CHAPTER II

CONCEPTS AND REVIEW OF LITERATURE

2.1 Important Concepts Used in this Study

2.2 Review of Literature
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CONCEPTS AND REVIEW OF LITERATURE

It is important to know the meaning of important concepts used in the study and the review of literature for better understanding of the research problem. Hence it is presented in this chapter.

2.1 Important Concepts Used in this Study

Before proceeding with the actual discussion of the problem a clear definition of certain concepts used in the research would be useful to understand the study properly.

Asset

An entity, possessing market or exchange value, and forming part of the wealth or property of the owner. Assets of individuals include all possessions which have money value.¹

Advances

It is the amount of loan advanced by an individual or a group or an institution during a particular period.

Borrowing

The amount of money that a company, an organisation or a person borrows.

Credit

Credit refers to loan which have been advanced by the bank.

Consumption Credit Needs

Credit needs for the purpose of social functions, births or deaths and medical needs.

Animator

Animator is the field level functionary. He/She explains the benefits of thrift and group formation, and also guides and encourages the leader and the group members.

Empowerment

Empowerment refers to building up of basic psychological and social awareness to enable members of a group or community to increase their capacity-building abilities, for full participation to improve their life conditions in their given social structure.²

Creditor and Debtor

Creditor is one who lends or gives money and Debtor is one who takes or borrows money.

Facilitator

Facilitator is one who does a range of development work in rural areas. He may be the staff member of a NGO, Self-Help Group promoting institutions, or someone from within the village. He helps in the formation of SHG. Some of them may receive financial help from the government or from development agencies.

Formal Credit

Amount of credit advanced by formal financial institutions.

Formal Financial Institutions

Formal financial institutions comprise of commercial banks, cooperative banks and regional rural banks.

Internal Loan

The SHG, out of the savings collected from the members, lends small amount of loan to the members within the group.

Income

The amount of money earned by a person, during a particular period of time.
Informal Credit

Amount of credit advanced by informal lenders

Informal Financial Sector

The informal financial sector functions outside the purview of regulation imposed by the Reserve Bank of India.

Informal Lenders

Un-registered or Un-official money-lenders, commission agents, traders and landlords. They are expensive and exploitative.

Loan

An advance of finance by a lender to a borrower. Interest is normally payable on a loan, and the term to maturity (repayment) can vary from the very short to the very long.\(^3\)

Income Generating Activity (IGA)

The activity undertaken by the SHG members which yields income to them.

Mahalir Thittam

This is the Tamil word which in English means women’s programme. This is the Tamil Nadu State sponsored SHG Programme carried out through Tamil Nadu Corporation for the Development of Women.

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Micro Credit

Micro credit refers to credit provided for self-employment and other financial services like savings and insurance provided to poor persons.4

Micro finance

Micro finance refers to the entire range of financial and non-financial services, including skill upgradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty.5

Money lender

Money lender could be a farmer, trader, commission agent, friend or relative or landlord who lends money and charges high rate of interest.

Micro finance Institutions (MFIs)

Micro finance institutions are those which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income level and improve living standards.6

NABARD

The apex National Bank for the Development of Agriculture and

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6 www.nabard.org/roles/microfinance/files/task-force/ch1.htm
Rural Development was established in July 1982. It provides credit by way of refinance and loans and advances to State Co-operative Banks, Land Development Banks, Regional Rural Banks and other approved financial institutions for financing production, marketing and investment activities relating to agriculture, rural development, small scale, cottage and village industries, handicrafts and other allied activities in rural areas. As for its own resources, it depends on Reserve Bank of India for short-term needs and on World Bank, money market and bilateral credit from other countries for long term needs.

Amount Outstanding

The amount (principal plus interest) which remains to be recovered on a particular date are called outstandings. This may be represented in the form of an equation as;

Amount outstanding = Amount borrowed – Amount repaid

Repayment

Repaying the borrowed loan amount with interest.

Rate of Interest

The proportion of a sum of money borrowed that is paid over a specified period of time as charge for loan. It is the price or cost to a borrower
to use cash which he does not own, and the reward or return to the lender for deferring his consumption or parting with liquidity.⁷

Self-Help Group Promoting Institutions

The institution which promotes the formation of SHGs, gives training to the members, gives support in getting bank loan and choosing income generating activities. It may be the banks, NGOs, and Women’s Development Organisations.

Savings

Unspent income, or income minus consumption, at the end of any period. Amount of money that one saves

Transition

The process or a period of change from one state or condition to another.

Voluntary Organisation

A voluntary organisation is a conglomeration or volunteers joined together with shared values of concern for a specific goal.

Farm based Activities

Farm based activities include banana cultivation, growing medicinal plants and floriculture.

⁷ Veena Narain, op.cit., p.200.
Off-farm based Activities

Off-farm based activities include activities such as, goat rearing, milch animals, poultry, beekeeping and sericulture.

Trade based Activities

The activities undertaken by the SHG members such as vegetable shop, provision store, fish vending and flour mill comes under trade based activities.

Service based Activities

The activities such as tea shop, hotels, STD booths, and computer and DTP centre are brought under the service based activities.

Production Work based Activities

Production work based activities include, making of jute products, fishnet making, palm leaf product, agarpathi (inscense stick) making, candle making, crafting, simple chemical products, paper plate making, handloom weaving, tailoring, eatables producing, coconut oil extraction, honey processing, fish processing, rubber sheet making, pottery and alike.

Household

Household consists of members of a family – the husband, wife and children.
2.2 Review of Literature

The review of earlier studies on SHGs is essential because new areas so far un-explored may be identified and studied in depth. This part of the research study reviews some of the significant study done earlier on SHGs.

Kropp Erhard, Marx Michael T, Ballurkar Pramod, Quinones Benjamin R and Seibel Hans Dieter (1989) in their book "Linking Self-Help Groups and Banks in Developing Countries" point out that the programme of linking SHGs with the banks in the developing countries is based on the premises that, (a) while poverty is widespread in developing countries, the poor have amply demonstrated their potential for self-help; and (b) while most existing programmes run by the governmental institutions do not effectively reach the poor, banks may be in a better position to provide adequate financial services to the rural poor by linking up with SHGs and with self help promotion institutions (i.e., NGOs) working with such SHGs.

Considering SHG bank linkage experience from South Korea the study revealed that, Primary Co-operative Societies pooled their surplus resources under mutual finance scheme instead of depositing in a bank. The mutual finance scheme in turn provided credit facilities to societies which needed support.

The study also stated that in China, rural credit cooperatives transferred their excess liquidity to Agricultural Bank of China, which in turn
provided credit facilities to the needy rural credit cooperatives. These experience shows that there are resources at the grassroot SHGs and can be utilized among themselves.⁸

The case studies prepared by leading Asian Banks and NGOs (1992) in eight Asian countries namely, Bangladesh, Pakistan, Nepal, India, Sri Lanka, Malaysia, Indonesia and the Philippines highlights that the NGOs and SHGs have a key role in rendering the poor bankable, though much effort is still needed to make the venture profitable. Commercial banks may be able to contribute to poverty alleviation on a sound commercial basis by providing loan capital needed by the poor for productive activity and income generation. And national and international organisations can supply urgently needed technical assistance, and support for the institutional strengthening of NGO-mediated programs, to enable them to reach out to a larger proportion of those living in absolute poverty in Asia. The studies have demonstrated the scope for increased access by the very poor to credit on a sound commercial basis. Given an appropriate environment it is possible to create commercial sound linkages between the formal finance sector and well managed non-government programmes and SHGs among the poor.⁹

⁹ Banking with the poor, The Foundation for Development Cooperation, Brisbane, Australia, 1992, pp.1-220.

