Chapter -V

MICRO-FINANCE: A VIABLE STRATEGY FOR POVERTY ALLEVIATION AND GENDER EMPOWERMENT IN INDIA

The massive poverty that exists in India despite over five decades of planning calls for an alternative strategy for tackling poverty and gender inequality. Over the last few years Micro-finance (MF) is considered to be a best option for achieving the same. The Grameen Bank model of Bangladesh with various variants is adopted in both developed as well as underdeveloped countries of the world. This chapter assesses the importance of M.F. in poverty alleviation and gender empowerment in India.

Introduction

Gender analyses do not merely focus on women but also look at the ways in which men and women interact with each other and the gendered nature of their roles, relations and control over resources. Unfortunately, even today in most parts of the world there exist gender biases that disadvantage women live in unacceptable conditions of poverty and degraded environment, mostly in the developing countries. Globalization of the World’s economy and the deepening interdependence among nations present challenges and opportunities for sustained economic growth and environment friendly development as well as risks and uncertainties for the future of the world economy. This paper analyses these issues and arrives at the conclusion that globally, women are impoverished: feminization of poverty is not peculiar to
India. India has made strides toward bridging the gender gap but still has a long way to go before women can take control of their own lives.

The National Policy for empowerment of women was adopted in 2001 with the objective of ensuring women their rightful place in society by empowering them as an agent of socio-economic change and development. The National policy for empowerment of women sets the pace for creating a gender just society of human resource development and the elimination of all discriminations to make place for capacity building access and empowerment. The women specific programmes are showing positive results in empowering women, yet there are miles to go empowerment is not a process which is horizontal or vertical. It is process which goes round in a circle. One thing has to be kept in mind that the process started must go on till the goal is achieved.

Concept of Empowerment

The term empowerment has been widely used in relation to women. Many well known writers and researchers have provided wide-ranging definitions of empowerment. A few to name are ‘Sen and grown’, ‘sharma’, ‘Daphanews’ and others. Their definitions of empowerment in a broad sense cover aspects such as women’s control over material and intellectual resources. (Batliwala: 1994) Empowerment is a process: which challenges traditional power equations and relations. Abolition of gender based discrimination in all institutions and structures of society and participation of women in policy and decision making process at domestic and public levels are but a few dimensions
of women empowerment (Gita -1987). Empowerment in its simplest form means redistribution of power that challenges the male dominance. This does not however, mean that the empowerment process adopts an antagonists approach. It is only to enable women to supplement and coordinate with men. Empowerment is an active process of enabling women to realise their identity and power in all spheres of their lives (Sharma: 1992). As per the 2001 census the total female population of India is estimated at 495.74 million. This is 48.3 per cent of the country's total population. The figure shows that women and children are vital human resource of the country. Thus, they are considered to the most critical determinant for its overall socio-economic development. Women are almost on half of the world's population having enormous potential but being unutilized for the economic development of the nation. The real situation of women all round the world is as bellow:

i) of the world's 1.3 billion poor about 70 per cent are women.

ii) between 75-80 per cent of the world's 27 million refugees are women and children.

iii) women hold only 10.5 per cent of the seats in world's parliament.

iv) only 24 women have been elected as heads of governments in the last century.

v) of the world's one billion illiterate two thirds are women.

vi) two thirds of 130 million children world wide who are not in school are girls.
vii) in most countries, women work approve, twice the unpaid time men do.
viii) rural women produce more than 55 per cent of all food grown in developing countries.
ix) the value of women’s unpaid house work and community work is estimated 35 per cent of GDP world wide.
x) HIV is increasingly affecting women. Today about 42 per cent of the estimated cases are those of women.
xi) 20 million unsafe abortions are performed every year resulting in the deaths of 70,000 women.
xii) of women in the reproductive age group almost 30 per cent die of communicable diseases (fevers, diarrhoeas, respiratory infections) 7 per cent of burns, about 9 per cent of maternal causes. 4 per cent of anemia and about 11 per cent commit suicide.

No country can achieve the potential without adequately investing in and developing the capabilities of women. In the interest of long term development it is necessary to facilitate their empowerment. In many developing countries including India women have much less access to education, jobs, income and power than men. Even after five and half decades of planned development Indian women, except a privileged minority, have not achieved expected success in the mainstream of life. If we do not improve the
status and role of women our country will be unable to have a competitive edge over others.

