CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

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"If you want to awaken country first awake women, if a woman is awakened a family is awakened and a family is awakened, a village is awakened thereby entire country is awakened."

Jawaharlal Nehru

1.1. INTRODUCTION

India has a population of 1027.01 million with 742 million living in rural areas.¹ About 40 percent of the rural population and 23.62 percent of the urban population are estimated to be living below the poverty line.² The urban and rural poor have been dependent on moneylenders to exploit the situation.

In reality, poor people need access to so many more financial services than just micro-credit, including a range of micro-savings and insurance products. Indeed, the first step for poor people on the path out of the poverty cycle is social and economic security. This can be achieved by ensuring that the poor live with dignity, sufficiency and responsibility. It is also recognized that the poor people are bankable and that they themselves are likely to have a better appreciation of their socio-economic situation. The activities of Self Help Groups (SHGs) have emerged as a sustainable approach to make credit facilities available to the poor at their doorstep in a simple and flexible manner.

1.1.1 Evolution of SHG

The origin of SHGs could be traced to “Mutual Aid” in Indian village community. In traditional rural societies, self-help takes various forms. Activities like housing / farm operations, which have to be completed within stipulated time, depend upon such arrangements Likewise, people share implements required in
agricultural production. Sharing of irrigation water / bullocks necessitates a management based on self-help. However, in the West, the theoretical approach to collective action was among others, developed by Olson and he says people will participate in collective action when they are organised in small groups when the expected private benefits from the collective action exceed the expected private costs of participation.³

The existence of traditional saving groups has been well documented and has a long and successful history in India. Informal SHGs oriented to saving and credit functions are not a new phenomenon.⁴ Some forms of credit instruments were in operation even before 1904 when the Co-operative Credit Societies Act was passed. Credit instruments such as Nidhis and Chit Funds were popular, especially in South India. They had several distinguishing features, such as encouraging thrift, mobilizing small savings and inculcating in the members the habits of punctuality and planning for future. The useful role played by these instruments in the rural areas as important sources of credit to people with moderate needs has been well recognized.

A self-Help group is a small voluntary association of poor people preferably from the same socio-economic background. They come together for the purpose of saving their common problems through self Help. The number of members in one SHG does not exceed 20. It is defined as a voluntary group valuing personal interactions and mutual aid as a means of altering or ameliorating the problems perceived as alterable, pressing, and personal by most of its participants.⁵ These groups are voluntary associations of people formed to
attain certain collective goals that could be economic, social or both. The policy planners and development planners cherish the myth that poor people do not have the spirit to thrift, but recent reports from different parts of the globe challenge this.  

In India, the SHGs are informal groups, their legal status has not been defined. What they initially intended was to bring together people, particularly economically weaker sections and to undertake activities of mutual interest. Members of the SHGs have no risk taking ability, hardly anything to offer as guarantee against availing loans from formal Rural Financial Institutions (RFIs) and limited earning opportunities. However, thrift, credit and income generating activities emerged as the major activities of the SHGs. In other words, the SHGs evolved as system for collective savings, group consumption credit, as well as integrating social and economic goals among small groups.

The initial growth of SHG has been in areas where they received support from Non-Government Organizations (NGOs). The NGOs supported not only in the formation of SHGs but also in identifying economic activities, imparting training, and even financial support in the initial stage. The critical areas in forming the groups at the beginning stage were their size and composition, homogeneity, group discipline, saving habits and sustainability. By offering saving services, a financial institution can promote greater customer loyalty and loan repayment discipline, thus reducing the institutions’ cost of funds for on-lending and overall transaction cost. Moreover, RFIs can also improve their viability by expanding their volume of business. Subsequently, the SHGs have
been linked with banks for saving and credit operations. Bank linkage model evolved as a core strategy that could be used by the banking system for increasing its outreach to the poorest of the poor who were hitherto getting by-passed by it.  

1.1.2 Concept of SHG

The Self Help Groups (SHGs) are voluntary associations of people formed to attain a collective goal. People who are homogeneous with respect to social background, heritage, caste or traditional occupation come together for a common cause to raise and manage resources for the benefit of the group members.

The process by which the group of people with a common objective are facilitated to come together in order to participate in the development activities like savings, credit, skill development, income generation and the like, is called GROUP FORMATION.

Although the SHGs can be formed for any development activity, for the financial institutions to use them as a conduit for banking activities, the SHGs should be practicing thrift and credit and be familiar with money management.

1.1.3 Significance of SHG

Poverty has degraded human lives for centuries. One of the greatest achievements in 20th century is the significant reduction in poverty. The Human Development Report (1997) asserts that eradicating severe poverty in the first decade of the 21st century is feasible. This may seem an extraordinary ambition, but it is well within our grasp. In this direction, grassroots finance assumes great
significance as an innovative policy instrument. Most of the developing nations have been striving to accomplish substantial gains in narrowing down poverty levels by adopting wide range of innovative micro-credit policies.

