more deep and longitudinal studies in future.

Seibel (2005): this study is an excellent resume of what matters in rural and microfinance. This study is full of wise advice for donors and policy makers. Starting with the historical perspective, mentioning the two worlds of development finance:
the old needs driven approach and the new institution building approach. Researcher gives a tabulated summary of factors on the basis of which these to worlds vary apart. These factors are policy environment, legal framework, institutional focus, selection of clients, agricultural banks, rural banks, remote areas, sustainability and various others. The study examines that according to the CGAP Micro Bulletin there are very few viable MFI's in the world but at the same time researcher argue's that if credit cooperatives in China, rural and village banks in Indonesia, rural banks and savings and credit cooperatives in Philippines, community and rural banks in Nigeria and Ghana, and vast number of cooperatives and self help groups in India are taken into account then the this number don't look that small. In the second part of the study the researcher deals with what actually matters in detail focusing on client experience, origins, financial systems, institutions, operational aspects, what matters to poor?, and donor policy and coordination. Seibel, in the end gives advices on what sustainable development and sustainable rural microfinance require, what governments have to provide and what should be the contribution of donors.

Fouillet & Augsburg, (2007): discuss the spread of SHG bank linkage in India. Researchers have used a very heavy word microfinanciarization to capture the entire process of microfinance and it involves financial inclusion, bankarization, voluntary sector, regulations of formal and informal financial practises with the sole motive of providing financial services to those who are neglected by the financial and banking institutions. In India households are being linked to microfinance through the indigenous SHG model. But majority of the information is available about the numbers only and lot is unearthed about the distribution and evolution of this phenomenon. This study is conducted to fill this gap and mapping analysis has been used to visualize the spatial distribution and evolution of microfinanciarization. Findings show that in March 2001, for every 1000 households in Andhra Pradesh less than ninety households were participating in SHGs while in the states of Sikkim, Assam and Punjab they were six, five and three respectively. This pattern continued in 2003 and 2005. Five years later in 2006, Andhra Pradesh again outnumbered other states with 279 households participating in SHGs but in Jammu and Kashmir, Haryana, Punjab and Arunachal Pradesh there were less than ten households participating in SHGs for every 1000 of the total households. Mapping of the relative strength of the households involved in a SHG provided with a bank loan during 2005-
06 shows inequality pattern at the district level. Even at the district level, the intra state inequalities are very prominent and call into question the success showed by some states. There are significant variations in the pace of microfinanciarization. Punjab, Himachal Pradesh and Assam experienced rapid growth in their number of SHGs between 2000 and 2002 but between 2002 and 2006 all these states witnessed declines. Even though microfinance has achieved a great success in providing poor with economic and social empowerment yet the uneven spread of the programme should not be ignored.

Reddy et al. (2007): NABARD came up with the concept of SHGs to target the poor and the ultra poor people through the microfinance services. But there are a lot of impediments in the way of development of SBLP such as uneven spread of SHGs, inability to promote livelihoods, inability to address larger issues, etc. To overcome these challenges, the NGO promoters initiated ‘SHG federations’ to provide financial services to the groups. Many state governments are following the SHG Federation strategy to promote SHGs. This study is the first attempt to provide a comprehensive picture about SHG federations in the country. In this study 8 state namely Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, Orissa, Tamil Nadu and West Bengal were covered. Qualitative and quantitative data were collected from federation promoters, bankers, funding agencies and SHGs through interviews and group discussions. Findings of the study reveal that there are around 68,903 total federations in the country and out of this 61,287 are in south India. The majority of federations are either not registered or not compiling with legal provisions if registered. Analysis of the typology of the SHG federations shows that there are different types of federations in the country. They are multipurpose federations, financial federations, social federations, livelihood federations. Performance of SHG federations depends upon good governance which in turn depends on the role of SHPIs. The quality of federations increases with age in initial years but appears to decline subsequently. Majority of them are heavily dependent on the promoters for resources. Performance of a federation in record keeping, managing internal control and information systems is moderate. In spite of all shortfalls, there is great potential for the SHG federation model to address poverty. What is necessary is a synergetic effort by policy makers, planners and implementers. Also there is a need for public private partnership to make it a reality.
Wanchoo (2007): talks about the changing face of microfinance schemes in India. Since the emergence of microfinance in the country this market is dominated by the indigenous model of Self Help Groups. SBLP is providing the financial services of credit and savings especially to the rural women in a cost effective manner. Studies across the world show that microfinance is scratching the stubborn surface of poverty and is empowering the poor and vulnerable people to live a standardized living. But in the field of Indian microfinance winds of change have started blowing with the evolution of Microfinance Institutions. No doubt SHG dominates microfinance and when compared to the wider SHG bank linkage movement in India, private MFIs have had limited outreach. But at the same it cannot be ignored that MFIs are better micro credit delivery system in terms of technical assistance. Recently there have been trends of larger MFIs transforming into Non Bank Financial Institutions. This change will have positive results regards availability of more funds and increase outreach. Moreover there can be more transparency and efficiency on account of organisational structure.

Fernandaz (2008): Researcher has discussed MYRADAs view on the sustainability of the SHGs referred to as SAGs (Self Help Affinity Groups). MYRADA is the first NGO attached with the formation of SHGs. According to it, sustainability is not just to keep going but to keep growing. Bankers, economists and members of SHGs have different views on the sustainability of the groups. For bankers a group is sustainable only if it continues to function primarily as a financial institution or rather as a “micro-micro finance” institution. Economists also view the SHGs from the bankers perspective. They are concerned about the issues related to proper marketing systems, infrastructure and linkages. Unlike bankers who have interest in the rate of disbursement of credit and the performance in repayment, economists prefer to know the value of the product and the increase in income generated. But the most surprising fact is that SHG members have no meaning for sustainability. MYRADA had another approach to sustainability. Is there is sustainability of SAGs or of individual member’s livelihood strategies? MYRADA has come up with some major indicators of sustainability of SAG. The SAG to be sustainable should have functioned effectively for 8 years. The SAGs are able to re-engineer themselves in a professional and businesslike manner to cope with emerging needs and pressures. The SAGs to be sustainable should be able to set up new apex institutions to cope with emerging
opportunities and threats. A live example of this is the setting up of Community Managed Resource Centres each covering about 100-120 SAGs and in some cases Watershed Management Institutions. So sustainability is not just to grow in numbers but the groups should have expansion programmes like the formation of CMRCs.

Karmakar (2008): presents a bird’s eye view of the microfinance sector in India. Elaborating the concept of microfinance, it discusses its main elements of micro-credit, micro savings, micro insurance and remittance. Further it gives a brief explanation of the SHG model followed in India. It also presents microfinance development strategy for Indian commercial banks. The prime most tasks for our commercial banks is to examine and identify the target groups first and then concentrate on microfinance operations by focusing on these people’s total need. In later part researcher share views on NGO controlled microfinance. Also, study examines that microfinance institutions can act as an avenue towards the capacity building of the individual borrower. The concluding part of study discusses the risks associated with the microfinance sector.

Sangwan (2008): has clarified the basic concepts related with financial inclusion and SHGs that have become buzzwords in recent times. Also, this study examines the extent of financial exclusion in different states of the country and the barriers to financial inclusion through empirical analysis. Last but not the least, this study examines the strength of SHG programme to achieve financial inclusion and to evolve a strategy to make use of the same. Financial inclusion means the provision of affordable financial services like access to payment and remittance facilities, savings, loans and insurance services by the formal financial system to those who are excluded. Study shows that in India 63% of the adult population is having bank accounts assuming that one person has only one account. Researcher accesses the reasons for low FI as: less geographical or physical access when clients are required to visit a branch or an ATM, banks have minimum account balance requirements or fees that may be out of reach of many potential users, lack of awareness about banking education due to bankers market and illiteracy in large section of population. Persons who are excluded by the formal banking system are mostly the families of land less agricultural labourers, marginal farmers, oral lessees, migrant labourers and the educationally and economically deprived groups like tribal and woman. Government has taken several measures to increase financial inclusion. The multiple
regression equations estimated by including percentage of adult covered in SHGs, shows that the variables have positive association with the level of financial inclusion especially in credit accounts. This shows that SHGs can play significant role in achieving financial inclusion especially for women and low income families.

**Yadagiri & Gangadhar (2008):** Micro finance has become a significant poverty alleviation programme to provide necessary capital to the poor starting their own business. In the wake of such conditions this study discusses the micro finance situation in India. Researchers analyse and present the trends and pattern of micro finance with reference to development of poor people. In this study an attempt has been made to provide a glimpse of Indian micro finance sector which is dominated by self help groups. It examines the different approaches of micro finance and its method of financing. Study also presents the model wise and agency wise position of Self Help Group- Bank Linkage. Further researchers have concluded that government and RBI should pay attention to provide cordial environment for microfinance to flourish and check the coercive collection practices which are even causing suicides in certain areas.

**Lee (2010):** explores the similarities and differences of two savings led group models namely Savings Groups (SGs), primarily in Africa and Self help Groups (SHGs) predominantly in India. Both SGs and SHGs are linked are self governed, member based groups. Members determine the group rules and regulations. Both have pooling of common savings which are used in emergency. NGOs or village agents facilities the formation and working of these models. Both the models have common social benefits such as members becoming active in village affairs, participate in local elections or take action to address social issues. Apart from these similarities these models have differences also. These are (a) SGs are time bound while SHGs are not (b) SGs are not normally link to bank whereas the majority of SHGs are linked to banks. While SGs and SHGs differ in approach and purpose, in practise both function in similar capacities.

**Mansuri (2010):** discusses the provision of microfinance through self help groups. Poverty is the most dominating problem of the third world countries. In India also official records show that 26.1% of the total population lives below poverty line. Indian government has taken several steps to alleviate poverty through area
development approach, sector approach, since independence. But all these schemes and poverty alleviation programmes failed due to faulty planning and improper implementation and lack of will. Formal banking sector was unable to cater to needs of the poor and marginalised people. Amid, such circumstances SBLP has emerged as a ray of hope. Further, the study discusses the background of the self help group movement. The provision of small and regular repayment schedule made possible very high recovery rate. Since its inception in 1990’s this programme kept taking long strides towards development and now it is the largest microfinance movement in the world.

Manisha (2011): Researcher has worked on the situation of the SHGs in Punjab. For this study both the primary and secondary data were used. Primary data collection was made from 50 respondents using the convenience sampling method through questionnaire. Research tool covered different aspects like saving and lending habits, knowledge about self help groups, role and benefits of SHGs etc. Secondary data was collected from the annual reports, journals and other documents of the Jalandhar Central Cooperative Bank to see the advancement of SHGs linked with the bank from 2005 to 2009. For the purpose of the study whole of Punjab has been divide into three divisions: Amritsar division, Jalandhar division and Bathinda division Findings of the study reveal that there has been considerable increase in the number of SHGs formed during the year 2008. In 2008 total number of SHGs in Punjab has reached to 14087 from 3579 in the year 2007. Even though there is increase in number of groups in 2009 i.e. 14628 but there is decline in the growth rate which is a cause of concern. Also similar situation has been examined in case of SHGs linked with the cooperative banks. There is increase in the number of groups linked in 2005 from 1603 to 4061 in 2009 but this growth is far less as compared to the overall SHGs formed during this period. Cooperative banks should take steps for strengthening their linkages to the SHGs. Even the trend of the loan disbursement shows a decline growth in successive years from 2005. Primary data shows that respondents are well aware of the existence and benefits of SHGs. But still there is a need to create awareness about the concept so that all poor can avail its benefits.
2.3 BENEFITS OR THE BRIGHTER SIDES OF MICROFINANCE

Grundel (2001): studies the impact of microfinance on poverty in Uganda. The study was to see as to which groups among the poor Uganda Women’s Trust (UWFT) reaches, to examine the risks confronted by poor clients of UWFT to see the impact of financial services to cope up with the risks and to understand how microfinance services enable clients to use assets to maintain a minimum expenditure threshold. Research was conducted in the Kampala area of Uganda. A total of 40 clients and non-clients were interviewed. The study used Focus Group Discourse, Participatory Rapid Appraisal and Individual in Depth Interviews for the collection of required information. Study has examined and tested two hypotheses:

Hypothesis 1: Financial services reduce the vulnerability of poor individual households by providing access to “chunks” of money to protect against risk and cope with shocks.

