CHAPTER II

REVIEW OF LITERATURE

Microfinance nowadays throughout the world is recognized for its potential to alleviate poverty and to generate income and employment specially in the developing countries. It is being referred to as one of the cost effective and supplementary tools of rural credit delivery system which facilitates prompt and timely availability of institutional credit to poor in an effective & economical manner and in small quantities and frequently without much legal and procedural framework. Microfinance programmes are important institutional devices which are providing small credit to the rural poor in order to alleviate poverty. Through these programmes small loans are extended to poor people for self-employment project that generate income, allowing them to take care for themselves and their families. Microfinance programmes offer a combination of services and resources to their clients in addition to credit for self-employment. These programmes are considered very important for alleviation of poverty and enhancement of living standards particularly of women. Microfinance is a powerful anti-poverty tool that has demonstrated relevance to people on every continent and in every country.

Micro Credit has become a major tool of development and is fast developing as an international industry, with its own trade associations, dedicated finance, training and other support organizations, research and journals. In a phase in the international endeavor in which ideology is out of fashion, the search is on for practical, workable solutions to the
deep seated challenges of poverty. Micro-credit seems to provide just such a solution. By delivering financial services at a scale, and by mechanisms appropriate to them, microcredit can reach poor people. By providing poor people with credit for enterprise it can help them work their own way out of poverty. And by providing loans rather than grants the micro-credit provider can become sustainable by recycling resources over and over again.¹

India microfinance has continued growing rapidly towards the main objective of financial inclusion, extending outreach to a growing share of poor households and to the approximately 80 per cent of the population, which has yet to be reached directly by the banks.² Out of the two major models of microfinance in India i.e. Self-help Groups (SHGs)- Banks Linkage Programme (SBLP) and the Microfinance Institution (MFI) model, microfinance scene in India is dominated by Self-help Groups (SHGs)- Banks Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the unreached poor. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues. The SHG approach has proved successful not only in improving the economic conditions through income generation but in creating awareness about health and hygiene, sanitation and cleanliness, environmental protection, importance of education and better response for development schemes.
NABARD is the first organization in India which understands the importance of microfinance. It has encouraged lending through Self-Help Groups (SHGs) after achieving successful results from a pilot project of 500 SHG Bank linkage programme in 1992. Since then NABARD was playing a key role in the spread of microfinance to different parts of the country through the SHGs. As on 31 March 2009, there were more than 61.21 lakh savings-linked SHGs and more than 42.24 lakh credit-linked SHGs and, thus, about 8.6 crore poor households have been covered under the programme.³

2.1 Review of Literature

Review of literature plays an important role in finding out information on the work done in the past by different researchers and provides valuable guidelines in formulating the theoretical framework of research at the time of investigation. Keeping this aspect in view, an attempt has been made in this chapter to evaluate various concepts and views related to the present research.

NABARD⁴ (1989) conducted, “Studies on Self-Help Groups of the Rural Poor”, to understand the background of the emergence of self-help groups, their composition, methods of working and their linkages with the financial institutions, and to examine possibilities for development of linkages between the self-help groups, self help promotion institutions and the financial institutions for providing support to the self-help initiatives of rural development. The survey covered 46 SHGs spread over 11 States and associated with 20 SHPIs (self-help promotion institutions). The study concluded that sample SHGs were formed with an emphasis on self-help and with a view to promote objectives like freedom from exploitation, economic
improvement, and raising resources for development. By and large, the sample SHGs were of 'target group' people consisting of small and marginal farmers, agricultural labourers, artisans, scheduled castes and scheduled tribes and women. Homogeneity in terms of caste, specific economic activity, etc., have played a role in organising the poor into SHGs, though in some cases groups comprising different castes or sub-castes were also formed. The SHGs involved mainly in savings and credit activities, have evolved a variety of instruments to promote thrift among their members. 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. The study further pointed out that SHPls have played a commendable role in organising the rural poor into self-help groups and thereafter promoting their proper functioning. The study suggested that the absence of a legal status of SHGs seems to be a major constraint in the development of linkages between the SHGs and banks and a more active involvement of government development agencies with the SHGs may lead to securing more recognition for the SHGs.

Harper Malcolm\(^5\) (1998) from his study “Profit for the Poor: Cases in microfinance” concluded that microfinance is a business and microfinance programmes which aim to assist the poor must be designed and managed in a business like way and that microfinance institutions must be managed like any other business. He concluded that new approaches have only reached a small fraction of market: microfinance must be ‘massified’. He suggested that the eventual aim for microfinance should be, to become as widely available as any other consumer product. Decisions about funding ownership and system
should be made toward all this end. According to him what microfinance need is institutional flexibility, good management and open minds.

Karmakar (1999), pointed about the various problems of rural credit delivery system in India. The major problem according to him is the repayment and recovery of the loans at the borrowers level and the consequent weakening of the entire institutional credit system. He pointed out that the causes on the internal front were defective loan policies and procedures, inadequate supervision and monitoring and unprofessional management. On the external front, the problems were occurrence of natural floods and droughts, absence of backward and forward linkages, defective legal frame work, and lack of support from the government machinery in recoveries. Because of all this, he summarised that instead of mobilizing resources for rural development, the programme for rural development has actually been consuming scarce monetary resources and has not worked out to the advantage of the rural borrowers, the bank and the government.

