CHAPTER III

REVIEW OF LITERATURE

In order to understand the concept of self help groups, microfinance and also to identify the areas already investigated, some of the important studies already undertaken and related to the objectives of the present study were consulted. The literature on microfinance and self help group is relatively limited compare to other fields. Especially the literature on the impact of Microfinance Institutional lending is very few. This chapter reviews the various empirical studies available on microfinance and self help group and its impact on the borrowers. The review is restricted to the core issues to identify the major trends.

3.1. Positive Impact of SHGs and MFI Lending

Mohana Rao R.M (2000) in his study entitled "A Study on Women Self-Help Groups in Andhra Pradesh" concluded that SHGs showed a positive impact on the households of the members in respect of building of self-confidence and social development skill and formation and social empowerment of members.

Nedumaran et al. (2001) studied the performance and the socio economic impact of SHGs in Tamil Nadu and found that there was an increase of 23 per cent in the net income in the post SHG situation, compared to the pre-SHG situation. Social conditions of the members also considerably improved after joining the Self Help Group.

Goetz (2001) stated that credit brought into house by women, whether they manage or not, results in greater benefits to themselves, their children and husbands, than does credit in men's name. It also increased women's self esteem and contributed to the formation of social and business networks outside the household.

Gurumoorthy T.R. (2002) in his work, "SHGs- Economic Empowerment Through Self – Reliance", studied the micro-credit funding agencies and the amount sanctioned by them. Out of the 27,000 self-help groups in Tamil Nadu, 5,400 are linked with banks and the banks advance credit to them to the extent of Rs.9 crores. In his view, Self-help groups have the power to create a socio-economic revolution in the rural areas of the country. In his opinion, members of self-help groups must be prepared to undertake entrepreneurial activities at a smaller level with minimum capital requirements.

Puhazhendi and Badyata (2002) studied the impact of Self Help Groups in Orissa, Chattisgarh and Jarkhand. Their findings are 1) The Self Help Group – Bank linkage programme with better access to credit brought increased income to the Self Help Group members and the incremental net income was the result of loans for productive purposes in farm, off-farm and non-farm activities. 2) Easy and timely availability of credit enhanced different economic activities which increased employment in non-farm and off-farm employment. 3) Self Help Group linkage programme impacted social empowerment i.e. self worth, treatment by neighbours, quality of treatment by members of family, involvement in group activity, confidence in managing financial crisis of the family, decision making capacity in household matters and assertiveness in protesting against social evils like drinking, gambling and wife beating.

Simanowitz and Walter (2002) studied the micro finance clients of SHARE and reported that majority of (59 per cent) the matured clients were non-poor because they have productive assets worth over Rs.10000 (US$200) bigger houses made up of permanent materials and improved access to quality clinic as a result of increased savings and therefore ready to pay for unexpected needs. SHARE clients experienced increased feelings of confidence and self esteem. Diversified sources of income, an increase in the number of earners, expenditure smoothening and accumulation of savings are the favourite aspect of 67 per cent of clients of micro finance programme.

Chiranjeevulu T. (2003) in his study, “Empowering Women through Self Help Groups”, studied the micro enterprises started by self-help groups in Warangal district (Andhra Pradesh). The micro-enterprises belong to chilly processing units. Srujana Mahilabhivridhi Upadi Mutually Aided co-operative Society was formed with a membership of 514 women. Each group raised a share capital of Rs.15, 000. The group members belonged to backward classes, scheduled castes and scheduled tribes. The researcher states that the conversion of consumption based self-help groups into entrepreneurship-oriented self-help groups led to employment generation and empowerment of women.

Ritu J. et al, (2003) in their work, "Socio-Economic Impact Through Self Help Groups", examined the functioning of Self-Help Groups in Kanpur Dehat District. Twenty five women from Self-Help Groups were selected as sample for the study. Ten woman members from each self-help group and ten non-members from the same village were selected as respondents, to study the impact of the self-help groups on their socio-economic status. The results show that there is relationship between the self-help groups and the socio-economic status of women.

Stephanie Janeb (2003) in her study, " Micro Finance: Its Impact on Children and Women", explored the type of impact that micro finance has on women and children, more specifically on women empowerment, health, nutrition, children's education, child labour and additional income spent on children's food, education and health.