Hypotheses 2: Social intermediation combined with financial services contributes to reduced vulnerability and increased empowerment for women clients.

Findings of the study accept both of the above hypotheses. Financial services provided by UWFT to its clients help to protect them against risk by:

1. Providing chunks of money to build financial, physical, human and social assets.
2. Providing money to better manage cash flow and assets
3. Increasing the diversification and development of household assets
4. Offering safe storage of savings and increased control of women clients' assets.
5. Providing savings or emergency loans to cope with shocks.
6. Building assets that can be sold in times of emergency.

Also, study found out that social intermediation combined with financial services contributes to reduced vulnerability and increased empowerment for women clients. This is achieved by:
1. Building women’s human assets like self esteem, bargaining power, control over decisions etc.

2. Increasing women’s social assets such as social networks, membership of groups, access to wider institutions of society.

**Kropp and Suran (2002):** The SHG-Banking pioneered and promoted by NABARD has emerged as a primary microfinance service mechanism for the unbanked poor in India. The multiple initiatives led by capacity building have made tremendous inroads into the conventional banker’s mindset. They now view SHG-Banking as a new dimension of quality portfolio with very low risks and with marginal increase in operating costs. The dimension and flexibility in SHG-banking now practiced in India is unmatched in world's banking system. Being predominantly women focused, SHG-Banking is the first step towards feminisation of the (micro) banking portfolio of Indian banks. Stimulating self-help capacity of the poor does spark off the entrepreneurial enthusiasm, risk mitigation mechanisms in low-income households; it also serves as an entry-road to overcome poverty and addressing other crucial social concerns.

**MYRADA (2002):** This study examines the impact of Self Help Groups on the social status of women members. The social impact of the SHG Bank Linkage Programme is a very critical area and needs an in depth study. The term “social impact” includes the empowerment of the SHG members. The objective of the study was to establish whether and to what extent membership in self help groups and their consequent involvement in the various activities of the group have an impact on the social status and empowerment of the women members of such groups. The study was conducted in four southern states namely Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. Sample for the study was four professionally managed NGOs at the rate of one per state covering 13 SHGs in total. Data was collected through structured interview schedule for SHG members, in-depth interview schedule for SHG leaders and SHPIs, peer group evaluations and in meeting observations. Data for a total of 428 respondents was collected. Results of the study show that financial position of the older groups had changed for the better also they reported a positive influence on confidence level in dealing with the people and institutions. Personal life of the older group respondents had improved. Activity charting revealed that additional workload
of SHG related activities is not a burden for the members. But study has highlighted certain areas that require attention such as lack of group enterprises for income and employment generation, insufficient penetration of mass media, role of SHG members in village level decision making, etc. there is a need for new strategies to improve the performance of SHG movement.

**Vonderlack & Schreiner (2002):** view that microfinance has the potential to improve the well being of poor women in the developing countries through the provision of financial services of both credit and savings. This study examines the practical ways to explore that potential. There are several informal saving mechanisms across the worlds which are providing poor women with the saving facilities. But this can be further augmented through formal savings mechanism by providing safety, positive returns, and quick access to funds. Further, sexism has put a large burden of household reproductive load on women. Asset accumulation can help to empower women to resist any kind of oppression. Researcher has suggested two saving services that are required to be provided to poor women. They are (a) safe deposit boxes (b) matched savings. Safe deposit boxes offer safety, access to funds and help women accumulate assets outside the household. On the other hand matched savings provide not only safety but also quick access to funds and very high returns. These services can be provided through schools, clinics etc. where women already meet. Through formal saving services women can build up assets over the period of time and can be empowered enough to fulfil all her responsibilities with ease.

**Dwarakanath (2003):** opinions that high opportunity cost and low financial credibility caused the Indian banks to turn their backs towards the rural finance. But the emergence of SHGs gave an opportunity for self-employment and economic empowerment to the rural poor. The main objective of this scheme is to make thrift as a habit among rural poor and give decision making in the hands of women. This study focuses on the self help groups in the Ranga Reddy District of Andhra Pradesh, evaluates its functioning, structure, role of cooperative societies in the development of self help groups, identifies the constraints in its growth and compares its functioning with the advances received from banks throughout the period 1997-2002. Study has explored some major findings about the groups functioning in the area. Even though the number of SHGs are increasing but the groups are not able to resolve funds timely to generate employment activities. There is a big question mark on the role of
government as the groups are not able to avail funds because of redtapism and lack of communication network. There is lack of marketing of goods, lack of skills in management, absence of proper encouragement from officials and non availability of infrastructure. Besides these setbacks, groups were successful in changing the conservative mind set of women.

Sarangi (2003): Over the last few years, people’s participation and empowerment have gained momentum in case of rural development and local planning. SHGs have emerged as the most successful strategy in the process of participatory development and empowerment of women. This study analyses the success of the SHGs in villages of Purushottampur block of Ganjam district of Orissa. Study is based on the observation of the activities of the groups. The study reveals that the SHGs working in the block have successfully implemented their planning at local level. They received proper guidance from the government machinery of the district. Apart from undertaking various programmes for the upliftment of rural women, the SHGs are extending a helping hand to the district administration in different rural development projects ranging from construction of roads to sanitation programmes. Groups are performing social responsibility with enthusiasm. Groups in the block are striving hard for a better future for the rural women as participants, decision makers and beneficiaries in the domestic, economic, social and cultural spheres of life.

Chakrabarti (2005): talks about the achievements of Indian microfinance and also discusses the challenges which this industry has to tackle in future. In India microfinance has achieved remarkable heights. The home made SHG model has emerged as a powerful tool to combat poverty. Women can have easy access to credit and that too without collaterals. Traditional formal banking sector was never able to mobilise rural finance and as such the loss making rural banks shifted their portfolio away from the poor people of villages. But with the emergence of SHG based microfinance, poor have got new hope and empowerment. Backed by NABARD, state governments and several NGOs SHG bank linkage programme is marching forward towards success. Further the paper discusses the formation and functioning of the SHGs. Microfinance sector got a boost in 1990 with the entry of NGOs. NGOs have to struggle with several legal, regulatory and financial challenges to establish themselves. This programme further got a hike with the SGSY strategy. SHGs view it as an excellent source of subsidised credit. Researcher further discusses the future
road map of microfinance and views that yet a lot has to be done to improve the outreach of poor and vulnerable people. Though involvement of government in SHG programme is good sign but still presence of state can never be without the evils of favouritism and corruption. Last but not the least there is a need of development of entrepreneurial skills of poor so that microcredit can be channelized to productive jobs and also there is need for the training of poor women to develop financial and social discipline.

Fernandez (2005): discusses the role of self help affinity groups (SAGs) in poverty reduction and financial sector development, highlighting six indicators for the empowerment of the SAG members. If the poorest members hold positions of authority in the SAGs it as an indicator that the group’s functioning has contributed to the empowerment of the weakest within the group. The second indicator of the ‘empowerment’ of poor is whether affinity group members get selected to the ‘Gram Panchayat’. If the members selected by the group win the elections and get elected to the Panchayat, it indicates that the confidence level of the group has grown sufficiently for the members to be engaged in the political domain. The third indicator is the degree or level of impact the Group has on village life. This indicator must be viewed in the context of the status of members of the group in society, before the group was formed. These affinity groups are formed of the poor, marginalised and generally lower castes. The fourth indicator of empowerment, particularly of women, is the change in gender relations in favour of women. Three areas of decision-making in the family are to be analysed: Decisions on the purpose of loans, decisions on adding to household infrastructure and decisions on household purchases. In general, the number of decisions made exclusively by the husband decreases significantly over the years. The highest shift from husband’s decision making to wife’s decision making is seen in the issues related to household infrastructure. This kind of change is least in decisions related to household purchases. The fifth indicator is the acceptance of SAGs as bankable by financial institutions. The sixth indicator is to see whether participation in the group increased member’s self confidence.

Reddy & Manak (2005): examine several aspects related to SHGs regarding the operating models, the state of SHGs today, their impact on civil society and how they need to be supported going forward. India is progressing ahead in the field of microfinance as SHGs have spread rapidly because of their ease of replication. With
the support of bank linkage to the SHGs their capital base has grown to fund more members and bigger projects. Moreover, SHGs are not coming up as a part of SHG federations and this networking can help SHGs to achieve institutional and financial sustainability. But there are certain hindrances in the path of SHGs to achieve sustainability. There are certain areas like financial management, governance and human resources which need to be cared for. There has been tremendous impact of SHGs on the life of women members. There status in the society has improved and they have gained self confidence and economic independence. There had been significant improvement in the fertility rates, female literacy, participation in development programmes and economic independence of women in the south. Moreover they are fighting for their right. SHGs are not only a financial intermediary but as a via medium for the political and social uplifting of women. In order to enhance the penetration of this programme there needs to be a proper coordination in the NGO technical support and the Government policy.

McCarter (2006): According to State of Microfinance Summit Campaign Report 2005, MFIs have reached over 92 million clients and 333 million family members. Also, women make up approximately 83% or 66 million of reported microfinance clients. In the light of such heart warming developments this paper examines the microfinance movement and its impact on women who are the key to this success. Women have proven to be better at paying on time as compared to their male counterparts. Especially in developing countries, women play a very important role of risk managers and drivers of development. Microfinance programmes have helped thousands of women to use small sums of money in creative and successful ways to develop livelihoods, improve their families' well being and build up savings for future. But so far, what microfinance has done is limited in its ability to empower women as an element of socio economic change. To fully realise the potential of women as a stronger risk managers, peace makers, business leaders and change agents there is a need to take advantage of “market forces” in microfinance. These forces are bringing commercial actors and informal finance closer so as to address the market imperfections that exclude women from the benefits.

Moyle, Dollard & Biwas (2006): This study examines the empowerment of women by emphasizing on two areas namely economic empowerment and personal empowerment. A sample of 100 women, aging between 16 to 65 years, participating
in self help groups was taken. These women belong to two rural Indian villages in Rajasthan. Both quantitative and qualitative data were gathered through self-report surveys and interviews. The qualitative data found that working women reported moderate to high levels on collective efficacy, proactive attitude, self esteem and self efficacy with no significant reporting of psychological distress. In contrast, examination of the qualitative data revealed positive appraisals of self-worth, purpose and independence and negative appraisals of pressure, challenge and stress. Results prove that inclusion of women in income-generating activities gives support to the personal and economic empowerment of women. Even though income is low still it is optimistic to say that micro-enterprise and employment provide women with the means of survival, security and growth.

