CHAPTER - II
ADMINISTRATION AND FUNCTIONING OF WOMEN YOUTH SHGS IN TAMILNADU

Self Help Groups have been formed in almost all the villages three districts. The women have been mobilized to form small groups for savings & credit for improving the economic conditions of the individual women. Inter-loaning for meeting their day-to-day needs has increased their confidence in themselves. Micro-capital assistance has raised their hopes for starting small enterprises for generating more money thus improving their overall economic condition. Apart from IGA the groups have been instrumental in tackling the village issues such as water problem and negotiating with the pradhan for getting the drinking water scheme for the village. The women's\(^1\) collective strength has improved the Public Distribution System as far as dry ration is concerned or the functioning of Anganwari or Balwari's activities are concerned. Claming the Scholarships for the school students from the Pradhan or getting the old age scheme/widow pension scheme for the beneficiaries activated are some of the activities taken on by the SHG's. Anti-liquor movement has strongly taken on in all the three regions initiated by the women in these

SHG’s. Trainings received in Health & Hygiene thus improvement in the intermediary service such as first-aid and cleanliness campaign resulting in cleaner villages has been because of the efforts of the SHG group women.

**Self-Help Groups – Women and Youths**

The primary focus of self-help groups is to provide emotional and practical support and an exchange of information. Such groups use participatory processes to provide opportunities for people to share knowledge, common experiences, and problems. Through their participation, members help themselves and others by gaining knowledge and information, and by obtaining and providing emotional and practical support. These groups have been particularly useful in helping people with chronic health conditions and physical and mental disabilities. Traumatic life events such as death and divorce are also the basis for groups.

**Self Help Groups Youth**

Youth Skill Training is given to the Self Help Groups youth male & female age between 18-35. The Stipend @ Rs.25/- per day/member will be paid to the participants. With this amount the training is given for minimum 45 days to 6 months through the reputed institutions and Colleges and it is has been sponsored by various organisations.
Given the popularity of the State as an industrial investment destination, there is huge demand for skilled manpower in manufacturing and services sector. By providing relevant skill training, unemployed youth can be productively engaged benefiting the society as well as the individual. With this objective in mind, TNCDW has imparted skill training to 11,485 youth through reputed industrial houses and institutions like MRF, NOKIA, Saint Gobain among others.

The Government announced the youth SHG scheme in 2006-07 to channelise the energies of youth constructively and productively. As on March 2008, 19,698 youth groups have been formed and 2,640 youth Self Help Groups have been provided RF subsidy of Rs.10,000/- each.

**Adolescent girl’s life changing clubs**

With the many challenges of youth and growing up, one of the main missing elements has been proper mentorship for young people. Some young people are lucky to have older siblings, parents, relatives or teachers whom they can approach for support during tumultuous periods in their lives. According to WORLD Vision many of these, especially girls, end up falling by the wayside.

"Girls are lost because they are not mentored. Most of the issues they have later in life are because they lacked mentorship at the formative stages. Most schools do not have strong counseling departments."
The life changing clubs started out of necessity. We wanted girls to get involved in stuff. From their high school, girls become such lay-about; their work is to escort each other up and down. The girl who stands out as different often doesn’t have friends and will need a lot of support to get out the leader in her”.

**Highlights of the clubs**

- Girls are trained in several money earning techniques with practical skill
- 'MALAR' Pickles and eatables made by the team and those products are in sales now

**MALAR Pickles varieties**

- Vegetable pickle
- Prone pickle
- Fish pickle
- Dry fish pickle
- Mango pickle
- Lemon pickle
- Ginger pickle
The Jeeva Jyothi mission is to promote, protect, and advance the rights and lives of indigent section people, adult, youth and children of Self Help Groups, in North Chennai and Thiruvallur District especially in the fishing hamlets of Pulicat with a primary focus on child labour and street children. These poor and ignorant sections of people -- tens of thousands in Chennai alone -- are devoid of their basic human rights. With 10+ hour workdays, sleeping on streets, illiteracy, inadequate nutrition, and regular abuse and exploitation, these sections of people lack awareness of their social and legal entitlements and their children see childhood literally end before it begins.

Jeeva Jyothi (JJ) is unique among NGOs and effective in its mission because it tackles this problem in a comprehensive and holistic manner, treating the symptoms as well as the underlying disease. Jeeva Jyothi envisions a holistic Development of the Childhood of these children and all the other oppressed for a just and equitable society.

Rajiv Gandhi National Institute of Youth Development (RGNIYD) has established its Community Radio Station inside its campus with a frequency of 107.20 MHz. The target group includes: Adolescents of school going and out of school
between the age group 10 to 19 years, youth between 15 to 35 years and community involving Self Help Groups (SHG), Gram Panchayats in and around Sriperumbudur, in some parts of Thiruvallur district.

- Community Radio Station carries out programmes on career, health, life skills, environmental issues, social issues etc. Ilanthalir also focuses on development of communication skills of students with programmes on spoken English.

CCRD Center for Child Rights And Development has direct field based interventions in 24 Villages of Thiruvalangadu Block in Thiruvallur District of to enable children from marginalized families of Self Help Group to access health and educational facilities. Empowerment of children is facilitated by the formation of village-level Children's Activity Centres benefiting 1200 children in age group of 6 -16 years from the groups of Self Help Groups of Thiruvallur Districts.

- They focused on the Children both school going and working
- Parents, Youth and Community at large
- Women and Adolescent Girls
- School Teachers & Anganwadi Workers
• They Methods Followed to educate of Self Help Groups youth both male and females.

• Games

• Creative Activities

• Group sharing

• Information sharing

• Singing / dancing

• Counseling

• Supplementary Education

• Organising special events

• Medical care

• Associating

• Two Trained Volunteers are deployed to work in each of these Children Activity Centres.

• Every day the Centre functions between 4.30 p.m. and 8.00 p.m. (after school hours).
On Saturdays and other public holidays they have special events for longer duration and to train the youth of self help groups and to promote them from the present situation.

Self-help groups are voluntary, and they are mostly led by members. Generally, groups meet on a regular basis, are open to new members, and do not cost money to join. Traditionally, self-help groups have been in-person meetings, but recently Internet self-help groups have become popular.

Self-help group, nonprofessional organization formed by people with a common problem or situation, for the purpose of pooling resources, gathering information, and offering mutual support, services, or care.