The Indian study compared the transaction costs to banks of lending to the poor through various channels and found that transaction cost were much lower where banks used NGOs and SHGs as intermediaries. It also suggested that the use of such intermediaries significantly improved the commercial viability of lending to the poor by the banks.

The Philippines study looked at the question from the perspective of the NGOs and found that NGOs could channel credit to the poor with lower transaction costs, as a proportion of loans granted, than most other institutions. This suggests an important role for NGOs in the intermediation process. The small loans and short maturities inherent in lending to the poor inevitably lead to high transaction costs compared to the value of loans outstanding at anyone point in time. The NGOs have to minimise costs as far as possible if they are to achieve full financial sustainability.

The results of the two studies support a renewed focus on linkages between banks, NGOs and SHGs as a means of channelling credit to
the poor. There remain a large number of impediments to the spread of linkages and overcoming these will require active support from governments and central banks in the form of moral suasion, directives and changing inappropriate regulations.\textsuperscript{10}

Bhupat M. Desai and Namboodiri N.V. (2001) in their book "Organisation and Management of Rural Financial Sector" observe that SHGs are voluntary associations of people formed to attain certain collective goals which could be economic, social or both. Since 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. Thrift, credit and income generating activities emerged as the major activities of the SHGs. The SHGs evolved a system for collective savings, group consumption credit, as well as integrating social and economic goals among small groups. The initial growth in SHGs has been in areas where they received support from NGOs. They supported not only for the formation of SHGs but identifying economic activities, imparting training and even financial support in the initial stage.\textsuperscript{11}

\textsuperscript{10} Paul B. Mc Guire and John D. Conroy, Bank – NGO Linkages and the Transaction Costs of Lending to the Poor through Groups: Evidence from India and the Philippines, Micro Finance for the Poor, Hartmut Schneide (Ed), Development Centre of the Organisation for Economic Cooperation and Development, Paris Cedex 16, France, 1997, pp.73-84.

Thomas Fisher and Sriram M.S (2002) in their book titled "Beyond Micro-Credit: Putting Development Back into Micro-Finance" view that micro credit has become widely accepted as a development tool all over the world and has grown significantly as a sector within India. More and more NGOs have begun to engage in micro-finance, commonly understood as small loans given to SHGs.

The author while appreciating the demographic processes in SHGs and recognizes their potential for empowerment, he also rightly cautions that these groups are vulnerable to exploitation by local leaders or politicians. He rightly points to the need for some regulations of SHGs which are currently unregulated, making women members vulnerable to their leaders who may be incapable, inefficient or corrupt in the handling of financial affairs of SHGs.¹²

A publication of the Department of Economic Analysis and Research of NABARD (2003) titled "Agricultural and Rural Development – Initiatives and Performance 1982-2003" observes that NABARD’s initiatives in micro finance has now turned into a sustainable social movement. The design and content of these innovations have remained dynamic and in tandem with the changing needs of the micro finance sector in the country. These

initiatives have attracted the attention of a wide range of stakeholders. A large number of formal and informal agencies have partnered with NABARD in this unique process of socio-economic engineering. The relevance of the micro finance programme was greatly enhanced for all the partners through the core strategy of SHG-bank linkage, which was built around a simple but basic aspect of human nature – the feeling of self-worth. The informal credit delivery strategy developed for the banking system by NABARD in collaboration with non-formal developmental agencies has expanded to become the largest micro finance programme in the world in terms of its outreach, extending banking services to people hitherto unserved by the banking system. This programme has become a main line activity for banks with almost all of them participating in the programme.\textsuperscript{13}

Gariyali, C.K. and Vettivel, S.K. (2004) in their book “Women’s Own – The Self Help Movement of Tamil Nadu” observe that Microcredit became means for women’s empowerment aimed at reducing poverty, promoting self-employment and development-based activities. From Rajasthan to Andhra Pradesh, Haryana to Tamil Nadu villages, need-based and timely credit has become a powerful instrument with the responsibility of savings and credit operation left to organised women’s groups called the

\textsuperscript{13} NABARD, Agricultural and Rural Development Initiatives and Performance 1982-2003, Department of Economic Analysis and Research, NABARD, Mumbai, pp.9-11.
SHGs. Daring women, some credit and a sense of hope has, in fact, put the country's rural poor in a self-reliant mode. The self-help movement has sprung surprises in doomed areas. From being perilously close to penury, women now laugh their way to banks and feel secure.¹⁴

Surjit Singh (2000) in his study “Micro Finance for poor in Rajasthan” by selecting 32 SHGs from Alwar, Udaipur, Jodhpur, Hanumangarh and Kota districts of Rajasthan found out that there is a gender difference in group behaviour. Women borrow more for household needs while men borrow for income generating activities. The savings contribution of male exclusive groups is higher than female exclusive groups. The mixed groups perform better than male exclusive groups. The different models in operation namely, NGO promoted, independently formed and bank promoted are more or less equally performing. The NGO promoted groups are more dependent whereas the bank promoted groups are more independent. The skill development in terms of account keeping, maintenance of ledgers, attendance of meetings, decisions on loan disbursals are collectively done and all members abide by the decision taken.

SHGs formation has led to process of empowerment of the poor in rural Rajasthan. The role of SHGs in the credit delivery is very important.

It is serving dual purpose of bringing the poor together for self support and enhancing their capacities to raise family incomes.\(^\text{15}\)

Gulati, Ashok and Seema Bathla (2002) in their study “Institutional Credit to Indian Agriculture – Defaults and Policy Options” give an overall view about the aspects of Bank Self-Help Group linkage. The evaluation of the impact of micro finance programme on members of the SHGs reveals that it benefited poor people in raising their levels of income and has facilitated them to be more self reliant through promotion of productive activities. From the banker’s point of view, compared to conventional bank lending in the rural areas, lending through SHGs has helped the banking institutions in achieving high recovery performance through peer pressure and in substantial reduction in the transaction cost to the small borrowers.\(^\text{16}\)

Jaya S. Anand (2002) in her study “Self-Help Groups in Empowering Women: Case Study of Selected SHGs and NHGs” examines the performance of selected SHGs and Neighbourhood Groups (NHGs) and assess its impact, especially the impact of the micro credit programme on empowering women. The most striking advantage of the SHGs was the thrift


component which acted as an informal bank at their doorstep. The thrift component has provided a cushion to even out earnings during off-seasons to meet emergencies and even to promptly repay loans. Internal factors play an active role in making the groups self-reliant. The roles of the co-ordinator and the promoting agency were identified as the most important external factors. Group leaders determine the pace of growth of the group in the long run. All the groups have taken up individual economic activities; but group activities are very few.