Sathayprabha (2000): When it comes to women empowerment, SHG membership can help women to organize themselves to increase self reliance and to assert their independent right to make choices and control resources, both of which will assist in challenging and eliminating their subordination. Women empowerment is a participatory process of awareness and capacity building that begins at the levels of home and community. It adds to the decision making power and enables greater participation of individuals or groups to change balances of power in social, economic and political relations in society. Researcher studied the empowerment of SHG members in the Madurai district of Tamil Nadu. Study was conducted in three rural blocks and one urban block of the district. Sample for the study comprised of 200 SHGs, 150 from the rural block and 50 from urban block. Stratified random sampling was used in the selection of sample. Data collected through questionnaires was analysed through SPSS and hypothesis were tested using chi-square. Findings of the study show that groups are involved in saving and lending activities and only mature groups are involved in group enterprises and social activities. Repayment performance is good. SHG members feel economically, socially and politically empowered.

Umashankar (2006): This study seeks to explore the impact of participation in Self Help Groups on the empowerment of women in the context of the great importance being given to the group approach while conceptualizing any programme for rural women. The study was conducted in the Mewat district in the Northern State of Haryana. This state faced the enigma of rapid economic development laid with poor
social indicators. Mewat is paradoxically and island of poverty lagging behind rest of Haryana on almost every yardstick of development indices. The study looks at the various dimensions of empowerment namely material, cognitive, perceptual and relational. Sample for the study were two SHGs selected randomly having an age of more than 5 years. SHG women members were selected on the basis of theoretical sampling. Researcher had discussions with the SHG women at their house, work place and as far as possible alone. Study findings revel that SHG membership has increased the levels of confidence and self esteem. Yet the gender discrimination is most deeply entrenched in the families. Involvement in SHGs has enabled women to have a voice in the community affairs and they have been able to tackle problems such as lack of drinking water and electricity, access to health services and children’s education. Political empowerment is low. Researcher put forward the recommendation for providing convergence of inputs, ensuring a proactive involvement of women in the programme.

**Swain (2007):** this study aims at accumulating information on the impact of SHG bank linkage programme on poverty, vulnerability and social development. For this purpose data was gathered from two groups; one comprising of the SHG members and other one is a control group unaware of the existence of the SHGs. Data collection was done through FGDs and interviews in five states of India. More over the control group composed of 1000 households from a village which was similar to the SHG villages. Results of the study reveal that a lot has been achieved with respect to the control of resources and decision making yet a lot needs to be changed to make women truly empowered. NGO supported SHGs are more advance in the field of financial services and technical training and have a greater ability to have sustainable impact on women empowerment. There is need to pay attention towards the training, education and creating awareness in order to reap benefits of empowerment.

**Medhabati & Upadhyay (2008):** this study was conducted to understand the social mobilisation process and its impact on social capital formation, group dynamics and empowerment of the rural poor through SHG approach. This study was carried out in two districts of Assam namely Kamrup and Nalbari, taking two blocks from each district. The two districts were chosen considering the performance in terms of SGSY- comparatively better performing district (Kamrup) and lesser performing district (Nalbari). Purposive sampling method was adopted for the study. Sample size
was 50 SHGs. Another consideration for sampling was the economic activities of SHGs. Findings of the study show that majority of the members were from above the poverty line. Literacy rate was good and member composition of caste was highest of other castes followed by SC, BC and ST respectively. Majority of the members are married. Further study showed that there is highly encouraging positive impact due to social mobilisation on self help development. Impact of group approach on communication resulting into sharing their personal issues and discussing routine social issues among themselves was not much encouraging. But the impact in terms of building group dynamics by communicating decisions to all members of the group was quite good. Around 50% of the sample was not very clear about the motive behind their joining the group. Also, the empowerment of members in terms of awareness building was encouraging as more than 90% members were aware of government schemes for women, basic banking operation and legal rights for women and institutions working in their area. Capacity building programme of SHG has enhanced the managerial skill, bargaining capacity and communication skills of the members. Perceptions of officials differ about functioning of SHG. They view that vulnerability of the SHG is due to illiteracy, default and absence of leadership. Government officials (but not NGOs and banks) were of the opinion that SHGs participated in local decision making, participate in community activities related to Anganwadi and literacy centres in the education sector, drinking water activities/programmes for both facility as well as maintenance.

Sharma & Varma (2008): Self help groups have been formed with the motive of providing credit to the poor specially women and to empower them socially and economically. Empowerment of women means defining, challenging and overcoming the hindrances in woman’s life and to nurture her ability to shape her life and those who are attached to her. In India, the concept of Self Help Groups has emerged as a powerful tool to achieve the target of women empowerment through undertaking of entrepreneurial activity. Present study investigates the empowerment of women through participation in selected entrepreneurial activities. Research has been conducted in two districts of Haryana. Sample size for research is 16 SHGs with 183 respondents. Data collection has been done through interview schedule. Results show that majority of women have undertaken dairy enterprise for income generation. Motive for starting economic activity was to augment family income. SHGs have
impact on social and economic life of the rural women. Moreover, there is a sense of self reliance and independence in the women. Women have been found to be technologically less empowered. Researchers recommend that entrepreneurial education and trainings be made integral part of the SHG movement to make women more confident and independent.

**Varamit & Pongquan (2008):** The Bank for Agriculture and Agricultural Cooperatives (BAAC) Thailand has been implementing new development strategies in relation to their changing role towards empowering the rural poor through the microfinance schemes. In this connection the study was undertaken to assess the impacts of the microfinance strategies of BAAC on the economic changes experienced by their clients who are the small farmers. A total of six villages were selected for this study. Out of three villages a total of 72 households representing community enterprises such as fruit wine, food preservation and broom production were selected to comprise the community enterprise households (CEHS). From the other three villages a total of 98 farm households (FHs) were randomly selected. For the study both the primary data and secondary data were used. Primary data were collected from reconnaissance survey, observation, questionnaire survey, interview of key informants and group discussions. Secondary data were collected from V statistics, government documents, annual reports of BAAC, published materials and from website sources. Descriptive analysis, Pearson’s correlation, weighted average index were used for the data analysis. The results of the study indicated that credit, insurance, debt suspension and debt burden reduction were the most effective strategies that the small farmers found useful to change their economic conditions. Most of the clients perceived a high degree of benefits which they gained from the implementation of the MFS.

**Deininger & Liu (2009):** This study focuses on the Community Driven Development programme in Andhra Pradesh. CDD programme an innovative technique which combines both social and economic empowerment. For this study two phases of the programme named IKP (Indhira KrantiPatham) were considered. The first phase is DPIP (District Poverty Initiatives Project) and second phase is RPRP (Rural Poverty Reduction). This programme formed new SHGs from the unreached sections of the society and also encouraged the existing SHGs to convert under this programme. Survey covered information from 2516 households from 250 revenue villages in DPIP...
districts and 3824 households from 409 revenue villages in RPRP districts. Along with this an SHG questionnaire was administered to 1239 randomly selected programme SHGs in DPIP. The study covered three different types of participants namely new participants, converted participants and non participants. Propensity score matching was used to draw the outcomes. There are three main findings of the study a) there was an equal increase in the social capital and economic empowerment of participants and non participants. This means that the program’s impact on increased social empowerment was independent of group participation; b) there is significant impact on nutritional status. New participants increased their intake of calories and protein while converted participants increased intake of protein only, c) there is significant gains in consumption for participants in new groups. Overall, the findings of the study are consistent with the earlier studies i.e. there is positive effect of the programme on female empowerment, nutritional status and consumption.

Keshva et al. (2010): sustainability of SHGs is very important if the members want to keep on receiving the benefits of microfinance. But for the sustainability of the groups it is necessary that members should start some economic activity. This study examines the management of economic activity in five out of seven women self help groups formed by the Krishi Vigyan Kendra (KVK) of Hoshiarpur district in Punjab. Data collection was done at two levels: group level and member’s level through analysis of group records, purposely developed interview schedules and focused group discussions. Study reveals that around 37% of the respondents started new economic activity after joining the group. Their monthly income hiked. Moreover, the group members were managing their economic activities from arrangement of raw materials to marketing of final products. Those who faced financial problems in running their activities resorted to the group savings for taking loans. These groups received support from the scientists of KVK/Agricultural University for the solution of technical problems that they faced while carrying out the economic activities.

Parida & Sinha (2010): there have been tremendous studies that reveal the positive impact of SHG on the life of woman members and empowerment of women after joining the groups. But the present studies see the performance of the SHGs in the light of gender issues. Women SHGs are performing much better than male SHGs in terms of social and economic activities. From the policy prospective gender issue is important to see as to why women groups are performing better. Another important
issue discussed in the study is that of sustainability as male SHGs are unable to keep on going in the long run. Sample for the study is six states in India namely Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam. Analysis of study is based on 961 SHGs out of which 95 are all male, 811 are all female and 55 are mixed. A multistage sample design was adopted for sample selection. Qualitative data has been collected by using questionnaire through FGDs and quantitative data, using the records maintained by SHGs. Results reveal that female SHGs are performing better than other type’s reason being better loan recovery, higher rate of savings, good financial management. Again results show that female SHGs are sustainable. Reason behind this is that women SHGs are more focused, united, adhere to basic objectives of groups, and engage in productive activities. Women members take membership as a means to educate themselves and to empower themselves socially and politically. Male groups have ego issues and they work for their own interest. Authors suggest planners to focus on female groups to reap the benefits of microfinance to a larger extent.

2.4 DRAWBACKS OR DARKER SIDES OF MICROFINANCE

Woolcock (1999): has discussed five cases of failure within group based microfinance programs. These are:

1. The People’s Bank in Ireland 1894-1914 (a failed replication)
2. Ekorchalli Branch, Grameen Bank, Bangladesh (a branch crises)
3. Borml Branch, Grameen Bank, Bangladesh (a group in crises)
4. The Bridge Foundation, South India (ineffective guarantors and staff)
5. Myrada, South India (a failed institutional replication)

Researcher has used case study technique and has found; unsuccessful group based programs reveal that the performance of group is multi dimensional. While interest rates, organisational costs (like training of borrowers, staff salaries etc.) and lending policies are all important for group performance but at the same time should take care of the nature and extent of social relations (a) among potential and actual group members (b) between group members and programme staff (c) among programme staff. In case if some of the programmes are being copied or adapted from successful
programs elsewhere, they must be modified to suit the local circumstances. It is
difficult to explain as to how particular institutional resources and/or combination of
resources are assembled to address the issues of risk sharing, overcoming information
asymmetries etc. The word of caution is that those who seek to replicate microfinance
programmes should pay serious attention to the institutional junctures.

Wright (1999): examines the impact of the microfinance services from two
perspectives viz. increasing income or reducing poverty. Microfinance programmes
generally include its aim as “increasing the income of the target group” or some
similar income dominated objective. Implicit in this is that increased income results in
reduction in poverty. But they donot consider the fact that increased income can be
spent on some wasteful activities and hence the poverty situation can be exaggerated.
There is a need to understand the difference between “increasing income” and
“reducing poverty”. These two concepts are not synonymous. The use to which
income is put is as important in determining poverty and welfare as the level of
income itself. There are chances that the increased income is gambled away.
Moreover, it is equally important to understand poverty is neither linear nor static.
Because of this reason poor people believe in diversifying their sources of income. In
nutshell, this study demonstrates that microfinance services empower the poor to cope
with and overcome many of the shocks and emergencies of daily life through the
diversification of their income sources.