Srinivasan R and M S Sriram (2003) in their summary of round table conference held at IIM Ahmadabad with panel of financial experts, academicians, activists, bankers and policy makers who have long been working in the field. The areas debated are many NGOs are taking up microfinance lending; commercial banks & other financial institutions are interested in microfinance, alternate models to existing Grameen, SHG & Individual lending models. They also discussed on significant growth in the last decade, interest rate and issues beyond microcredit.

Gupta P.K and R Krishnamurthy, (2004) has stressed that in view of the inherent advantages in lending through the SHGs, such lending has now emerged as a strong mainstream business proposition and the microfinance sector has attained a momentum of its own. The SHG-Bank linkage program has been recognised as the largest low cost microfinance program in the world.

Tamizoli and MSSRF team (2004) analysed the livelihood of *irula*, a tribal community in Pichavaram mangrove in Tamil Nadu and concluded that formation of Self Help Groups, micro finance and micro enterprises has helped them to overcome indebtedness and these three have widened the women's livelihood options. In micro enterprises, women see the possibility of employment near their homes and the concept of sisterhood is powerful and has changed them to a settled life from nomadic life.

Silvia (2004) studied Self Help Groups in Tumkur district (Karnataka) covering 245 respondents. She reported that 19 per cent women said that increase in income is about 25 per cent, 35 per cent women said increase in income is about 50 per cent and 4 per cent women said there was no change in income. She observed that women have clear idea about loan priority and they are aware of their own skills and abilities and women are active in community activities.

Purushotham (2004) studied Self Help Group members in Pamidi (Anantapur district) in A.P. and concluded that 90 per cent of the micro credit borrowers utilized micro credit to graduate from wage work into self employment and concluded that micro credit intervention has benefited the group members in the acquisition of productive assets, repayment of old debts, increase of income and savings, construction of toilets, sending girl children to schools, purchase of jewels and enhancement of employment ratio.

Usha et al.(2004) studied SHGs in Chittoor district (AP) and observed that micro credit increased their access to financial resources both inside and outside the house hold and it made poor women financially self reliant. They reported that 79 per cent respondents informed that micro credit increased their income and savings, 64 per cent respondents expressed better awareness on health, 72 per cent respondents were aware of developmental programmes and 70 per cent respondents were aware of financial schemes as a result of discussion during weekly meetings.

Lalitha and Nagarajan (2004) studied Self Help Groups in Dindigul, Madurai and Theni Districts in Tamil Nadu and concluded that organization of women in the form of Self Help Groups has laid the seeds for economic and social empowerment of women. Participation in group activities leads to changed self image and organizational and collective action, enhances access to information and skills, broadens their knowledge about resource availability and develops leadership qualities. The culture of active participation in group leads to improvement in political acumen which would in turn strengthen and sustain the overall process of empowerment.

Chakrabarty K C (2005), stated in his article “Role of Banks in Entrepreneurial development and microfinance” that banks have a major role to play in the development of micro-enterprise and microfinance. Their first role is that of credit provider, but apart from that they have to act as change agents they have to help people in acquiring the basic knowledge of business. By providing training at least basic nuances of business can be instilled in them. Training should comprise of knowledge about business, about the product, policy environment etc.

Lakshmamma (2005) studied DWCRA groups in Prakasam District of AP and found 95 per cent of respondents out of 435 respondents informed that there is an improved economic position after joining the group and only 12 beneficiaries out of 435 felt that there is no improvement in their economic condition. She found a substantial change in the consumption pattern of the sample beneficiaries and 304 respondents accepted increased expenditure on food, 20 per cent of respondents incurred more expenditure on children's education than in the past and 12 per cent of respondents spent more on entertainment and she concluded that participation in groups has improved the economic position of the beneficiaries and their family members.

Rao (2005) narrates the benefits and gains of Self Help Groups after his study of SHGs in Midnapore district of West Bengal: 1. Increase in self confidence and social status, 2. Improvements in leadership qualities and managerial skills and they become part of decision making process in family and community, 3. Better understanding of immunization of children; education of children, 4. Income of members increased and assets created because of economic activities leading to significant improvement in the standards of living of the members and their families.