The study also shows that positive change has taken place in the attitude of the beneficiaries. Several groups have become centres for initiating social action against the dowry system, alcoholism, illiteracy, and divorce. Though some groups have succeeded in improving the extent and levels of political participation of the members, women's active and effective involvement in local planning and decision-making is yet to take place. The general backwardness of the area viz., poor educational background, ignorance, superstitions, and adherence to outdated values has hindered the pace of development. The author suggests that, networking between groups and NGOs will facilitate smooth functioning. A coordinated effort of all voluntary agencies would pay way for overall development and solution of problems of infrastructure development and marketing and for putting end to social evils such as early child marriage and dowry.
The author concludes that SHGs can bring about drastic changes in the lives of the poor. Delivering credit alone may not produce the desired impact. The supporting services and structures through which credit is delivered, ranging from group formation and training to awareness-raising and a wide range of other supporting measures are critical to make the impact of group activity strong and sustainable.17

Barbara Adolph (2003) in her study “The Role of Self-Help Groups in Rural Non-Farm Employment” observes that, in India SHGs are formed for a variety of purposes and by a variety of people. The present paper focuses on SHGs formed by rural people with the objective of improving their livelihoods through collective savings and investments in income generating activities. Poor women have succeeded in improving their life through membership in SHG. The impact on their lives is not just an economic one – gaining more self-confidence is often a more lasting achievement that forms the basis for social and economic improvements. To strengthen the participation of the poorest of the poor, more effective targeting mechanisms are required, and SHG programs need to be geared towards the specific needs of poor people with hardly any cash income and limited social capital. Lasting improvement especially of the situation of rural women can only be

brought about if their control over and access to resources increases. It might be argued that SHG development needs to go hand in hand with policies that increase women’s access to productive resources, especially land. The author further states that different types of SHGs are required for different types of people, depending on their specific social and economic conditions and their goals.18

Bhavani R.V. (1996) in her study “Restructuring Credit System for Rural Development” states that an extension of promoting links with the informal sector is channelising bank credit to informal SHGs of people. The main advantage to banks of such a linkage would be externalisation of a part of the work items of the credit cycle, assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in the paper-work involved and a consequent reduction in transaction cost, besides improvement in recovery and expansion of outreach. The groups would benefit from access to a larger quantum of resources as compared to their meagre corpus generated through thrift and access to better technology and skill upgradation through different schemes of the banking sector.19

Sangwan S.S. (1996) in his study “Banking Through Self-Help Groups – Experience of Oriental Bank Gramin Project in Dehradun District” states that Oriental Bank of Commerce is implementing the Self-Help Group approach in two districts viz., Dehradun (Uttar Pradesh) and Hanumangarh (Rajasthan) since June 1995. The experience of the bank shows that, establishment of relationship with the borrowers is significant in terms of utilisation and recovery of loans and is cost effective. SHGs are the pillars for future core saving with the coming of so many non-banking instruments with the conscious people especially in urban areas. The group approach can ensure wider coverage of poor families through bank credit. Moreover, the members of group learn to independently approach the bank for bigger loan due to direct interaction and guidance from the banker.\textsuperscript{20}

Gangadharan, T.P. (1997) in his article “Informal Group Finance: In Relevance to the Rural Poor” views that the promotion of groups for Self Help in rural development activities appears to be the only solution to uplift the poor. He further states that, the SHG members lament that the rigid lending policies of the bank, cumbersome loan procedures and general apathy of bank staff in appreciating the SHG activities distance them away from the bank. On the other hand, bankers feel the factors such as absence of clear title

to land, small loan requirements at odd times and lack of legal sanction to
group formation come in the way of effective linkage with SHGs. Some
banks resort to rotational finance – financing a few members in the group
initially and another batch after proper repayment by the earlier batch thereby
meeting the credit requirements of the group only partially. The existence of
such abbreviations sometimes can drive SHGs to search for alternative ways
to resource mobilization to meet their credit needs.

He also suggests that the banks’ approach to the poor should be
more of a change agent than a mere financing agency and therefore the terms

Nilanjan Sengupta (1998) in his study “Empowerment: A Socio-
Psychological Approach to Self-Help Group Formation” points out various
aspects of empowerment. Social, Psychological and economic empowerment
in the form of SHG formation has been a necessary corollary to ensure
completeness of any project design for successful adaptation and
implementation at the gross roots level.

Further he states that, for successful SHG lending, bankers must
understand the process that have led to SHG formation. Considering the issue
of empowerment in SHG activities, it stems from the recognition that the
development process is incomplete without the active participation of group/community members in a given society. The basic objective of this framework is to sensitize bankers to the fact that, empowerment as a process essentially leads to the development of consciousness of existence among individuals.\footnote{Nilanjan Sengupta, “Empowerment: A Socio-Psychological Approach to Self-Help Group Formation”, Prajnan, Vol.XXVI, No.4, 1997-'98, pp.523-533.}

Karmakar, K.G. (1998) in his study “SHGs in Orissa: Some Conceptual Issues”, briefly analysed the SHGs functioning in Orissa. He views that, SHGs in Orissa have been able to provide rudimentary banking services which are cost-effective and ensure almost 100 per cent repayment performance. The empowerment opportunities for rural women to take up income generation activities to assist in their family incomes, has been a powerful incentive.

He further emphasises that, both banks and NGOs are yet to see this as an alternative channel for rural credit delivery in Orissa, in spite of the extensive efforts made for popularising the scheme. The success stories of a large number of rural women who have formed SHGs have given a spur to the movement and banks to explore the possibility of linking up more SHGs. A review of the SHG – bank linkage models reveals certain conceptual problems
which need to be sorted out at various operational levels, if the programme is
to be replicated all over the country.\textsuperscript{23}

Vijayanthi, K.N., (2000) in her study “Women’s Empowerment
Through Self-Help Groups: A Participatory Approach” found that the level of
awareness increased regarding the importance of environmental sanitation
followed by awareness of activities of the “Control of Diarrhoeal Diseases
through Water and Sanitation (CDD WATSAN)” project. Awareness on
diarrhoea control and management using home made fluids and awareness
about child health also increased. Women became free from the clutches of
moneylenders due to increased awareness. Decision making power of the
women was measured based on 31 items. Under the project, women are
sensitised about their existing situation, which has hindered their
development. Group members ensured sustainability of groups and their
activities through training the members on procedures and planning future
plan of actions.\textsuperscript{24}

In a study conducted by Manimekalai, N., and Rajeswari, G.,
of 70 women from seven sample villages of Tiruchirappalli District wherein

\textsuperscript{23} Karmkar, K.G., “SHGs in Orissa: Some Conceptual Issues”, Prajinan. Vol.XXVI, No.2,

\textsuperscript{24} Vijayanthi, K.N., “Women’s Empowerment Through Self-Help Groups: A Participatory
the sample NGO namely Society for Education Village Action and Empowerment (SEVAI) is functioning. The author observes that the women of Self-Help Group is said to have empowered in the following ways, they have become owners of a micro business from the status of agricultural labourers; the income of the group members has improved several times; NGOs are confident that they can do better in future and expand the business to the higher scales; their socialization process has brought tremendous improvement in their attitude behaviour which are warranted for empowerment; through participatory rural appraisal and other informal discussions, that in addition to economic contribution, the SHG women periodically meet and discusses the issues concerning the community and also bring out several resolutions; it is resolved by the SHG women that they would send their children to school and eliminate child labour in the village, the education will not be discriminatory between boys and girls, the age of girls’ marriage will be maintained above 18.25

Mani Singh, C.H., (2001) in his article “Self-Help Groups: Some Organisational Aspects” explains in brief each and every aspect of SHGs’ operational mechanism. He says that, the main objective of the formation of

SHG is to strengthen cooperative movement by utilising the resources available in the area.