Hulme (2000): talks about the darker side of the microfinance. Microcredit should be
replaced by microdebt to see the real situation of the borrowers. Poor people find it
difficult to repay their debts they are involved in low return activities, working in
poorly developed markets they lack skill and knowledge to encounter environmental
and economic shocks. Rather than getting any support to handle these situations,
MFIs are threatening them to repay loans. Several cases of female suicides for non
repayment and arrest of MFI debtors by police have come to light. Moreover MFI
focuses on loans only and the members who just want to have savings facility have to
leave the MFI. Also MFIs never work with the poorest like mentally and physically
retarded, elderly people, street children, refugees etc. The very assumption of MFIs
working with poor and the poorest needs to be dropped as in certain MFIs all the
members are non poor. Another important thing to be noticed is that poverty reduction
cannot be achieved with provision of credit to the poor people. It requires a lot of
other things such as social safety, quality education, health services, social inclusions etc. in the coming times MFIs should focus on provision of full range of services and products that poor people want such as contractual and flexible savings, loans for education and health, microinsurance and lines of credit so that they can improve their own fate and that of their children too.

Wright & Dondo (2001): this paper discusses the client selection criteria adopted by the Microfinance Institutions. Though the poor people are the true beneficiaries of microfinance but by excluding the non poor MFIs are making them several times more vulnerable. Also by the time the non poor become eligible for microfinance it is difficult to serve them with appropriate products and delivery systems. Researches done in the past have already shown that “poorest of the poor” are not being served by the microfinance institutions even in microfinance friendly environment such as Bangladesh. Researchers condemn the advocates of targeting on the grounds that poor people are unable to use the micro loans for productive purposes, weekly meetings are too time consuming for them and also unable to meet the weekly repayment schedule. Rather than spending time and money on recruiting poor, efforts should be diverted towards designing products and delivery systems that are cost effective and appropriate for the poor people. Debate over outreach and sustainability is worthless. MFIs should focus on providing high quality financial services to have better business for itself and the clients.

Mallick (2002): examines the implementation and evaluation of micro credit in Bangladesh. Even though there are several success stories about the miracles of microcredit in Bangladesh yet there are increasing doubts about its effectiveness to initiate social change. Present study focuses on the pitfalls of the role model of all microfinance institutions i.e. Grameen Bank. Bank boasts about high repayment rate and inclusion of 95% of women borrowers. Main aim for targeting women borrowers is not to start some social development but for the reason that women can be handled easily as compared to men (who are outrageous and difficult to deal with) in the matter of loan recoveries. Grameen staff is reported to use coercive measures like locking them whole day in bank room, on women for loan recovery. But contrary to it Grameen is having only 9% of female staff. Even the founder of bank, Yunus has no satisfactory explanation to this paradox. Bank is hypocritical in making donors believe that they are working for social change. What is most shocking is that bank is...
using poor rural women for its own advantages. Women borrowers have to suffer domestic abuse from husbands for delaying household chores for attending Grameen meetings. This social cost needs to be addressed while calculating the social benefits of the programme. Mallick argues that microcredit programmes should not bring violence and class division to communities and the donor agencies should keep in mind the negative side effects and shortcomings of their programmes. Moreover, they should monitor the local conditions before implementing microcredit programmes.

Littlefield & Rosenberg (2004): have expressed their view that in order to achieve its full potential, microfinance must become a fully integrated part of a developing country’s mainstream financial system. Poor people have been using financial services, for centuries, for the same reasons as anyone else. But the financial services available to the poor are limited in terms of cost, risk and convenience. Microfinance Institutions have emerged over past three decades to address the financial needs of the poor. These institutions are, on a large scale, weak, heavily donor-dependent and unlikely to ever reach scale or independence. To overcome these hurdles there is a need to shed the walls between microfinance and formal finance. Across the globe efforts are being done in this dimension. For example, 80 MFIs in Peru are registered to use Infocorp, a private credit bureau. In Turkey, Maya Enterprise for Microfinance negotiated with Garanti Bankasi, a leading private bank. While it is yet not clear how far that integration will go, the early signs are encouraging.

Basu & Srivastava (2005): through a survey of 6000 households over the issue of rural access to finance, found that there is lack of availability of finance from the formal sources of credit to the rural poor. Microfinance has come up to bridge this gap through vast expansion of SHGs in the country. But the unfortunate part is that SHGs outreach has been modest in terms of covering the poor and the poorest people of rural areas. Researchers recommend that for scaling up of SHGs there is need to promote high quality SHGs that are sustainable, there should be clear targeting of clients and ensuring that banks are providing loans to SHGs at cost covering levels. Moreover, in a vast country like India diverse microfinance approaches can coexist. Also researchers, stress upon the need to have a proper governance and regulatory framework for the private sector microfinancers. There should be appropriate products and services and good staffing to ensure effectiveness of microfinance delivery. Last but not the least, study argues in making the formal financial sector
better at banking for the poor and should strive at reaching the rural poor through low cost ways.

**Ghosh (2005):** takes a critical stock of the microfinance scenario in India on the basis of secondary data and a field survey carried out in certain villages of West Bengal. Beyond doubt microfinance is given the credit for the alleviation of poverty and women empowerment. Though there has been extension of the microfinance programmes across the country yet the outreach is too small. Sustainability of Microfinance Institutions is under a big question mark. There is a need to expand scale of operations but the biggest hindrance in this is lack of funds. Upon this there are lot of obstacles in the way of MFIs to raise funds. Moreover, there is need to enhance the volume of credit in line with expansion of productive activities. Overall, there is need to tackle the trade off between outreach and sustainability.

**Jakimow & Kilby (2006):** examines the issue of empowerment of marginalised women of India. In India self help group programmes have emerged as the most popular strategy for empowering women. SHG research has shown the outcomes just by tracking changes in women’s lives through the use proxy indicators. This study analysis the potential of SHG programmes as an empowering mechanism. Researchers have given three arguments that can be used to determine the potential and limitations of SHG programmes as an empowering mechanism. Firstly, such programmes should have potential to empower women in varying degrees. Second, rather than following a top-down approach it should seek down-up approach. Finally, even though these programmes have potential for empowerment yet the social transformation is limited by a belief that members are responsible for their own empowerment.

**Shylendra (2006):** diagnosis the crises in microfinance institutions in Andhra Pradesh. District authorities closed down 50 branches of two major Microfinance Institutions in the state following allegations that they were charging exorbitant rates of interest and were using coercive practices to recover loans. Researcher tried to diagnose whole situation from different angles. According to the author the crisis can be seen as a conflict between state and civil society organisations trying to capture the popular space. MFIs are trying to enter the domain of SHG bank linkage, a programme largely promoted by the government in Andhra Pradesh. Meanwhile, AP
has been plagued by continuous farmer suicides, harming the image of the state government. At the same time, the continued popularity and spread of MFIs seems to have annoyed the political parties and state government. The MFIs which charge relatively high interest rates appear to have become the target to transfer part of the blame for the continued failure of the state government to prevent suicide deaths of farmers and their dependence on moneylenders. But from the view point of MFIs they have solid reasons to charge high rate of interest. MFIs themselves are getting money for on lending at a high rate from external sources and upon that they have to cover their operational costs too. Some even tried to have partnership, like the one who were defamed for charging high rate of interest, with commercial banks but they too were used by these banks for fulfilling their own motives. Another reason for charging high rate of interest is that MFIs want to attain financial self sufficiency and as such they are charging interest rates which would help them to attain the goal of sustainability. About the other allegations author feels that MFI staff have the responsibility to recover loans and they have pressure to get the money back. About poaching, this is a common phenomenon which occurs when there is excess competition and lack of coordination among the lending agencies. Researcher concludes that the role of MFIs in providing credit to poor should be recognised and at the same time government and RBI should create flexible and layered regulatory norms for them.

Sisodia et al. (2005): In India, rural finance is a hot topic as a result of emergence of microfinance. Though the formal banking sector is also there but it failed to reach out the poorer clients. An interface between leading bankers and microfinance practitioners in India gives an opportunity to examine where these two worlds meet and how they could learn from each other. Themes discussed were a) the legacy of the banking system, b) the limitations of microfinance and c) an assessment of the potential. On the issue of legacy, the message was clear that the intervention of the state in certain aspects has been undesirable. These areas include the granting general pardon for loans, messing around with interest subsidies and interfering with the commercial aspects of banking. Regarding the limitations of microfinance the biggest problem is regarding its sustainability and inability to attract commercial capital and expand rapidly. Major reason behind these limitations is the attitude of the state regarding formulation and articulation of regulatory framework and to a large extent it is attributed to reluctance of central bank to supervise the efforts. There is a great
potential in the rural markets beyond agriculture. These include construction, non-farm enterprises, handloom, garment making and quarrying, etc. There is scope for both the banks and the microfinance institutions to intervene.

Jakimow (2007): explores two claims made by the self help groups. These are: self help empowers its participants more than any other externally directed programme and second one is the compatibility of self help with cost reduction strategies. The relevant issues have been explored on the basis of case study of a self help programme managed by Tamil Nadu NGO (TNN). Study is based on the data provided by 126 SHG members and 4 non members through observations, formal and informal interviews, and group discussions. This study explores that even though the main rationale for self help is empowerment but it is being sacrificed in favour of achieving cost reduction. The language of self help has been used by development institutions to justify certain approaches to development, while failing to live up to their claims. Self help has been parted away from the role of providing self direction. Rather these programmes are using the concept to pressurise the marginalised to take responsibility for improving their condition. In the name of cost reduction the burden of development is placed on those who are least able to bear it.

Baland, Somanathan & Vandewalle (2008): This study deals with the exclusion of SHG members and group failures. In India there is little information available on the internal functioning of the groups. There are no details available on the use of the funds or their distribution within the groups. Researcher attempts to fill the information gap about the SHG demographics through survey data on SHGs created during the period 1998-2006. Study was conducted on 1102 rural SHGs covering a total of 16800 women. Field area for study was 2 districts in Orissa and one district of Chhattisgarh. Descriptive statistics, Nelson- Aalen (non parametric estimator) and Weibull (parametric model) have been used for data analysis. Results show that 10% of the total sample SHGs were no longer active at the end of 2006 and 22% of the women had left the groups that they first joined. Group survival seems to be function of at least one educated member in the group and existence of other SHGs in the village. Casteism accounts for exit of members from functioning groups. Major activity of the groups is provision of credit with a moderate indulgence in social activities.
Olsen (2008): examines an aspiration paradox related with the Indian self help groups through the example of using microfinance to purchase a cow. Researcher discusses the situation where borrowings of the SHG members exceed their capacity to repay. This aspiration paradox could lead to default and suffering on part of SHG members. Using the case study method researcher has collected both survey data and interview evidence for 39 couples from two villages in Andhra Pradesh. Also, the study discusses the theories related to this paradox as firstly described by Thorstein Veblen and later fleshed out by Pierre Bourdieu. Researcher concludes that sometimes socially desirable assets are obtained using money without looking closely at either the common land problems (for grazing cows) that might arise or at the medium term crises that might occur which could generate household level crises that the self help groups cannot solve. There is need to carefully examine the economic and social aspects so as to eliminate this aspiration paradox.