Puhazhendhi and Satyasai (2000) carried out the impact study for NABARD on SHG-bank linkage programme in 2000. This study was carried out to evaluate the social and economic impact of SHG-Bank Linkage Programme on SHG members. The study was conducted for the country as a whole, covering socio-economic changes in the conditions of 560 SHG member households from 223 SHGs located in 11 states. Pre and post-group situations were compared to assess the impact of SHG on living standard of the members. Change in the various socio-economic parameters like borrowings, savings, assets, employment level, levels of income, consumption pattern,
communication skill, self confidence, behavioral changes, family violence etc were taken into consideration to find out the overall change in the socio-economic conditions of the SHG members. The results of the study suggest that out of the total sample, 84 per cent belonged to the economically weaker sections. With regard to meetings, about 65 per cent of the groups recorded more than 90 per cent of attendance during group meetings. As far as changes in socio-economic conditions are concerned the study found out that those people who come together to form SHGs end up better off in social and economic terms. There is a significant improvement in the asset position of the sample households, an average increase of about 72 percent in the value of assets per household is recorded comparing the pre- and the post-SHG period. Around 59 per cent of the sample households registered an increase in the value of assets from pre- to post-SHG situation. In terms of average household savings, the study recorded more than threefold increase in the household savings. The average borrowing per household also nearly doubled from Rs. 4,282 during the pre-SHG situation to Rs. 8,341 in the post-SHG situation. There is also an increase of more than 17 percent in the employment situation. The study further reported that the share of households within the SHGs living below the poverty line was reduced from about 42 per cent to about 22 per cent in the post-SHG situation. While looking into the social impact, the study reported that there is significant improvement in the self-confidence, further the study also acknowledge about better treatment within the family and a decline in family violence after joining the SHGs. Also there is improvement in decision-making abilities and communication skills of the SHG members after joining the SHG. The members were also very
confident of confronting the various social evils and problems they faced in their everyday lives.

Mayoux, L.⁸ (2000) in his study on “Micro finance and the Empowerment of Women: A Review of the key issues” observed that poverty targeting does not necessarily contribute to empowerment as poverty targeting may leave out many disadvantaged women who do not belong to very poor households. It may also bypass women who have skills and experience to contribute as role models for other women. She pointed out that empowerment approach requires, working with these groups to develop collective strategies to overcome gender inequality and to have gender equality as a constitutional element of decision-making in programmes. This empowerment approach can increase financial sustainability and poverty alleviation. Also the groups must be used as an entry point for wider empowerment interventions. According to the researcher there is an important role for groups as a forum for information exchange and mutual learning between women. She concluded that cost-effective ways should be evolved in integrating micro-finance with other empowerment interventions, including group development and complementary services. This would increase impact of micro-finance at minimum cost and improve the sustainability and outreach of the service providers to poor women.

Mayer⁹ (2001) in his study on “Micro Finance, Poverty Alleviation & Improving Food Security: Implication for India” has opined that micro finance did have been emerged as a special vehicle and it can contribute to poverty alleviation and food security. It does this through supplying loans, savings and other financial services that enhance
investment, reduce the cost of self-insurance, and contribute to consumption smoothing. Further he suggested that India has expanded microfinance, but it has not yet developed a strong system capable of serving massive numbers of poor in a sustainable fashion. The researcher concluded that the policy of supporting SHG linkages with banks has merit in a country with a large bank network, but it should not be the only model encouraged. That is why additional efforts are needed to create and nurture competitive MFIs willing to experiment with other models.

Puhazhendi and Badatya\textsuperscript{10} (2002) conducted a study to examine the impact of microfinance through SHG bank Linkage programme on SHG members in states of Orissa, Jharkhand and Chhattisgarh. The study covers a sample of 115 members of 60 SHGs. Pre and post SHG situations of members were compared to find out the socio-economic impact of the SHG Bank Linkage Programme on the members. This study find out that SHG Bank Linkage Programme has made significant contribution to social and economic improvement of SHG members. Comparing the pre and post SHG situation, the study reported that there is an increase in household savings and assets for the SHG members after they formed the group. About 23 per cent of SHGs reported an increase in savings over a period of time. Two fold increase was recorded in the mean annual savings of the member (from Rs 952 to Rs 1863) after joining the SHGs. About 45 per cent out of the total sample households reported an increase in asset structure after joining a SHG. The average loan per member increased significantly by 123 per cent during the post-SHG situation. The percentage of members which have taken loan is about 78 per cent, which indicates that loans were
well distributed among SHG members. As far as loan repayment is concerned, the study reported that 83.3 per cent of the groups had promptly repaid the loans and only 16.7 per cent of the groups reported late payments on current loans. Comparing the pre-SHG and post-SHG situations it was found out that average annual net income per sample households was increased by 23 per cent and the employment per household was increased by 34 per cent. The study further reported that about 15 per cent of the sample SHG member households were able to raise their income levels sufficiently to cross the poverty line. There was also a remarkable improvement in the social empowerment of SHG members in terms of self-confidence, involvement in decision-making, better communication skills etc.

MYRADA\textsuperscript{11} (2002) conducted a study in Southern Indian States namely Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. In all, 13 SHGs were interviewed and it covered four professionally managed NGOs (DHAN, RASS, CHASS and MYRADA), one from each state. Interaction were held with two types of groups, the first group consists of those SHGs who were over three years old and the second group consist of those SHGs which were formed less than one year ago. So that comparison can be made and conclusions can be drawn on the influence of group formation. The basic objective of the study was to establish whether and to what extent membership in the self-help groups have an impact on the social status and empowerment of the women member of such groups. The study found out that most of the SHG sample household members were young (26-35 years of age) married women in both type of SHGs (less than one year to more than three years old) and over 45 per cent of respondents in both groups
(new and old were) were illiterate. As far as changes in financial position is concerned 89 per cent of interviewees in the old group agreed that their financial position had changed for the better after joining the SHG, as against only 71 per cent in the younger groups. The average share of earning SHG members in the family income was also higher in the older SHGs. When questioned about the impact of the SHG on the member’s level of comfort and confidence, older groups expressed a higher level of confidence and sense of ease. The study found out that the older SHGs have a larger presence of earning members, also the average share of SHG members in their respective household income was found higher for older groups as compared to the younger ones. With regard to power over her own development, the study found that as compared to the newer groups, more respondents in the older groups reported that their control over their own lives had improved and that they had a greater role in making decisions about themselves than before. As far as the participation of SHG members in the local polity is concerned, the study found the situation was largely the same as before. Thus considering all these factors it can be said that members of the old group emerge as more confident, financially more secure, and in more control of their lives. Because of all this the study concluded that, if the responses from the new groups are taken as benchmark, the process of empowerment seems to have started in the older groups.