Regarding the nature of the group he points out that, members of the group should be from the same economic section; the ideal number of members of the group is 5 to 20; members should contribute regular thrift to form a pool for financing loan to members, repayment of loans should be made within six months; members should frame rules and regulations of the group; there should be regular meeting of the members and all the members should be associated in decision making; all the records of the group including account books should be up-to-date; the group should issue a pass book to every member regarding credit and loan; the group should observe all norms of the cooperative form of organisation.26

Dubhasi Medha (2001) in her study “Mobilising Women SHGs Through Government and Non-Government Organisations” analyses the SHGs functioning in the three taluks, namely Bhor, Vetha and Haveli of Pune District and emphasises that the SHG movement holds the key to sustainable banking with the poor. It is a participative process that helps in capacity building of the poor so as to enable them to take part in economic activities. The good performance in loan repayment has motivated banks to facilitate the

formation of SHGs. Care has to be taken that the field staff is well-equipped in nurturing the development of the SHGs and do not succumb to pressure and hurry to meet the ‘targets’ to attract subsidy.\textsuperscript{27}

Girija Srinivasan and Satish, P., (2001) in their study “Networking for Micro Credit Delivery” point out that lending through SHGs and NGOs bear the least cost to the lenders when compared to other types of bank lending. The risk cost is also reduced to between 0.03 and 0.27 per cent in case of lending through SHGs, whereas it is high as 7.88 per cent in normal bank lending. The study observes that the linkage between banks and SHGs works-out to the advantage of both the bank and the borrower. It is, therefore, necessary that bankers build up on this advantage and link up with a large number of SHGs for reducing their transaction costs in rural lending.\textsuperscript{28}

The National Workshop on Community Based Rehabilitation of Persons With Disabilities (PWDs) (2001) recommends that persons with disabilities can come together as SHGs and this should include persons with all types of disabilities and the purpose for forming such groups is the integration of PWDs in the community so that they can enjoy equal rights without any discrimination. SHGs are normally associated with savings and


credits and other income generating activities. The groups of PWDs, however, should also take up issues on their rights and matters that are discriminating to them. The PWDs need to gain self-confidence to build their capacity to manage their affairs. They need to be trained and settle their own disputes, manage SHGs, and draw their own agenda and strategies to follow. The SHGs, should be trained to convene meetings, channelise their funds or proposals, maintain accounts, and prepare proceedings of meetings. The NGOs should assist the parents and guardians of the PWDs to the SHGs of the PWDs and prepare income generating projects. The NGOs should give information to the SHGs of the PWDs about the schemes, notifications from the State on benefits and facilities. This should be made known as widely as possible to all members.²⁹

Sebastian Titus, A.P., (2001) in his study “Impact of Micro Credit Programmes of NGOs on Rural Women”, by taking three hundred and thirty sample SHG members from untrifurcated Tiruchirappalli District suggests that, the government poverty alleviation programmes targeted towards the most vulnerable section should continue for the benefit of the poorest of the poor; the Central and the State Governments should enact special Acts regulating micro credit; Tamil Nadu Women’s Development Corporation (TWDC) should continue its support to the non-governmental

²⁹ NIRD Newsletter, National Institute of Rural Development, No.118, October 2001, p.3.
organisation for conducting training programmes for SHG members while doing away with subsidies; the membership in SHGs should be made broad based; whenever the external loans from NGOs are given to the SHG members in addition to a loan from the groups, it is better to fix different dates for repayment of instalments relating to different loans; the interest rate charged on the loans to members should not exceed 24 per cent per annum at any cost; ideally it should be around 18 per cent per annum taking into account the general interest rate reduction in the banks and one important area where NGOs should concentrate is the promotion of micro enterprises by women in the non-farm sector.30

Vijay D. Kulkarni (2001) in his study "Empowerment of Women Through Self-Help Groups" identifies that SHGs are an effective tool for the empowerment of women in the real sense. The viability, sustainability and empowerment depends to a large extent on the grassroots process rather than conceptually sound rationale. Women can be empowered not by an external agency but by themselves, through capacity building, to take up challenges and to question all types of exclusion and exploitation. Thus formation of SHGs is not the end in itself but the means to facilitate the process of empowerment.31

Gurulingaiah (2002) in his article “Role of NGO in Empowerment of Tribal Women in Karnataka” notes that the non-governmental organisation organises the women to form SHGs to meet their felt needs and enable them to participate in planning and implementation of their own developmental programmes. Women through these SHGs work on a range of issues such as health, nutrition, agriculture, forestry and social awareness besides income generation activities and seeking micro credit. The NGOs conduct social and health awareness campaigns to eliminate superstitious customs, attitude and thinking related to poverty and child birth which are blocking the progress of tribal women.  

Gurumoorthy, T.R., (2002) in his article “Economic Empowerment Through Self-Reliance” points out that the outreach of SHGs has become an important link for formal credit institutions as an entry point. He also brings into focus certain case studies about the SHGs functioning in various parts of Tamil Nadu State.

In Ramanathapuram district around 1500 SHGs have been formed under Mahalir Thittam (Tamil Nadu Women Development Project) and International Fund for Agricultural Development, spreading over 255 Panchayats and nine blocks. The SHGs have saved Rs.54.32 lakhs.

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In Uppiliapuram in Tiruchy district, Indian Overseas Bank has advanced Rs.2.1 lakhs to ten SHGs promoted by the non-governmental organisation, Self help promotion for health and rural development. The SHGs have paved the way to bring the rural women in the main stream of social and economic progress of our country.\textsuperscript{33}

Punithavathy Pandian and Eswaran, R., (2002) in their article “Empowerment of Women Through Micro-Credit” by taking a sample of 100 women SHG members from 191 SHGs functioning in Sedapatti block of Madurai District, Tamil Nadu observes that micro-credit has resulted in significant increase in the women’s own income, equal access and control over resources at the household level. Through SHGs the members are able to develop their capacity in areas such as awareness of health, education, environment, legal rights, improving functional literacy and numeracy, better communication skills and better leadership skills.

The SHG members are socially empowered which can be observed through their equal status participation and power of decision making at the household level and also at the community and village level and participation in the decision making process in democratic institutions.

Micro-Credit which has provided the rural poor access to

finance without the burden of collateral through SHGs has empowered the women folk economically and socially. Though the credit provided is micro in nature, it has produced macro changes in the lives of the women who received it.\textsuperscript{34}

V.M. Rao (2002) in his article "Women Self-Help Groups profiles from Andhra Pradesh and Karnataka" observes that, the genesis and development of SHGs in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalised and disadvantaged groups. The origin of SHGs could be traced to mutual aid in Indian village community. Cooperatives are formal bodies, whereas SHGs are informal. SHGs encourage savings and promote income generating activities through small loans. The experiences available in the country and elsewhere suggest that SHGs are sustainable, have replicability, stimulate savings, and in the process help borrowers to come out of vicious circle of poverty. A number of research studies carried out to find out the impact of SHGs revealed that they helped in improving socio-economic conditions of members.\textsuperscript{35}

Chiranjeevulu, T., (2003) in his study "Empowering Women through SHGs – Experiences in Experiment" says that, Andhra Pradesh

Government has been vigorously pursuing the micro finance agenda for empowering poor women. District Rural Development Agency, Warangal has made very conscious efforts to thoroughly internalise this new paradigm of development. As a result, organization of women into SHGs had really taken the shape of a movement in the district. Indeed it is a conscious path chosen by women to shape their own destiny. It is also believed that promotion of non-farm related micro enterprises is an integral part of planned strategy for securing balanced development of economy of the poor women.  