Mersland & Strom (2010): In present times a lot of debate is going on regarding the shifting of the mission of the MFIs. Reason behind this is that most of the MFIs are struggling for self sufficiency and sustainability but this is being done on the cost of outreach. MFIs are providing more attention towards the well off or non poor clients. In the wake of such claims this study attempts to see the mission drift by using average loan size as a main proxy and the MFIs lending methodology, main market and gender bias as further measures of mission drift. Data has been collected from rated MFIs operating in different countries for a span of 11 years. Panel data regression has been performed and results have been obtained. It has been analysed that average loan size has not increased in the microfinance industry as a whole. There has been no tendency towards more individual loans. Moreover, there is no sign of higher portion of lending to urban customers. Regressions show that an increase in average profit and average cost tend to increase average loan and other drift measures. Researchers recommend that MFIs should give more emphasis to cost efficiency.

Rosenberg (2010): expresses doubt on the large claims being made about the micro credit and its impact on the life of poor people. Microcredit is being defined as an extraordinary tool having the power to lift poor people especially women out of poverty by funding their microenterprises and raising their incomes. The researcher argues that such a change may not be because of the micro loans and may be contributed to some other reasons. There has always been controversy about the
validity of studies conducted on the impact of microcredit on the economic and social conditions of its users. This study refers to four randomized controlled trials (RCTs) but again these studies have been able to track short term results only. Impact of microcredit on the income and consumption is not the only way to look at microcredit. Researcher quoted several studies highlighting the fact that micro credit users find it more reliable tool to combat emergencies than any informal sources. Borrowers have a desire to keep access to a highly valued service and hence provoke them to make timely repayments. But at the same time this cannot be established that they are using microcredit for productive purposes only. Researcher concludes that even though the claims of increasing income and consumption of microcredit users may fail yet the other benefits provided by it are worth it to keep it going.

2.5 STUDIES EVALUATING PERFORMANCE OF SELF HELP GROUPS AND MICROFINANCE INSTITUTIONS

Ramalingam et al. (1989): NABARD undertook this study to understand the background of the emergence of the self help groups, their composition, methods of working and their linkages with the financial institutions. Also the study examined the possibilities for development of linkages between the self- help groups, self help promotion institutions and the financial institutions for providing support to self help initiatives of rural development. This study covered 46 SHGs spread over 11 states and associated with 20 SHPIs. Data collection was done through four sets of survey schedules. Also case study technique has been used for analysis. Findings of the study reveal that almost all the sample SHGs were formed with an emphasis on self help and with a view to promoting objectives like freedom from exploitation, economic , improvement and raising sources for development. Homogeneity in terms of caste, specific economic activity etc. has played a role in organising the poor into SHGs. Though in some cases groups were of different castes and sub castes. These groups were involved in generating a common fund from out of small thrifts, promoted on a regular basis among the members by curtailing their unproductive expenditure. Groups not having a regular saving fund were observed to have an emergency fund, mainly based on their membership fees or on the surplus from their joint economic activity. Provision of internal loans was on mutual trust basis. Women groups were successful in both small savings mobilisation and credit management of the common
fund. Groups were surviving mainly on internally generated savings. Study further suggested improving the linkage of groups with the banks.

**Yaron (1997):** gives the assessment framework for microfinance institutions. The first criterion is self-sustainability, which can be achieved when the return on equity, net of any subsidy received, equals or exceeds the opportunity cost of the equity funds. The second criterion is the number of clients served and the variety of financial services provided. This is an outreach objective, which consists of scale and depth of outreach. Scale of outreach refers to the number of clients served with different types of instrument and the depth of outreach refers to the type of clients reached and their level of poverty.

**Puhazhendhi & Satyasai (2000):** conducted this study under guidance of NABARD to evaluate impact of microfinance on the socio-economic conditions of the SHG member households. Sample covered under the study included 560 member households from 223 SHGs located in 11 states. Multistage stratified random sampling method was used to select the SHG members for the study, different stages being states, districts, SHGs and members. SHGs that have completed at least one year of linkage with the bank were selected for the study to ensure stabilisation of impact. The household selection was a minimum of 30 member household from each state. Primary data was collected through a structured questionnaire. For assessing the impact of microfinance, comparing per-SHG and post SHG situation was done in the study. Methods of analysis used were:

**Measuring impact:** the impact on income, savings and borrowings were decomposed into two effects: one arising from the spread of income generating /borrowing/saving activities to larger cross-section of member households and other originating due to increase in the level of income/ borrowing/saving per member household. This is given as follows:

- **Total impact on income:** $Y - X$
- **Impact due to increase in the level of income:** $k.Y - p.X$
- **Impact on account of spread of income generating activities to more number of households:** $(1-k).Y - (1-p).$
X where, X and Y are average income (or borrowing/saving) per household during pre and post SHG periods, respectively. The coefficient ‘k’ is the inverse of the proportion of households having income generating (or borrowing/saving) activities in the post SHG situation and ‘p’ is the inverse of the proportion of households having income generating (or borrowing/saving) activities in the pre-SHG situation. The proportion of member households that crossed poverty line due to their association with SHGs was estimated. To measure inequalities in the distribution of savings, borrowings and income across households, the distribution across decile groups was worked out and plotted as Lorenz Curve.

**Composite Index:** Composite Index of standard of living was computed for each household combining the social and economic parameters using the scoring technique.

The index of social indicators of hth household \( (S_h) \) is given by

\[
\frac{\sum S_i}{\sum S_{i(\text{max})}}
\]

And the index of economic indicators \( (E_h) \) is given by

\[
\frac{\sum E_j}{\sum E_{j(\text{max})}}
\]

Combined index of standard of living \( (SLI_h) \) is given by

\[
W_1 S_h + W_2 E_h
\]

where \( S_i \) and \( E_j \) represent \( i^{th} \) social and \( j^{th} \) economic indicator, respectively. \( S_{i(\text{max})} \) and \( E_{j(\text{max})} \) are the maximum scores \( i^{th} \) social indicator and \( j^{th} \) economic indicator can take. Weight \( w_1 \) is given by \( \frac{\sum S_{i(\text{max})}}{\sum S_{i(\text{max})} + \sum E_{j(\text{max})}} \) and \( w_2 \) is \( (1-w_1) \).

Major findings of the study reveal that savings trebled and lending doubled between the pre-and post SHG periods. Loans for income generating activities increased from 25% to 70%. Study found that there is reduction in income inequality and enhancement of propensity to save during the post SHG period. The study reported involvement of members in group activities boosted their self confidence and improved their communication skills. The linkage models involving NGOs as either facilitator or financial intermediary performed better than direct linkage models. Less
than a fourth of the SHG members received training but still the study stressed the need for a wider coverage of members under training programme.

**Meyer (2002):** elaborates the indicators for the assessment of the performance of Microfinance Institutions. Outreach can be measured through number of persons, number of women served, depth of outreach and the variety of financial services provided. Regarding the measurement of financial sustainability the factors are operational self-sustainability meaning that operating income is sufficient to cover operating costs, including salaries and wages, supplies, loan losses, and other administrative costs. Financial self-sustainability is a higher standard because it means that the MFI can also cover the costs of funds and other forms of subsidies received when they are valued at market rates. The most trivial task is to measure the impact assessment. Measuring the impact on clients of financial services provided by MFIs is the most difficult and controversial aspect of performance evaluation. This can be accessed on the basis of economic and non economic benefits derived by the microfinance clients. Some benefits may be separate and independent while others form part of a causal chain. Also in this context care should be taken of the long and short term benefits. Researchers have used secondary data from M-CRIL, Micro Banking Bulletin, World Bank study on Bangladesh, studies on village banks in Thailand and AIMS study of SEWA bank in India, to study the above mentioned indicators of MFI performance. In total 29 MFIs have been examined by dividing Asia into four regions namely; Asia large, Asia south, Asia central and Asia pacific. Results of the study show that Asia large and pacific groups serve many more clients than those in Asia south and central. All 29 MFIs have grown to great size and serve thousands of clients especially women. Except for Asia south other three groups cover all their operating costs. Study has summarised an uncertain picture about the impact of financial services on clients.

**Puhazhendi & Badatya (2002):** This study has assessed the impact of microfinance as carried on through SBLP. In this study the socio economic conditions of the members were compared between the pre and post SHG situations to quantify the impact. This study was conducted in the eastern states namely Orissa, Jharkhand and Chhattisgarh. This study is based on the primary data collected from 115 members in 60 SHGs with the help of structured questionnaires. Multistage random sampling method was adopted for selecting the sample members. In order to assess the impact
of the programme “before and after” approach was followed. Major findings of the study revealed that the structure and conduct of SHGs with reference to size, homogeneity, conduct and attendance of meetings, record keeping, etc. was in conformity with the guidelines of the programme. Coverage of the SC/ST and backward classes under the programme showed increasing trend. There has been an increase in the value of assets in the post SHG period. Also, savings of the groups increased during this period. Institutional credit deepening and widening among the rural poor were achieved to a greater extent. Consumption oriented loans were replaced by production oriented loans during post SHG situations. There is an improvement in the recovery performance and the average annual income of sample household also increased. There was remarkable improvement in social empowerment of SHG members in terms of self confidence, involvement in decision-making, better communication, etc. Overall, SBLP has made significant contribution to social and economic improvement of the member households of SHGs.

Tankha (2002): has touch upon three fundamental issues related to SHGs; efficiency, effectiveness and sustainability. Researcher has used secondary data for the study and also personal interviews with seven NGOs have been conducted. Findings of the study show that cost of promotion per SHG is around RS. 4000 for the minimal model of pure bank linkage. It is Rs. 10,000 to Rs. 12000, within a comprehensive empowerment framework. There are prospects for a reduction in these costs over time as SHG numbers increase in an area and where associations of existing SHGs help to form new SHGs. Regarding sustainability of SHGs, the quality and institutional sustainability is more open to question than the financial viability. Nevertheless, SHGs linked to banks are emerging as a low cost option to mainstream delivery systems of financial services for the poor. At the same time the evidence suggests MFIs lending to SHGs realise a poor return on their portfolio. Sometimes the NGOs phase out of the area after linking SHGs to banks. As far as impact is concerned, contrary to the vision for SHG development, SHGs are generally not composed of mainly the poorest families. There is greater evidence of social empowerment rather than significant and consistent economic impact. Financial skills of group members have not developed as planned. Tankha has recommended that there should be development of standards for SHGs. Funding of state- level support institutions and
resource NGOs for SHG development and has also emphasised upon the research on SHGs and SHG federations.

**Zeller & Mayer (2002):** indicated that evaluation of the microfinance institutions can be done on the basis of their objectives. These objectives have been shown by what is called "Critical Micro-finance Triangle". The triangle can be depicted as:

![Critical Micro-finance Triangle](image)

The corners of the triangle represent outreach to the poor, financial sustainability and welfare impact. And Performance criteria are required for each objective and all three must be measured thoroughly to evaluate micro-finance performance. Further he indicated, the inner circle in the figure represents MFI innovations in technology, policies, organization, and management that affect how well each objective is met. The outer circle represents the environment within which micro finance operates that also affects performance. This environment broadly includes the human and social capital possessed by the poor, the economic policies of the country, and the quality of the financial infrastructure that supports financial transactions. Improvements in the environment make it easier for MFIs to reach the three objectives.

