CHAPTER I

1.1 INTRODUCTION

Finance is mandatory for livelihood. Finance, realised as wages, donation, fund, loan, revenue, returns on investment and all others have a common factor among them, that is, they need to be generated. The ability to generate income turns out to be mandatory for all, no matter with gender or with education because it is crucial to face the life in this ever-mounting situation of meeting the ends. Meeting ends refer to the ability of surviving with the amount available for a particular period, most of in an Indian situation – a month. “India lives in its villages” was the famous quote of Mahatma Gandhi; he has further noted, “Millions of Women in our hamlets know what unemployment means. Give them access to economic activities and they will have access to power and self confidence to which they hitherto have been strangers”. This has prompted the researcher to get into an insight on the aspect of economic activity among the women so that the words of Mahatma are fulfilled effectively and efficiently.

Economic development is the result of contribution on the working population, both male and female in a region. World as a region has almost equal amount of women participating in the economic development. In 1995, the Human Development Report quoted that out of 1.3 billion poor people living in developing countries, 70 percent were women which makes the role of women highly significant in that part of the World. In addition to this, of the World’s one billion illiterate, one third is women. In India, women constitute half of the population; as per 2001 census population of women was 496.4 million amounting to 48 percent of Indian total population. The status of women in India has been critical for quite a long period. Moreover, every year unemployment and poverty are increasing simultaneously, Government alone cannot provide employment opportunity for all. In this context, the role of agencies other than the Government plays a vital role. Therefore, the Government has decided to develop entrepreneurship among women.
Government has established institutions like Development of Women Corporation (DeW), Non-Governmental Organisations and other Voluntary Organisations.

The agencies thus formulated aim to provide empowerment to the women through creation of awareness in the World of economic activities. Many development agencies are increasing their emphasis on assisting women to secure income through their own efforts. Such approaches are often categorized as income-generating activities and cover initiatives as diverse as small business proportion, co-operative undertakings, job creation skills, sewing circles, credit and saving groups and training programs.

1.1.1 GROWTH OF MICRO FINANCE SECTOR

Global level

The historical account of the emergence and growth of micro finance sector at the global level is as given below,

MOHAMMED YUNUS, popularly known as the father of micro credit system, started a research project in Bangladesh in 1979 and came out with ideas of micro credit and micro finance that resulted in the establishment of Grameen Bank in 1983. In 1981 NDF (National Development Foundation) Jamaica was started with the support of Pan American development foundations. In 1983, DADEMI (Association for development of Micro Enterprise) was established in Dominican Republic, Santo Domingo with support of ACCION, an international agency.

In 1984 the participants of the third international symposium on mobilization of personal savings in developing countries, organized by United Nations, agreed in the final resolution that internal savings must provide to the basis of credit programmers, state control, interest rate must be relaxed, more

decentralized finance services and strong linkages between formal and informal credit institutions for development. In the same year, BRI (Bank Rakayat Indonesia) started micro finance in Indonesia. K-REP (Kenya Rural Enterprise Programmed) was set up by USAID (United States Agency for International Development) to develop credit programming for micro enterprises through NGOs intermediation. In 1986 ACEP (Agency credit Port L Enterprise Price) was established in signal with support of USAID. In 1986 PRODEM (Foundation for the Promotion and Development of Micro Enterprises), which was established by USAID and ACCION International in Bolivia started micro finance. Later on, it was converted into a bank called Banc sol (Banco solidario) in 1992. In 1987, IDH (Institutor de Desarrollo Honudurando) was started in Honduras with the support of Opportunity International. In 1992 BANPECO (Banco National del Pequeno Comercio) that is national Bank for small traders was renamed as BANCI (Banco national de a Comercio Interior), that is national bank for Domestic commerce and started micro financing in urban areas of Mexico. Micro finance system gained the momentum, in mid -90’s after the world smith for social development, held at Copenhagen in 1995. The summit which emphasized on the easy access to credit for small producers, landless farmer, and to the low income individuals, particularly women, urged governments of various countries to take appropriate actions in order to make easy accessibility of credit to the poor. Subsequently the microcenter summit (2-4 February, 1997) held at Washington DC launched a global movement to reach 100 million of the world’s poorest families, especially the women of those families, with credit for self deployment by the year 2005.