Anuradha (2005) studied micro credit and women's empowerment with reference to the clients of SHARE micro finance. She observed enormous increase in self confidence among the women. They travelled much more freely in connection with their business both within and outside the villages. She observed significant reduction in dependence on money lenders and freedom from money lenders gave them self respect. Apart from traditional activities like rearing of goat and buffalo, new activities such as petty shops, stone polishing, readymade clothes, cut piece shops, fruit, vegetable, flower vending, tea shops and so on were undertaken by women. Even traditional activities were being given a modern twist such as tailoring with embroidery, weaving saris combining with dupattas. She concluded that women have greater control over assets, earnings and savings and increased income resulted in self confidence and helped them to realize their self worth which transformed women from low wage workers to owner managers.

Kabeer and Noponen (2005) have studied the impact of micro finance among PRADAN members and found that they had more nutritious food, and enjoyed a favourable food situation. They had more of livestock, diversified cropping, high value crops, higher savings and reduced indebtedness.

Kumar (2005) studied the economic and non-economic impact of micro finance in Haryana. His study revealed that there is enhancement of knowledge and skills of women. They fight against social evils like dowry, female infanticide and alcoholism and they cooperated with NGOs in the field of protection of environment and human rights and male chauvinism. He concluded that feudal mindset and shirk culture are working as stumbling blocks to the success of micro finance in the state of Haryana.

Thorat (2005) observed that 1) Micro finance has reduced poverty through increase in income and enabled poor to build assets, 2) It has enabled households to spend more on education, 3) It has contributed to a reduced dependency on rural money lenders. It is banking for the poor and not poor banking.

Sashi Rajagopalan (2005) studied micro credit programme of Lokadrusti, an organization based in Naupada district of Orissa and concluded that women gained very significantly in terms of mobility, self confidence, access to financial services, building of own savings, competence in public affairs and improved status at home and in the community.

Kalpana (2005) reported all micro finance loans created assets and 61 per cent of women have complete control over household expenditure and 18 per cent of members and their husbands, who were labourers, have moved from worker to self employed status through micro finance loans. 31 per cent of members indicated that consumption of food has increased; 92 per cent member households accessed 3 meals a day, in contrast to 60 per cent before the commencement of microfinance.

Jaya (2005) studied the impact of micro credit programme on physical assets and amenities in Kerala and found that 28 per cent of the members acquired livestock and 12 per cent respondents renovated or constructed their houses. But there is an improvement in knowledge level and social interaction among members after joining the groups. About 91 per cent of members learned about banking system and were confident in dealing with bankers which they could not have dreamt earlier. They also found that the returns from micro enterprises are hardly sufficient to meet daily expenses of the unit resulting in poor repayment of loans.

Priya and Srivastava (2005) reported that NGOs have inculcated the culture of savings and repayment, strengthened the groups' capacity to undertake administrative tasks (accounting, maintaining the minutes of meetings, correspondence and negotiations with banks) and commercial skills (business start ups, marketing and reinvestments) ensuring members to remain financially sustainable and have the ability to withstand accidents, sickness and natural disasters etc.

Devaprakash R. (2006), has pointed out that multiplicity of actors, unbridled growth, uneven horizontal spread, emphasis on subsidy driven programs make the growth of SHG movement uneven and lop sided pushing it away from a market driven approach. This calls for definitive direction and synergetic action, collaborative attempt from various players in the sector for meaningful and strategic engagement including a broader visioning in the sector where all stake holders own the process of vision, so that the movement is guided to bring desirable impact. Banks besides being the driver of the SHG movement holding pivotal role of facilitating credit linkages are seen as critical partners in the process of contributing to building of such a long term vision.

Sharma (2006) observed that the prime goal of Rural Development is to improve the quality of life of the rural people by alleviating poverty through the instrument of self employment and wage employment programmes by providing community infrastructure facilities such as drinking water, electricity, road connection, health facilities, rural housing and education.

Smita G. Sabhlok (2006) in her study entitled, "Self Help as a Strategy for Women's Development in India", says that the SHGs can make women contribute to economy. It has changed the lives of many in India. Group power has been found to be patent force in giving collective empowerment and voice to the poor women in rural areas, but has not necessarily empowered them beyond the confines of patriarchy. There is a long way to go before reorientation of power relationships, both in the household and at the societal level.

Soundarapandian M. (2006) in his study “Micro Finance for Rural Entrepreneurs Issues and Strategies”, made an attempt to analyse the growth of the SHGs and the role of microfinance in developing the rural entrepreneurship. The study suggests that though there is a positive growth rate of the SHGs in states get in terms of growth of the SHGs there is wide variation among states. Linkages of banks with the SHGs are found impossible for this variation.