The group should maintain simple basic records such as Minutes book, Attendance register, Loan ledger, General ledger, Cash book, Bank passbook and individual passbooks.

**Team Development**

- A survey is made to get the number of helpless women from each family in a particular village.

- Next step is to make aware of this team to the rest of the villages Illiterates of the village are also made aware of this team.
A team consists of 12 women and members from one team are restricted to join other teams.

Ladies from families poor in income, education, job, and assets are only eligible to be members of this self-helping group. If this team is successful in their job, they are free to introduce one more team.

**Eligibility for membership**

- Belonging to a poor family
- Residing in the same village
- The teams are mainly meant for unmarried women but those women abandoned by their husbands can also be included.
- The age limit for women is between 16-60 years.
- Annual income of the family should not exceed Rs12000 per year.
- First preference is given to handicapped, widows, and women abandoned by husbands.

**Points to be noted in developing the teams**

- Team should not be formed with making false offerings of loans.
- Only one person from each family can be included in teams.
Team administration

- Two representatives are to be selected from each team for mere guiding purpose. Every member is equal. They are elected to continue for 2 years.

- Initial expenses of the team for 3 years would be undertaken by government and later they have to manage with their profit.

- A proper financial records of the team has to be kept and maintained by the member of the team and if they are illiterate some other ladies can be kept after being paid, but not any gents.

- They have to maintain a joint account in the name of their team in any of the banks.

- The main of this project is that they develop and flourish by making other sub units under them and taking up its administration all by themselves.

Duties of representatives

- As the representatives they have to guide their team members and motivate them to participate actively in the programmes initiated by the team.

- The representative should take care that all the members opinions are taken or given consideration during their meetings.
• They have to keep a proper record of all the programmes done and planned by the team. They also have to check the accounts and other records are kept by the team regularly.

• The representatives should take part in the meetings held in the district and state level. They should convey to team members about the new ideas discussed and adopted there.

• They are to act as the intermediate between the teams and other external bodies like government, bank & etc.

• They have to make sure that all the team members have learnt to drive two wheelers and all the team members attend the village meetings held once in 3 months

### Issue of Loans

• The team starts issuing the loan after 3 months and it's up to the team members about fixing the interest rate, repayment, maximum loan and etc.

• The repayment of installment amount depends upon the loan taken i.e., higher the loan, higher the repayment amount. During initial period small loans are issued so that they can be repaid completely within 6 months.
• The team also issues loan for the medical expenses, education expenses, business investment or any other emergency expenses of the members.

• They have to maintain certain crucial records such as:
  
  o To whom has the team issued?
  o How much to issue?
  o When to repay?

• Their interest rate etc

• The teams can issue loans only to the team members and they have to maintain proper record of the cash repaid by the members and have to give them the correct receipts regularly.

Training

Training are given to the team members for 2 days, Once in a month and for the representatives and once in 45 days for members are to teach the other members of the teachings. During the training, they are taught how to record and maintain accounts does and doesn't of the group activities, Social work, etc. all the members are to compulsorily attend the training and would be granted the T.A / D.A for the purpose by the team

• The training timing is from morning 10.00 am to evening 5.00pm and all the members are to be in the training camps at sharp time or else they would have to pay the fine.
• Training date and camp place has to be fixed according to the convenience of the team members to achieve 100% attendance.

• The team members have to discuss about the teachings in the meeting held, immediately after the training.

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Sustainability of micro finance self help groups in India

The major form of microfinance in India is that based on women's Self Help Groups (Self Help Groups), which are small groups of 10-20 members. These groups collect savings from their members and provide loans to them. However, unlike most accumulating savings and credit associations (ASCAs) found in several countries, these groups also obtain loans from banks and on-lend them to their members. By 2003, over 700,000 groups had obtained over Rs.20 billion (US$425 million) in loans from banks benefiting more than 10 million people. Delinquencies on these loans are reported to be less than 5 percent.

Savings in these groups is estimated to be at least Rs.8billion (US$170 million). Despite these considerable achievements, sustainability of the Self Help Groups has been suspect because several essential services required by the Self Help Groups are provided free or at a significantly subsidized cost by organizations that have developed these
groups. A few promoter organizations have, however, developed federations of Self Help Groups that provide these services and others that SHG member’s need, but which Self Help Groups cannot feasibly provide. It also explores the merits and constraints of federating. Three SHG federations that provide a wide range of services are studied.

The findings suggest that federations could help Self Help Groups become institutionally and financially sustainable because they provide the economies of scale that reduce transaction costs and make the provision of these services viable. But their sustainability is constrained by several factors—both internal, related to the federations themselves, and external, related to the other stakeholders.

**Rural Financial Trends**

In recent history, it looked to many as if rural financial markets would become dominated by large banks that offered relatively expensive credit to agricultural firms. However, the 1990's have seen resurgence in smaller banks with a focus on smaller, agricultural producer loans. Moreover, small banks may be more competitive than ever with respect to interest rates. This report outlines some of the important trends in rural credit markets including the types of lenders, volume of loans, interest rate trends and some discussion of specific types and sizes of loans. It is our hope that such information will allow agricultural firms and
organizations to make more informed decisions with respect to securing capital, as well as choosing an appropriate lending institution.

**Rural Finance**

Rural finance comprises credit, savings and insurance (or insurance substitutes) in rural areas, whether provided through formal or informal mechanisms. The word 'credit' tends to be associated with enterprise development, whereas rural finance also includes savings and insurance mechanisms used by the poor to protect and stabilize their families and livelihoods (not just their businesses).

An understanding of rural finance helps explain the livelihood strategies and priorities of the rural poor. Rural finance is important to the poor. The poorest groups spend the highest proportion of their income on food – typically more than 60% and sometimes as much as 90%. Under these circumstances, any drop in earnings, or any additional expenditure (health or funeral costs, for instance) has immediate consequences for family welfare – unless savings or loans can be accessed. Financial transactions are therefore an integral part of the livelihood system of the poor.

Rural finance consists of informal and formal sectors. Examples of formal sources of credit include: banks; projects; and contract farmer schemes. Reference is often made to micro-credit. Micro underlines the
small loan size normally associated with the borrowing requirements of poor rural populations, and micro-credit schemes use specially developed pro-poor lending methodologies. Rural populations, however, are much more dependent on informal sources of finance (including loans from family and friends, the local moneylender, and rotating or accumulating savings and credit associations).