Anand Jaya S.12 (2002) tried to examine the role of Self Help Groups in empowering women. The study tried to evaluate the performance of selected SHGs and NHGs (Neighbourhood Groups) and to assess its impact, especially the impact of microcredit programme on
empowering women. For the study, SHGs promoted by three voluntary agencies in Changathara panchayat (in Nilambur Block of Malappuram district of Kerala) - Shreyas, BVM, and the CDS- were selected. Five groups each from the three agencies were selected for a detailed study. The selected respondents were interviewed using a structured schedule. All the members irrespective of the group, unanimously agree that the most striking advantage of the SHGs was the thrift component and that because of the thrift component they have been freed from the clutches of moneylender. The thrift component also provides them a cushion to even out the earnings during off-season. The report further pointed out that all the group members have taken up individual economic activities but group activities are very few. Around 55 percent of the selected members in BVM, 33 percent and 42 percent in Shreyas and CDS respectively have agreed that they have taken up income generating activities (IGAs) by availing micro-credit. The contribution of microenterprises to the family income was 35 percent in BVM, 25 percent in CDS, and 27 percent in shreyas. Micro-credit thus seems to have created a positive impact on the income of families of the members. The study also shows a positive change in the attitude of the beneficiaries. The report suggests that the groups have provided a forum for women to express their concern and articulate their aspirations for change and enabled them to see what is happening outside the house. Social actions were initiated by several selected SHGs against the dowry system, alcoholism, illiteracy and divorce. Selected respondents unanimously expressed the view that some improvement in their lives had taken place as a result of their increased confidence and ability to cope with difficulties.
A study conducted by planning commission\textsuperscript{13} (2002) titled “Micro Finance and Empowerment of Scheduled Caste Women: An Impact Study of SHGs in Uttar Pradesh and Uttaranchal”. The study has been carried out in Uttar Pradesh and Uttaranchal, covering a sample of 1120 beneficiaries and 173 officials and non-officials, 224 SHG’s, 143 villages, 28 blocks and 7 districts. The study recommended that there is need to accept that women’s needs are not only for self-employment. The Programmes should be designed on the basis of the needs of women at the micro level. Planning for self-employment for women needs a multipronged strategy. The various categories for financial institutions in rural market have exhibited different potentials in serving rural women. There is need to synchronize their efforts so that their work becomes supplementary and complementary in serving women. There is also a need to sensitize bank staff towards the needs, constraints and inhibitions of women.

Harper\textsuperscript{14} (2002) in his study on “Promotion of Self Help Groups under the SHG Bank Linkage Programme in India” has examined and compared the different ways in which self help promotion institutions promote Self Help Groups. The study suggested that incentive schemes for NGOs and individual should be redesigned and tested in order to cover the full costs of SHPI. Non-management 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 representation and to take full advantage of the banks greater field coverage.
APMAS\textsuperscript{15} (2005) conducted a study covering 8 districts in the state of Andhra Pradesh. The sample for the study consist of 400 SHGs, spread over 8 districts of Andhra Pradesh that had been linked to 20 banks/ cooperatives- commercial banks, regional rural banks and primary agricultural credit cooperatives. The objective of the study was to ascertain the socio-economic profile of the SHGs and their members, the quality of SHGs, the quality and extent of financial services to members and issues in and perceptions around SHG bank linkage and the impact of bank-linkage on SHGs. The sample SHGs had members belonging mainly to socially and economically disadvantaged sections. Nearly 53% of the members were from Backward Castes, 19% from Scheduled Castes, 4.5% from each of Scheduled Tribes and Minority groups, and as many as 19% from other castes. The results of the study suggest that in terms of changes in the financial status, most members (94%) reported a clear improvement in their savings habit, and 89% reported satisfactory to good availability of credit. A high percentage of 84.5 reported an increase in income level. As far as access to financial institutions is concerned the report pointed out that over 91% of SHGs in the OC category reported improved access, and, even more significant, over 82% of SHGs in the ST category reported improved access to banks and other financial institutions. An important point which the report has pointed out is that the dependence on moneylenders stood at a high 33% by the fourth and fifth linkage. On decision-making power, self-confidence, leadership, self-reliance, and group solidarity, the members agreed that there was a clear change for the better. There were similar responses to change in education level and in their participation in federations. When it came to education, nearly 43% of women reported noticeable or significant improvement in
education levels. More than 81% of members reported noticeable/significant increase in self-reliance, and nearly 89% responded similarly with respect to self-confidence. Where nearly 82% reported moderate to significant change in decision making ability at the first linkage, this increased steadily to 94.4% reporting increase in decision making ability by the fourth linkage. On the question of improvement in leadership qualities, nearly 80% reported a moderate to significant increase in them. On the question of group solidarity most of the groups, across various social categories, agreed that it has increased.

Nair16 (2005) examined the potential of SHG federations in making SHGs financially and organizationally sustainable. The specific objectives of the study were (i) to identify the services provided by the federations and analyze their benefits to SHGs, (ii) to find about the financial viability of SHGs and SHG federations and cost of promoting them, (iii) to highlight the constraints of promoting SHG federations, and, (iv) to recommend strategies to strengthen SHG federations. In terms of services provided by SHG federations and thrift cooperation to SHGs, the study found that the most common service is savings and loan facilities. Savings include general savings and particular savings for education, housing, marriages, and festivals. Loans include both small and large loans at costs lower than those available in the market. Besides these services, the SHG federations helped SHGs to internalise all operational costs and reduce the cost of promoting new SHGs. Further, SHG federations provide all essential services to SHGs with minimum costs. These services were often provided by the promoting agencies in the initial stage of SHG development. They include auditing, capacity building like training the SHG members, leaders and
SHG accountants, and forming a common forum for reviewing the performance of SHGs. The federations also help in resolving conflicts among SHG members, between SHGs and between SHGs and banks. Another important aspect is that they assist in reducing the transaction costs of SHG-bank linkage programme by grouping 10-20 accounts into one single SHG account. The federations help in reduction of loan default-both within SHGs and from SHGs to banks. They provide micro-insurance services and social services such as education, health and livestock support. The federations employ their own resources in promoting new SHGs while minimising the promotional costs as compared to other agencies like the banks and NGOs. They also help in empowering the SHG members.