A sample analysis of micro finance institutions (MFIs) has concluded that nearly 78 per cent of the membership of MFIs is rural and almost 95 per cent of the members are women, the categories that have previously been underserved, at the end of 2003 was serving about 80 million clients across the world by approximately 2900 micro finance institutions. The advocates of micro financing delivery were international donors and national policy makers to financial system agents, NGO practitioners and local bureaucrats.
1.1.2 DEVELOPMENT OF SELF HELP GROUPS

Global

Asian and Pacific Regional Agricultural Credit Association (APRACA) is an association of central banks, rural development banks and rural commercial banks and is one of the four Regional Agricultural Credit Association (RACA) originally promoted by the United Nations Food And Agriculture Organization (FAO) established in 1977 with an emphasis on agricultural credit, it subsequently broadened its scope towards rural finance. At a workshop held in May 1986 in Nanjing, China, the member countries adopted a novel programme of access to formal financial institutions for the poorer sections of the population. This involved a financial system belt around self-help groups as grassroots’ intermediaries. APRACA members have discussed the essentials of a sound policy for financial market development, and several guiding principles have emerged.

Self Help Groups In India

Self Help Groups form the basic constituent unit of the micro finance movement in India. The Indian experience shows that the non-involvement of people has led to an attitude of total dependence on the government for every developmental effort leading to lack of effort and accountability of people. There were also instances in the seventies and eighties in other developing countries like Kenya, Korea, Bangladesh and Nepal where the various credit programmes for agriculture and rural development, when modeled on participatory approach showed better impacts and results. Based on these experiences the international agencies like World Bank and International Labour Organization have taken interest in this area.

The existence of traditional savings groups has been well documented and has long and successful history in India. Informal Self Help Groups oriented to savings and credit functions are not a new phenomenon. Some forms of credit instruments were in operation even before 1904, when the Co-operative Credit Society’s Act was passed. Credit instruments such as Nidhis
and chit funds were popular especially in South India. They had several distinguishing features such as to encourage thrift, mobilize small savings and inculcate in the member the habit of punctuality and planning for future, the useful role played by these instrument in rural areas as an important source of credit to people with moderate needs were well recognized.

Co-operative Societies Act 1904 was a hallmark in the process of credit mechanism in the country. The main objective of co-operative credit societies was to bring together people of small means for fostering thrift and mutual help for their economic betterment. Perhaps the large size and heterogeneous economic status of the members forced to delegate the decision-making power to small group of well off and influential members. As a result, the small group got an edge over all the members of the society and the very objective of the forming of the society was defeated.

The Self Help Groups became a regular component of the Indian financial system since 1990’s. The groups have been recommended to be informal to keep them away from bureaucracy and corruption, unnecessary administrative expenditure and legal constraints. The size of 20 has been made mandatory because any group larger than this would need to be registered under Indian legal system. There is however some thing beyond this. These groups are expected to foster true democratic culture where all the members participate actively by taking part in the debate and decision-making process, which is possible only in small groups. Otherwise when the groups became bigger, direct democracy tends to become indirect democracy-a criterion of decision-making and formation of vested interest within the group. Groups are expected to be homogenous so that the members do not have conflicting interests and all the members can participate freely without any fear and adverse consequences. These are the features, which distinguish small homogenous and informal Self Help Groups from large heterogeneous and formal co-operatives although both are found on the same principle of co-operation.
Since the 1970’s numerous Non-Governmental Organizations in India had begun experiments in micro financing to address poverty issues and create self-employment for women. NABARD during the early eighties conducted a series of research studies independently which showed that despite having a wide network of rural bank branches that implemented specific poverty alleviation programmes and self employment opportunities through bank credit for almost two decades a very large number of the poorest of the poor continued to remain outside the fold of the formal banking system. The existing banking policies, systems and procedures and deposits and loan products were perhaps not well suited to meet the most immediate needs of the poor. It also appeared that what the poor really needed was a better access to their services and products rather than cheap subsided credit. Against the background, a need was felt for alternative policies, system and procedures, saving and loan products, other complementary services and new delivery mechanisms which would fulfill the requirements of the poorest, especially the women members of such households. The emphasis therefore was the access of the poor to micro finance rather than just micro credit. The launching of its pilot phase of the SHG-bank linkage programme in February 1992 could be considered as a landmark development in banking with the poor. The SHG informal thrift and credit groups of the poor came to be recognized as bank clients under the pilot phase.

Official interest informal group lending took shape during 1986-87 when NABARD supported and funded an action research project on savings and credit management of Self Help Groups of an NGO in Karnataka.