**Political Empowerment**

Experiences since the 73rd amendment have demonstrated that when women gain voice in decision making in their villages, they alter the development agenda to address issues, critical to meeting basic needs. They take action against dowry, domestic violence child marriage and child labour; women in position of leadership begin to transform gender relation and call into question the deeply entrenched patriarchal system. They help other women to knowledge their right.3

**Economic Empowerment**

Women leaders organize skills training for the women community like micro credit training SHGs training programmes etc. Panchayats women mukhiya and the women members of ward levels are always aware to their economic development activities of the society.

**Social Empowerment**

Our women leaders take action to crucial social issues such as dowry, domestic violence, alcohol abuse. Child marriage and child labour. They ensure that women know their rights and have access to information.
Legal Empowerment

Women would be more legal empowered through the leadership of women sarpanch. Up-Sarpanch and ward levels panch members within next five years. They are aware to their legal rights and duties so, that through this platform women will be empower about legal aspects.

Interestingly the representation of women in Panchayats has been rising in almost entire India. About 65 per cent women have been elected at all level seats, in panchayat election of 2006 in Bihar. About 15 per cent more seats have captures by women than their reserved seats. It was good result in favor of women empowerment in Bihar.

33 per cent reservation policy for women sector has been implemented at all India level since 1993 after the 73rd constitutional amendment. In 2004, there were at least nine states where panchayat elections were held. More than 33 per cent women representatives at Andhra Pradesh, 33.04 per cent Assam, 50.38 per cent Cattishgarh 33.75 percent Gujarat 49.30 percent. Kerala, 47.24 per cent Karnataka, 43.6 per cent Tamil Nadu, 36.73 per cent Uttar Pradesh, 37.87 per cent and West Bengal, and 35.15 per cent panchayat representatives were elected from women sector.

With more and more women entering into political fray. There is an opportunity to the other wise deprived sector to participate in the democracy in its true terms. It would also be a wake-up call for the center which on some pretext or the other is delaying the 33 per cent women reservation bill to be passed by the parliament. PRI model of Bihar may be a model for rest of
country and the parliament to provide the 50 per cent reservation for women in parliament and state legislatures.

But it is also essentially needed by the state government to transfer the entire 29 areas for implementation to the panchayats as per 73rd amendment of the constitution. Then only the women sector would acquire the real empowerment.

In fact, 50 per cent reservation in PRI would give a good result in favour of Prof. Amartya Sen economics of development. Prof Amartya Sen has always advocated for basic development of the society like basic health and education. Sen is worried for deprivation of the women sector from the mainstream of development. Bihar PRI model would remove the problem of deprivation of women sector from the mainstream. It will help the development process in true spirit. The model may be adopted at the all India level for over all development of the system.5

The National Policy for Empowerment of Women 2001

It envisaged introduction of a gender perspective in the budgeting process as an operational strategy. These provisions are effected and supplemented by the legal frame work. A few laws and legislations that are in place:

Women Specific Legislations


v) Protection of women from Domestic violence Act, 2005.

Economic


Protection


Social


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Planning for Women

The plan documents have over the years reflected the evolving trends in gender matters. Formal earmarking of funds for women began with the women's component plan. However, gender sensitivity in allocation of resource starts with the seventh five year plan.

Five Year Plans and Empowerment

The first five year plan (1951-56) envisaged a number of welfare measures for women. Establishment of the central social welfare Board (CSWB) organisation of Mahila Mandals or women's club and the community development programmes were a few steps in this direction.

The second five year Plan (1956-61) was closely linked with the overall approach of intensive agricultural development. The welfare approach persisted during this plan period as well.

The third five year plan (1961-66) supported female education as major welfare measure. Rural welfare services and condensed courses of education had priority besides provision of services for maternal and child welfare, health, education, nutrition and family planning.

Similarly the fourth five year plan (1969-74) continued emphasis on women's education. Here the basis policy was to promote women's welfare within the family. The outlay for family planning was stepped up and a high
priority was accorded to immunisation and supplementary feeding programmes.

The fifth five year plan (1974-79) Emphasized training women in need of income and protection. Functional literacy programme got priority. This plan coincided with international women’s decade and the submission of the committee on the stats of women in India. In 1976 women’s welfare and development bureau was set up under the ministry of social welfare.

It was to act as a nodal point to coordinate policies, programmes for women development.

The sixth five year plan (1980-85) saw definite shift from welfare to development. It recognized women’s lack of access to resources as a critical factor impending their growth.

The seventh five year plan (1985-90) operationalized the concern for equity and empowerment. For the first time emphasis was laid on qualitative aspects such as inculcation of confidence generation of a awareness with regards to rights and training in skills for better employment.