Prakash L.B. et al.\textsuperscript{17} (2005), in their study “Do India’s Self-help Groups Provide Value for Money”, try to looks primarily at the financial viability of the SHG programs. For the purpose of study a two-stage sampling process was used to select SHGs for detailed review. Data for the 150 SHGs in five different states were collected and covered all the members of the sample groups. Out of these 150 SHGs, 30 in each of five states were promoted by an SHPA (Self Help Promoting Agencies) of different institutional type. Members were interviewed for both personal information and information about their SHG. The CGAP research team assessed the five institutions, focusing on their costs of forming SHGs, provision of ongoing support, and links to external sources of credit. Like many other studies, this study also noted empowerment benefits, increase in the income of the members (but only for 25 percent of the member) and the decline of the money lenders. But the study raises one very important question for the future i.e. whether the increasing patronage by politicians and the resulting
high growth rate of SHGs and their bank linkage could lead to high default rates. Another issue pointed out is the extent to which SHGs can adapt their lending and savings products to provide an appropriate fit with their member’s financial preferences.

Jayaraman\textsuperscript{18} (2005) made an attempt to assess the “Performance Analysis of Fisherwomen Self Help Groups (SHGs) in Tamil Nadu”. Primary data required for the study were collected from 725 fisherwomen SHG members representing 41 SHGs from five coastal villages. The study found the fisherwomen SHGs performing well in availing and repaying microcredit which had contributed to their socio-economic empowerment and to better livelihood conditions. The report pointed out that the average membership of the SHGs is about 17. About 88% of the fisherwomen belonged to the age group 21 to 50 years. Out of 41 sample SHGs, 29 SHGs (71%) are engaged in economic activities. Among the 725 sample fisherwomen, only 101 (above 14%) were engaged in traditional economic activities and 167 fishermen (23%) took up new economic activities. Overall, 268 fisherwomen (about 37%) are involved in economic activities. The report says that the internal loan amount as well as bank loan credit are used for various productive purposes by the members. The study found that microfinance had indeed contributed to the overall socio-economic empowerment of the fisherwomen apart from improving their livelihood conditions besides providing an opportunity to the banks to serve the ‘unreached’ coastal poor and to make profitable business. The SHG movement has also created awareness among the poor women about the PRI (Panchayat Raj Institution) activities. Besides, linkage with the SHGs led to increase in participation in outdoor activities, an increase in participation in
decision making and positive change in right on income. The study also find out about the positive change in the general attitude and behavior of the husbands and other family members towards the fisherwomen after joining the SHGs. As far as economic impact is considered there is increase in the monthly income of the respondents, also there is in increase in annual household income, the expenditure incurred on various consumption needs (mainly on food, health and education) is also increased after joining the SHGs. The study suggested that microcredit interest rate should be reduced, loan repayment installment term should be increased and flexibility in loan repayment must be there. Efforts must also be there to provide marketing facilities to the SHG’s products and self employment training to the rural people.

Basu, Priya & Srivastava Pradeep19 (2005) in their paper “Scaling of Micro Finance for India’s Rural Poor” has reviewed the current level and pattern of access to finance for India’s rural poor and has examined some of the key micro finance approaches in India. The researchers concluded that India’s rural poor currently have very little access to finance from formal sources. Microfinance approaches have tried to fill the gap. Among these, the growth of SHG Bank Linkage has been particularly remarkable, but outreach remains modest in terms of the proportion of poor households served. The paper recommends that, if SHG Bank Linkage is to be scaled-up to offer mass access to finance for the rural poor, then much more attention will need to be paid towards: the promotion of high quality SHGs that are sustainable, clear targeting of clients, and ensuring that banks linked to SHGs price loans at cost-covering levels. Also the paper suggests that, in an economy as vast and varied as India’s, there is scope for diverse microfinance approaches to
coexist. Private sector microfinanciers need to acquire greater professionalism, and the government, too, can help by creating a flexible architecture for microfinance innovations, including through a more enabling policy, legal and regulatory framework.

Mathew. P. M. (2005), in his article, “Micro Finance can help unleash untapped entrepreneurial talent”, has tried to find the link between microfinance and entrepreneurship. He pointed out that supply side economics propounds, that provision of inputs and services will help the poor to empower themselves provided the so-called `social capital' is facilitated. The major inputs, according to this logic are credit and the so-called business development services. Finance, which adequately addresses the needs of these enterprises at the same time, helps to unleash the productive forces as also the unlimited human capabilities. A major contribution of micro finance innovations is the social intermediation it has facilitated. Since micro finance has an instrumental role in this process, it is vital to make this lubricant of the development machine more meaningful and appropriate to the needs of enterprise development. The thumb rule for micro finance and rural organisation in India should not be big numerical targets but the imperatives of enterprise development.

Rajesh Chakrabarti (2005) in his paper, “The Indian Microfinance Experience – Accomplishments and Challenges” pointed out that the biggest challenge in development is the simultaneous development of investment potential and improvement of skill levels of the borrowers. A glut of low skilled services is an unwelcome substitute for scarcity of credit. With the microcredit alleviates the credit availability problem, the need for micro-consulting, business planning
and services like marketing, are being felt with greater acuteness. Microcredit cannot be expected to be a panacea to rural developmental problems. In some sense, its role is similar to that of credit in the general economy. It is a string that can hold back progress, but it is almost impossible to push on a string. Thus there is a very real need of investments that yield higher returns than the sustainable microcredit interest rates for the microcredit initiative to be truly successful.

Sriram M. S.\textsuperscript{22} (2005), in his paper “Information Asymmetry and Trust: A Framework for Studying Microfinance in India” has attempt to examine the trajectory of institutional intermediation in the rural areas, particularly with the poor and how it has evolved over a period of time. He suggested that informal institutions and groups manage close-knit groups and communities much better than formal institutions. However, the opposite is quite true of formal institutions where memory is based on records and not on the basis of interpersonal transactions. Here, the institutions are capable of managing diversity. In fact, the strength of formal institutions is essentially because they are able to manage diversity and reduce the covariance risk. This also gives scope for rapid scalability and replicability. He concluded that as the institutions achieved certain scale, the political economy of the activity dictates that they go beyond interpersonal trust and move towards systems and procedures.