**Self Help Groups in Tamil Nadu**

The success of SEWA of Ahamadabad, Mydara of Mysore and several other experiences in other parts of the country, has attracted many states for replicating the strategy. It has been widely accepted that the programme, if taken up and implemented in the right direction would be very effective in poverty eradication and women empowerment. Self Help Groups in Tamil
Nadu have made significant strides in this field. Earlier efforts made by some NGO’s were confined mostly to a few areas or remained rather scattered, making the concept relatively unknown and non-replicable.

Non-Governmental Organizations also intervened in this area. In Tamil Nadu NGOs have been identified as the best promotional agency because of their long experience in working with local people.

The major purpose of promoting the Self –Help Group (SHG) was the various situations under which the women folk can make a earning for their living or increase their income generating potential. The various socio economic indices such as representation in work force, type of work in which they are engaged, literacy, health, mortality, and dependency upon agriculture for employment, revealed that women were the most disadvantaged category of population in terms of income and family circumstances requiring support and guidance.

The SHG programme, which was originally started with the support of IFAD from 1989, got into a new format of Mahalir Thittam from 1998. These programmes started with the view to finance a developmental project focusing the needs of women in selected districts of Tamil Nadu, next to Dharmapuri district in 1989. The IFAD project was extended to Salem and South Arcot districts in 1991-92. In 1993-94, this project was again extended to unbifurcated Madurai and Ramnad, thus covering 5 districts of Tamil Nadu. However, after bifurcation, the number of districts covered was 8. In these eight districts, 75 of the total 120 blocks were covered. The IFAD assistance came to a close on December 31,1998 and 5207 SHGs were formed as on that date under IFAD project. The success of IFAD project led to the announcement of ‘Mahalir Thittam Scheme’ in 1996 in Tamil Nadu. It was extended to all the
districts of Tamil Nadu in a phased manner and currently its coverage extends to the rural areas of all the 30 districts of Tamil Nadu and Chennai.

1.1.3 CONCEPT OF SHG

Self-help group is an informal and voluntary of neighborhood people with equal status/mindset, formed for fighting for common causes like poverty, illiteracy, violence and deprivation of basic necessities of life. “Self Help Group is a registered or unregistered group of micro entrepreneurs with a homogenous social and economic background, voluntarily coming together to save small amounts regularly and mutually agreeing to contribute to a common fund to meet their emergency needs on mutual help basis”.

A Self-help Group (SHG) is a small economically homogenous and affinity group of rural poor generally not exceeding 20 members voluntarily coming together to save small amounts regularly, to mutually agree to contribute to a common fund, to meet their emergency needs, to have collective decision making, to solve conflicts through collective leadership and mutual discussion and to provide collateral free loans with terms decided by the group at market given rates.

An SHG may be defined as an informal association consisting of 20 or less members and created voluntarily to reap socio economic benefits on the basis of mutual help, affinity, solidarity and joint responsibility.(Shylendra, 1999). The benefits include easy saving and credit facilities and pursuing income generating and other social activities.

SHG’s are mostly informal groups whose members have a common perception and impulse collective action. These groups promote saving among their members and use the pooled resource to meet the emergent needs of their members, including the consumption needs. Sometimes the internal saving are supplements by external resource loaned / donated by the Non-Governmental Organization that promote them. Self Help Groups are thus able to provide baking services to their members, which may not be sophisticated but are cost
effective, simple, flexible, accessible to their members and above all without any defaults in repayments of loans. The linking of self Help Groups to banks helps in overcoming the problem of high transaction costs to banks in providing credits to the poor, by transferring some banking responsibilities such as loan appraisal, follow up recovery etc, to the poor themselves\(^1\).

Tamil Nadu is the eleventh largest, seventh most populous and fourth highest state having female–headed households in India. As on 30\(^{th}\) November.2006, there were about 7, 81,958 SHGs in India, of which 3, 23,826 were in Tamil Nadu.\(^2\)

### 1.2 STATEMENT OF THE PROBLEM

The Government of India and various state governments have introduced many programs from time to time for the upliftment of poor unemployed women and under employed rural and urban poor for over five decades. Yet, eradication of poverty and generation of gainful employment for the poor of our nation remain a distant dream for our planners. The schemes implemented from time to time hardly have made any dent in the enlistment of the poor from the clutches of poverty. In every society, poverty affects primarily women and children. Hence, programs and schemes are required for the enlistment of poor, especially rural women. The participation of women in economic activities is often considered important for the economic and socio-empowerment of women.