Galab, S., and Chandrasekhar Rao, N., (2003) in their study “Women’s Self-Help Groups, Poverty Alleviation and Empowerment”, explains the characteristics of the three women-based group models of poverty alleviation and women empowerment namely, Co-operative Development Foundation (CDF), Development of Women and Children in Rural Areas (DWCRA) and South Asia Poverty Alleviation Programme (SAPAP) that are being implemented in Andhra Pradesh. A considerable and balanced impact in all three levels of empowerment – power to (individual), power with (collective) and power within (consciousness) was achieved. In addition to that, participation in SHGs has improved the access of women to credit. The women have invested the credit obtained in new economic activities and or

strengthening the old activities. The incomes of the poor have increased and as a result the intensity of poverty among the poor has come down.\(^\text{37}\)

Loganathan, P., (2003) in his article “Role of Co-operatives in Empowering Women in Erode District” states that the women SHGs are enrolled as members of co-operative banks, either with the district central co-operative bank or with the primary agricultural co-operative bank and are permitted to avail loans offered under various schemes. Nearly 2,770 women SHGs got enrolled up to November 2002 in Erode District and out of them only 1,146 SHGs are granted and provided financial assistance at 1 per cent less than the interest rate charged for others.\(^\text{38}\)

Narayanasamy, N., Manivel, S., and Bhaskar, B., (2003) in their study “Networking SHGs and Cooperatives – An Analysis of Strengths and Weaknesses” state that SHGs have emerged as alternative development strategy to promote the common interest of the weak and the vulnerable sections of the society. They are considered as informal cooperatives as they possess distinct features of grassroot level cooperatives. The cooperatives and SHGs can forge linkages in order to see that the poor are effectively served

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and empowered. Such a linkage opens up a great deal of opportunities for both the organisations.\textsuperscript{39}

Panda, S.K., (2003) in his article "Micro-finance in Economic Empowerment of Weaker Sections", identifies that the SHGs availing micro finance have shown an excellent record of loan repayment. As the amount repaid is recycled for giving fresh loans to the same or new members, the beneficiaries develop a sense of involvement. Members of the group feel that the repayment is made to their own group and not to any outside agency. This has made timely repayment a prestige issue and pressure from the peer group has discouraged defaults by individuals. The concept of micro finance is important for a developing country. Once provision of micro finance is tied up with support given under other schemes for training and acquisition of assets the beneficiary will be able to increase income substantially.\textsuperscript{40}

Pattarnarakha, K., (2003) in his study, "Members’ Participation in the Activities of a Production Credit Group in Southern Thailand" by selecting one hundred and twenty sample members, approximately 33 per cent of the total production from the Khao Phang Krai Production Credit Group in Huo Sai district of Nakhon Si Thammarat Province of Southern Thailand


observes that the group’s activities were successful to some level due to the participation of members in various activities such as savings, loan access, group and annual meetings, cooperative promotion and purchasing commodities from the group. The problems such as low amount of loans received, low rate of loan repayment, poor understanding of the group’s byelaws and regulations, and inconvenience for loan applications were mentioned. It is recommended that the group’s committee and community development officer should encourage members with information of loan planning and management in order to improve the group’s reputation, and achieve a better standard of living for the members.\(^{41}\)

Ritu Jain, Kushawaha, R.K., and Srivastava, A.K., (2003) in their study “Socio-Economic Impact Through Self-Help Groups” view that SHG facilitates a cooperative, participative and empowerment culture. SHGs enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The SHGs have inculcated a great confidence in the minds of rural women to succeed in their day-to-day life.\(^{42}\)


The then Union Minister of Finance and Company Affairs Jaswant Singh (2003) in his 2003-04 Budget speech points out that the SHG bank linkage programme being propagated by NABARD for the last ten years has been recognized as the largest and fastest growing micro-finance programme in the world. The Government’s expectations of providing bank credit to 1.25 lakh SHGs during the year 2002-2003 have been surpassed once again, and by January 2003, bank credit of Rs.598 crore has already been provided to about 25 lakh poor families through 1.50 lakh new SHGs. The programme has also set in motion the process of women empowerment. However, the spread of the programme across the country has been uneven and has largely remained confined to a few states. He suggests that all states should vigorously join in the endeavour to make the SHG bank linkage programme a widespread success.43

Ganesamurthy, V.S., Radha Krishnan, M.K., Bhuvaneswari, S., and Ganesan, A., (2004) in their article “A Study on Thrift and Credit Utilisation Pattern of Self-Help Group” in Lakshmi Vilas Bank Suriyampalayam Branch, Erode suggest certain measures for the effective functioning of the SHGs; regular attendance of members is a must for efficient functioning of SHGs; active participation of members is vital for efficient

functioning of SHGs mobilisation of rural savings through encouragement is needed; economic empowerment of women will be possible if more SHGs are started; ration shop, milk booth can be handed over to SHGs; loan and subsidy amount should be raised; periodical meetings should be arranged; bank services have to be improved and the interest rate should be made known to the SHGs; bank interest rate can be reduced; SHGs can be used to promote small family norms, mobilization of small savings and other social works.  

Nashi, S.K., (2004) in his article titled “Micro Finance: A Study of Stree Shakti SHG Programmes” points out that Stree Shakti, the Karnataka State Government’s women’s programme launched by Women and Child Welfare Department of Karnataka State in October 2000 strictly focuses on empowerment of rural women making them financially, socially and politically capable. As on 30th September 2003 there are 7638 Stree Shakti Groups in Belgaum District of Karnataka State involving a total of 1,10,351 women. The total savings of these groups stands at Rs.689.54 lakh. About 807 of these groups have availed of bank loans. The loans total to the tune of Rs.322.91 lakh. To encourage Stree Shakti Groups and to make them effective, these groups are given opportunities to make use of the development services available in various departments. The author further states that the

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best thing about the Stree Shakti programme is, it is “a win-win situation” for everybody involved – the Karnataka Government, the rural women, NGOs as it builds a self-sustaining cycle of growth for all parties.  

A paper (2004) titled “Micro Finance - Productive Linkages” observes that although adopted in many States, the SHG – bank linkage model could not live up to its promise of alleviating the problem of rural credit, an expectation that was unrealistic at the very outset. Certainly there has been a healthy growth of SHGs in the country. But this masks a number of other realities. For one, the total number of SHGs in the country is a little over seven lakhs, a paltry number considering the demand for credit in rural areas and the weaknesses in the supply chain. Second, the rate of interest charged in this arrangement tend to be high, anything between 18 and 24 percent per annum, in an environment where interest rates have been falling dramatically. Third, the states that show the highest growth in terms of the number of SHGs such as Andhra Pradesh, Tamil Nadu and Karnataka are relatively more developed ones that have greater credit absorption and investment capacities.