The study on SHGs conducted by EDA Rural System and APMAS\textsuperscript{23} (2006) (on the SHG-Bank-linkage programme in India), addressed a wide range of issues including cases of dropouts from SHGs and internal politics, and issues of social harmony and social justice, community actions, book-keepings, equity, defaults and
recoveries and sustainability of SHGs. The study was based on a primary survey of 214 SHGs in 108 villages in 9 districts of four states, two southern (Andhra Pradesh and Karnataka) and two northern (Orissa and Rajasthan). The sample of the study was based on older women’s groups, mostly bank-linked (with a bank loan) before March 2000. The study found that around 77 per cent of the groups had borrowed from banks or federations at least once; the average number of borrowings was 2.5 times. As regard longevity, it was found that the proportion of defunct and broken groups was only 7 per cent, which is low considering that the average group age was 6 years. In case of dropout, 10 per cent of members had dropped out of the functioning SHGs of above sample, with over a third of them for reasons of migrations, death or illness. With regard to social responsibility, the study reported that at least one member in a SHG ran a local political office and one in every five SHGs had a woman member who was elected either as a ward member at the village level or a ‘Sarpanch’ at the block level. The study found that though SHGs supported their members in their fight for social justice, they did not deal with such issues regularly. The study also did not find any significant involvement of members in community participation. On issues related to sustainability and financial aspects of SHGs, the study found that the quality of records/note books was good only in 15 per cent of groups, moderate in 39 per cent and weak in 40 percent. In matters of distribution of loan amount, the number of non-borrowers was quite small-5 per cent in the southern region and 8 per cent in the north. The study evaluated the repayment of loans by members to SHGs on monthly basis. It was found that 24 per cent of borrowers were more than three months behind schedule on repayments, of whom 5 per cent
were more than 12 months behind schedule. Default by 12 months was significantly higher for the very poor and 8-9 per cent for poor borrowers, compared to borderline cases at 4 per cent and for non-poor at 1 per cent. Data on portfolio at risk (PAR) for 155 SHGs show that 45 per cent of such groups (but 66 percent in Andhra Pradesh) had defaulted for more than a year, amounting to 17 per cent of the portfolio (but one-third in Andhra Pradesh). The study rightly suggests that progress on either- financial or social- will require greater clarity of vision and objectives and a systematic approach to building capacity and providing guidance.

Rajivan (2007) conducted a study titled “Micro-credit and Women’s Empowerment: A case study of SHARE Microfinance Limited”. The objective of the study was to ascertain that up to what extent microfinance can be seen as a tool for women’s empowerment, does increase in income (of household) flow into the hands of women and to look into other benefits to women beyond incomes. For the study group discussions were held with around 88 SML (Share Microfinance limited) members, focus group discussions were held with 86 mature members, and visits were made to households of 13 women members. Also 32 new members and non-members were met to compare differences between them and mature members. The findings of the study suggested that 100 per cent of the mature members confirmed significant increase in their income and better living standards through access to microcredit. By contrast, among new and non-members only 22 per cent reported increase in income. An increase in the self-confidence among the participating women is also noted. Participating women also discourage their sons from dropping out of the school and
even want to send them for higher education. Women with a relatively longer-term membership (two years or more) show an increase in their control over income, assets and expenditure. Women member access to government hospitals and health centres has improved after joining the group. A sharp reduction in dependence on money lender and a diversification of the rural economy is also pointed out by the report. The report further points about the diversification of the rural economy, because of these small loans several new activities have sprung up like petty shops, bicycle rentals, stone polishing, readymade clothes, fruit and vegetable sales, flowers, mutton shops, small hotels, tea shops, and so on. Thus it can be conclude from this study that a very good triggering off for women’s empowerment has taken place with a strong economic foundation, and a precondition for further change has been established.

A study was conducted by Athambawa Jahfer and Rauf F. Hansiya A. in Ampara district of Srilanka in 2007 to investigate whether the micro finance facilities reach the poorest and affected people. Data was collected from the selected sample institutions, beneficiaries and poor through questionnaires specially designed for the purpose and through personal interview. The researchers found out that, although the micro-finance programs help poor people move them income generating paths, it did not reach the poorest people due to systems, procedure and conditions adopted by the micro finance providers. The researchers further observed that although all the Micro Finance Institutions use to say that their main objectives is to serve the people who are below the poverty line; but generally they could not cater the poor people. Financial facilities are enjoyed by the people who
are able to payback. People who cannot afford, who cannot find guarantors are not identified by these micro finance providers in the Ampara district. The researchers concluded that most of the micro finance programs consider the people who can afford for repayment, high interest rate and who can find a guarantor.

APMAS\textsuperscript{26} (2007) in collaboration with the IKP, Nizamabad conducted a study on “Women Empowerment through SHGS, A Study of Nizamabad district, Andhra Pradesh”. The study tries to assess the process of SHG women empowerment in Nizamabad district. The specific objectives of the study are: (a) to understand the process and status of women empowerment in the district, (b) to learn the contributory factors for women empowerment, and (c) to know the changes in the process of empowerment over the past three years. Primary data was collected for the study from all the three revenue divisions of the Nizamabad district. In total detailed information was gathered from 120 SHG members regarding their socio, economic and domestic profile, their association with SHGs, their performance on different empowerment indicators, changes in SHG functioning, etc. About 80\% of the selected members have more than 3 years association with SHGs and 60\% has more than five years membership. The study concluded that SHG loans have become important loans at family level and that family’s access to food, safe drinking water, and literacy programs increased significantly as a result of positive benefits of SHG membership. Because of positive changes at SHG level, family level and other factors, members’ empowerment, measured in terms of their awareness, access to resources, control over their resources, their involvement in decision making and mobility, has improved. But a
problem, which the study pointed out, is the dependence of families on money lenders for about 50% of their credit needs. According to the study, members have attained more empowerment during last three years. The increase in different set of empowerment indicators, viz. awareness, access to resources to, and, control over resources, decision making, mobility, political participation and social concern vary from nominal to average. In few cases like mobility especially to banks and shops outside the village, the improvement is significant. Overall the study found that association with SHGs had indeed contributed to the overall socio-economic empowerment of the SHGs members.