An economically poor individual gains strength as part of a group besides financing through SHGs reduce transaction costs for both lenders and borrows while lenders have to handle only a single SHGs account intends of a large number of small sized individual accounts, borrowers as a part of a SHG cut down expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.

SHGs are necessary to overcome exploitation, create confidence for economic self-reliance in the poor, particularly to women who are mostly invisible in the social structure. The SHGs become the basis ‘for action and change‘ and build a relationship of mutual trust between the promoting organization and the rural poor through constant contact and genuine efforts. Credit delivery through thrift and credit groups (SHGs) emerges as an alternative to the existing system of credit disbursement by the banks. SHGs have been found to help inculcate among their members sound habits of thrift, saving and banking.

Self-help approach is fast gaining acceptance internationally as the most appropriate instrument to reach out to the poorest of the poor in a most effective way. Experience in various countries has brought to light the fact that SHGs play a significant role in mobilising substantial amounts of saving and providing
loans to the members. SHGs have also been able to bring about positive improvement in a number of social indicators such as literacy and health.\textsuperscript{13}

SHGs promote participatory credit management and fill a vacuum created by the ineffective, rigid formal credit necessity of adopting a flexible mechanism sensitive to the needs and conditions of the people for whom these are meant. Rescheduling of loans in times of genuine hardships, recognizing the consumption requirements of the people along with their production needs and the need to address social problems are all considered.\textsuperscript{14}

The benefits of SHGs, that have primarily been formed in India as micro-credit groups for economic empowerment of women and the weaker sections are: that they provide a via media for development of saving habit among the poor; have access to large quantum of resource; provide a window for better technology and skill upgradation, have access to various promotion assistance and assurance of freedom, self-reliance and empowerment. Collectivisation implies cohesion of the group and enables the members of the group to perceive common interests and act collectively. In contrast to formal organisations, self-help is highly personal, non-hierarchical and without division of labour. Self-help favours experience over expertise.\textsuperscript{15}

1.1.4 Micro Credit – Need and Emergences

The structure of rural financial market in India is dualistic consisting of both formal and informal financial intermediaries. A consensus is growing among researches that the formal financial sector is not effectively serving the rural
population in the Third World Counties. This is mainly attributed to the failure of financial intermediaries in fulfilling their basic functions namely, production credit to finance income generating activities, consumption credit to maintain and expand human productive capacity and quality saving schemes for increasing risk bearing capacity of the rural households. Moreover, these institutions have failed to promote any of their social objectives. To reach the poor, institutional innovations are needed that enable services to be expanded, while substantially reducing transaction costs for both financial institutions and clients. In many countries in the world, microcredit programmes have succeeded in generating self-employment by providing access to small capital to people living in poverty.

Microfinance has emerged as an important sector in many countries for providing financial services such as savings, credit, insurance and remittance services to the poor. Microfinance has become a global phenomenon. Government, central banks, donors, practitioners, and other development agencies promoting microfinance are increasingly involved in developing suitable policy initiatives for meeting local needs.

The performance of formal financial institutions particularly in their lending to the poor in India has been unsatisfactory. They face a number of constrains in broadening their services to the poor. As a result of the inaccessibility of the formal banking system to the poor, micro-financial institutions emerged, which act as an impetus for community action. There has
been a surge of interest in micro-finance in the recent past, particularly in the context of reaching the poor families in a more effective way.21

In India, a range of institutions in the public sector as well as the private sector, offers microfinance services. These can be broadly categorized into two categories namely, formal institutions and semi-formal institutions. The former category comprises apex development financial institutions, commercial banks, regional rural banks and cooperative banks that provide microfinance services in addition to their general banking activities and are referred to as microfinance service providers. On the other hand, semi-formal institutions that undertake microfinance services as their main activity are generally referred to as microfinance institutions (MFIs), While both private and public ownership are found in the case of formal financial institutions offering microfinance services, the MFIs are mainly in the private sector.

As an informal supplementary credit delivery mechanism by lending at a group level, the Self Help Groups (SHGs) came into existence.

Finance is vital to any economic activity. The basic philosophy of rural finance is the dispensation of loans at a concessional rate through administrative control targeting the rural people engaged either in agricultural or non-agricultural activities. But it is felt that a large number of poverty stricken people and particularly the women, who constitute a significant number, still remain outside the ambit of institutional finance. In order to give a new approach to rural finance, National Bank for Agricultural and Rural Development (NABARD) had
introduced the ‘Self Help Groups’ in 1992 which is generally treated as finance to a small group. This new approach, in other words, is known as Micro Credit.