During the sixth and seventh plan period a number of programmes were envisaged such as Women’s Development Corporation (WDCS)

(i) Support to Training and Employment programmes (STEP)

(ii) Training Cum-production centers for women.

(iii) Awareness generation camps for Rural and Poor Women.

(iv) Women’s Training centers of institutes for rehabilitation of women in distress.
(v) Voluntary Action Bureau and family counseling centers.
(vi) Short stay Homes for women and Girls’
(vii) Free legal aid and Para-legal training and
(viii) Working women’s Hostels.

The thrust of all these programmes was on provision of employment and income generation, educational training, support services, general awareness and legal support.9

The eighth five year plan (1990-1995) has focused on empowering women especially at the grassroots level. Through Panchayat Raj Institutions.

The Ninth five year Plan (1997-2002) adopted a strategy of women’s component plan under which not less than 30 per cent of funds/benefits are earmarked for women specific programmes. Review by the planning commission of progress of women’s component plan during Ninth Plan (1997-2002) has confirmed that nearly 42.9 per cent of the Gross Budgetary support (GBS) aggregating a total amount of Rs.50.942.53 crores has been spent on women in 5 ministries/Departments namely family welfare Health, Education, women and child and Indian system of medicine and Homeopathy.10

The Tenth plan approach aims at empowering women through translating the recently adopted National Policy for Empowerment of Women (2001) into action and ensuring survival protection and development of children through Rights based approach.
The annual plan 2002-2003 being the first of year of the tenth plan has initiated and brought into effect the thrust areas outlined in the approach along with relevant policies and programmes.

For annual plan 2002-03 a total outlay of Rs.2,220 crore has been provided for the women and child development as against Rs.1650 crores made available in 2001-2002.

Eleventh five year plan (2007-12) towards “Faster and more inclusive growth” is indeed very attractive. At this stage of development India definitely needs faster and more inclusive growth. The question however is whether the strategy underlying the approach ensures a more inclusive growth or not. That is whether the underlying approach will be able to include the excluded the poor the women dalit and others.11

Poverty line is defined by the Taskforce on the Projection on Minimum Need and Effective Consumption Demand set up by the Planning Commission in 1979 as "the per capita expenditure level at which 2400 and 2100 calorie norms are met in rural and urban area". In monetary terms, this was equivalent to Rs. 49.09 and Rs.56.64 per capita per month for the rural and urban areas respectively at 1973-74 prices. By the above standards, it is estimated that in 1999-00, about 27.09 percent of the rural and 23.62 percent of the urban population lived below the poverty line. The high concentration of a population below the poverty line is found in the State of Orissa, Bihar, North-Eastern States, Uttar Pradesh, etc. In these States, almost over 35 percent of the total population lives below the poverty line.
In India, the majority of the rural poor comprises of marginal and small farmers, agricultural labourers and rural artisans and in the urban areas the majority of the poor are engaged in the informal sector. In 1951, out of the total population of 361.5 million about 298.6 million ie. 82.7 percent of people lived in rural sector. Of the 140.0 million of the total working population of the rural sector, 69.3 million (49.9%) were cultivators, 27.3 million (19.5%) were agricultural labourers and 42.8 million (30.6%) were other categories of workers. By 2001, the total population of India has increased to 1027.0 million. Of this, 741.7 million people lived in rural sector. Out of the total rural working population of 402.5 million, 127.6 million (31.7%) were cultivators, 107.5 million i.e. 26.7% were agricultural labourers and 167.4 million i.e. 41.6 percent of the total rural working population were other workers. It can be seen from the figures that the proportion of cultivators to the total working population has declined steadily over the years whereas the proportion of agricultural labourers and other categories of rural workers have increased. This has maintained the rural poverty at a high level. Though official figures of the Planning Commission quoted above shows a sharp decline in poverty, independent research done by various researchers proves otherwise.

To tackle this scourge of the poverty a number of poverty alleviation programmes are initiated. The programmes aimed at attacking the scourge of unemployment and 'assetlessness'. Some of these programmes included: the DRI scheme, IRDP, JRY, TRYSEM, DWCRA; etc'.
Over the last few decades, quantitatively these programmes have achieved significant results but its qualitative achievements are far from satisfactory. The major Poverty Alleviation Programme, namely, the IRDP suffers from a number of weaknesses, such as:

1. Procurement of poor quality assets;
2. Inadequate financial assistance including subsidies;
3. Concentration in a few activities;
4. Improper identification of the beneficiaries and activities;
5. Low rate of recovery; etc

Other credit linked pro-poor programmes are also dogged with low recovery problems. As a result of this, the operations of the credit institutions have been adversely affected. The credit institutions instead of looking at such lending as business opportunities considers it to be a necessary evil that has to be undertaken in order to perform banking businesses in India.