Nirmala, V., Sham Bhat, K., and Buvaneswari, P., (2004) in their article SHGs for Poverty Alleviation in Pondicherry examine the

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determinants of earnings of rural women under SHG scheme in Pondicherry. It also surveys the benefits and problems experienced by them under the scheme. The findings showed majority of the respondents are engaged in non-farm activities, which were largely traditional and less remunerative in nature. The regression results revealed that nature of occupation, higher asset possession, and larger credit amount significantly reduced the respondents’ monthly earnings, while higher income of husband significantly raised it. The main benefits of SHGs were increased participation in social service and organised action, having received new skills or training and better access to credit facilities. Whereas, the major problems encountered by them in conducting their production activities were loans not received on time, difficulty in getting raw materials and labour and marketing problems.

The authors recommend that the respondents should be encouraged to venture into more diversified and remunerative activities which would raise their earnings and thus their savings too. They should also be strictly made to utilise the SHG credits for productive purposes alone. Further, training relating to the activity chosen by them should be imparted. Above all, the authors suggest that effective implementation of the scheme is necessary for poverty alleviation and empowerment of the rural poor women.47

The Union Finance Minister P. Chidambaram (2004) in his 2004-05 Budget speech states that Micro finance initiatives are a cost-effective way to take the banking system to the poor. The SHG bank linkage programme, initiated in 1992, has come a long way. Until March 31, 2004, 1.67 crore families had benefited through 10.79 lakh SHGs financed by banks. He points out that the SHG concept will be promoted vigorously. He is of the view that matured SHGs may be in a position to graduate from consumption or production credit to start micro-enterprises. An indicative target of credit linking 5.85 lakh SHGs during the period up to March 31, 2007 has been set for NABARD, SIDBI, banks and other agencies. Further he proposes to introduce a new Group Health Insurance Scheme through public sector non-life insurance companies. The insured will be members of SHGs and other credit linked groups who avail of loans from banks or cooperative institutions. Under the group health insurance scheme, the premium will be Rs.120 per person, but the insurance cover would be for a sum of Rs.10,000.48

The Report of the High Level Committee on Agricultural Credit (1998) views that, even those at the lowest rung of the poverty pyramid requiring assets and start-up support can be financed by banks through NGO or SHG intermediation coupled with expanded micro credit working capital facilities to the non-farm sector. The committee is clear that the poor are

bankable and that there is adequate experience in India as well as
internationally to suggest that lending even to the poorest can be done
profitably and on a large scale given certain preconditions such as customer
sensitive loan products, appraisal of projects consistent with assessment of
borrowers, full discretion in selection thereof, reinstatment of collateral
requirements, improved methods of working, better follow-up and diligent
tracking of overdue accounts. If this is done, there is no reason for banks not
being able to ‘lead development’ and increase access of credit to the poor
consistent with productivity.

The committee further recommends that SHGs have proved as
effective intermediaries for the transmission of bank loans and therefore banks
should give wide publicity to their preference for financing SHGs.49

A report of NABARD (1999) points out various Self Help
Promoting Institutions’ (SHPIs) experiments in promoting SHGs. Two
independent studies on the Cauvery Grameena Bank’s (CGB) experiment
conducted by NABARD and Indian Institute of Management (IIM) Bangalore
shows that, SHGs promoted by the bank are sound and maturing in a healthy
manner. Bank looks at the SHG Linkage Project as a business opportunity
and uses as a leverage for expanding its good clientele base in rural areas.

49 RBI, Report of the High Level Committee on Agricultural Credit Through Commercial
Banks, Rural Planning and Credit Department, RBI, Mumbai 1998, p.51.
Presence of a good and reputed NGO in the neighbourhood has been one of positive factors for promotion of SHGs by the bank. SHG approach has helped in rehabilitating some of the hardcore defaulters. Continuous training of bank staff will have to be ensured to enable the function effectively. As the volume of SHG business is expected to increase in the identified branch the project may be sustainable in 5-6 years.

A study on Community Development Societies, Alappuzha, Kerala Government Department, shows that the programme commenced as Urban Basic Services (UBS) in Alappuzha together with the initiative of Government of Kerala in association with UNICEF for health and nutrition of women and children. The system comprises a three tier structure – Neighbourhood Groups at Local level, Area Development Societies at the Ward level and a Community Development Society at the Town / Panchayat level. The existing formal agencies, viz., state government departments, UNICEF, banks and NABARD joined hands and acted in coordination as SHPIs to create people based structure to generate resources while people implemented their own programme.

Another study on Maharashtra Rural Credit Project reveals that the project was jointly implemented by NABARD and Government of Maharashtra with active support from banks, Maharashtra Women Development Corporation, Technical Consultancy Organisation, Centre for
Entrepreneurship Development and National Institute of Bank Management.
The project area covers four districts, viz., Nanded, Chandrapur, Yavantmal and Pune of Maharashtra State.\textsuperscript{50}

Choudhury, R.C., Mohanan, N., Purushotham, P., Kumaran, K.P., Mohiuddin, A., Reddy, D.P.R., Ramana Rao, D., V., (2000) in their study “Micro Credit for Micro Enterprises” observes that, SHGs serve as a countervailing power to overcome the stranglehold of moneylenders in the credit market. SHGs as an operating system has infused certain synergy among members to move up in the socio-economic ladder from a passive onlooker into an active partner / stakeholder in the development spectrum. SHGs have served the cause of women empowerment, social solidarity and socio-economic betterment of the poor in their own setting. In the ultimate analysis, SHGs sow seeds of a self-reliant economy incorporating certain business culture and social values within the community that are essential for economic and social mobility of the poor.\textsuperscript{51}

Vishwa Ballabh, ShylENDra, H.S., Sukhpal Singh and Jayesh Talati (2001) in their study “Organising for Rural Development” describes various aspects of rural development. While evaluating the performance of

women's SHGs functioning in Bidaj they observe that many drawbacks are found in the approach that hinders the progress of the group.

The study reveals that given the wide differences in the needs and capacities among women of different socio-economic categories, creating SHGs for all sections with uniform goals was clearly an ill conceived step. The wrong impression created initially in the minds of the members about obtaining matching grant bases on individual savings seems to have come in the way of ensuring voluntary membership and its continuance. Though the potential benefits of SHGs were explained to the members, there was no concerted effort to create the necessary awareness among the members about the basic principles or norms of SHGs functioning like participatory decision making, need for regular meetings and enforcing joint liability.

Failure of the members of the project's Spear Head Team (SHT) to encourage strongly the SHG, particularly those belonging to weaker sections, to take up lending activity. The Spear Head Team was keen to promote income generating programmes for women of all sections in the village without considering clearly the variations that existed in the need and capacities for such activities among women of different sections.52

A report of NABARD titled Rural Credit and NABARD (2002) views that, the corporate mission set by NABARD for making available micro finance services to the very poor envisages coverage of one third of the rural poor of the country, i.e., a population of about 100 million rural poor through one million SHGs by the year 2007-08. NABARD has evolved a well-articulated strategy through state and national level consultations. The strategy comprises:

- Thrust on promotion of quality SHGs on a large scale with special focus on comparatively backward states and regions
- Designing and funding suitable training and exposure programme for all stakeholders.
- Providing promotional assistance to partners for promotion and nurturing of SHGs on generally “add-on” basis.
- Encouraging banks to undertake proper quality assessment of SHGs before financing.
- Positioning financing to SHGs as a business proposition for the banks.
- Encouraging cooperatives to take up SHG financing as “cooperatives within cooperatives”.
- Widening the range of SHG promoting agencies by integrating SHG approach in social sector development programmes of the development agencies and the Panchayat Raj Institutions (PRIs).
• Encouraging commercial borrowings by informal financial intermediaries like NGOs, MFIs and Federations of SHGs by providing start up lendable resources to them.