Rural Finance is a set of Financial services that are not limited to credit only. Financial services in rural finance include: loans, savings, investment, guarantee funds, remittance services, inventory credit, trader finance and insurance.

**Definition**

The Consultative Group to Assist the Poor (CGAP)\(^2\) defines rural finance as 'financial services offered and used in rural areas by people of all income levels', and agricultural finance as 'a sub-set of rural finance dedicated to financing agriculture-related activities, such as input, supply, production, distribution and wholesaling, and marketing' (Pearce, 2003).

Schmidt and Kropp (1987), rural finance is treated in this paper as encompassing all the savings, lending, financing and risk minimising opportunities (formal and informal) and related norms and institutions in rural areas.

This definition recognises that rural financial markets are part of the domestic financial system and are therefore affected by government and central bank policies. Rural financial markets tend to be fragmented (Germidis, 1990; Besley, 1994) and consist of formal, semi-formal and informal financial intermediaries. The definition also acknowledges that the rural population requires a range of financial services, including the following:

**Intermediation**, which involves mobilising and transferring savings from surplus to deficit units and provides safe, liquid and convenient savings (deposit) facilities and access to credit facilities tailored to the needs of the rural population (World Bank, 2004);

**Savings facilities**, which allow wealth to be kept in a form that preserves its value and is liquid and readily accessible;

**Credit for consumption** smoothing and investment in agricultural production, marketing, processing and input supplies (Gonzalez-Vega, 2003); systems for effecting payments and transfer of remittances (Orozco, 2003; Sanders, 2003); and

**General insurance** and cover against variability in output (especially as agriculture is largely weather-dependent), price and marketing uncertainty (Skees, 2003; Von Pischke, 2003).
Rural finance comes in three major forms:

1. Informal financial institutions which are not regulated by banking sector such as rotating and savings groups, church groups or similar groupings of people.

2. Semi formal institutions which are not regulated by banking sector but are usually licensed and supervised by another government agency such as self help groups, NGOs involved in provision of financial services and microfinance organizations (in some instances).

3. Formal institutions which are subject to banking regulations and supervision such as microfinance institutions, banks. In order to enhance the quality of rural livelihoods a more holistic approach to development is needed. Governments need to design and implement agriculture friendly polices that will encourage the development of financial sector and market oriented enterprises. Governments and donors need to invest into human and institutional development in rural areas.

Microfinance: financial services (savings, credit, payment transfers, insurance) for the poor and low-income people.

Agricultural finance: sub-set of rural finance dedicated to financing agriculture-related activities, such as input supply, production, distribution and wholesaling, and marketing.
**Rural finance:** Financial services offered and used in rural areas by farm and non-farm population of all income levels through a variety of formal, informal and semiformal institutional arrangements and diverse types of products and services, such as loans, deposits, insurance, and remittances. Rural finance includes agriculture finance and microfinance and is a subsector of the larger financial sector.

Financial services for the rural poor are represented by the shaded overlap of microfinance with rural and agricultural finance. It includes services for all purposes and from diverse sources tailored to the needs of poor people in rural areas. Providers include both financial institutions, such as banks, credit unions and non-financial mechanisms. State-owned banks include agricultural development banks, regional development banks, savings banks, and postal banks. Often they have extensive rural networks of branches or outlets. Privatized state banks may also have significant rural outreach, although in many cases the privatization process has reduced rural branch coverage.

**Statement of the Problem**

In general there are many differences between rural and urban settings. The following Problems in rural settings:

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Dispersed demand - due to low levels of economic activity and population density; on the other hand paralleled by larger family sizes and higher population growth rates; High information and transaction costs - linked to poor infrastructure (roads, institutional, telecommunications) and lack of client information (no personal identification or functioning asset registries); Weak institutional capacity - related to the limited availability of educated and well trained people in smaller rural communities; Crowding-out effect - due to subsidized and/or directed credit from state-owned banks or donor projects; Low economy: the range of income-generating activities and the degree of economic diversification is lower, agriculture predominates, low profitability of economic activities; Seasonality – because of agricultural activities and long maturation periods for others, resulting in variable demand for savings and credit, uneven cash flow and, lags between loan disbursal and repayments; Farming risks - such as variable rainfall, pests and diseases, price fluctuations, and small farmers' poor access to inputs, advice and (national) markets; Lack of usable collateral - due to ill-defined property and land-use rights, costly or lengthy registration procedures, and poorly functioning judicial systems. It should be noted that these features can vary greatly from one or the other rural area. In some countries absolute poverty may even be more severe in cities. As a
result of the above mention constraints, most MFIs have their working area mostly in urban areas.

**Sustainable financial institutions requires**

- Mobilization of own resources through savings,
- Working through savings based member-owned Self Help Groups operating at low costs- Serving rural clients engaged in both farm and non-farm activities
- High repayment rates Covering costs from operational income
- Earning enough profits to offset effects of inflation
- Financing expansion from profits and savings mobilized.

**SWOT of rural finance - Strengths**

- High level of social capital and collateral substitutes.
- Informal mechanisms used to enforce contracts.

**Weaknesses**

Assumption that credit is a binding constraint; rural finance is often treated as an equivalent for agricultural credit, which is used as 'input' for agricultural production
Objectives

Supply-driven basis

➢ Subsidized interest rates creates market distortions and unsustainable financial services

➢ Lack of analysis of true market demand

➢ Lack of cross-sectoral collaboration: specialists of financial sector and

➢ rural /agricultural sector often do not work together: rural development projects are often designed without financial sector expertise

➢ lack of alternative models to replace the discredited approach in agricultural credit; agricultural finance is therefore often ignored in many agencies

Opportunities

➢ increasing demand for agricultural development because of population growth

➢ high demand for financial services in rural areas

Threats

• Vulnerability: systemic, market, credit risks, etc.
• Operational: low investment returns, low investment, low asset levels, geographical dispersion

• Capacity: infrastructural capacity, technical capacity and training, social exclusion and institutional capacity, etc

• Political and regulatory: political and social interference and regulatory framework, export market protection, etc.

The World Bank has held various policies of the Government responsible for highly inadequate supply of finance to the rural poor.