Leelavathy and Aradhana (2006) studied Self Help Groups in Nalbari district of Assam and reported that 69 per cent of the respondents had a high degree of participation in decision making and most of the members of the group expressed that they were economically empowered after joining Self Help Groups. They concluded that Self Help Groups brought about a sea change in personality, equipped with problem solving ability and enhanced self confidence.

Farrington and Priya (2006) reported that a survey of 400 SHGs in Andhra Pradesh has shown that 61 per cent of groups revealed decrease in indebtedness and 30 per cent of groups felt that they have been socially empowered. They concluded that SHGs are being viewed as a route for implementing social protection schemes.

Panda (2006) studied 80 tribal Self Help Groups in Kandhamal district and reported that the highest number of Self Help Groups (numbering 30 and constituting 37.5 per cent) were formed with a view to receive economic benefits followed by 20 Self Help Groups (25 per cent) for upgrading traditional occupation and relieving debt burden.

Devaprakash R. (2007), states that the trick of making the financial market work for urban microfinance is more in tinkering with the mental blocks of the banks and other mainstream players including the urban local bodies than one of capacitating the lending units of the banks. Like the revolution in rural microfinance brought in jointly by Nabard, donors, banks and host of NGOs in India, the urban microfinance shall need to usher in an new of urban revolution through innovative strategies, new outreach mechanisms, design of new products which is client friendly and efficient institutional processes.

Sharma (2007) concluded that micro finance through Self Help Groups is contributing to poverty reduction in a sustainable manner and significant changes have taken place in the standards of living of rural women in terms of increase in income level, assets, savings, borrowing capacity and income generating activities.

Rajagopalan (2007) described that often, exaggerated claims are made about SHGs building housing colonies and bridges, doing a roaring export business etc. Since these SHGs comprise of rural women barely literate, such claims look incredible. Yet, the fact remains that micro credit has liberated lakhs of families in villages from the clutches of predatory money lenders. It is also true that almost in every village some rural entrepreneurs have emerged with guidance from NGOs, DRDA, banks and other financial institutions.

Herms (2007) found that most studies reported that micro credit positively contributes to poverty reduction. Micro credit, therefore, may help to solve poverty problem. After having reviewed the debate on micro finance and poverty, he concluded that it is still unclear whether micro finance substantially contributes to a reduction of poverty nor it is clear whether micro finance is the most efficient method to reduce poverty. Hermes suggested that more solid empirical research is needed.

Karmakar (2008) reported that studies conducted by various experts have shown that the Self Help Groups have indeed helped in the social and economic empowerment of rural women at the same time delivering crucial financial services. SHG has expanded as the largest micro finance programme in the world in terms of its outreach and has extended banking service to people hitherto not served by the banking systems.

Malapur (2008) reported that in many countries micro credit programme, as an effective instrument, facilitated the people to overcome their difficulties and at the same time helped them to come out of the clutches of poverty and enabled them to increase their participation in the economic and political process of the society. The economic activities have had a positive impact and the benefits are not merely economic, but also helped the women to gain qualities of leadership and attain self confidence and self respect.

Vikas J (2009), highlights in his article on "Benefits of mobile payments in microfinance" that an India based mCheck, a mobile payments company, in partnership with a Grameen replicators and Unitus partner Grameen Koota (GK), launched a pilot project, in December

2008, to critically examine the benefits of mobile payments for microfinance. The biggest success of the pilot was to prove that mobile payments can be successfully integrated into an Indian MFIs. Operations and provide a potential model for scaling up. This is the first time this has demonstrated in India.

Vibha Mehta (2009), penned his interaction with Mr Vipul Sabaharwal of Nokia that Nokia's vision is to connect the next billion by extending the benefits of mobility to the grassroots level and positively impact people's lives. Bothe local and global partnership are imperative to deliver the benefits of mobility by creating vibrant ecosystems that cater to the needs of rural consumers.

Venkata Roa P (2011), in his study "To assess the impact of microcredit on socio economic empowerment of rural women", about 245 members were interviewed in Viakapatnam district in Andhra Pradesh and found that the average monthly income has increased from Rs 571.43 to Rs 879.59. It is evident that a majority of the illiterate respondents have developed their skill and capacity, highly relating to freely and frankly speaking, speaking in public meetings, presenting in cultural programs, taking up leadership position in SHG, writing the minutes, having bank transactions and talking to Govt and police personnel. And it is also found that there is no significant relation between education and skill/capacity.