The Self-Help Group is a novel mechanism, and the brainchild of Mohamed Yunus, Nobel peace prize winner of 2006 of Bangladesh. These SHG’s are formed by the NGO’s in our country for addressing the twin problem of poverty and unemployment. It has been working wonders, slowly transforming the face of rural India. The most critical and admirable aspect of India, the micro-finance programme is the dominant role of the public sector banks through the SHG bank linkage programme.

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The Government of Tamil Nadu has been facilitating the formation of SHG through NGO’s. Tamil Nadu Women Development Project (Mahalir Thittam) is a state government sponsored poverty eradication mission that targets the poor women by assisting them to promote their income generation activities.

The effect of SHG is often seen in the economic independence of the rural poor and especially among the rural women also. This economic independence is an effective tool to escape from the charge of poverty of the rural poor. This is possible by setting up of sustainable income generation operations like micro-finance, agricultural-labour, artisan, food processing, petty-traders, trade, service-sector, production and financial service. Though, the above said modalities of remuneration help the poor to get some income, they do not support the poor to the complete fulfillment of their need. It is felt by the researcher that this peculiar situation is arising, as the potential for generating income from these modalities have not been done to its potential.

Therefore, this work aims to make a study of the income-generation potential of the women micro-entrepreneur. The approach of the researcher has been to know whether SHG concept really helps in eradicating poverty by opening doors of employment opportunities through entrepreneurial ventures. It is a stunning fact that Madurai was one of the first-five districts chosen for the implementation of Mahalir Thittam under the nomenclature of IFAD way back in 1993. It is highly important to assess whether this programme has really made its mark in the district in this period of thirteen years that is up to year 2006.

1.3 SIGNIFICANCE OF STUDY

Women’s participation is significant in rural development. In this context, micro finance is recognized and accepted as one of the new development paradigms for alleviating poverty through socio-economic empowerment of the poor. The operational frame work of income generation, therefore, essentially rests on the premise that formation of a self employment is a viable alternative means alleviating poverty, lack of access to assets or
credit acts as a constraint on the existing and potential of income generation of women, the poor are capable of savings despite their poor income level. Therefore, micro-finance could be referred to as a motivational mechanism for providing credit support in small amount and usually linked with small groups along with their complementary support such as training and other related services to the people for enabling them to take up income prevention activities. A self-help group is one such aspect of bottom-up strategy calling for mass action at the local level.

1.4 OBJECTIVES OF THE STUDY

The following are the main objectives of the present study:

1. To study growth trends of women self help group in TamilNadu.
2. To study the income generating potential of women self help group in Madurai District.
3. To analyse the problems faced by the women in income generating activities in the study area.
4. To analyse the role of various funding agencies to promote income generation activities of women through self help group.
5. To study the attitude of the members of women self help group towards various funding agencies.

1.5 HYPOTHESIS

In order to analyse and interpret the data on the attitude of the women member of SHGs in Madurai District over banking service to promote their income generation activity, the researcher has formulated the null hypothesis that the factors which influence the opinion of the women member such as age, marital status, family type, size of the family, literacy level, occupation, income level, no of member in the group, training period, meeting attended and residential status of the respondents and levels of the opinion are independent (that is, there is no relationship between influencing factors and levels of
opinions of women member of SHGs in the study area). Then the computed value of the Chi-square is valued at the five per cent level of significance with an appropriate degrees of freedom, thereby to determine the acceptance or otherwise of the hypothesis.

1.6 METHODOLOGY

The present study is based on both primary data and secondary data. For the collection of primary data, the researcher has used a well-structured interview schedule. The secondary data were collected from various sources namely books, newspapers, journals, IFAD journals, Annual reports DeW, Madurai Project office reports, government library and information centre, various self help group-related web sites and the like.

1.7 SAMPLING DESIGN

A sample design is a definite plan for obtaining a sample from the sampling frame. It refers to the procedure the researcher would adopt in selecting some sampling units from which inferences about the population are drawn. The sampling design is determined before any data are collected. To capture the appropriate solutions to the problems, which are mentioned in the statement of the problem, this researcher has followed the convenience sampling method. From six blocks having 20 groups in each block, 4 members from each group are selected as sample for the presence study totaling a sample size to 480. After the collection of primary data, it was found that 3 members have not responded. Hence, the sample size was fixed as 477.