Micro –credit programmes offer small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families. In most cases, micro-credit programmes extend combination of services and resources to their clients in addition to credit for self-employment. These often include savings, training networking, marketing and peer support. It is ironical that micro enterprises are often unorganised, decentralized and unprotected and their contribution to the economy often remains unorganised.

In India too, the financial institutions have not been able to reach the poor households particularly women in the unorganised sector. Structural rigidities and overheads lead to high cost in advancing small loans.

In February 1997, a summit was convened in Washington to review and give direction for financing to the poorest people in the underdeveloped countries. The summit defined its goal to Microfinance those “Programmes that provide credit for self–employment and other financial and business services (including savings and other technical assistance) to very poor persons .” Micro level financial schemes help people to help themselves by starting small income generation projects and activities.22

The maximum experimentation with micro-credit can be seen in Bangladesh, where it has been extensively used for reaching the poorest sections of the society. It has proved to be a most powerful weapon to fight poverty.
During the seventies many initiatives were taken in developed and developing countries in Asia, Africa and Latin America. The approach of micro-credit consisted of Self Help Groups (SHGs), Revolving Savings and Credit Associations (SOSCAS), Solidarity Groups, Money Store, etc. Some of the examples outside India as Philippine Commercial and Industrial Bank, Rural Bank of Ghana and Grameen Bank (Bangladesh). 23 The Grameen Bank set up in 1976 by Muhammad Yunus, is one of the most popular models for providing micro-credit to poor. At present 90 percent of the members are women. 24

In India, Self Employment Women’s Association (SEWA) in Gujarat and Madhya Pradesh, Mysore Resettlement Development Agency (MYRADA) in Karnataka, Professional Assistance for Development Action (PRADAN) in Rajasthan, Association of Sarva Seva Farms (ASSEFA) in Tamil Nadu, New Public School Society in Uttar Pradesh, and other organizations took up the initiative. The credit needs of groups are met in a convenient, flexible and cost effective way.

NABARD’s efforts of improving the access of the rural poor to formal banking services through SHGs has gathered momentum during the last few years. It not only extends 100 percent refinance facilities to the banks at concessional interest rate, but it has also taken various promotional initiatives to expand SHG-Bank linkage programme. 25 Small Industries Development Bank of India (SIDBI) also extends credit facilities through NGOs and more than 150 NGOs had availed credit facilities from SIDBI for on-lending to small borrowers. 26
The Department of Women and Child Development launched the Indira Mahila Yojana (IMY) in 1995 as a central sector project for the holistic empowerment of women in 200 blocks. Under this programme, efforts are being made for setting up of SHGs of women. IMY aims to fill up the gaps where suitable NGOs are not available to take up micro-credit programme. Rashtriya Mahila Kosh (RMK) was set up in March 1993, with the objectives of extending credit limits to poor women through NGOs. Women Development Corporations (WDC), Co-operative Societies and Indira Mahila Block Samitees and taking up other promotional and advocacy roles to achieve economic self-reliance for women. Credit facilities are extended at eight per cent per interest, which, in turn, is lent to SHGs at the interest rate of 12 per cent per annum. SHGs can lend to the women members at an interest rate not exceeding the State Bank of India (SBI) interest rate on unsecured advanced. NGOs can also extend loan facilities to individual women where SHGs do not exist.

1.1.5 Empowerment of Women

Women form part of human resource. Unless this section of the population is given opportunities to prove their capabilities, the development would be imperfect. It was in the ancient period the women were recognised equally with men and in fact they were head of the households and participated equally in decision making like men. It is only when surplus emerged and commercial production started, markets came to play a role. It is in this juncture there is a change in the role of male and female. There came the gender division of labour mainly bringing men to outside, paid employment and women in unpaid
and domestic work. The gender disparity was the result since this period and women had continuously and constantly discriminated in getting their due share in the development process. The gender disparity prevailed in various areas such as literacy, education, nutrition and health, employment, decision making, participation in politics, executive positions, property rights and the like. This discrimination has been the outcome of the gender division of labour making the men to go out and market their services and so also act as the head of the household and decision-maker in the walk of life. On the other hand, making women to remain at home to perform the domestic activities such as taking care of the children, cook and wash for the family which have not been recognised as work till 1981 Census in India. As a result of making the men as breadwinners of the family, the female members also started assigning themselves a secondary role next only to men and as such, they are treated as secondary citizen in the society.

It is to be noted that the poorer the family, the greater is dependence on women’s income. Despite several progress made since independence in the lives of women, a gender analysis of most social and economic data demonstrates that women in India continue to be relatively disadvantaged in the matters of survival, health, nutrition, literacy and productivity.