The multiplicity of developmental programmes that are operational in rural areas have failed to focus on the core issue of the poverty alleviation through the creation of sustainable development opportunities. Hence, on the recommendations of the Hashim Committee, the Government of India has restructured all the poverty alleviation programmes under one umbrella scheme, namely the Swarnjayanti Gram Swarojgar Yojana (SGSY) from April 1999. The focus of the scheme was on a group approach and organizing the poor into Self-Help Groups (SHGs). Further the policy framework that was formulated for the credit dispensation in this country relied on setting up
special agencies for credit targeting. There was the creation of developmental banks for providing industrial finances. Generous credit guarantees were granted to the banks so as to induce them to lend. Sectoral targets were fixed for agriculture and weaker sections of the society and interest rate subsidies were provided to the rural borrowers. But, such a policy framework failed to provide self sustained growth of rural finance. The greater part of these subsidies and concessions were cornered by the people who were not poor and the credit system was weakened by a poor credit discipline among the borrowers resulting in low recoveries.

It has been widely acknowledged that the group approach to lending leads to the improvement of the credit delivery mechanism. It also leads to the improvement in credit recovery rates thereby making lending less risky. Secondly, it lowers the transaction costs, by passing on a part of the responsibility of the loan appraisal, follow up and recovery etc. to the poor themselves. This makes the credit cheaper. Thirdly, a group guarantee makes lending without collateral feasible.

According to one study, the transaction costs to a small rural borrower for raising loans from commercial banks under the poverty alleviation programme is as high as 24.6 percent. Further, the transaction costs of operating a saving account with the bank are about 10 percent of savings, considering only one transaction per month.

The experiment that was initiated by Prof. Mohammad Yunus by establishing the Grammeen Banks (in Bangladesh) to the finance Self-Help
Groups was widely acclaimed for its success. In India, informal group lending started in 1986-87 when the NABARD supported and funded an action research project on Saving and Credit Management of Self-Help Groups of the Mysore Resettlement and Development Agency (MARYADA). Even before this study, a large number of women's organisations that were involved in the emancipation of women were already in microfinance activities like group lending. Notable among these were the organisations like SEWA (Self-Employed Women's Association), Working Women's Forum (WWF) etc.

In 1991, NABARD undertook a pilot project that covered 500 SHGs and convinced the RBI to issue a circular advising Commercial Banks, RRBS and Co-operatives to extend the credit to the pilot scheme for financing SHGs. In 1996, the RBI directed the banks to consider lending to SHGs as an additional segment under the priority sector advances.

This led NABARD to appoint a 'Task Force on Supportive Policy and Regulatory Framework for Microfinance in India' in 1999. The Task force made number of recommendations to strengthen the linkages between banks and SHGs, to remove operational irritants, to promote efficiency and credibility etc. It also recommended a number of regulatory measures to strengthen these Micro Finance (mF) Institutions and SHGs. These recommendations have become the basis for the recent policy initiatives in mF.

Micro-credit is defined as a, "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural,"
semi-urban and urban areas there by enabling them to raise their income levels and improve living standards. Its chief features are:

1. The amount disbursed under micro credit is very small.
2. The loans are not backed by any collateral.
3. Borrowers are essentially poor people who have very little access to formal credit.
4. Typically the loan is disbursed to a group.
5. Generally, the NGOs play a crucial role in forming the group and controlling the disbursement of loans.

A SHG is defined as a voluntary group valuing interaction and mutual aid as a means of altering or ameliorating the problems that are perceived as alterable, pressing and personal by most of its participants. It is generally a group of individuals ranging between 5 to 20. The members of the SHGs contribute their savings to a common pool from which loans are given to the needy members as per the group decisions. Generally, banks lend to SHGs to the extent of four times the internal savings of the SHGs. Such loans are usually given on the condition of a Joint Liability. SHGs provide simple, flexible and cost effective banking services to its members with minimal risk of default.
NABARD has set the target of covering one-third of the rural population under the bank-SHGs linkage programme by 2008. To realize this, it envisages the financing of 1 million SHGs. However, the target set was realized by the end of March 31, 2004, way ahead of the schedule.