• Large-scale dissemination of the concept of SHGs among the rural masses.\(^53\)

A study by NABARD (2002) which covered 560 SHG member household from 223 SHGs spread over 11 States showed positive results. There have been perceptible and wholesome changes in the living standards of the SHG members in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and in income levels. Employment increased by 18% from 318 man-days to 375 man-days per household between pre and post – SHG situations. The involvement in the group significantly contributed in improving the self-confidence of the members. The feeling of self-worth and communication with others improved after association with the SHGs. The members were relatively more assertive in confronting social evils and problem situations. As a result there was a fall in the incidence of family violence.\(^54\)

\(^{53}\) NABARD, Rural Credit and NABARD, Corporate Planning Department, NABARD, Mumbai, 2002, pp.95-99.

The publication of National Institute of Bank Management (2002) titled “Taking Banking to the People” explains several aspects of rural development. While evaluating ‘Maharashtra Rural Credit Project’ it is observed that, SHGs in Maharashtra Rural Credit Project have two objectives – they have to prove themselves as financial intermediaries and they have to act as vehicles for women’s empowerment. The case studies of SHGs functioning in certain districts of Maharashtra is given.

Considering the SHGs functioning in the Pune District, it is observed that the absence of NGOs made it difficult to achieve the Maharashtra Rural Credit Project in some areas. As regards linkage with banks for credit, it was conveyed, some of the SHGs had no demand for it, the members of such SHGs need only safe custody of savings.

Regarding the SHGs functioning in Yavatmal District, it is observed that the banks had started SHGs on their own as there were not many non-governmental organisation in the district. Even so, it was felt that the quality of non-governmental organisation initiated SHGs was better than that of those initiated by banks.

While analysing the SHGs functioning in the Chandrapur District, it is inferred that, while individual economic activity brought higher income to the more enterprising, joint economic activity demanded greater degree of trust. Some SHGs were not active beyond savings, consumption
credit implementation and petty production credit. As a result, they could not make their pressure felt as pressure groups for gaining access to government schemes.\footnote{National Institute of Bank Management, "Taking banking to the people: NIBM's Role", \textit{National Institute of Bank Management}, Pune 2002, pp.197-203.}

Bimal Jalan, (2003) the then Governor of Reserve Bank of India in his statement on “Monetary and Credit Policy for the year 2003-04” views that micro credit institutions and SHGs have been recognised as important vehicles for generation of income and delivery of credit to self-employed persons. The Reserve Bank has been emphasising on flow of bank credit to micro-enterprises in rural and semi-urban initiated in this regard and banks were advised to provide maximum support to SHGs. Further, in order to put in place a more vibrant micro-finance delivery environment, RBI had a wide-ranging interface with a cross-section of micro-finance providers. Pursuant to these interactions, four informal groups have been set up by RBI to look into various issues relating to: (i) structure and sustainability, (ii) funding; (iii) regulations and (iv) capacity building for micro finance delivery.\footnote{Bimal Jalan, "Monetary and Credit Policy for the Year 2003-2004", \textit{Reserve Bank of India Bulletin}, May 2003, p.27.}

A report of NABARD (2003) observes that the most potent tool against human deprivation is building human capital among the deprived, through sustainable development initiatives. This principle is related to the
SHG – Bank Linkage programme in India, which covers the basic human feeling of self-worth at its core. NABARD, in partnership with select NGOs and banks, developed this strategy to enable the banking system to transcend the confines of an already existing savings and credit delivery mechanism, which was neither cost effective for the banks, nor user-friendly for the very poor segment. The strategy goes far beyond, into the realms of building financial capabilities and self-confidence in the rural poor, through internal savings and lending from the owned funds of the SHGs. The mechanism provides a ‘savings and credit history’ for the members of the SHG, auguring well at the time of taking loans from the banks. The SHG-Bank linkage programme caught the imagination of not only the financial institutions, but governmental and non-governmental agencies also joined hands with NABARD in its efforts. Today, this unique initiative in India of more than 2,800 partners has blossomed into the fastest growing and the most cost effective micro finance initiative in the world, enabling 11.6 million poor families to access sustainable financial services from the banking system, through a network of over 700,000 SHGs.\(^{57}\)

The then Prime Minister, Shri. Atal Bihari Vajpayee (2003) in his speech while inaugurating the Gender Poverty Summit at New Delhi on 9

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\(^{57}\) NABARD, Progress of SHG – Bank Linkage in India 2002-2003, Micro Credit Innovations Department, NABARD, Mumbai, pp.1-72.
November 2003 observes that in spite of suffering more under poverty, women can play a bigger role in eradicating poverty and making the life of the family and society better, if they are empowered. When women create material value through their economic activities, they also add to the social and moral values of life. To find an effective solution to the problem of poverty – including poverty – related problems of women, we have to mainly rely on the informal sector of our economy. There are thousands of NGOs spread across the length and breadth of our vast country who are engaged in securing the rights and improving the conditions of the poor in the informal sector. Poverty has indeed reduced significantly as a result of economic reforms. He also observes that excellent results are achieved wherever the local administration, banks, NGOs, SHGs and small entrepreneurs have worked closely together.\footnote{Shri Atal Bihari Vajpayee, “Promoting Poverty Eradication Potential of Women”, Ministry of Information and Broadcasting, Government of India, November 2003.}

The Chief Minister of Assam Shri Tarun Gogoi, (2004) in an interview to Employment News Bureau Correspondent says that, the Assam Government is laying special emphasis to encourage SHG in the state for employment generation. He further says that there are 82,000 SHGs in the state of which more than half are women oriented which are doing very well in the area of generating jobs. Revolving fund of Rs.10,000 per group has
been given to 35,000 such groups. Linkages with banks are also being established to generate more funds in this area. More than 9,000 bank linkages have already been established and the Chief Minister expressed confidence that in the next two years, all the 82,000 SHGs will be covered.59

Kausalya Santhanam, (2004) in her article “Advantage Women” points out that SHGs are transforming the face of Tamil Nadu and strengthening the fabric of gender equity. Economic independence and managerial training have empowered them. Social empowerment, economic empowerment and capacity building are achieved through a series of training programmes such as maintenance of registers, personality development, communication skills and entrepreneur development programmes. SHGs have inculcated the habit of saving in the members and also provide them with a sense of security. Leadership qualities developed through the SHG meetings have seen 2,500 women become presidents or members of panchayats and local bodies in the state.60

Rasheeda Bhagat (2004) in her article “India Interior – Smiling on …” observes that Kalanjiam Foundation, a subsidiary of the Madurai-based DHAN (Development for Humane Action) Foundation, that has, through the

micro finance route, transformed the lives of 2.1 lakh women in the villages of Tamil Nadu, Andhra Pradesh, Karnataka and Pondicherry and has just entered the States of Rajasthan, Madhya Pradesh and Orissa.