**Zeller, Lapenu & Greeley (2003):** observed that there is absence of clear, industry-wide, accepted framework for social performance reporting and in such a situation the reporting on social performance by MFIs is largely anecdotal. This study aims at developing a conceptual framework for defining social performance in MFI sector and to suggest operational indicators designed to measure the different dimensions and elements of social performance of MFIs. Researchers came up with a conclusive
The definition of social performance is “The social performance of an organisation (whether a private-for-profit firm, cooperative or NGO) comprises the relations of the organisation with its clients and with other stakeholder groups.” Study highlights four major dimensions of social performance: (a) outreach to the poor and excluded, (b) adaptation of the services and products to the target clients, (c) improving social and political capital of clients and communities and (d) social responsibility of an MFI. After a rigorous research process, researchers proposed 15 operational indicators for measuring social performance but to provide a sound and efficient tool these indicators need to be further tested.

**Jayaraman (2005):** This study assesses the performance analysis of Fisherwomen Self Help Groups (SHGs) in Tamil Nadu. Researcher analysed the impact of SHGs on the socio-economic conditions and activities of fisherwomen, financial performance of SHGs and sustainability of SHGs on long term basis. The study was conducted on two south coastal districts of Tamil Nadu. Data was collected from 41 SHGs and the total number of respondents was 725. Data was collected through two separate interview schedules administered to SHG office bearers and SHG members. Percentage analysis, tabular analysis and class interval technique was used for the analysis of data. Results revealed that fisherwomen SHGs are performing well. They are availing the credit facility from banks and there is 100% repayment. Overall results of the study show that there has been socio-economic empowerment of the fisherwomen after joining SHGs. There has been tremendous improvement in the living conditions of fisherwomen. Microfinance has provided banks an opportunity to serve the unreached coastal poor of the country.

**Nayak (2005):** This study was conducted as a part of the evaluation studies being done by NABARD. This study aims at evaluating the effectiveness of the SHG Bank Linkage programme in the various aspects of group functioning, bank linkage and the socio-economic impact at the household level. The study was taken up by the Orissa Regional Office of NABARD in Kalahandi district of KBK region in Orissa. Out of 13 blocks 8 blocks, having intense SHG bank linkage programme, were selected for the study. Data was collected from 80 SHGs covering a total of 997 members. Sample SHGs were more than two years old. The sample groups were randomly selected from all corners of the district. A multistage random sampling procedure was adopted for collection of primary data. A pre-designed questionnaire was used to collect the data.
from the members of sample SHG’s, financing banks and SHPIs. Findings show that members prefer small size for group formation. Poor people adopted SHGs more. Members are punctual in attending group meetings and all the important decisions are taken by the group in the meetings. Banks loans were equally divided among members, fully in most cases and partially when group activity was undertaken. Financial dealings of the groups were good. Members learned to read and write after joining the groups. There is decrease in the emigration in the area and several people got timely medical attention and life saving treatment with the financial support from SHGs. But at the same time study found that most of SHG members were uneducated and ignorant about the systems of linkage and empowerment process. There is a need for pre-designed registers to maintain records in a systematic manner. SHGs are willing to take up economic activated but they lack ideas. Even though the SHPI’s claim to have formed sizeable number of SHGs but unless the health of SHGs is sound enough to sustain against all obstacles and limitations, the objective of the movement may be diluted. Study emphasised that the quality, health and sustainability of SHGs should be given importance in addition to formation of SHG.

APMAS & CMF (2006): This study was jointly conducted by Andhra Pradesh Mahila Abhivruddhi society (APMAS) and Centre for Micro finance (CMF) Jaipur. The objective of the study was to explore quality issues in SHGs, to identify constraints, assess capacity building needs, enlist resource institutions, point out gaps and provide input for CMF action plan. The study covered 202 functioning SHGs from 89 villages of 15 blocks of five districts of Rajasthan. This study covered a total of 2416 SHG members. Both qualitative and quantitative data were gathered from primary and secondary sources at all levels. An interview schedule was prepared to obtain the data from SHGs and SHPIs through group discussions and individual interviews. The data collected from the field was processed using two software namely Excel and SPSS. Major findings of the study reveal that SHGs in the sample are covering the poor and vulnerable communities such as ST, SC, BC, etc. Proportion of leaders is more from other castes, primary level educated, agriculture and employees categories compared to their membership. In the grading of groups it was found that quality of groups is positively correlated with the age. Groups lack regularity in meetings and also the record keeping of groups is not satisfactory. Financially, distribution of loans did not signal anything good as loans were of small
amount and were distributed on need basis and in case of SGSY loans were distributed on equity basis. Impact of the SHGs can be seen in the form of development of saving habit followed by easy access to credit, increase in family income and generation of employment. The study has analysed three kinds of constraints. Structural constraints like widespread habitats, high level of women illiteracy, cultural practises, dependence on agriculture, fatalistic mentality, etc. Strategy related constraints include emphasis on numbers. Operational constraints include group operations at the convenience of leaders and SHPIs, absence of checks and balances, etc. There is a dire need for the capacity building of SHPIs and resource institutions. SHPIs need to understand the fallacies in their current SHG promotional strategies and help them to overcome those.

Cull, Demirguc & Morduch (2006): Sustainability of the MFIs across the globe is linked with their profitability. In order to fulfil the promise microfinance i.e. to reduce poverty without ongoing subsidies, high repayment rates are required to be translated into profits which in turn is a challenging task for the microbanks. The overall equation linking capital and labour inputs into profits and social change is still difficult to master. This study has used a data set of high quality financial information on 124 MFIs in 49 countries to explore the patterns of profitability, loan repayment and cost reduction. Data was collected from the data base called Microfinance Information Exchange (or the Mix) and analysed through regression model. The institutions for the study were selected on the basis of the quality and the extent of their data. As such the data is not representative of all microfinance institutions. This study has attempted to answer three research questions. Does raising interest rates exacerbate agency problems as detected by lower repayment rate and less profitability? Is there evidence of trade off between the depth of outreach to the poor and the pursuit of profitability? Has “mission drift” occurred i.e. have microbanks moved away from serving their poorer clients in pursuit of commercial viability? Overall study results suggest that institutional design and orientation are of great concern while considering trade off in microfinance.

Gonzalez & Rosenberg (2006): have taken three parameters to measure the performance of MFIs across the world. These three are the outreach, profitability and poverty. For this study data has been taken for 2600 MFIs from three databases namely the Microcredit Summit (MCS) Database, the MIX Market (MM) and
MicroBanking Bulletin (MBB), covering around 94 million borrowers. Regression has been used for the analysis of data. Outreach is measured by: Geographic distribution: measured by number of borrowers, microfinance is dominated by Asia. Distribution by institutional type: study has negated the assumption that microfinance is being dominated by NGOs. In fact, most microfinance is provided by government: state owed institutions and Indian SHGs. Other factors to measure outreach were growth in total borrowers, penetration rate (measured by percentage of total population who have microloans) and concentration of MFIs. Second indicator of performance is profitability which is measured through industry profitability, MFI vs. Commercial banks, profitability and growth and years to attain break even. Third parameter is client poverty measured by loan size and client poverty, loan size and profitability, percentage of very poor clients and profitability. The study indicates that there is no hurt to the financial performance of MFIs in serving poor customers.

Luzzi & Weber (2006): Measurement of performance of microfinance institutions (MFIs) is a cumbersome task. Even though the financial performance of the MFIs can be measured through their financial sustainability but it is worth noting that such measurement is incomplete without the element of outreach. As the basic purpose of MFIs is to provide financial aid to the poorest people so it makes compulsory to include the aspects of outreach in their performance. This study has come up with the usage of certain statistical tools that can help to measure performance of MFIs. With the use of factor analyses researchers have firstly constructed performance indices depending on the possible associations of variables. Then they have used the cluster analysis to better understand the results of factor analysis. The scores ascribed to MFIs through factor analysis are then used as dependent variable of an equation (regression model) thereby to explain why some MFIs perform better than other.

Sinha et al. (2006): This study was conducted jointly by the EDA Rural Systems Private Ltd and APMAS team. The study covered 214 SHGs in 108 villages of 9 districts. States covered in this study were two southern states: Andhra Pradesh and Karnataka and two northern states: Orissa and Rajasthan. SHG’s selected for the study were rural, all women group, promoted by different SHPIs and having bank saving accounts for at least four years. Real situation prevailing in the SHGs was studied under three dimensions of performance assessment namely outreach, social performance and sustainability. Data was collected mainly through FGDs and semi
structured interviews with the SHG members, NGOs, group dropouts, non SHG members and SHPA staff. Analysis of data was done through the excel spreadsheets and SPSS. Frequencies had been analysed as a percentage within the sample, to reflect findings across four states. Results for outreach show that the proportion of the poor varies with time of membership. According to wealth ranking, the poor are included and are around half the membership. But there is no shift up out of poverty by SHG members over years of membership. SHG leaders are better off than the members. 51% of the SHGs are functionally literate. SHPA field staff work with the easiest potential members. In case of dropouts, half the groups had no dropouts. Socially it has found, SHG membership can contribute to women’s election to panchayati raj, but does not appear to influence what they can achieve if elected.

There is higher incidence of actions on social justice in AP but in other states it is low. SHGs are involved in community actions but there involvement in group based enterprises is very low. SHGs show a high degree of equitable functioning with respect to access to loans and their distribution among SHG members. But the practices for loan recovery are not satisfactory. Financial performance of SHGs is mixed in terms of profitability, return on capital and costs. Level of defunct and broken groups is low. Overall results show that outreach of groups is good while social performance and sustainability have shown mixed results.

Dwivedi, Sharma & Parthasarathy (2007a): SHGs are formed with the twin objective of women’s empowerment and poverty alleviation. This study is conducted to view processes occurring in SHGs focusing on education and literacy of women. Objective of the study is to access the nature and extent of opportunities available to SHG members, linkage between opportunities provided to SHG members and education as well as literacy. Also, the study examines the perspectives and priorities of sponsoring agencies in a context of socio-economic inequalities. Present study has covered 2750 SHGs across 16 Indian states sponsored both by NGOs and by government programs. States covered for government sponsored programs were Gujarat, Andhra Pradesh and Uttar Pradesh. The states covered for the NGO sponsored programs were Madhya Pradesh, Gujarat, Himachal Pradesh, Maharashtra, Jharkhand, Bihar, Uttar Pradesh, Rajasthan, Tamil Nadu, Orissa, Haryana, Karnataka, West Bengal, Uttaranchal, Andhra Pradesh and Kerala. The survey was conducted through two structured questionnaires, one related to SHGs and the other related to
the agencies sponsoring them. Study found out that woman who are getting the opportunity to join SHGs are not from the most marginalized sections in terms of their caste or class background. Majority of the groups have not been able to access any kind of loan but have been saving for over two years. The study clearly proved a direct and positive relationship between literacy and opportunities for group leadership. This study raises serious questions about self help groups and the purported objectives for which they are formed.