In a report titled `Scaling-up access to finance for India's rural poor,' the World Bank has pointed out that a combination of various factors has affected both banks and their clients. This has driven up costs and hampered access to the poor.4

The study has observed that the Government policy has created a `financial climate' that is not conducive to lending in general, and to rural banking in particular. "High fiscal deficits, the Government's domination of rural finance institutions, persisting weaknesses in the regulatory and legal framework, and a set of policies towards the sector that have been designed to gain political patronage, have resulted in the distortion of risk/return signals and inefficiencies in the delivery of rural finance

services. An outcome of these realities has been a dilution of the credit creating role of rural banks," the World Bank report said.

According to the World Bank, the high fiscal deficits have led to the Government's appropriation of a large share of financial savings for itself, pre-empting credit to the private sector. However, the Government's deficit financing policies have provided bankers with opportunities to deploy bank resources in Government securities, which are not only safe, but also yield high profits for banks in a declining interest rate environment.

The World Bank report has pointed out that the directed lending norms that require commercial banks to allocate 40 per cent of their lending to the `priority sector' have not generated the intended results, since most of the banks get around this requirement by subscribing to other eligible instruments. Further, the study also held RBI's credit planning policy responsible for the plight of rural lending.

The `service area' policy of RBI, whereby each rural bank branch is given a set of villages within which it can operate, restricts competition in rural banking.

The RBI policy not only restricts bank branches from optimising their infrastructure, but also restricts the entry of new, non-service area
bank branches (including private sector bank branches) into the service area.

This is because the entry of non-service area bank branches into the service area requires a no-objection certificate from the service area branch, "which is often not easily forthcoming," the World Bank report observed.

**A vision for the future**

The importance of rural finance in poverty alleviation and achievement of the Millennium Development Goals means that it will remain a high priority for governments, donors and, of course, rural households. Based on current trends, we can expect major changes in provision of products and services over the next decade.

In countries where microfinance and retail finance institutions have been operating for a long time, there will be increasing consolidation in the sector, and a marked tendency toward full service provision: single loan products and the credit-only services of agricultural banks will be replaced by savings options, remittances and insurance. Since very few providers can offer efficiently a full set of services, institutions will need to link up with specialized companies (for insurance, leasing, venture capital, etc.) and with "niche" organizations such as NGOs and self-help groups that facilitate their outreach in rural areas. Effective use of
financial services will also require stronger ties to training, technology, marketing and business services.

Donor capital for lending will become relatively insignificant. Retail finance institutions will be funded largely by client savings, with investment funds, securitization and bonds also growing in importance. Subsidized finance will mostly disappear. Increased vertical integration of production and marketing, coupled with improved information systems and better regulation, will mean greater inclusion and understanding of trade-linked finance. The use of contract farming, inventory credit, forward contracting and leasing can be expected to grow. Risk management will remain a major issue, but it will also improve, through portfolio and client diversification, and improved analysis and information tracking. The use of insurance products will make the systemic and unique risks of rural finance less hazardous.

**Revolving Fund**

33,549 Self Help Groups (Self Help Groups) have been assisted with Revolving Fund at a cost of Rs.88.80 crores. Every SHG has been assisted with Rs.30,000/- as Revolving Fund. Many of these groups have also availed of credit linkages with Banks.

This has transformed the lives of poor women by providing them cheap, reliable and accessible credit for meeting their consumption and
working capital needs. Many of them have used this money to improve their livelihood by creating new or improving their existing income generating assets.

**Economic Assistance**

Groups which are stabilized and have the aptitude for taking up micro enterprises have been provided with economic assistance with 50% subsidy, the balance 50% being the credit linkage from the Banks. 2472 Self Help Groups have availed this economic assistance at a cost of Rs.31.56 crores for undertaking a variety of activities including animal husbandry, palm leaf products, fish pickle, brick making, small business enterprises etc. The members of these groups are enabled to earn increased income as a result of this assistance.

An additional 4% interest subsidy will also be given to these groups upto the end of the project period, or for the repayment period, whichever is earlier.

**Special Assistance for the Differently abled**

It is well known that the differently abled, widows and deserted women are the most vulnerable sections in society, more so in the disaster-affected areas. Their social capital is often meagre and they find it difficult to access schemes meant for the general population. Bank credit is also hard to come by. Government launched a massive campaign
to improve the livelihood of the disabled. Under this, 34,634 persons with disabilities have been assisted with a grant of Rs.10,000/- each, at a cost of Rs.34.63 crores. Many of them have also availed of a loan of Rs.5,000/- each from the Banks. Interest subsidy at 4% will also be extended to these persons upto the end of the project period, or for the repayment period, whichever is earlier.

This assistance has been provided to the eligible disabled persons in the entire coastal districts, instead of restricting it to the coastal Blocks / Panchayats. The quality of life of these individuals has substantially improved after availing of this assistance. This is one of the single largest initiatives ever undertaken by the Government for the welfare of the differently abled.

**TEAP - Livelihood - Physical and Financial Achievement**

(Rs. in lakhs)

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**Community Infrastructure-Special Projects**

Special projects are being implemented for capacity building and creation of Livelihood related community infrastructure. Some of the major proposals on hand are:
• In 2005-2006, establishment of a state level Self Help Groups Complex at an estimated cost of Rs.5.00 crores near Valluvar Kottam in Chennai was announced. Now the design for the complex has been approved and the Detailed Project Report has been finalised. Revised administrative sanction of the Government for Rs.15.32 crores has been obtained in G.O Ms.No.212RD & Dept dated: 07.05.2010. construction work solid block in ceiling plastering 3rd floor completed April 2010.

• Construction of 15 Direct Paddy Purchase Centres has been completed at a cost of Rs.1.62 crores in Nagapattinam and Thanjavur districts adn handed over to TNCSC.