The SHG-Bank linkage programme has now emerged as the major micro finance programme in the country. It covers 563 districts of all the States and UTs. In all, 549 banks including 47 commercial banks, 196 ‘Regional’ Rural Banks (RRBs), 306 Co-operative Credit Institutions (CCLs) and 3,240 NGOs are involved in this programme. By the end of March 31, 2005, 16,18,480 SHGs with a total estimated 24.2 million poor families were covered under the 'SHG-Bank Linkage' programme. 90 percent of these groups were exclusively women groups. The cumulative total of loan disbursed stood at Rs. 6,899 crores. The refinance from NABARD was estimated to be Rs. 6,092 crores. The Growth of SHGs, disbursement of credit and refinance by NABARD is shown in Table I below.
Table -1

Growth and Progress of Micro Finance in India

(Amount in Rs. Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total SHGs Financed by Bank</th>
<th>Bank Loans</th>
<th>Refinance by NABARD</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During the ear</td>
<td>Cumulative Total</td>
<td>During the ear</td>
<td>Cumulative Total</td>
</tr>
<tr>
<td>1998-99</td>
<td>32,995</td>
<td>32,995</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td>1999-00</td>
<td>81,780</td>
<td>114,775</td>
<td>136</td>
<td>193</td>
</tr>
<tr>
<td>2000-01</td>
<td>149,050</td>
<td>263,825</td>
<td>288</td>
<td>481</td>
</tr>
<tr>
<td>2001-02</td>
<td>197,653</td>
<td>461,478</td>
<td>545</td>
<td>1,026</td>
</tr>
<tr>
<td>2002-03</td>
<td>255,882</td>
<td>717,360</td>
<td>1,022</td>
<td>2,049</td>
</tr>
<tr>
<td>2003-04</td>
<td>361,731</td>
<td>1,079,091</td>
<td>1,856</td>
<td>3,904</td>
</tr>
<tr>
<td>2004-05</td>
<td>539,390</td>
<td>16,18,480</td>
<td>2,994</td>
<td>6,899</td>
</tr>
</tbody>
</table>

Source: Various Issues of Trend and Progress of Banking in India.

There are a large number of micro finance models in the world. Among them, one of the widely acclaimed one was the Grameen Bank model. In India, there are three main models of micro credit dispensation. In Model I the banks themselves assume the role of Self Help Promoting Institutions (SHPIs) by promoting the formation of SHGs and extending credit to them. Under Model II, the groups are formed and nurtured by the NGOs, Government Agencies or other community based organisations. These agencies act as facilitators. Banks open saving accounts of the SHGs that are formed and nurtured by the NGOs and provide them credit in due course of time. This is the most popular and widespread model of micro credit in India. Under the Model III the NGOs (SHPIs) promote the formation of SHGs. The banks
provide a bulk assistance to these SHPIs for undertaking financial intermediation. NGOs act as facilitators and micro-finance intermediaries.

The model-wise position of mF is given in Table 2

### Table 2
Model wise Linkage Position of mF in India (2003-04)

<table>
<thead>
<tr>
<th>Model Type</th>
<th>2003-04</th>
<th>2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SHGs</td>
<td>Bank Loans</td>
<td>Number of SHGs</td>
</tr>
<tr>
<td>Model-I</td>
<td>SHGs formed and financed by banks</td>
<td>2,17,624 (20)</td>
</tr>
<tr>
<td>Model-II</td>
<td>SHGs formed by NGOs/Govt. Agencies and financed by the Banks</td>
<td>7,77,326 (72)</td>
</tr>
<tr>
<td>Model-III</td>
<td>SHGs financed by Banks using NGOs formed agencies as Financial Intermediaries</td>
<td>84,141 (8)</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>10,79,091 (100)</td>
</tr>
</tbody>
</table>

Note: Figures in the brackets are percentages of the total.