Isern et al. (2007): massive outreach of SHGs has generated interest in the model’s sustainability and replicability in India and elsewhere. This paper reports on two separate studies of sustainability of SHG programmes conducted by CGAP staff and partners. The first study reviews SHGs developed by five different SHPIs, representing the main approaches to SHG promotion in India. This study looks primarily at the financial viability of SHG programmes. Total of 150 SHGs were covered in the study. Findings of the study reveal that the Indian SHG model can work sustainably in well-managed programmes. SHGs reach poor and excluded groups but the SHG financial services do not match fully to the member need. Members do not save because they want to save but only because the deposits are required to get a loan. Only well managed SHGs are profitable and are financially sustainable. The second study proposes a methodology for designing SHG programmes to ensure their sustainability. Four SHG promoters namely Oriental Bank of commerce, Sarvodaya Nanofinance Ltd., Dhan Foundation and Microcredit Foundation of India. Except for OBC all other organisations are located in Tamil Nadu. This study firstly explored whether an adequate package of support services is provided. Findings show that each programme is providing an acceptable level of all the support services. Second test for the sustainability was whether SHG programmes are able to cover the costs of the external support they provide. Results show that only Dhan’s KVK programme is running a deficit in providing support services to SHGs and could lose its ability to provide these services over time if adjustments are not made. Further study reveals that out of the four programmes only two are covering all of their costs. The other two must find ways to increase their revenues from SHGs or to become more efficient.

Randhawa & Mann (2007): this study examines the structural and functional aspects of Self Help Groups in Punjab. According to researcher even though the concept of
SHGs is new to Punjab yet in the current times it is taking momentum. This study followed the multistage random sampling method and covered the 17 districts of Punjab. In the first stage, a selection of 50% of the total 140 blocks of all the districts was made randomly. In the second stage, three credit linked SHGs in the selected blocks were chosen at random and were promoted by different SHPIs. This study covered 222 SHGs across Punjab out of which 36 were promoted by banks, 7 by NGOs and 179 by government agencies. For every group one leader and 4 SHG members were randomly selected for data collection, making the total sample size of SHG members to 888. Data collection was made through different interview schedules for SHG members and leaders. Analysis of data was made through appropriate statistical procedures such as frequencies, percentages and z-tests. Findings of the study show that there is change in group size owing to marriage of members, default and new members. Majority of the groups reported to have been formed on the basis of homogeneity in the standard of living. Further study shows that SHGs promoted by government agencies were motivated by the factors of subsidy and easy loans while NGO SHGs attributed this to technical training. There is no rotation of leadership. Attendance and conducting of meetings was irregular. Member’s contribution for the group fund ranges between Rs. 10 to Rs 200. Findings revealed that NGO had received training on SHG orientation as well as training on income generating activities but the condition of banks and government promoted SHGs is worse with regard to the capacity building of SHG members. There is dire need for capacity building and training programmes for the state.

Sharma, Parthasarathy & Dwivedi (2007b): this study is a qualitative study that was undertaken to understand women’s perceptions about the changes that have taken place in their lives after joining an SHG, especially in terms of empowerment and poverty alleviation. Also, the study assess the extent to which sponsoring agencies provide an enabling environment, particularly in terms of education/learning opportunities, for empowerment and poverty alleviation. This study is based on an intensive, qualitative study of 6 SHG interventions namely SGSY and DWACRA sponsored by government of India, Swashakti and Velgu sponsored by the World Bank and Peace and Anandi are NGOs promoting SHGs. Researcher has applied bottom up methodology that in turn requires rigorous interviews with SHG members and promoters. Study results show that while SHGs claim to improve livelihoods,
there was little evidence to suggest that they do so. Moreover, the promoters of SHGs focus on micro enterprises that are most often unviable and lack support from the promoters for backward and forward linkages, related in particular to marketing. The study found no evidence to suggest that participation in SHGs had led to a substantive increase in incomes. In fact, this participation has increased women’s burden. Outside of the household, even the SHGs do not offer the space for engagement with issues of gender justice and equity. Educational and literacy inputs provided to SHGs are minimal. Study suggests that SHG promoters must make substantial changes in their course if they are to be true to their goals of empowering women.

**Hermes et al. (2008):** There are two major objectives of MFI, one is outreach and the other one is sustainability. Sustainability of the MFIs in turn depends upon the efficiency of the microfinance institutions. Due to increased competition between the MFIs and commercialization of microfinance there is a need to focus on financial sustainability and efficiency. But the question that comes up is whether and to what extent shifting the focus towards increased financial sustainability and efficiency has implications for the outreach. On one hand the commercialization of microfinance may attract increased commercial funds which may contribute to supporting the outreach goal of MFIs. But on the other hand, providing finance to the poor people—especially the very poor and the rural poor can be very costly. This creates a conflict between the two goals viz. outreach and sustainability. This study has examined whether there is a trade off between outreach to the poor and efficiency of microfinance institutions using the Stochastic Frontier Analysis (SFA). The data on MFIs was taken from Mix Market consisting of 435 MFIs over a period of 11 years (1997-2007). This study used a sample of more than 1300 observations and found that outreach is negatively related to efficiency of MFIs. MFIs with more outreach (measured by the lower average loan balances and more women borrowers as clients) were less efficient. Study suggests that improving efficiency can be achieved if MFIs focus less on the poor. However, the results of the study do not imply that a stronger focus on efficiency is bad for poverty reduction.

**Sen (2008):** Microfinance is generally associated with financial outcomes. The measures of financial performance have been tested, revised, refined and largely standardized across the industry. But MFIs being a social enterprise has two objectives namely social and financial performance. As far as financial performance is
concerned its measures are fixed but there is a doubt to standardise measures of social performance. This study attempts to develop a conceptual framework for social rating and social performance reporting in microfinance. This study assesses the social performance of a MFI situated in the state of Jharkhand by using the social rating methodology developed by M-CRIL. MFI under study followed the SHG model and had 4272 clients (SHG groups). Sample for the study was 130 clients and same questionnaire was used as by M-CRIL. Results of the study show that majority of the MFI clients are rural poor. Further MFI is reaching the vulnerable sections of the society. There is a good proportion of ST/ST client households (38%), which is above the national average. But the MFI had no idea about the poverty level of its clients. The poverty outreach of the MFI was also measured as per the poverty scorecard developed for India. The results show that 26% of the MFI clients are below the poverty line which is 39% for the whole of the country. This calls for a strategic review by the MFI, so as to align its operation with a deeper poverty focus. Further researcher suggests that for objective assessment of performance against social objectives, there is a need for social rating products linked with financial rating. This will help to evaluate as to how far these organisations are successful in achieving their goals.

Sinha et al. (2008): This study was conducted by the research team of National Council of Applied Economic Research. This study assesses the impact and sustainability of SHG bank linkage on the socio-economic conditions of the individual members and their households in the pre-SHG and post-SHG scenarios. The study was conducted for India as a whole and covered six states namely Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam from five different regions (south, west, east, central and north-east). Study sample comprised of two districts from each state. The study had a sample of 160 SHGs from two districts of each state and a total sample of 960 SHGs from six states to study the impact of the all-India level. A total sample of 4800 households was selected to assess the impact of bank-linkage of SHG at household level. Data were collected through pre-structured questionnaires, covering the qualitative and quantitative aspects of SHG and their members before and after bank linkage. Further, the information on the problems faced by the SHGs and their suggestions on improvement of the SHGs performance was gathered through discussions. Findings of the study show that
majority of the SHGs have women members only. There is less involvement of SCs/STs and OBCs (22.3%) in the groups. More than 60% of SHGs consist of members belonging to BPL families. Changes in net household income between pre-SHG and post-SHG registered a significant growth per year at 6.1per cent. There is regularity in repayments of loans. Share of households living below poverty line has reduced. SBLP has also reportedly empowered women members substantially and contributed to increased self-confidence and positive behavioural changes in the post-SHG period as compared to the pre-SHG period. Findings of SHPIs suggest that NABARD and other banks are the main source of support for financing and promoting SHGs. The major problems in promoting new SHGs as reported by SHPIs were mainly illiteracy, ignorance of people and shortage of field staff. The overall findings of the study suggest that SBLP has significantly improved access to financial services of rural poor and had considerable positive impact on the socio-economic conditions and the reduction of poverty of SHG members and their households.

APMAS (2009): This study presents APMAS situational analysis of the SHG Movement in Bihar. SHG movement is gaining momentum in the present times. It has emerged as a powerful tool to reduce poverty and to empower the poor economically and socially. In this context the present study was conducted to see the current situation of SHG movement in Bihar and to analyse the strengths and weaknesses of the programme in the state. This study covered a sample of 20 SHPIs. Information was gathered through FGDs with SHG members and SHG federation representatives. Findings show that owing to the empowerment of women through the SHG programme, SHGs are not needed but most required in the state. There has been tremendous increase in the number of government agencies such as Mahila Samakhya, women development corporation Bihar, rural development, women and child development, etc. and non government agencies in Bihar for the promotion of SHGs. NABARD and SLBC are making intense efforts to improve the SHG bank linkage in the state. Regarding Federations study found the absence of structural clarity in many federations. There are no proper by laws governing the SHG federations. Promoters intervene in the board representation and even the election process in not transparent. Overall, the study reveals that there is lack of expertise on the part of promoters as well technical agencies to meet the need and demand of the SHG movement. Further the study has made several recommendations to the
organisations working at different levels to promote and prosper the SHG movement in Bihar.

Ramechandran et al. (2009): APMAS conducted this study to evaluate the self help affinity groups (SAGs) by MYRADA. According to MYRADA, the SAGs are the appropriate people’s institutions of the poor which provide the space for the members to develop a livelihood strategy and to acquire the skills and confidence to initiate change in them, in their relations at home and in society and linkages with other institutions. In order to verify this assumption MYRADA approached APMAS to study the quality, sustainability and impact of SAGs. This study does not intend to compare the SAGs formed by MYRADA with those formed by others. Sample for the study comprises of SAGs which were more than 8 years old. The study covered 60 SAGs of 3 districts in 2 states (Andhra Pradesh and Karnataka). Further for in depth analysis of loans and livelihood actives, 120 individuals (who took a loan of Rs 75000 or more) were selected. Both primary and secondary data were used for the study. Primary data were collected through interviews and focused group discussions. Data were analysed through SPSS and simple statistical techniques such as percentages, averages and dispersion were applied for analysis. Findings of the study show that there is high percentage of other classes. ST and SC have small representation. All the groups have reported dropouts. Members are illiterate to large extent. Regarding quality of the groups half of the sample reported to have both the compulsory and voluntary savings while the other have only compulsory savings. Presently weekly meetings were common in groups while earlier in the beginning they had fortnightly and monthly meetings. Majority of groups having paid book-writers while for others members are writing the books. Financial performance of the SAGs shows that there is sustainable relationship between SAGs and banks. Repayment of loan includes a monthly payment of principle and interest but there is flexibility in practise. Average loans to very poor and poor are low compared to borderline, sufficient and surplus categories. Majority of the loans are taken for production purposes followed by consumption. On time repayment rate from members to SAGs is low as compared to repayment rate from SAGs to external agencies. Social performance of the groups show that they involve in several community activities like cleaning drains, roads and water tanks, donations to Tsunami and Kargil war victims, etc. SAGs have experienced changes in several aspects like taking large sized loans, large group
common fund, reduced quarrels, linkages with other organisations, etc. There has been significant reduction in the poverty of members. Households have purchased different gadgets. There is rise in the confidence level of the groups. Study concludes that the assumption made by MYRADA about the SAGS regarding their structure, functions and potential impact is valid to a large extent.