**Capacity Building**

SHG members were given Basic Orientation Training and Animator & Representative training to enable them to function as viable groups. Entrepreneurial Development Programme and Skills Upgradation Training were given to groups which are taking up economic activities. A sum of Rs.4.47 crores has been spent for providing these training. Reputed institutions with good placement records like NIIT, TALLY jointly with Tamil Nadu Open University had been selected for imparting vocations skills. These organisations are assisting the trained persons to get suitable employment.
A Brief History of Microfinance in India

The post-nationalization period in the banking sector, circa 1969, witnessed a substantial amount of resources being earmarked towards meeting the credit needs of the poor. There were several objectives for the bank nationalization strategy including expanding the outreach of financial services to neglected sectors (Singh, 2005). As a result of this strategy, the banking network underwent an expansion phase without comparables in the world. Credit came to be recognized as a remedy for many of the ills of the poverty. There spawned several pro-poor financial services, support by both the State and Central governments, which included credit packages and programs customized to the perceived needs of the poor.\footnote{Micro–Finance for Women’s Empowerment – A perspective by Archanan Siha, Kurkushetra, April 2004.}

While the objectives were laudable and substantial progress was achieved, credit flow to the poor, and especially to poor women, remained low. This led to initiatives that were institution driven that attempted to converge the existing strengths of rural banking infrastructure and leverage this to better serve the poor. The pioneering efforts at this were made by National Bank for Agriculture and Rural Development (NABARD), which was given the tasks of framing appropriate policy for rural credit, provision of technical assistance.
backed liquidity support to banks, supervision of rural credit institutions and other development initiatives.

In the early 1980s, the GoI launched the Integrated Rural Development Program (IRDP), a large poverty alleviation credit program, which provided government subsidized credit through banks to the poor. It was aimed that the poor would be able to use the inexpensive credit to finance themselves over the poverty line.

Also during this time, NABARD conducted a series of research studies independently\(^6\) and in association with MYRADA\(^7\), a leading non-governmental organization (NGO) from Southern India, which showed that despite having a wide network of rural bank branches servicing the rural poor, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking system. These studies also showed that the existing banking policies, systems and procedures, and deposit 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 better access to these services and products, rather than cheap subsidized credit. Against this background, a need was felt for alternative policies, systems and procedures, savings and loan products, savings and loan products,

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\(^6\) Annual Report of NABARD 1998. p1

\(^7\) The Myrada Experience, “Self Help Groups, Reading methods and Relative Literature.
other complementary services, and new delivery mechanisms, which would fulfill the requirements of the poorest, especially of the women members of such households. The emphasis therefore was on improving the access of the poor to microfinance rather than just micro-credit.

To answer the need for microfinance from the poor, the past 25 years has seen a variety of microfinance programs promoted by the government and NGOs. Some of these programs have failed and the learning experience from them have been used to develop more effective ways of providing financial services. These programs vary from regional rural banks with a social mandate to MFIs. In 1999, the GoI merged various credit programs together, refined them and launched a new programme called Swaranjayanti Gram Swarazagar Yojana (SGSY). The mandate of SGSY is to continue to provide subsidized credit to the poor through the banking sector to generate self-employment through a self-help group approach and the program has grown to an enormous size.

MFIs have also become popular throughout India as one form of financial intermediary to the poor. MFIs exist in many forms including co-operatives, Grameen-like initiatives and private sector MFIs. Thrift co-operatives have formed organically and have also been promoted by regional state organizations like the Cooperative Development Foundation (CDF) in Andhra Pradesh. The Grameen-like initiatives
following a business model like the Grameen Bank. Private sector MFIs include NGOs that act as financial services providers for the poor and include other support services but are not technically a bank as they do not take deposits.

Recently, microfinance has garnered significant worldwide attention as being a successful tool in poverty reduction. In 2005, the GoI introduced significant measures in the annual budget affecting MFIs. Specifically, it mentioned that MFIs would be eligible for external commercial borrowings which would allow MFIs and private banks to do business thereby increasing the capacity of MFIs. Also, the budget talked about plans to introduce a microfinance act that would provide some regulations on the sector.

It is clear from the previous that the objectives of the bank sector nationalization strategy have resulted into several offshoots, some of which have succeeded and some have failed. Today, Self-Help Groups and MFIs are the two dominant form of microfinance in India. This report focuses on the aspects of the SHG as an effective means to provide financial services to the poor.

**Emergence of the SHG Movement**

While no definitive date has been determined for the actual conception and propagation of Self Help Groups, the practice of small
groups of rural and urban people banding together to form a savings and credit organization is well established in India. In the early stages, NGOs played a pivotal role in innovating the SHG model and in implementing the model to develop the process fully. In the 1980s, policy makers took notice and worked with development organizations and bankers to discuss the possibility of promoting these savings and credit groups. Their efforts and the simplicity of Self Help Groups helped to spread the movement across the country. State governments established revolving loan funds which were used to fund Self Help Groups.

By the 1990s, Self Help Groups were viewed by state governments and NGOs to be more than just a financial intermediation but as a common interest group, working on other concerns as well. The agenda of Self Help Groups included social and political issues as well.

The spread of Self Help Groups led also to the formation of SHG Federations which are a more sophisticated form of organization that involve several Self Help Groups forming into Village Organizations (VO) / Cluster Federations and then ultimately into higher level federations (called as Mandal Samakhya (MS) in AP or SHG Federation generally). SHG Federations are formal institutions while the Self Help Groups are informal. Many of these SHG federations
are registered as societies, mutual benefit trusts and mutually aided cooperative societies.

SHG Federations resulted in several key benefits including:

- Stronger political and advocacy capabilities
- Sharing of knowledge and experiences
- Economies of scale
- Access to greater capital

Some states have developed Self Help Groups further than others. This report is based on the experience that APMAS has had in working with Self Help Groups in Andhra Pradesh and limited experiences in other states.

**Emergency Loans**

In Tamil Nadu, service of giving emergency loans is provided through the self help group, which lends out its savings to members in need. While this approach is reasonably effective in controlling credit risk and screening out inappropriate loan usage, there are two important constraints. First loan amounts are limited loans are available to one or two people at a time.

The second constraint is that loans are usually available only during group meetings, which is not sufficiently responsive for some
emergencies. To address this problem, the organizations encourage their Self Help Groups to keep a balance in the group’s trunk box, which can be loaned out in emergency situations with approval from three of the group’s officers (or 50 percent of the members).

**Structure of SHG**

A SHG is a group of about 10 to 20 people, usually women, from a similar class and region, who come together to form savings and credit organization. They pooled financial resources to make small interest bearing loans to their members. This process creates an ethic that focuses on savings first. The setting of terms and conditions and accounting of the loan are done in the group by designated members.