Women form a vital part of the Indian Economy, who constitute one third of the labour resource, contributing in the survival of the family. It has been evident that women form the backbone of agriculture sector, comprising the majority of agricultural labourers in India. Female agricultural labourers are
among the poorest sections of Indian society. Agricultural wages for women are on an average 30-50 percent less than those for men.

The Global Conference on Women’s Empowerment, 1988, highlighted Empowerment as the surest way of making women “partners in development”. Women Development on the other hand should ultimately become a process of empowerment. Empowerment is an active process enabling women to realize their identity and power in all spheres of life.

Although women form nearly more than half of the human capital in the country. They are still the most deprived and neglected segments of society despite the constitutional guarantee for equal rights and privileges for men and women. Women are viewed as homemakers and are not encouraged to undertake professions to which men have a natural access. Women continue to be victims of a process of economic, social, cultural and political marginalization.

Women are viewed as homemakers and are not encouraged to undertake professions to which men have a natural access. On the other hand, half of the world’s food is produced by women working in the fields and they constitute 1/3 of the world’s labour force. Although woman does double the amount of work and contributes doubly to the economy, she is considered a burden and instances of female infanticide and foeticide bear testimony to this. At a macro level, 70 percent of the world’s poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services.
Empowerment is a multifaceted process encompassing aspects such as enhancing awareness, increasing access to resources economic, Social and Political. It comprises an equally important component of mobilization and organization of women into groups, because these groups form the basis for solidarity, strength and collective action.

Empowerment of women is a critical factor in the eradication of poverty, as the women are the key contributors to the economy and to combating poverty through both remunerative and unremunerative work at home, in the community and in the work place.\textsuperscript{29} Gainful employment has been viewed as a critical entry point for women’s integration in development.\textsuperscript{30}

Targeting women has also proved to be a successful, and an efficient economic development tool. Research performed by the United Nations Development Programme (UNDP) and the World Bank indicates that gender inequalities inhibit overall economic growth and development. A recent World Bank Report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and lower living standard of all people.

Women’s participation in income generating activities is believed to increase their status and decision-making power. With employment women do not remain as ‘objects’ of social change but become ‘agents’ of it. They cease from being ‘consumers’ of economic goods and services and turn into ‘producers’. They participate in social reproduction as well as reproduction of labour of the next generation.\textsuperscript{31}
Women are usually the primary or sole family caretakers in many developing countries. Helping them gain additional daily income improves the condition of their entire household. Putting extra income in women’s hands is often the most efficient way to affect an entire family, as women typically put their children’s needs before their own. Children are more likely to complete their education and escape the poverty trap than their parents are. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution’s activities, benefiting multiple generations.

In many cases, micro-credit has been a crucial element in increasing women’s economic opportunities. When done well, it gives women the ability to make a living on a sustainable basis. Micro-credit could unleash the economic potential of hundreds of millions of the world’s poorest.

The country’s response to the challenges of equality, development and peace is the “empowerment strategy”. The challenge before the society is to evolve strategies to break the stereotypes of the past by solving problems of poverty, illiteracy, environmental degradation, violence, gender inequality and the like. Hence self-help groups and micro-credit should be seen as components of a solution to accelerate the socio-economic development particularly, of the rural poor women in India. A judicious mix of Macro Credit along with other activities with emphasis on development and empowerment strategies and processes would certainly make Micro Credit an effective instrument of social and economic development particularly, of women in a holistic and integrated manner.  

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1.2 STATEMENT OF THE PROBLEM

Since 1950, the Government of India has tried various programmes to alleviate poverty. Studies show that these programmes, implemented through banking institutions, have not been fully successful in meeting their social and economic objectives. The common features of these programmes were target-oriented credit with grant/subsidy and lending through commercial banks. These programmes were not sustainable and they degenerated to the dependent status of the beneficiaries.

In most developing countries, the formal financial system reaches only the top 25 per cent. Among the economically active population the bottom 75 per cent has no access to financial services except to those of moneylenders. The Global Conference on Women’s Empowerment, 1988, highlighted Empowerment as the surest way of making women “partners in development”. Women Development on the other hand should ultimately become a process of empowerment. Empowerment is an active process enabling women to realize their identity and power in all spheres of life.