Kumud Chandra G & D Satya Ranjan (2011), in their research work "To evaluate the impact of SHG on inclusive growth", about 52 members in Dibrugarh district were interviewed and states that formation of SHG has led to empowerment of women through self confidence. It is also found that the income level of the members in the post SHG period has increased to certain extent. Almost all the members were able to spend on food and non food items according to their income.

Revathy B and M Kailash (2011), in their work on "Sustainability through SHGs: A Study with reference to Penamaluru Mandal, Krishna District, Andhra Pradesh" with 124 members highlighted that the respondents in sari painting derived the benefits of economic independence, participation in social activities and recognition in family and community. Amongst the respondents of pickle making, the variables economic independence, better access to credit, habit of thrift. Respondents of herbal products manufacturing are power of decision making, habit of thrift and better access to credit.

Mubashir Nabi and Ashok Aima (2011), in their study with 33 respondents in Jammu Kashmir on "Accessibility and impact of microfinance on living condition of beneficiaries: A study of Jammu and Kashmir State" pointed out that few positive impact of microfinance on living condition of beneficiaries in case of, purchase better food items & clothing, improvement in health facilities, increase in household assets, better education facilities to children, effectiveness in coping with shocks, increased income, increase in enterprise fixed assets, increased in self and hired employment, formulation of well defined future vision, increased incidence of personal savings, development of skills, greater participation are observed.

Gireesh kumar GS and Susy Paul (2011), in their research on "Impact of Microfinance on income generation of Rural poor: A study with special reference to SHG-Bank Linkage program in Kerala" about 610 SHG members were interviewed and found that SHG bank linkage program has been effective in income generation of SHG households in Kerala. In about 44% of the respondents, it was observed with a incremental income upto Rs 1000 and in 37 % of the respondents it was observed between Rs 1000 to Rs 2000.

Subramanian S and A Soundararajan (2011), in their work on "Perception of members on the impact of women SHGs in Tirunelveli District", about 570 members were interviewed with a pre-tested questionnaire. It is stated that the perception of members on increased capacity to spend more, induce social responsibility, improved literacy & communication skill, and induced participation in politics were topped in the categories of economical, social psychological and political impact respectively.

Padmaja M and G Kavitha (2011), in their research work "Microfinance and empowerment of women: an impact study of SHGs in Coimbatore District" a vast number of 1200 women SHG members were interviewed. It was observed that after joining SHG, the members have gained more empowerment.

Lazar and Meganathan (2011), found from their research on “Empowerment of schedule caste women through microfinance with special reference to Ramanathapuram district” about 250 members of 50 SHGs were studied and found that schedule caste SHG women are equal willing to take up the new income generating activities or self employment compare with other community women SHGs in India. The overall result showed that there is a significant s between marital status and these are socio-economic factors such as access to credit sources, asset buildings, increased self confidence and communication, participation in development programs and increased outside relationship of members of SHGs.

3.2. Negative aspect of SHG and Microfinance

Some studies have shown the negative impact of SHGs. A sketch of such studies that criticize the functioning of SHGs is presented in the following paragraphs.

Goetz and Gupta (1996) evaluated micro credit in relation to women’s empowerment and their study showed that 37 per cent (out of 253 respondents) of the women had full or significant control of loan use, 17 per cent had very limited control and 21.7 per cent had no control. They also found that the women’s loans were used by their husbands also and they further found that 28 per cent of the loans were invested in conventionally female productive activities, 56 per cent in male activities and the rest in family activities. Their study also reported that 60 per cent of women, who were widowed, separated and divorced retained full control of loans, as against 10 per cent of married women.

Pallavi and Kumar (2002) concluded that micro credit brought a marginal improvement in the beneficiary’s income and the beneficiaries have not gained much by technological improvement. They concluded that repayment culture of Grameen bank resulted in the creation of debt cycles.

Selvarajan and Elango (2004) observed that some groups charge 24 per cent interest to the members and it is obvious that the high rate of interest is very much oppressive causing hardships to the poverty stricken groups.