**SHG Federation**

Depending on geography, several clusters or VOs come together to form an apex body or an SHG Federation. In Andhra Pradesh, the Village Organizations, SHG Clusters and SHG Federations are registered under the Mutually Aided Co-operative Society (MACS) Act 1995.

At the cluster and federation level, there are inter-group borrowings, exchange of ideas, sharing of costs and discussion of common interests. There are typically various sub-committees that deal with a variety of issues including loan collections, accounting and social issues.
An SHG Federation is a formal group of informal common-interest groups. As a result of its rather informal members, there are internal constraints that it faces. Namely, it has a poor capacity for self-governance, average to low quality managers and systems and process are poorly defined. Further, there is significant financial cost to organizing and registering a SHG Federation which has been estimated to be about Rs 7,000 per SHG member. To bridge these internal constraints requires savvy external assistance and there are few good quality NGOs to provide this assistance to a burgeoning number of SHG Federations.

**SHG Bank Linkage**

A most notable milestone in the SHG movement was when NABARD launched the pilot phase of the SHG Bank Linkage programme in February 1992. This was the first instance of mature Self Help Groups that were directly financed by a commercial bank. The informal thrift and credit groups of poor were recognised as bankable clients. Soon after, the RBI advised commercial banks to consider lending to Self Help Groups as part of their rural credit operations thus creating SHG Bank Linkage.8

The linking of Self Help Groups with the financial sector was good for both sides. The banks were able to tap into a large market, namely the

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low-income households, transactions costs were low and repayment rates were high. The Self Help Groups were able to scale up their operations with more financing and they had access to more credit products.

- Average Savings per SHG – Rs. 23,000, average loan size Rs. 31,000.
- 50% of Self Help Groups practice equal distribution of bank loan.
- Only 50% Self Help Groups felt that the loan size was adequate and 54% studied Self Help Groups were first time linked.
- 69% of Self Help Groups got RLF, some got from multiple sources.
- It takes more than four months for an SHG to get a bank loan.
- No post linkage follow up by banker and others.
- 66% of bank linked Self Help Groups are A grade as per CRI
- Only 22% of bank linked groups are appraised by banker, etc.
- Idle fund of bank linked Self Help Groups average – Rs. 5,300
- Leaders dominate and have 30% loan on them.
- 12% SHG default to banks – repayment problem.
- 10% Self Help Groups reported that they were forced to take loan.
High percentage of Self Help Groups participate in Government Programs.

Bankers attitude is still an issue.

Financial Management

The financial management of Self Help Groups has been found to be ranging from weak to average. Specifically, internal controls at Self Help Groups and SHG Federations are lacking. Internal controls represents the systems and processes that manage the day to day transaction flow and ensure that roles and responsibilities are defined and executed to safeguard assets. Field studies have indicated that these systems and processes have been ill-defined and poorly executed by members. In addition to internal controls, how Self Help Groups are managing their cash flows is especially important. Since Self Help Groups are accessing external borrowings through SHG Bank Linkage and then lends these funds to its members, there has been cases of poor cash flow management to repay debts not just externally but also internally. The risk of overleveraging Self Help Groups is high.

Governance

Since Self Help Groups are an informal organization and a SHG Federation is a composition of informal groups, there is poor governance and the capacity of the members to enact good governance is weak. The members of Self Help Groups do not have much experience with
establishing formalized monitoring and review functions or complying with legal regulations. With the growing size of the loans being made to Self Help Groups, a strong governance system is needed to ensure that there is accountability.

**Human Resources**

While the achievements of the women members to form common interest groups to help themselves is remarkable, there is a long way to go to build the capacities of the staff of Self Help Groups. The role of NGOs to provide support is essential to many Self Help Groups success stories. The support needed ranges from bookkeeping and accounting, organizational structure, governance and other areas.

**Impact of Self Help Groups**

With the structure and model of Self Help Groups and SHG Bank Linkage firmly established, the nature of the impacts of Self Help Groups can be more closely examined and evaluated. The latest published estimates from NABARD state that, to date of March 31, 2005, 1.6 million Self Help Groups have benefited from approximately Rs 69 billion in financing (NABARD, 2005)\(^9\). There is no doubt that there has been greater outreach of financial services to the poor through Self Help Groups. Of course the outreach has been good in South India. However, there outreach has been limited in the rest of the country.

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\(^9\) NABARD reports, Progress of SHGs during 2005.
In addition to the financial analysis of Self Help Groups, the non-financial areas such as social security and gender dynamics are also affected by the SHG Movement. Indeed, poverty reduction is much less an issue of numbers but rather ideas and concepts. The following is an analysis of the non-financial impact of Self Help Groups.

**Social Harmony**

Broadly defined, social harmony encompasses the equality and integrity of relationships between different social groups. To frame the following analysis, Self Help Groups typically consists of the following social groups:

- Schedule Caste (SC)
- Scheduled Tribe (ST)
- Minorities (MN)
- Backward Caste (BC)
- Other Caste (OC)

The composition of Self Help Groups are sometimes exclusively one particular social group or a mix. The impact of Self Help Groups on social harmony has also been mixed. While it has been observed that in groups with mixed membership had group leaders that came from a variety of the social groups. In the vast majority of instances, group leaders were almost exclusively from the dominant social groups’ category. This demonstrates a lack of equality and unity across caste divisions. Given the relatively young history of Self Help Groups, it is to
be expected that their impact on bridging centuries old divisions would be slow

**Social Justice**

Social justice is the presence of moral and ethical conduct in areas that are historically typified with backward and abusive customs. There have been several occurrences of Self Help Groups resolving disputes between members and the community at large. These instances include initiating legal action, arbitration, divorce and others. While there has long been dispute resolution mechanisms in villages, in the past it was controlled by men. Now, there are instances of women, SHG members, being involved in resolving disputes. Whether or not the women are working for their own interests or in the case for justice varies, regardless Self Help Groups’ impact on the political arena is certainly being seen also in social justice, albeit in a slow and evolutionary process.

**Community**

Being a group based organization of members of similar caste and geography, the community resources that are shared by are affected by the SHG. Recent analysis has shown that the impact that Self Help Groups have on the community at large have been minor. There have been few instances of significant contributions from Self Help Groups to education, family planning, eradication of child labour and hygiene.
To interpret these findings further it should be noted that such community problems are often large financial commitments which Self Help Groups simply do not have the capacity to afford. Also, of the few instances where there have been significant contributions from the Self Help Groups to the community, the SHG demonstrated a clear leadership role and rallied the support of the entire village. This demonstrates that given the opportunity, Self Help Groups, assuming they have the capacity, can act as a director of community development. The perception of taking of a women’s based organization taking a leading role for the betterment of the greater good has monumental impacts on the local community. Gender dynamics begin to balance in instances such as these.