Although women form nearly more than half of the human capital in the country. They are still the most deprived and neglected segments of society despite the constitutional guarantee for equal rights and privileges for men and women. Women are viewed as homemakers and are not encouraged to undertake professions to which men have a natural access. Women continue to be victims of a process of economic, social, cultural and political marginalization.
In India too, the financial institutions have not been able to reach the poor households particularly women in the unorganised sector. Structural rigidities and overheads lead to high cost in advancing small loans. Experience in implementing different anti-poverty and other welfare programmes has shown that the key to success lies in starting appropriate community-based organisations with participation at the grass-root level. Moreover, the group approach may be one of the effective ways to reduce the difficulties of small businessmen and agriculturists. Individual farmers, artisans and entrepreneurs are encouraged to form small groups to pool their resources to handle selected operations may lead to great success.

Peoples’ participation in credit delivery and recovery and linking of formal credit institutions to borrowers through SHGs have been recognised as a supplementary mechanism for providing credit support to the rural poor. SHGs are informal groups formed on a voluntary basis, for providing the necessary support to their members for their social and economic emancipation. These groups are distinct from co-operative societies, mainly in terms of their size, homogeneity and functions. Non-Governmental Organisations (NGO) play an important role in preparing the members by changing their mindset to participate in group activities.

The NABARD is a pioneer in conceptualising and implementing the concept of the SHGs through the pilot project of linking SHGs with banks. In 1992 the project was operationalised throughout the country through a set of well-defined guidelines with special reference to the objectives, criteria for selection of
SHGs, size of group, assessment of credit needs, rate of interest, repayment period and security. Efforts were also made by the NABARD to popularise the project among bankers and NGOs by organising a series of workshops and seminars at different levels. The response from banks and NGOs was encouraging and positive.

The distinguishing feature of the SHGs is creating social and economic awareness among the members. The social awareness enables the members to lead their life in a sound hygienic environment and pursue a better living. The woman members involve themselves more in taking decisions regarding the education of their children, the investment of the family, managing the economic assets of the family and bringing up cohesion among the members of the family and others for a better living.

On the economic front both men and women work shoulder to shoulder to increase the income of the family. Some members start some small business and some others improve their agricultural activities. Every member on SHG has felt the need for more involvement in the economic activities. The spirit for social and economic upliftment of members is the significant contribution of each and every SHG. The present study is an attempt to evaluate the effectiveness of microfinance and its impact on the Women members of SHGs.

The rural poor are incapacitated due to various reasons, such as most of them are socially backward and illiterate, with low motivation and poor economic base. Individually, a poor is not only weak in socio-economic term but also lacks access to the knowledge and information, which are the most important
components of today’s development process. However, in a group, they are empowered to overcome many of these weaknesses. Hence, SHGs are formed to bring the people together, to think together, work together and to achieve together. In a line similar to Cooperative movement, SHG movement has been seriously initiated by the Government to eradicate the poverty. On one hand, SHGs are concerned with employment and on the other hand, they are concerned with empowerment. As such, they have twin objectives to achieve. As such, they have been formed;

- To mobilize the resources of the individual members for their collective economic development.
- To uplift the living conditions of the poor.
- To create a habit of savings.
- To utilise the local resources.
- To mobilize individual skills for group’s interest.
- To create awareness about rights.
- To assist the members financially at the time of need.
- To develop entrepreneurial skills
- To identify problems, analyze and find solutions in the group.
- To act as a media for socio-economic development of the village.
- To develop linkage with institutions of NGOs.
- To organize training for skill development.
- To help in the recovery of loans.
- To gain mutual understanding, develop trust and instill self-confidence.
• To build up teamwork.
• To develop leadership qualities.
• To use as an effective delivery channel for rural credit.

Giving women access to micro credit therefore generates a multiplier effect that increases the impact of microfinance institution’s activities, benefiting multiple generations. Therefore, an attempt has been made by the researcher to study the impact of micro-finance on the women members of SHGs in Virudhunagar District.

Thus, examining and analyzing this case will allow the researcher an opportunity to conduct relevant research on a very unique and contemporary issue.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

i) To present the microfinance movement in India in general and in Virudhunagar District in particular.

ii) To discuss the opinion of the respondents about SHGs and its activities

iii) To analyse the association of members with the SHGs and its impact in the context of the opinion of the respondents

iv) To study the social and economic variables and its impact on the women members in the context of the opinion of the respondents
1.4 SCOPE OF THE STUDY

Since, it was contemplated to highlight the effectiveness of micro finance in the process of credit delivery to the women members of SHGs. The role of an SHG can be viewed in two dimensions. On one hand, the SHGs are formed and promoted with a view to generate employment opportunities among the women members and on the other hand, the SHGs strive to empower the members in the uplift of their status in the society. In this regard, its role is similar to that of a financial intermediary and that of a social intermediary. As such, it is a study to analyse the role of SHGs in the promotion of women members economically and socially. As the number of SHGs operating in Virudhunagar District is large, the nature of the study warrants a wide coverage of SHGs. To comply with the research norms adequately, the all the blocks have been covered for the purpose of the study. There are 11 blocks in the district. As the study is on the effectiveness of micro finance through SHGs, it has been projected with the opinions of the women members of all the SHGs. In other words, the opinions on the performance of SHGs in the development of members in the study area have been generated.