Datar and Prakash (2004) found throughout the country SHGs are successful in covering non-bankable credit needs but not so in income generating activities. A majority of the women do not have the cultural moorings to become entrepreneurs; they lack requisite skills, infrastructural facilities and finance. Trainings are inadequate and there is no linkage between training and credit or credit and marketing. There is no integration with local economy as there is little demand for such products.

Priya and Srivastava (2005) studied the extent of micro finance outreach and reported that at all India level less than 5 per cent of rural households have access to micro finance as compared to 65 per cent in Bangladesh.

Sinha (2006) studied 214 SHGs in Andhra Pradesh, Karnataka, Orissa and Rajasthan and concluded that a) SHG members contribute to women's election in Panchayat Raj but do not appear to inform what they can achieve if elected. b) 26 SHGs have taken up issues on social justice (i.e.12 per cent of 214 SHGs) such as drunken husband, violence, dealing with dowry, prevention of child marriage, bigamy. c) Leaders obtained more loans to the tune of 25 to 30 per cent – both in terms of frequency and amount borrowed. c) Default rate was 28 per cent (high in A.P.); 38 per cent of very poor members have more over due, in Andhra Pradesh defunct groups emerging as an indicator of loan default.

Farida (2006) criticized the micro credit as a capitalist programme since it is based on high interest rate and strict regularity of payment schedule but it is called as a poverty alleviation programme. The poor must pay a high rate of interest for a meagre amount of credit called micro credit. When women are demanding to enter macro economy, the micro credit has brought them to micro level. They carry out micro trade for micro credit with high interest rate for which even the biggest industrialist is not paying. It is the joke of the present era of globalization.

Karani (2007) studied the impact of micro finance and concluded that micro loans are more beneficial to borrowers above the poverty line than to borrowers living below the poverty line because clients with more income are willing to take risks that will most likely increase income flow. He informed that according to Vijay Mahajan micro loans reduce the cash flow to the poorest of the poor and micro credit does more harm than good to the poor, operates at too small scale and makes very meagre earnings and most people do not have the skills, vision, creativity and persistence to be entrepreneurial. The reality of micro credit is less attractive than the promise.

Tripathy and Jain (2008) studied Self Help Groups in Haryana and Orissa and concluded that micro finance has a negligible income impact on asset less rural poor, the deprived and disadvantaged.

3.3. Foreign studies relating to the subject

Other developing countries also face similar problems in helping the poor to fight their poverty. They have also experimented with many strategies. Some of them have adopted the micro-credit strategy. Their experiences may be of relevance to us. Therefore, studies on these experiments of such countries are also discussed in this section. For better understanding, the studies undertaken have been grouped under two headings viz. studies related to foreign countries and studies related to India.

Churchill (1995) undertook a study entitled "Get Ahead Foundation Programme" to assess the impact of micro-enterprise credit on the small scale enterprises, on the living conditions of entrepreneurs and their families and on the benefits to the next generation in the programmes of the Get Ahead Foundation in South Africa. He points out that micro-credit has a positive impact on the monthly profit but little impact on job creation.

Pitt and Khandkar (1995) analysed the impact of a group-based lending programme for the poor on the household behaviour in Bangladesh in their study "Gramma Bank, Bangladesh Rural Advancement Committee RD12". They find that credit has a significant impact on boys‟ schooling but not on girls‟ schooling. They also note that credit to women increases woman labour supply and that credit increases women's non-land assets and it increases expenditure on food and non-food items. The study highlights the impact of credit on boys‟ schooling and expenditure on food and non-food items.

Creve Ndour and Thiam (1995) in their study entitled "The Guinea Rural Enterprise Development Project" analyse the impact of enterprise providing micro-credit on participants, enterprise performance, individual income and family well-being. They have come to the following conclusions: i) Micro-credit has a positive impact on enterprise income for repeat borrowers but no impact on assets and employment. ii) At the household level, there is no overall impact on the household assets except on running water in houses and no impact on children's education. This study has established that micro-credit has created a positive impact on enterprise income.

Brenda Sennott (1996) in his study entitled "The Success or Otherwise of Rural Financial Mobilisation in Less Developed Countries: Effectiveness of Savings club Zimbabwe in Addressing the Development Needs of the Poor" establish that an effective method of mobilisation of savings in rural areas in less developed countries is through small self-sustaining groups based at the grass-root level.