Ghate Prabhu\textsuperscript{27} (2007) in his paper “Consumer protection in Indian Microfinance: Lessons from the Andhra Pradesh and the Microfinance Bill’ present a case study of a episode in 2006 in Krishna district of Andhra Pradesh when the AP government temporarily closed down nearly all the branches of MFIs (Microfinance Institutions) there. Based upon the case study the researcher has tried to throw some light into consumer protection issues, which are of relevance to Indian microfinance. The researcher concluded that the AP crisis happens mainly because of the competition between microfinance programmes run by the State government, Velegu and the MFIs. The researcher suggest that MFIs will have to become much more adapt at building long term healthy relationships with the government and other stakeholders at local and higher levels. MFIs should also aim to complement the activities of the Self Help Group Bank Linkage Programme. Also in those areas where MFIs operate side by side with the SHG model, they should show great sensitivity to the need not to effect credit discipline in the SHGs. He pointed out that one of the
positive outcome of the crisis was Sa-dhan interim code of conduct, this code emphasizes on the need to (i) avoid over-financing of the same household by different MFIs, (ii) to make interest rates more transparent, (iii) to ensure that staff members do not use abusive language or intimidation tactics while collecting repayment, (iv) ensure high standard of corporate governance, with eminent independent board members and (v) to stay in touch with government authorities, banks and the media on a regular basis.

Ramesh Jairam (2007) in his article “Self Help Group Revolution: What Next?’ has tried to find out the ways in which SHGs can be used in future for the further development of the country. He suggested that creating specific role for SHGs is very important so that it does not spread itself very thin. At the same time SHGs must be used for responding to new challenges. For instance, now that Andhra Pradesh has emerged as the number one in the HIV/AIDS state prevalence in the country, public health planners should use the extensive SHGs network for combating this scourge. He concluded that Panchayats are institutions of representation and SHGs are institutions of participation. These are the two pillars on which the India’s globalization strategy should rest.

Aiyar (2008) in his article “What MFIs can teach Wall Street”, highlighted the fact that during the recent global financial crisis financial institutions of all sorts are in dire straits across the globe. But one category that remains unaffected is micro-finance. He pointed out that even as the global financial system freezes and giants like Lehman Brothers collapse, micro-finance institutions (MFIs) are expanding unfazed. He suggested that now the time has come for capital-starved
micro-entrepreneurs to move beyond ownership of buffaloes and tea-shops. He concluded that a big challenge now is to move from micro-loans to mini-loans of Rs 50,000 to Rs 2 lakh. This alone according to him can transform poor borrowers from objects of pity to objects of envy.

Fisher\textsuperscript{30} (2008) in his book “Beyond Micro-credit-Putting Development into Micro-Finance”, dealt with micro finance and social and economic security. In his study he suggested that micro-financial services must be used as an instrument of development and for this they must be integrated into wider strategies and systems. He asserts that a range of services are important to meet the diverse financial needs of poor people and to provide them with a greater social and economic security, in the face of many shock that the poor households face. He opines that once the poor households enjoy such security they will be able to utilise micro-finance products that help them to develop rather than protect their livelihoods. He suggested in his study that micro-finance organizations should explore financial products for a range of other needs, including housing, education and even cultural needs. He asserts that many micro-finance organizations or NGOs undertake capacity building and technical assistance to support the purposes for which clients have borrowed but there are very few financial products that enable the clients to acquire education and skill. So filling this gap could provide important additional security for poor households.

A study was conducted by Devi. M.S Rama and Tabassum\textsuperscript{31} in the city of Hyderabad covering 150 SHG women members in 2008. These members were interviewed to find out about the effectiveness of
the group formation. The researcher found out that after joining the SHGs borrowings from money lender have been reduced to great extent, women members were also collectively able to access to the benefits such as gas connections, houses which individually they could have not. Because of group formation women were successful in counseling their husband about the consumption of alcohol, it help in reduction of consumption of alcohol by their husbands. Many of the SHG members were successfully turned into fruit and vegetable vendor from their earlier occupation of daily laborers. There is also an increase in the intelligence and awareness level among the SHG members.

Henriques Elizabeth J\textsuperscript{32} (2008) conducted a study to ascertain the actual impact of the SGSY Scheme, for this a micro level study of five SHGs formed by the DRDA under the SGSY scheme was done. The five SHGs are located in the Quepem taluka of South Goa District. The five SHGs selected for the study have been formed in the last three-year period that is since 2003. Given the fact that these SHGs are relatively young, members agreed that their average incomes had been on the rise and they have been able to save a part of their incremental incomes too. Membership of the SHGs had also helped in increasing the purchasing power of the SHG members. Members of the groups cited several difficulties chief among them being lack of co-operation from the banks and lack of marketing support. Members, specifically the women however agreed that membership of the SHG had improved their self worth.

A study was conducted by Planning Commission\textsuperscript{33} (2008) titled, “A Report on the Success and Failure of SHG’s in India – Impediments and Paradigm of Success”. The broad objectives of the study were (a) to
study the process of activity selection under Swarnajayanti Gram Swarojgar Yojana (SGSY) scheme, (b) to collect detailed profile of each activity and (c) to study the progress achieved under different activities. The study has provided some very important findings, like very few people even at the state headquarters or at the district level have really understood the funding pattern for the SGSY scheme. The study also highlighted a very interesting fact that selected women members repeatedly pointed out that instead of improving their work lives, joining the SHGs had increased their workload. This was mainly because joining the SHGs had provided them with some supplementary work, but the new activities could not generate enough income for them to give up any of their earlier tasks. The study suggests that policy makers need to appreciate the fact that, if the lives of the poor are to be changed significantly, then outside agencies have to bring in substantial inputs of a kind that they want but cannot get. Also there must be lot more publicity given among the potential beneficiaries about the scheme and its contents as well as the authorities in charge and their responsibilities. That way the targeted population can seek help and question authorities if the latter fail to deliver. For this extensive use should be made of all forms of media and particularly of the visual media.