### Table 3
Agency Wise Linkage Position

<table>
<thead>
<tr>
<th>Agency</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SHGs</td>
<td>Bank loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>3,61,061 (50)</td>
<td>5,38,422 (49)</td>
<td>843,490 (52.11)</td>
<td>1,150 (56)</td>
<td>2,255 (58)</td>
<td>4,159 (60.3)</td>
</tr>
<tr>
<td>RRBs</td>
<td>2,77,340 (39)</td>
<td>4,05,998 (38)</td>
<td>563,850 (34.8)</td>
<td>727 (36)</td>
<td>1,278 (33)</td>
<td>2,099 (30.4)</td>
</tr>
<tr>
<td>CCLs</td>
<td>78,959 (11)</td>
<td>1,34,671 (13)</td>
<td>211,140 (13.0)</td>
<td>172 (8)</td>
<td>371 (9)</td>
<td>640 (9.3)</td>
</tr>
<tr>
<td>Total</td>
<td>7,17,360 (100)</td>
<td>1,079,091 (100)</td>
<td>1,615,480 (100)</td>
<td>2,049 (100)</td>
<td>3,904 (100)</td>
<td>6898 (100)</td>
</tr>
</tbody>
</table>

Note: Figures in the brackets are percentages of the total.

The table shows that in India, a greater emphasis is placed on Model II. Around 72 percent of Self help Groups that are formed belong to this category and its share in the mF credit was about 80 percent in 2004-05 a marginal decline of one percent from 2003-04.

An agency wise distribution of the linkage position by end of the 31st March 2005 stood as follows: Commercial Banks financed 843,490 SHGs, RRBs 563,850 and CCLs 211,140 groups. In terms of percentage, the share of Commercial Bank increased marginally from 50 percent in 2002-03 to 52.11 percent in 2004-05. The share of RRBs stood at 39 percent in 2002-03. It declined to 34.8 percent in 2004-05 and that of CCLs increased in from 11 percent in 2002-03 to 13 percent in 2004-05.

As far as credit dispensation is concerned, the share of Commercial Banks increased from 56 percent in 2002-03 to 60.3 percent in 2004-05. The share of RRBs declined from 36 percent to 30.4 percent over the same period and that of the CCLs increased marginal of 8 percent to 9.3 percent (see Table-3).

The high concentration of SHGs exists in the Southern States of India. This is due to head start of the programme and also due to efforts undertaken by the State governments of the southern states. In 2004-05 out of the total SHGs credit linked with banks, 60 percent belonged to the Southern States.

NABARD is the nodal agency that is involved in the micro credit initiative. Apart from providing refinance facilities, it also provides training to bank officials.
and field staff of NGOs. The financial resources are also provided by the NABARD for organising workshops, seminars, meetings etc that provide an opportunity to the bankers, NGOs and members of the SHGs to interact with one another and to build trust and confidence. It also provides financial assistance for capacity building, up scaling of micro credit initiatives to NGOs, SHGs, Federations of SHGs, and other related institutions. For this purpose, NABARD has constituted a Micro Finance Development Fund (MFDF) with corpus of RS.100 Crores in 2003-04. Of this, Rs.40 crores each were to be contributed by the RBI and NABARD and the rest by other Commercial Banks. However, in 2004-05 the Micro Finance Development Fund is redesignated as Micro -Finance Development and Equity Fund(MFDEF) and the corpus of fund was increased from Rs. 100 crores to Rs. 200 crores. The MFDEF is expected to play a vital role in capitalising the MFIs and thereby improve their access to commercial loans.

The NABARD has also undertaken a large number of studies to assess the socio-economic impact. The results of the studies show that

1. The SHGs have promoted a thrift among the members and non members, resulting in the improvement of self-reliance and self financing.

2. SHGs have fostered a credit culture among its members which in turn has improved the credit recovery rates in the rural areas.

3. SHGs have promoted income-generating activities among its members, resulting in the growth of assets and income. The Improvement of income in turn has improved the status of women in the rural households.
4. SHGs have promoted and sharpened the entrepreneurial skills among the rural and urban populace specially women.

5. SHGs have led to the empowerment of women. Today, they are Increasingly participating in community development and local politics. The various social evils such as child marriage, child labour and dowry have lessened.

6. The improvement of the income level has contributed to a decline in the population growth due to improved family planning, improved health and sanitation by improving vaccination rate and access to the clean drinking water.

7. It has brought about a change in the attitudes and behaviour of men towards women. It has reduced drinking, smoking and other anti social activities.

8. It has raised the consciousness of the women. They are now voicing their objections to child marriage, child labour and dowry etc.

To conclude, SHGs are considered to be an important institutional mechanism for poverty alleviation. NABARD has focused its attention on linking 1 million SHGs or bringing about 1/3rd of the rural population under the bank-SHG linkage programme by 2007. However, the target was achieved much before the due date. By end March 31, 2005 about 24.4 million poor families were covered under the 'SHGs- Bank Linkage Programme'. The 90 percent of these groups are exclusively women's groups. The increase in income of the women has improved their social status and has truly empowered them.
Reference


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