As such, the study has emerged as an empirical study. Thus, the study has been undertaken from the point of view of the members of SHGs in its totality in Virudhunagar District.

1.5 HYPOTHESES

The following null hypotheses are framed and tested.
In order to analyse whether there is any significant relationship in the social and economic conditions of the members before joining SHGs and afterwards, the following null hypotheses were framed.

I. There is no significant relationship between demographic variables (age, community, religion, education, marital status, occupation, family size, monthly income, nature of house, type of house and years of association) of the respondents and the savings.

II. There is no significant relationship between demographic variables (age, community, religion, education, marital status, occupation, family size, monthly income, nature of house, type of house and years of association) of the respondents and the amount of loan borrowed.

III. There is no significant relationship between demographic variables (age, community, religion, education, marital status, occupation, family size, monthly income, nature of house, type of house and years of association) of the respondents and their level attitude.

IV. There is no significant difference in the economic condition of the respondents before and after their becoming members of SHGs.

V. There is no significant difference in the social and economical impact on the respondents before and after their becoming members of SHGs.
1.6 OPERATIONAL DEFINITIONS

1.6.1 Micro Credit

Micro credit is the credit of meager amount of money which plays an important role while enhance the human life which should be used in proper way to achieve income generation, removal of poverty, create employment etc.

1.6.2 Self-Help Group [SHG]

The Self-Help Group [SHG] is considered as a voluntary association of poor people. They are mostly having some socio-economic background. They are involved in solving their common problems through self-help and mutual help. It creates small saving among the members and the amounts are kept in any bank. The SHGs have a membership of 15 to 20 members.

A self-help group is also defined as a voluntary group valuing personal interaction and mutual aid as means of altering or ameliorating problems perceived as alterable pressing and personal by most of its members.

It is also defined as a group of rural poor generally comprising of small/marginal farmers, landless agricultural labourers, rural artisans, women folk and other micro entrepreneurs who organise themselves to achieve socio-economic development by raising resource at their level initially and linking with the bank subsequently with the help of NGOs [www.aidindia.org]

1.6.3 Microfinance Institutions

Microfinance institutions are of two types; the financial sector and the non-financial sector, Commercial banks, Regional Rural Banks and Cooperative
Banks constitute the formal financial sector. The Non-financial sector includes the microfinance NGOs, Trusts, certain forms of Companies and mutually aided cooperatives.

1.6.4 Intermediation

The role of the financial institution in channeling savings and other deposits by lender to borrowers. Financial intermediaries such as commercial banks and societies accept deposits from individuals and business and use these funds to make loans to credit worthy customers. An intermediary profit is the difference between rates paid for deposits and rates on loans.

1.6.5 Financial Intermediary

An institution or organization that brings together borrowers and lenders making available funds to those willing to pay for their use. Credit institutions ranging from commercial banks, mutual savings banks and trust companies to credit unions and various kinds of finance companies fall into this category.

1.6.6 Microfinance

Microfinance is provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income level and improve their standards.

1.6.7 Women Group

It is an SHG which consists of female members only.
1.6.8 NGO

An NGO is a voluntary organization working for the betterment of the rural people especially the rural women, aged people and children. It is basically a non-profit making organization. It is an organization of private individuals who have interest in social principles. The NGOs, their activities are confined to social activities only. In the case of the economically oriented NGOs, their activities are confined to economic activities. In certain cases, the NGO may undertake social services along with economic services. In the case of a Microfinance NGO, it undertakes social intermediation along with financial intermediation.

1.6.9 Microfinance NGO

A Microfinance NGO is a voluntary organization, registered either under the Societies Registration Act or the Indian Trusts Act of the Companies Act, which acts as a facilitator or financial intermediary between SHGs and banks in the process of credit delivery.

1.6.10 Revolving Fund

A Revolving fund is a fund which is given for the development of the SHGs. Totally, the fund is offered at Rs.50000 by the bank and Rs.10000 as subsidy by the Government through the Project Officers, Mahalir Thittam. The revolving fund is released by the bank, after getting subsidy from the Mahalir Thittam.
1.7 METHODOLOGY

The present study is an empirical one based on the survey method. Though the study is empirical in nature, it has been supported by secondary data. The secondary data were collected from the annual reports of the NABARD, reports on Districtwise Mahalir Thittam NGOs published by the NABARD, reports on Districtwise Non-Mahalir Tittam NGOs published by the NABARD, books and journals relating to SHGs, related websites, magazines and newspapers.