It also reveals that micro finance as an instrument and not an end toward this goal. DHAN’s primary focus is to make the community manage its own resources. The SHGs are called as Kalanjiam, which is the Tamil word for an earthen pot and denotes prosperity. There has been a sea change in the attitude of men towards women’s groups and micro finance. The focus of DHAN from the beginning has been working with the poorest of the poor, and in this group women are more vulnerable. In the water conservation programmes, DHAN work with men groups. In families where there is alcohol addiction, Kalanjiam helps with de-addiction programmes. 80,000 of the 2.1 lakh Kalanjiam members are covered under both life and health insurance.61

An article by Times News Network, India (2004) titled “NGOs, Self-Help Groups to Don the Mantle of Insurance Agents” points out that insurance companies are catering only to a small fraction of the population, the Insurance Regulatory and Development Authority (IRDA) has decided to introduce new rules to promote insurance. One proposal is to grant a special category micro insurance to SHGs. To increase the coverage, the IRDA

proposes to introduce the concept of a micro insurance product and a micro insurance agent. IRDA has proposed a commission cap of 20 percent of premium for life and 7.5 percent of the premium for non-life products sold by these micro insurance agents.\footnote{NGOs, “Self-Help Groups to Don the Mantle of Insurance Agents”, \textit{The Economic Times}, August 24, 2004.}

In an article, (2004) titled “Regional imbalance in SHG growth” Shastri R.V. Chief Managing Director of Canara Bank observes that, although funding through the Self Help Group network is growing in India, there is a distinct regional disparity being witnessed. South India accounted for bulk of the SHG – led financing system. South India accounts for 78 percent of the SHGs in operation and had credit exposure of over Rs.3,000 crore. Lending through the SHG route assumed significance as formal channel of lending only accounted for 40 percent of the credit flow into the rural hinterland.\footnote{“Regional Imbalance in SHG Growth: Shastri”, \textit{Economic Times}, September 16, 2004.}

Nanda, Y.C., (1994) in his article “Significance of Establishing Linkages with Self-Help Groups and Banks” discusses various modalities for linking SHGs with banks and provides broad principles on which financial schemes under which the linkage programme could be based. The author argues that formal credit systems have remained inaccessible to majority of the poor rural population in most developing countries because most policies concerning rural credit were based on certain assumptions. As a result, the
rural poor relied mainly on informal credit channels. SHGs came as a ray of hope to rural poor in developing countries who were perceived as unbankable owing to high transaction costs. The author concludes by saying that; response by Indian banks to the linkage project is encouraging so the programme is being intensified.\textsuperscript{64}

Harper, M., (1996) in his article “Self-Help Groups: Some Issues from India” overviews the pros and cons of Self Help Group system in India. In India, the banking community is discovering that it can extend its services to rural poor by lending to SHGs. Banks provide single, larger loans and then relying on the group, or NGOs, to monitor the on-lending of micro-loans. The advantages include: members of SHGs can access services from formal financial institutions at a price they can afford, in amount which need, at a time and place that is convenient; women are usually most reliable and profitable participants; banks improve recovery rates and greatly reduce transaction costs; NGOs can benefit in a number of ways.

The author further says that caution should still be exercised. Linking SHGs to banks is not a quick to solve all problems of rural poor. Yet system has potential if it can reconcile issues such as: absorption capacity;

\textsuperscript{64} Nanda, Y.C., “Significance of Establishing Linkages with Self-Help Groups and Banks”\url{www.gdrc.org/icm/nanda}
negative social impacts within groups; political and bureaucratic pressures and quality of management.\textsuperscript{65}

Sashi Sivramkrishna and Ramakrushna Panigrahi, (2001) in their research article “An Economic Model of Self-Help Groups: Policy Implications for Banks and NGO Initiatives” highlights that the Self-Help Group has emerged as a suitable innovative institution in bringing formal financial sector credit to poor. This article constructs an economic typology of SHGs based on four important economic variables, namely, interest on members’ savings paid by the SHG, sharing of SHG surpluses by members, members’ claim on exit from the SHG and lending rates charged by the SHG to members. An economic analysis of each type of SHG shows these variables are important in terms of the members’ costs of borrowing and demand for credit.\textsuperscript{66}

Banerjee, G.D. (2002) in his article “Self-Help Groups A Novel Approach for Reaching and Empowering the Unreached and Under-served Poor in India” points out that, the International Community in the World Summit on the ‘Micro-Enterprise and the Consultative Group to Assist the Poorest (CGAP)’ stressed serious concern on reduction in the level of poverty.

\textsuperscript{65} Harper, M., “Self-Help Groups: Some Issues from India”, www.microfinance gateway.org/content/article/more/2348
Micro finance has been accepted as one of the new development paradigms for alleviating poverty of the poor especially women. Micro finance provides credit support, in a very small amount, along with training and other related services to the people who can undertake economic activities. The success of various anti-poverty and other welfare programmes rests on the evaluation and participation of community-based organisations at the grassroots level. People's participation in credit delivery and recovery, and linking of formal credit institutions to borrowers through group formation that is, SHGs provide an alternative credit delivery system for the rural poor. The author further explains how the group formation depends on the resources and management skills of the members, and enhances their confidence to address issues and implement programmes in the public and private spheres.

Krishnamurthy, R., (2002) in his paper titled “Micro-Finance in the New Economy – India’s Experience” has noted that micro-finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro-finance scene is dominated by SHGs – Bank linkage programme, aimed at providing a cost effective mechanism for providing financial services to the 'unreached poor'. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG

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programme has been successful in not only designing financial products meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Further, the analysis shows that SHG is a useful instrument for savings mobilization and enhancing access to credit for the rural, unreached poor. Besides consumption smoothening SHG loaning had supported working capital requirements and other productive investments as well.68

Tankha, A., (2002) in an article titled “Self-Help Groups as Financial Intermediaries in India: Cost of Promotion, Sustainability and Impact” analyses the role and development of SHGs in financial intermediation, in rural India. The author seeks to achieve an understanding of best practice in the SHG development in India, in order to help direct donor funds for microfinance.

The study addresses three main issues of efficiency, effectiveness and sustainability in the context of SHG promotion and provides insights into – the development of SHGs in India, NGO strategies and structures for financial intermediation in SHG development, costs of SHG

promotion, sustainability of SHGs and SHG-based institutions and impact of SHG-based microfinance programmes.

Finally, the study recommends the following for donor support towards SHG development – development of standards for SHGs, support for microfinance and promotion of SHGs in poverty belt states, development of loan products for MFIs working in undeveloped states, funding for state-level support institutions and resource NGOs for SHG development, research on SHG/SHG Federation sustainability and continuation of grant support for SHG promotion.69

Ajai Nair, in his study “Sustainability of Microfinance Self-Help Groups in India: Would Federating Help” points out that, SHG banking is the primary mode of microfinance in India today, reaching over six million families. In spite of its considerable outreach, successful savings mobilization and high repayment rates, as with most other finance models, the financial viability of SHG banking has not been clear. SHG federations attempt to provide financial viability and sustainability to SHG banking. The author explores the merits of federating and finds that SHG federations create economies of scale, reduce promotional and transaction costs, enable provision of value added services and increase empowerment of the poor.70

70 Ajai Nair, “Sustainability of Microfinance Self-Help Groups in India: Would Federating Help”, www.microfinancegateway.org/content/article/more/3757