Aiyar \(^{34}\) (2009) in his article “How micro-finance institutions beat nationalized banks” has highlighted the growth of microfinance in India. He found out that households getting micro-credit in India now outnumbered poor households. Outstanding micro-finance loans total 80 million. Some borrowers have multiple loans, so net beneficiaries may total 60 million households. This is more than the 55 million poor
households and more than a quarter of India’s 220 million households. He says that many poor households are still left out, while non-poor households have got loans. MFIs have yet to reach or saturate large areas in India. But they are spreading fast across most states.

A study on economic impact of Self-Help Groups was carried out by Chatterjee\(^3\) (2009) in the district of North 24 Parganas of West Bengal. The study attempts to assess the social and economic impact of group formation on the group members, created under SGSY programme of Government of India on the basis of primary survey undertaken in the district of North 24 Parganas of West Bengal. Data were collected from group members as well as from non-group members. The study covered 300 group members of 27 groups from all four sub-divisions of the district where the programme is under operation. The sample size for people who are not members of group is 143. These individuals had self selected to be non-members of SHGs. Data was collected on different socio-economic-demographic factors like religion, family size, number of children in the family, occupational pattern, family income level, family savings level, family consumption expenditure, food expenditure, health related expenditure, number of school dropouts in the family from group members and non-group members. After analyzing the data, it was found that there is an increase in individual income of group members and this has also increased their family income and reduced the relative income inequality. Also the median income has increased at constant prices, which implies that greater number of people are now concentrated in the higher income class than the pre-group joining level. As far as employment is concerned the study reported that out of the 300
individuals interviewed, 125 (41.66 per cent) of them were unemployed before joining the group. All of them were gainfully employed after joining the self-help group and from the lowest income class a large number of families have shifted to the upper income classes. Also it was found that formation of SHGs has promotes the habit of saving among the group members. Another important point which the report has pointed out is that all female group members are employed and also their family health related expenditure is significantly lower than that of non-group members (i.e. there is improvement in health awareness). The study also reported that there has been a significant decline in the school dropout rate in the families of group members than those of non-group members. Thus the findings of the study reflect the fact that the women empowerment through group activities is improving the level of family welfare. These results also signify the importance of group forming agency in the overall welfare of the group members.

Raghavan V. P\(^{36}\) (2009) in his paper titled “Micro-Credit and Empowerment: A Study of Kudumbashree Projects in Kerala, India” has tried to examine the socioeconomic impact of the Kudumbashree projects on the rural and urban poor in salvaging them from deprivation and creating gender equity. He concluded that Kudumbashree has become the lifeline to many of the poor women in the State of Kerala. It is a massive anti-poverty programme of the Government of Kerala aiming at eradicating poverty and salvage the destitute from the wretches of extreme deprivation. He pointed out that the formation of 1,65,840 NHGs of the women from 33,45,509 risk families, covering urban, rural and tribal areas of the State helps develop 2,42,489 poor women into vibrant micro-entrepreneurs.
Because of this programme, the poor women of the State have become active participants in the planning and implementation process of various ant-poverty programmes. By participating in various incomes generating-cum-developmental activities, the morale and confidence of women became very high. Capacity of the poor women of the State in several areas has gone up considerably. There is also a marked improvement in the status of women in families and community.

Kumar M. Karthick et al. (2010), in their study “Risk Based Pricing in Microfinance” has tried to identify the efficient receivable management policies needed for MFIs which will reduce the collection cost and helps to decrease the interest rate. The objective of the study is to identify the reasons for higher interest rate and to identify the factors contributing the bad debts. For the study twelve microfinance institutions were identified as the sample and their performance were analysed with the help of their annual statements. The researchers recommended the ‘neighborhood financing model’, in this specific model the MFIs used to provide credit facilities to the rural borrowers within the 5 km radius. This reduces the cost of collection and operation charges; ultimately this would help in reducing the interest rates. The study also suggests that MFIs must introduce adjustable rate of loan, in this type of loan the rate of interest is linked to the prime lending rate. If the customers have adopted adjustable rate loan, they have to stand to gain if the interest rate drops. Likewise they need to be prepared to take the risk when the interest rate increases. Therefore, in this case the gain/loss of interest rates fluctuation is borne by the borrower.

Khosla Vinod (2010), in his article “Lending a Helping Hand” explains how microfinance has enabled women to improve their socio-
economic condition, and how sometimes they become successful local employers. He is of the view that to take micro-finance to the next level, microfinance must lead the financial services industry in responsible lending practices. According to him social investors can help in monitoring short-term financial objectives of purely commercial investors who have entered the micro finance sector just for financial purposes. He suggested that investments in technology and R&D that improve efficiency of microfinance lending are also very important. He concluded that microfinance will open up cheaper distribution channels into the rural economy and accelerate rural GDP growth, ultimately having far more impact than most of the world's foreign aid and similar non-scalable, non-sustainable efforts. He cautioned about the abuses of this opportunity and for this authorities need to be vigilant and responsive.

Balasubramanian R. (2010) is of the view that Indian microfinance sector has played a laudable role in improving the lot of the economically disadvantaged. What's more, it has unleashed the potential of the economically challenged, propelling them up the economic ladder. Over the last two decades, social entrepreneurs, microfinance professionals, government institutions and private initiatives in the country have nurtured the growth of microfinance institutions (MFIs). Microfinance has gained in significance in the last few years. It is now on the threshold of a boom. In the Indian context, the SHG-bank linkage programme continues to be dominant, given the wide reach of the banks. He pointed out that challenges ahead are to imparting counseling on ‘savings-credit-protection', ensuring that lending rates are competitive and operations are self-sufficient.