1.8 GEOGRAPHICAL AREA COVERAGE

The self-help group operates all over Tamilnadu and also in foreign countries. But the present study is confined to the Madurai district, which includes the six blocks of Madurai District, namely, three Town Panchayats such as Thirupparankundram, Alanganalur, Chellampatti, two Municipalities such as Usilampatti, Mellur, and Madurai Corporation are considered for the present study area.
1.9 PERIOD OF STUDY

The data for this study have been collected from both primary data and secondary data. The researcher has chosen the period of six months from July 2007 to December 2007, for the primary data collection. The present study has used the secondary data at the Tamilnadu State level programme of SHGs from 1983-84 to 2006-07.

1.10 OPERATIONAL DEFINITIONS

Micro Finance Institution (MFI’S)

The NABARD task force after thorough examination of all grass root financial institutions suggested a working definition of MFI as “micro finance institutions (MFIs) are those which provide thrift, credit and other financial service and products of very small amount mainly to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards”

Household

A household is taken to mean a group of persons related by blood, marriage or adoption, living under the same roof and sharing a common kitchen continuously for not less than one year at the time of interview. Domestic servants are excluded although they might stay with the household and share the kitchen.

Agricultural Labourer

An agricultural labourer is one who has no land and derives more than 50 per cent of income as wages from agriculture.

Beneficiaries

The households who are identified as poor at the time of the survey and selected for assistance under the micro-credit system are called beneficiaries.
Artisans

Persons who have been carrying on industrial activities with or without the help of family members for more than two generations are called artisans.

Income

It means any amount earned by the women members through the activities of SHGs.

Food Processing

This is referred to as those workers like sellers selling eatables on the roadside. Example, Hotel or Motel are considered to be food-processing activities.

Petty Trader

All small traders selling petty items will come under the heading petty trader.

Trade

Trade here means medium scale business funded, through SHGs.

Services

Services mean earnings through servicing the public by maintaining toilets, bathrooms, cycle stands, chappal stock room etc.

Production

Any process, which involves conversion of raw materials into finished products, is known as production.
Finance

Moneys let out for earning interest with the funds of SHGs

Level of Income

A measurement of income that has been compared with before and after SHG membership. The actual income earned is considered for the study.

1.11 FRAMEWORK OF ANALYSIS

In order to analyse the primary data collected from the sample respondents, the tools of analysis like percentages, Charts, Likert’s Scaling Technique, Chi-Square Test and Garrett’s Ranking Technique have been employed in this study.

The level of satisfaction and women empowerment has been classified into low, medium and high according to the scores arrived at by applying the following formulae. The scores above Mean + Standard Deviation are grouped into high level of satisfaction, the scores below Mean - Standard Deviation are grouped into low level of satisfaction and the scores between Mean + Standard Deviation and Mean - Standard Deviation.

1.12 LIMITATIONS OF THE STUDY

Every research study has its own limitation. The present study is also subject to limitations. The data collected from the respondents are based on the recall method and therefore subject to normal recall error.

The present study covers only such SHG’s, which are registered under mathi through NGOs. The study involves economic activities of members individually and as member of groups.

Since most of groups do not maintain proper records, care has been taken to see that the data collected are not biased as far as possible.

The outcome of the study may not be applicable to SHG functioning else where in the state in view of different socio economic conditions prevailing different parts of the State.
1.13 SCHEME OF THE THESIS

This thesis is organised into seven chapters:

The first chapter, Introduction and Design of the Study, presents the introduction, statement of the problem, objectives of the study, hypotheses, scope of the study, operational definition of concepts used in the thesis, methodology, geographical area of the study, period of the study, framework of analysis, limitations of the study and scheme of the report.

The second chapter deals with the review of related literature.

The third chapter explains the profile and growth of SHGs in Tamilnadu.

The fourth chapter analyses employment shift of women member after joining SHG to promote their income generation potential in the study area.

Analysis and interpretation of the factors influencing the opinion of the member of SHGs with problems in income generation are given in the fifth chapter.

The sixth chapter analyses attitude of the member of SHGs towards the role of funding agencies to promote income generation of members.

The final chapter presents the summary of the findings of the present study, and problems faced by the self-help groups and offer various suggestions for the successful implementation of the SHG concept.