**Livelihoods**

Livelihoods, meaning a persons’ economic activity, is an area that is vitally important to Self Help Groups. The loans that SHG members receive are intended to improve their livelihoods so that they can receive greater and more steadier cash flows. In rural areas, livelihoods range from agriculture farming, animal husbandry, dairy and various other goods and services activities.

Experience has shown that Self Help Groups have had improved livelihoods to the extent of providing the leverage needed to start an enterprise. However, the interventions to introduce new livelihoods or
refine existing ones that could yield better economic results were done by external agencies.

**Supporting the SHG Movement**

The impact of the SHG movement on various aspects of civil society have been varied. As mentioned, the development of Self Help Groups has varied from state to state but, regardless of the phase of evolution, Self Help Groups require external help to continue to grow and have greater outreach and impact to civil society. It is clear from research that some of the obstacles to evolution are beyond the control of the Self Help Groups.

The following is a pointed analysis of where government, NGOs, Banks and others, including the private sector, can work together to help answer the needs to Self Help Groups in a measured and effective manner in hopes of not overloading them leading to failure.

**Political: Training on Governance**

The impact of Self Help Groups on women in the politics is clear; they have helped women enter the political area as they are being elected to various public offices and Self Help Groups themselves are engaged in discussion with governing bodies. SHPIs need to be at least a few steps ahead of the Self Help Groups, in order to be useful to them in their role in politics (APMAS, 2005). Specifically, there is a need to train women
on good governance because the history of poor governance has been long established. If there is to be lasting change, women need to occupy the offices of where strategic planning is done.

**Social Harmony: Creating a Mixed Caste Model SHG**

Self Help Groups do not appear to be managing social tensions well. The reason for this lack of unity is difficult to identify but it could very well be the deep rooted beliefs of the caste system which tends to exclude social disadvantaged groups. These are problems have are ingrained in the ethos of the villages and it will take a very long time to change.

For Self Help Groups to better manage social tensions, there needs to be a perception among members of equity, or ownership, in a enterprise that exists for mutual benefit. Fostering this cohesiveness is very difficult in a given environment. SHPIs can encourage the formation of mixed groups of Self Help Groups and make these “model” organizations for others to follow.

**Social Justice: Awareness of Legal Rights and Entitlements**

Self Help Groups have played an important role in the lives of distressed members. Given the years of suppression of women in India, it is to be expected that Self Help Groups take up the cause of their members. However, they are also responding from a desire to see justice
done. Therefore, if helped to process the pros and cons of various situations and arriving at just and sustainable situations, women could be chosen by local communities as arbitrators. Arbitration in most villages is currently a male domain, but the experiences of women in negotiating for women’s rights could be taken to the next logical step of involvement of women in local justice issues, whether or not a member is involved, and whether or not a member is “right” (APMAS, 2005). Similar to the political arena, SHPIs need to be able to provide the technical support to help Self Help Groups equip themselves as arbitrators.

**Communities: Provide Strategic Support**

Self Help Groups have helped their members and their communities. By taking a leadership role in community development, Self Help Groups are perceived to be a guiding force for the village. Though the instances of Self Help Groups engaging in community development is low, given the capacity, there has been proven results. SHPIs could help facilitate processes whereby women made long-term plans for their villages as a whole, and worked steadily towards the transformation of their villages into modern and equitable hubs of creative and sustainable actions (APMAS, 2005). They might choose to focus on some core issues in each set of plans that they make, and work towards the fulfillment of these. Having persons trained to work on a larger canvas can contribute to a new cadre of political activists. Women
may choose to engage directly in party politics, or to play a watchdog role from the environs of civil society – either way, they will usher in a new era of more responsible politics and public life.

**Livelihoods: Technical Livelihood Support**

The support of livelihoods is increasingly being seen as an important area related to microfinance. Indeed, the term of livelihood finance has been coined and is en vogue at leading NGOs. The need for livelihood support is critical to Self Help Groups development as livelihoods are typically financed by the loans that members receive from the SHG. The needs of Self Help Groups varies from the introduction of new livelihoods to providing support such as market linkages or procurement techniques to refine existing livelihoods. State government programs such as Indira Kranthi Patham (IKP) in Andhra Pradesh have successful executed livelihood interventions on various non-timber forest products that have brought about increased cash flows to SHG members as they have been able to bypass middlemen and sell their goods at market and cut costs. Experience has indicated that these benefits would not have possible without external intervention. Thus, SHPIs can provide the technical livelihood support as needed to help develop Self Help Groups.

**Policy Considerations**

In addition to actual technical support, government policy can help support the SHG movement in the previously mentioned areas. Poverty is
invariably characterized by lack of public investment in infrastructure or dysfunctional public systems including education and health care and underdeveloped markets. Large scale investment is required to build infrastructure like roads and bridges so that there can be access to markets. These sorts of investment will have to be completed by the state government. The payoff such costs though is infinite. An improved infrastructure will help to increase investment and mobility of staff. Further, livelihoods can be enriched through greater access to markets.

In some areas, there is a reasonable amount of infrastructure that state-owned rural banks operate. As some Self Help Groups have grown and matured to a sizeable scale, they need access to more financial services. Governments can address this need through their state-owned banks by introducing flexible and easily accessible products. Specifically, products such as innovative savings products, micro-insurance, larger loans and enterprise financing can be introduced. Banks lending to SHG federations could also facilitate access to livelihood finance by the women SHG members. Not only will programs such as these address the service gap but it will also change perceptions among bankers. If the state-owned banks take the lead, other bankers will likely follow and make an investment to work with the poor and expand their services to them.
The Other Side of the Coin

This paper has outlined several areas of working with Self Help Groups to further their impact on civil society. It should be noted though that the sustainability of Self Help Groups to effect such change is directly linked to their financial sustainability. While this latter issue was not the intended focus on the report, any external intervention to Self Help Groups should bear this issue in mind. Research has shown that Self Help Groups financial management is average or weak (APMAS, 2005).