The primary data were collected the help of an interview schedules. It was used to mobilize the opinions of the women members of the SHGs regarding their role in the upliftment of their women members in Virudhunagar District of Tamilnadu State. Thus, the study has been constructed with the help of both primary and secondary data.

1.8 SAMPLING DESIGN

This study was intended to analyse the role of SHGs as financial intermediary and as social intermediary in the promotion and development of the women members. As stated earlier, the study has been projected on the opinions of the women members of the SHGs, For the purpose of analysis, at the first stage, the number of SHGs functioning in Virudhunagar District have been considered. It is to be noted that the study area covers 11 blocks such as Arppukottai, Karyapatti, Narkudi, Rajapalayam, Sattur, Sivakasi, Srivilliputhur, Thiruchuli, Vembakottai, Virudhunagar and Watrap. In the study area, there are 12795 SHGs
with a total members of 211802. To consolidate the opinion of the members, the researcher resorted to the sampling method.

Table 1.1 shows the list of blocks in which SHGs are functioning, the number of members in each block and the sample units derived there from.

**TABLE 1.1**

**Virudhunagar District SHG Details upto 25.04.2010**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Block Name</th>
<th>No. of SHGs</th>
<th>Total Members</th>
<th>Sampling 2% of SHGs</th>
<th>2 Members from each SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aruppukottai</td>
<td>1528</td>
<td>25467</td>
<td>31</td>
<td>62</td>
</tr>
<tr>
<td>2</td>
<td>Kariyapatti</td>
<td>715</td>
<td>10650</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>3</td>
<td>Narikudi</td>
<td>625</td>
<td>9167</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>4</td>
<td>Rajapalayam</td>
<td>1549</td>
<td>26884</td>
<td>31</td>
<td>62</td>
</tr>
<tr>
<td>5</td>
<td>Sattur</td>
<td>1023</td>
<td>16865</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
<td>Sivakasi</td>
<td>1948</td>
<td>33104</td>
<td>39</td>
<td>78</td>
</tr>
<tr>
<td>7</td>
<td>Srivilliputhur</td>
<td>1088</td>
<td>18157</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>8</td>
<td>Thiruchuli</td>
<td>844</td>
<td>13434</td>
<td>17</td>
<td>34</td>
</tr>
<tr>
<td>9</td>
<td>Vembakottai</td>
<td>939</td>
<td>16204</td>
<td>19</td>
<td>38</td>
</tr>
<tr>
<td>10</td>
<td>Virudhunagar</td>
<td>1422</td>
<td>23910</td>
<td>28</td>
<td>56</td>
</tr>
<tr>
<td>11</td>
<td>Watrap</td>
<td>1114</td>
<td>17960</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>12,795</strong></td>
<td><strong>2,11,802</strong></td>
<td><strong>256</strong></td>
<td><strong>512</strong></td>
</tr>
</tbody>
</table>

Source: www.tamilnuduwomen.org

As the number of SHGs are definite, the population can be stated to be known. Hence, the researcher resorted to Random Sampling Technique. This allowed the researcher to take a specified percentage of SHGs from each block, say 2% of the total number of SHGs from each block. It deserves to be mentioned that for the purpose of selection of the sample SHGs, the list of SHGs from each
block was obtained from the Mahalir Thittam Office of the respective block. 2% of the SHGs was drawn in the following way. For example, in the case of Aruppukottai block, there are 1528 SHGs. Every 49th SHG (1528/(2% of 1528 = 31)) was selected from the list constituting a number of 31. In this way, sample SHGs were selected for each block. It is to be noted that for the purpose of drawing the members from each selected SHG, it was decided to draw two members from each selected SHG. The researcher contacted the sample SHGs and requested the SHGs to conduct a survey with the required number of members. On the recommendation of the animator, the survey was conducted with the members. Thus, sampling was done scientifically and survey was carried out according to the research norms without prejudice and bias.

1.9 CONSTRUCTION OF TOOL

An interview schedule was constructed for this study to collect data from the members of the SHGs. For the construction of an interview schedule, the researcher made an indepth study of the literature available on the role of SHGs in the development of women members through micro finance. Discussions were held with the animators and representatives of the SHGs. The researcher could identify certain significant variables to support the construction of the interview schedule. With the tentatively prepared interview schedule, a pretest was conducted. For the purpose of the test, 6 SHGs were drawn from the nearby block. From each SHG, the animator and the representative were consulted, thus totaling 12 persons. Then, a pilot study was conducted with 20 members, taking into consideration the points expressed by the animators and the representatives. At the
final stage, modifications were made in the interview schedule according to the suggestions of the animators and representatives during the pilot study, bringing the interview schedule to the final shape.