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Thakur, Sharma and Jain\textsuperscript{40} (2010) in their study “Microfinance- A Tool for Poverty Control (With Special Reference to Gwalior and Chambal Division of Madhya Pradesh)” has tried to find out that how microfinance can help in poverty control. Based upon the data collected from 300 respondents the study concluded that employment opportunity and tenure of SHGs and NGOs (in years) are the most important factors responsible for poverty control. The study suggested that although microfinance is an effective technique to meet the financial requirements in the rural areas, nevertheless, it is essential to develop a smooth credit system with support from financial institutions. There is a possibility that microfinance may prove to be a large scale poverty control and alleviation tool.

Barman, Abheek\textsuperscript{41} (2010) in his article “Microfinance, Macro Problems” highlighted some of the problems which the microfinance sector in India is facing these days. He pointed out that the whole micro-credit story seems to be fraying at the edges. According to his opinion nowadays, what’s worrying many people is whether it’s possible to keep poor borrowers happy while growing profits fast enough to keep shareholders smiling as well. Recently Andhra Pradesh passed an ordinance to regulate MFIs, one which stops short of capping interest rates. Southern states are worried about two things: the interest rates charged by the institutions and the possibility that borrowers could be coerced by goons hired by MFIs to make repayments. Andhra Pradesh has good reasons to worry about micro lending. Numbers from the Reserve Bank of India (RBI) show that over 53\% of loans there are sourced from moneylenders. Tamil Nadu
follows, with moneylenders accounting for 40% of all borrowings. Moneylenders account for more than 30% of all lending in four more states: Bihar, Manipur, Punjab and Rajasthan.

Rajshekhar42 (2010) in his article “No Easy Way to Regulate Microfinance” discuses about the various problems which the Indian government is currently facing in order to regulate the microfinance sector. Author highlighted that in the past few months, there has been a flurry of reports about some microfinance institutions (MFIs) offering loans to women without ascertaining their ability to repay, about their staff coercing repayments, about women taking multiple loans to keep up with onerous weekly repayment schedules, etc. But the government is still taking time to decide how to regulate microfinance, first because the government does not want to do something that chokes the flow of microcredit and secondly because of the complexity involves in the process. The Indian microfinance industry is characterised by a multiplicity of microfinance providers dispersed across the country. The nature of the business itself, built around several small cash transactions at the last mile, makes it almost impossible to verify claims about collection methods and interest rates without on site supervision. This complexity is creating problems in regulating the microfinance sector.
2.2 Conclusion

As a matter of fact, it is very difficult to evaluate the impact of microfinance. Looking at changes over time can be misleading because a number of factors other than microfinance programmes may be responsible for the social and economic changes in a person’s life. But generally the researchers agreed that the involvement in the microfinance programmes, in the long run has produced positive results in the lives of the participants. From the studies discussed above, it can be concluded that while several studies (Puhazhendi and Satyasai, 2000; Puhazhendi and Badatya, 2002; MYRADA, 2002; APMAS, 2005; and EDA Rural System and APMAS, 2006) discussed mainly various socio-economic parameters of SHG members related to the situation during pre-SHG and post-SHG periods, other studies (Mayoux, L. 2000; Mayer 2001; Anand, 2002; Nair, 2005; Prakash, 2005; Rajivan, 2005; APMAS, 2007; and Fisher, 2008) assessed more specific type of issues such as strategies for empowerment of women through SHGs, how microfinance can contribute to poverty alleviation and food security, role of SHG federations in providing sustainability of SHGs, financial viability of SHG programs, economic and personal empowerment of women and link between micro finance and social and economic security. The major findings of first group of studies suggest: During the post-SHG period household savings increased significantly in comparison to the pre-SHG period. Major proportion of loan amount is used for income generation purposes. There is an increase in the average annual net income of SHG member households after joining a SHG. There is an increase in the average value of assets of SHG member households after joining a SHG. Most of the SHGs are meeting regularly and mostly at monthly intervals. Joining of a SHG
has made significant contributions for poverty reduction. An increase in the employment per household is recorded during the post-SHG period as compared to the pre-SHG period. Significant improvement is noticed in social empowerment of SHG members in terms of self confidence, decision-making and better communication.

The second group of studies suggests that the SHGs must be used as an entry point for wider empowerment interventions (Mayoux, L, 2000), micro finance have been emerged as a special vehicle and it can contribute both to poverty alleviation and food security (Mayer, 2001), SHGs have provided a forum for women to express their concern and articulate their aspirations for change and enabled them to see what is happening outside the house (Jaya S. Anand, 2002), SHG federations can play a critical role in improving the sustainability of SHGs through financial and organisational support (Nair, 2005), microcredit interest rate should be reduced, loan repayment installment term should be increased and flexibility in loan repayment must be there (R. Jayaraman, 2005), that SHG movement has lead to a very good triggering off for women’s empowerment with a strong economic foundation, and a precondition for further change has been established (Anuradha. Rajivan, 2005) and that micro-financial services must be used as an instrument of development and for this they must be integrated into wider strategies and systems (Thomas Fisher, 2008).

Some of the researchers have tried to look into the problems which the Indian microfinance sector is facing like Karmakar (1999) highlighted the problems of defective policies and procedures, inadequate supervision and monitoring and unprofessional management, Ghate Prabhu (2007) discusses about over-financing of the same household by different MFIs, the study of Planning Commission (2008) highlighted
the fact that women repeatedly pointed out that instead of improving their work lives, joining the SHGs had increased their workload, Kumar M. Karthick (2010) discusses the issue of higher interest rate charge by the MFIs and Barman (2010) highlighted the issue of harassment of some borrowers of MFIs by goons supposed to be hired by MFIs to make repayments.

An attempt has been made through the present study to covers a wide range of socioeconomic impact issues on the SHG members, not only at the level of SHG but also at the community level, moreover the study also try to cover the financial viability and sustainability issues. The study covers data of credit linked SHGs from the selected district to get reliable information on the SBLP (Self Help Group Bank Linkage Programme).

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