Thus, it is vitally important that both government and NGOs work to bear all the costs in mind of interventions to make them sustainable otherwise the Self Help Groups will be overburdened and destined to failure.

Government regulations could help manage this risk and increase the emphasis on sustainability of Self Help Groups. There are key areas of SHG financial management that need to be improved such as internal controls, accounting, management stewardship, organizational efficiency and others. If the government were to enact policy that would regulate the quality of Self Help Groups and tied this to their eligibility for SHG Bank Linkage, then this would help bring about a more measured and responsible growth to the movement.
Both for Self Help Groups and SHG federations there is a need to aspire to attain standards following the best practices. As the SHG federations are emerging as community owned microfinance institutions, there is a need for significant investment in providing institution building support. These SHG federations being bodies like corporations as they are registered under an appropriate legal form, must comply with the prudential and legal norms. There is a need for a well developed third party rating system for SHG federations before they are linked with financial institutions to act as an intermediary as they handle large volume of funds from the bank linkage and also undertake savings from their members.

There is a need for establishing a computerized MIS for Self Help Groups and SHG federations to monitor their performance on a regular basis. SHG Federations must be able to publish their annual reports and share those with all their members.

Governance of SHG federations is a major challenge. For the SHG members to manage their own institutions with professional staff and large volumes of transactions will be difficult. SHPIs must provide the needed support for the SHG federations to develop into sustainable institutions of the poor. Considerable investments would be needed to facilitate and sustain SHG federations across the nation.
Micro Finance Instrument for Women’s Empowerment

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (Self Help Groups) – 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 Self Help Groups programme has been successful in not only in 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.

Microfinance

The district of Thiruvallur has 3,200 Km for a population of about 3 million inhabitants. Tamil Nadu state is, after Andhra Pradesh, the state where microfinance is the most prevalent, especially as regards Self Help Groups. In 2005-2006 the proportion of households Tamil Nadu members of Self Help Groups was 14.5 per cent (compared with the global population) against 8 per cent for all over India. In 2005-2006, 24.2 per cent of the households have been given access to micro credit for the first time. We should also add that in Thiruvallur District the dynamism is very recent. In two years (between 2004 and 2006), the number of Self Help Groups has been multiplied by 10 (7,033 versus 699). While in 2000 - 2001, the number of Self Help Groups in the district represented 0.5 per
cent of the total number of Self Help Groups of the Tamil Nadu State, in 2005-2006 this proportion is almost 8 per cent.

Indian microfinance has grown quickly in the past decade, but spread very unevenly over the Indian territory, with a strong concentration in south India and in some districts (Fouillet, 2006, forthcoming). This uneven growth causes an incredible competition in some territories, obviously with winners and losers. Our analysis is based on field work conducted in the district of Thiruvallur, located in the northwest of Tamil Nadu, and where competition is becoming intense. At the time of the field work (2004-2007), around ten NGOs were providing microfinance services in Thiruvallur district. These are "multi-purpose" NGOs, recently “converted” to microfinance under the pressure of Indian public authorities who need NGOs to reach their target, microfinance being a key part of Indian government policy (both at the national and state level) since a couple of years. The “conversion” is also sometimes the result of pressure from the local population, attracted more and more by microfinance services whose miracles and virtues are regularly touted by the media. This recent and massive conversion has two consequences. First, as already said, microfinance services are still of low quality, their main weakness being a lack of flexibility and diversity: amounts, modes of repayment and period of disbursal rarely suit to the demand. Second, the credit officers have in charge huge portfolios: each of them manage at
least 20 groups, often much more (70 was the maximum we’ve seen), that means between 300 and 1,200 clients, often spread over several dozen villages and in a context where the transport infrastructures are still inadequate. Third, competition between NGOs is very high and not really “healthy”. Several empirical works have highlighted the risks of competition in other contexts: the borrowers might accumulate several loans (with risks of over indebtedness and poor repayment) unless the microfinance organisations come to an agreement and share the market. This has been observed, for example, in certain areas of Bolivia (Navajas et al. 2003). In our case study, there is indeed a segmentation of the market. It is rather uncommon that the same group is a member of two NGOs. But the segmentation is not at all the result of any form of coordination between microfinance

At the district level, the NGO circle is a very small world. People know each other for a long time, they have sometimes worked together; some climbed the social ladder more quickly than others (for example, by joining international projects with very high wages), causing envy and jealousy. Others created their own NGO following a conflict with their former boss, while seeking to keep control of the populations and/or the groups which they had in charge. Some are in direct competition in the field, but elsewhere they are bound by friendship, common membership in other groups (here, these are especially Christian networks). The
quality and nature of the personal relationships between the staff of the NGOs which are in competition partly conditions the way they deal with it: some manage to get along with each other and find compromises, while others do not hesitate to resort to threats, sometimes slander, to preserve their control. Also, let us note that NGOs have every interest in controlling the maximum of Self Help Groups in a given territory, mainly for two reasons: to avoid the risk of clients dropping out (of course they are more likely to drop out if another microfinance NGO is there), but also to save time during the procedures imposed by public schemes, since each administrative unit is subjected to only one procedure, whatever the number of groups.

**Competition between Microfinance Organisations: Market Shares but also Reputation and Mass Events**

Microfinance NGOs are part of a social, economic, political and cultural environment which is at the same time a source of opportunities as well as constraints. They are involved in a permanent fabric of credibility towards various stakeholders. With their clients, of course, to whom they are expected to provide long term and quality services. At the very local level, they also need a minimum of support from local institutions, not necessarily alliances but at least to be allowed (informally) to implement their project. At the district level, they should win the trust of various institutional and administrative units, especially
bankers as well as various public agencies involved in self-help-group schemes. The more clients they have, the more credible they are. Indicators are limited to the number of SHG, volume of credit disbursed and repayment rates.

Micro Finance\textsuperscript{10} for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women’s capacities and confidence to intervene in local governance beyond the limited goals

\textsuperscript{10} Empowerment of Women through Micro – Credit -1 Dr.Punithavathi Pandian & R.Easwaran, Yogana, Nov -2002
of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Before 1990’s, credit schemes for rural women were almost negligible. The concept of women’s credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector.

There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several Self Help Groups reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of
organized sector, there emerged the need for an informal credit supply through Self Help Groups. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women’s empowerment.