Rao et al. (2009): This study is the first step in the NABARD-APMAS collaboration for SHG quality improvement in three lagged states Assam, Bihar and Madhya Pradesh. The major objective of the study was to understand the critical factors that influence the quality and sustainability of SHG movement in Assam. Also the study aimed to assess the capacity building needs of SHGs and their promoters and further to evolve strategies to improve the quality of SHGs and capacities of SHPAs. In this study 109 SHGs were covered from 9 blocks of 4 districts and along with this about 50 secondary stakeholders representing banks, block and district officials, state level institutions and NGOs were covered. Data from the sample SHGs was collected through interview schedule and using different schedules for the above listed stakeholders. The SHG schedules and secondary stakeholders’ schedules were processed using Microsoft Excel. Grades of all sample groups were obtained through CRI score. The PAR was calculated, in those groups, which have repayment schedules. Cross tables of different parameters were prepared to understand the correlations and association among different parameters. Study found that out of 1288 total sample members 90% were women and caste composition is highest of BC+OBC followed by ST, other castes, SC and Minorities. Majority of the members have good education level. The profile of members suggests that a sizable number of not so poor are represented in the sample. In this study grading of the groups was done and accordingly out of 109 sample groups, 2 are ‘A’ grade groups, 67 are ‘B’ grade and 40 are ‘C’ grade groups. The quality of groups is quite low in the state as compared to other states/ studies. In Assam, lending to non members is very common. None of the sample SHGs had complete balance sheets. Unlike other states, SHGs in Assam are flushed with funds. The groups have earned an interest income of Rs.15 lakhs. But the disappointing thing is that banks are sucking funds from groups by keeping more SHG funds with them than the loan outstanding amount. The SHG program has resulted in social and economic benefits to a significant percentage of the sample groups. But despite of all round support from government of Assam, NABARD,
NGOs, RRBs and active participation of primary members, the condition of SHGs is far from satisfaction.

Agarwal & Sinha (2010): there are two main objectives of the MFIs, outreach and sustainability. Evaluation of outreach is easy but to measure the financial sustainability of MFIs is technical. This study analyses the financial performance of various MFIs operating in India. MFIs should be able to financially sustain themselves so as to achieve their other target of outreach to the poor and marginalised sections of society. But to conduct such a study in India is difficult because of lack of reliable and actionable data on the financials. Researchers have taken 22 MFIs for the study which are enlisted on Mix Market database. Companies have been compared on six parameters of financial performance namely financial structure, revenue, expenses, efficiency, productivity and risk. Results show that most of the best performing firms are following different business models in India but in the areas of risk coverage, debt equity ratio, productivity, cost per borrower etc. are similar. The managerial capability of the firms is different as they might be at different stages of the learning curve. Firms seem to be following a time tested way of doing business which has sustained itself over the years.

Guha et al. (2010): This study was conducted by NABARD to assess the impact of micro enterprises on income and employment levels of SHG members under SHG Bank Linkage Programme. The study was conducted in four states namely Jammu and Kashmir, Andhra Pradesh Himachal Pradesh and Gujarat. In every state, multistage sampling techniques were adopted to collect the relevant data. In the first stage districts were selected, SHPIs were selected in second stage, SHGs were selected in the third stage of the sampling process and finally group members were selected from the selected SHGs. In each stage, purposive sampling technique was used. Sample for the study comprised of 155 SHGs, covering a total of 632 members. Both the primary and secondary data was used for the study. A structured questionnaire was prepared to collect primary data from SHPIs, SHGs and SHG members. Major findings of the study reveal that majority of SHGs in AP, Gujarat and J&K were formed on the basis of homogeneity in terms of economic status. Across the four states, SHGs did not change their leaders. In majority of the group’s leaders are maintaining the group records. Majority of the sample households in Gujarat and J&K were engaged in mixed economic activities while in AP and HP
majority of SHG members were engaged in farm activity. Around 50% SHG member households belonged to SC and ST category. Majority of the households reported increase in the value of assets owned by them in the “post SHG” period. Across the states, with the increase in loan linkages, SHG members utilized the loans either for initiating new economic activities or for diversifying their existing activities. Out of the total sample 149 members had set up 30 different types of micro enterprises and 158 had taken up 31 different types of income generation activities. SBLP has brought positive socio economic changes in the lives of the SHG members. As far as sustainability is concerned there is decrease in number of members in case of SHGs under the age group 4 to 6 years. In case of financial stability, the overall repayment performance showed that 90% of the loan was repaid by SHGs to the bank. Study emphasised that there is a dire need for training and capacity development of SHG member entrepreneurs to ensure that micro entrepreneurs find adequate opportunity to grow.

2.6 SUMMARY OF LITERATURE REVIEW AND RESEARCH GAPS

2.6.1 Summary of Literature Review

Microfinance has assumed a great importance for the present day poor. It has emerged as a powerful tool for not only poverty alleviation but to empower the marginalised sections of the society to earn a respectable livelihood and have an identity in their social circle. Whole of the world is brimming with microfinance institutions and in India too this movement continues to grow in the form of Self Help Groups. Inspired by the Grameen Model of Bangladesh SHG in India was born with the initiatives of NABARD in 1992. NABARD started the pilot project of linking 500 SHGs to the banks for credit and today the number has gone up to 69.53 lakh which in itself is remarkable achievement. SBLP is a group approach whereby 10-20 people especially women form a group, start contributing money for a common group fund, do inter loaning and after satisfying the requirements of the banks were they have their accounts avail credit which the group members take as a loan for either productive or consumption or both the purposes. Apart from above, group meetings and maintenance of accounts are also regular features of an SHG.

SBLP in India is promoted by several agencies. The foremost one is NABARD and others are NGOs, Government agencies like department of rural development, social
security department, child and women development department etc. prominent NGOs working for microfinance are APMAS, MYRADA, SEWA, and PRADAN etc. They have undertaken several studies individually or in collaboration with NABARD to study the progress and performance of the SHGs in the country. Commercial banks both public and private, Cooperative banks and RRBs too are lending a helping hand in the programme. SBLP programme works under three models: SHGs and banks, SHGs and banks via NGOs and/or government agencies and SHGs and banks via MFIs as intermediaries. Apart from SBLP model MFI approach to microfinance is in its budding stage. Under this, NGO MFIs, Co-operative MFIs and NBFC MFIs registered under Societies Registration Act, Indian Trust Act, State Co-operative Societies act and section 25 of Companies Act etc. can operate legally and conduct the microfinance business. But the SBLP model is most popular in the country targeting mass volume of poor and marginalised people.

Performance of the Self Helps Groups and MFIs is still an area of debate. There are no set parameters or rules of thumb to measure the performance of these institutions. Normally outreach and sustainability are the two aspects which are studied to check their performance. Outreach simply implies the number of clients covered but again it is condemned to consider it from one angle only i.e. number of clients served. It is just the quantitative dimension of outreach. But this expanded outreach should also be seen in the context of the quality of what has been achieved so far. The quality dimension is to be examined from the depth and width of outreach achieved. Depth implies the coverage of the most vulnerable sections of the society while width stand for the distribution of the microfinance services across the country. Studies have shown that even though the outreach of the SHGs is good quantitatively and qualitatively. But the expansion of the SBLP is uneven across the country. Southern part of the country is having more emphasis on the programme. Penetration of the programme is much less in the northern and north eastern regions as compared to the other regions of the country. Sustainability is generally measured in terms of financial performance i.e. repayment of loans, loan portfolios, profitability etc. but in case of SHGs sustainability is just not finances but also the group relations, equity within the group and internal workings. Studies show lack of proper book keeping as a hindrance to measure the financial sustainability of the groups.
Another major issue concerning microfinance is the conflict between its two objective i.e. outreach and sustainability. If profitability is adhered then it may not reach the poor of the poorest and vice versa. Apart from the above issue there is another trend emerging in the assessment of performance of microfinance. This is regarding the measurement of the social performance of microfinance institutions. Several models of measuring and reporting of social performance of MFIs are coming up but in case of SHGs it simply means the involvement of the group members in community activities, group harmony and actions for social justice.

Majority of the studies conducted so far have tried to measure the impact of the microfinance services on its clients. Normally, this impact is measured by assessing the condition of the SHG members before and after joining the groups. But again this is a difficult task as the SHG members are not keeping a record of the changes that occurred in their life and moreover the change in ones living may be caused by so many other factors apart from membership of SHGs. Another aspect associated with the performance of SHGs is the empowerment of its members especially women. SHG membership is a powerful source to empower women by providing them financial freedom which in turn increases their importance in the family. Women are not only socially and economically empowered but their SHG membership also carves way for political empowerment. They get nomination for the panchayati raj elections and can contest for other esteemed posts in the local politics. Women are seen as the true beneficiaries of the SBLP programme. NABARDs mission is to link nearly 9.2 crore households by the end of 2015, which would ensure coverage of more than 50% women through SHG bank linkage programme.

Microfinance has a darker side too. Several studies showed the positive impacts of the microfinance on its clients but some have also revealed its ugly side. MFIs are charging high rates of interest and are second highest after the rates of moneylenders. But they seek excuse on the pretext that due to increased competition they have to rely on themselves for funds. Moreover for sustainability they have to be profitable or else they will perish. Another allegation against them is that they are using coercive methods of recovery and some of the farmers in Andhra Pradesh committed suicide because of this brutal behaviour of MFIs. In nutshell, it can be concluded that Self Help Bank Linkage Programme is unique and adapted to the local conditions of the people. The so far results of the programme are fascinating yet the uneven penetration
of the programme is a concern. Despite the allegations levied on the workings of microfinance institutions the huge amount of benefits it conferred on its clients cannot be ignored. With cooperation of varied agencies SBLP can help the country to get rid of the menace of poverty.

2.6.2 Literature Gaps

Critical evaluation of the existing literature on microfinance reveals a certain gaps which the present study will try to cover. Following are the research gaps:

1. As discussed earlier in the need of the study, there is a wide inter-regional and interstate variations in the development of SHGs. Studies conducted by NABARD and NGOs are basically concerned with the southern states of the country. There is lack of literature on the condition of SHGs in the North India, especially Punjab.

2. Out of the handful of studies conducted on the performance of SBLP in Punjab shows there is least penetration of the programme in the state. Present study will try to analyse the reasons for slow growth of the programme in the state highlighting the deviations within the four regions of Punjab namely, Majha, Malwa, Doaba and Powadh.

3. Review of literature shows a lack on the part of the studies to entirely address the social performance of the groups. Present study will take a more holistic view of the social performance of the groups by focussing on the community activities, political views, actions for social justice and social harmony of the groups.

4. In the earlier studies only the financial aspect of sustainability of the groups was considered but study has complied wider aspects of SHGs members views about the sustainability and internal group bondage.

5. Outreach of the groups is seen from a wider horizon from the view point of the type of women covered and leadership criteria, omitted by earlier studies.

To conclude, the present study will provide an in depth knowledge about the existing condition of the SHGs in Punjab focussing on all the important aspects of outreach, social performance and sustainability.
References


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