1.10 COVERAGE OF PERIOD

As stated earlier, the study has been constructed on the secondary data and the primary data. For the collection of secondary data, six years (March 2007 to March 2012) have been taken as the study period. The primary data were collected through an interview schedule during May, June, July and August 2012.

1.11 FIELD WORK

The field survey of this study was conducted by the researcher himself. As the SHGs are spread over the district and each interview schedule required an hour on an average for securing information from the respondents, it took nearly four months for the researcher to complete the survey. The survey was undertaken with the members as recommended by the selected SHGs. As the SHGs are located at different places and are scattered throughout the district, the researcher had to travel from one spot to another and he was able to interview ten respondents per day covering a total of 256 SHGs and 512 respondents within the duration of 120 days.

1.12 DATA PROCESSING

After completing the interview with the members of the SHGs, the completed schedules were edited properly to make them fit for further processing. For the purpose of coding the information, a master table was prepared in order to
sum up all the information found in the interview schedules. It was prepared to contain all the information. In the process of coding, the data from the interview schedules were transcribed to a coding sheet. This was done to eliminate coding errors. The data thus transcribed to a coding sheet. This was done to eliminate coding errors. The data thus transcribed were arranged in groups or classes on the basis of common characteristics. In this way, the entire data were divided into a number of groups or classes. This facilitated the summarizing of data and displaying them in the form of statistical tables for further analysis. All calculations were done with the help of calculator and computer. For the purpose of statistical analysis, SPSS package was used with the help of a statistician.

1.13 FRAMEWORK OF ANALYSIS

The study has been analysed with the help of the following statistical tools:

i) The formulated hypotheses have been tested with the help of Chi-Square Test.

ii) Sign Test was used to find out whether there is any significant difference in the economic conditions before and after becoming members of the SHGs.

iii) Sign Test has been used to find out whether there is any significant difference in the economic and social impact on the respondents before joining and after joining the SHGs.

iv) Composite Index of Standard of Living was used to measure the overall impact of micro credit encompassing economic as well as social aspects
on the respondents. As such, Social Index, Economic Index and overall Index have been computed to measure the standard of living of the respondents.

v) Regression Analysis has been applied to find the effect of certain economic independent variables and social independent variables on the overall opinion score of the sample respondents.

vi) To analyse the attitude of the sample customers, Factor Analysis has been applied. Regression analysis has been applied to find the effect of certain performance factors on the overall opinion score of the respondents.

vii) To analyse the data with regard to SHG Bank linkage programme (Vide Chapter III), Mean, Standard Deviation and Co-efficient of Variation have been applied. In addition, Simple Growth Rate (CGR) was applied to identify the trend of the data.

viii) In order to analyse the perception of the respondents, they were asked to respond to different statements using Likert’s Five Point Scale with the following scale:

a. Strongly Agree (5), Agree (4), Neither Agree Nor Disagree (3), Disagree (2) and Strongly Disagree (1).

1.14 LIMITATIONS OF THE STUDY

The following are the limitations of the study:
1. As the study is covered with the women members of SHGs, The NGOs associated with the SHGs are not taken into account.

2. As the study is the study to measure the impact of micro finance on the women members. No attempt has been made to compare the performance of women SHGs with that of other types.

3. As the joint liability concept has emerged recently in the SHG movement and the SHGs formed under this concept are limited in Tamilnadu, the researcher has kept the study outside the purview of joint liability concept.

1.15 SCHEME OF THE REPORT

The thesis consists of the following chapters:

The first chapter, ‘Introduction and Design of the Study’, deals with the design of the study. It covers introduction, statement of the problem, objectives of the study, scope of the study, hypotheses, operational definitions, methodology, construction of tools, sampling design, coverage of period, field work, data processing, frame work of analysis, limitations of the study and scheme of the report.

The second chapter, ‘Review of Literature’, discusses the literature relating to SHGs.

The third chapter, ‘Microfinance Movement and SHG Performance’, discusses evolution of microfinance in India, microfinance status, SHG-Bank linkage programme, emergence of SHG movement and the profile of the study area.
The fourth chapter, ‘**Association With SHGs and Its Impact- Opinion of the Respondents**’ gives the opinion of the respondents on their association with the SHGs and analyses its impact.

The fifth chapter, ‘**Social and Economic Variables – Its Impact and Relationship**’ discusses social and economic parameters and its impact on the members with the support of statistical tools and with statistical interpretation in the context of the opinion of the respondents.

The sixth chapter, ‘**Summary of Findings, Suggestions and Conclusion**’, presents the summary of findings and offers suggestions for the successful functioning of SHGs towards development of women members in the study area.
REFERENCES