Carolyn Barnes and Ericak Cog (1999): A study entitled "The Impact of Zaimbuko"s Micro-Enterprise Programme in Zimbabwe: Baseline Findings", conducted by the researchers identifies the impact of participation in the Zaimbuko programme upon clients and their households highlight that there is great scope for capturing the clients' ability to save if the legal issues can be resolved. The reality of hungry seasons and periodic shortages of working capital are responsible for their poverty, which can be improved with savings and/or insurance products. Easier access to group funds could help women overcome periodic crisis and might prevent some exits.

Zubair (2003) traced the impact of micro credit on poverty and vulnerability in Matlab division of Bangladesh and concluded that micro credit interventions played an important role in reducing vulnerability through smooth consumption, building assets, providing emergency assistance and contributing to women empowerment. Participation in the Grameen Bank and Bangladesh Rural Advancement Committee Credit programmes showed statistically significant impact on women's mobility and they were able to make purchases and able to participate in major decisions.

Makumbe et al (2005) studied the impact of micro credit in Tanga region of Tanzania covering 268 households. Their study has revealed that a good proportion of women respondents felt that they were more involved in decision making after taking loan than before. Fifty per cent of respondents only acquired more skills and the remaining acquired less skills. Respectability of women increased in the eyes of husbands and community after their participation in credit schemes. The study concluded that success is due to cooperation from husbands, marketing of the products, hard work, efficient management, training and skills and inhibitory factors were inadequacy of funds, lack of skills and high running costs.

Maggiano (2006) surveyed micro finance clients in Kabale, (rural area close to Rwandan and Congolese border) Uganda, to find whether micro finance had measurable impact on clients' social, spiritual and economic lives. He concluded that micro finance programme had a significant impact on the clients' social and spiritual development but no impact on economic development.

Bystrom H (2007), narrates that there are several ways for MFIs and microentrepreneur to tap the international capital markets: 1) the MFI can simply borrow in international capital markets to fund its own lending to microentrepreneur; 2) the MFI can transfer its microloan portfolio from its off balance sheet to the investor and thereby, free up capital for more lending., ie traditional "direct" securitisation and in place of the MFI, a third party of some sort pool together and securitize the debt issued by the fund in capital market, ie indirect securitisation.

Dulal G and Stough (2008) studied the microfinance programme in rural Nepal and observed that micro finance programmes really helped relatively wealthy people and poor people are less satisfied because of strict rules, procedures, rigid repayment schedules and caste system.

Rajagopalan (2009) studied micro finance in Africa. His study revealed that micro finance in Africa lags behind when compared to other parts of the world, though the sector is growing in Africa. Micro finance in Asia is the largest both in terms of MFIs and outreach. He concluded that Africa is known for chronic poverty which needs poverty alleviation programme and micro finance is one such programme.

3.4. Recent Updates

Malegam Y H et al, (2011), has outlined in their report on study issues and concerns in the MFI sector by RBI about eight aspects such as 1) definition of microfinance, microfinance institutions (MFI), 2) interest rate and recovery practice, 3) scope of regulations of NBFCs, 4) appropriate recommendations on money lending legislation, 5) enhancing transparency disclosure and best practices, 6) recommendation for grievance redressal machinery, 7) categorisation of MFI loans that can be considered under Priority sector lending and 8) other relevance terms of reference.

The Economic Times, dated 31st Jan 2011, in the full page coverage entitled "The poor as Puppets" Mr John Samuel Raja with Mr M Rajashekhar narrated that MFIs say their mission is to serve poor. Yet promoters of top three microfinance companies used poor women to structure equity in their favour. And they did so without asking the women if not in letter then in spirit.

The Economic Times, dated 2nd Feb 2011, in the article entitled "Malegam panel: brave but messy report" stated that the Malegam commit has made a brave effort in its reports to keep the microfinance industry alive while pacifying politicians in Andhra Pradesh who want to shut the industry down, accusing it of causing suicides. In the process the committee has fallen between two stools, combining many sensible suggestions with others that are seriously flawed.

The Economic Times, dated 2nd Feb 2011, in the article entitled "Should moneylenders than Malegam Panel? mentioned that Mr Vijay Mahajan, Chairman, Basix and President of MFIN felt as yes, money lenders will thank, but indirectly. The effect will be through the reduction in the number of outreach of MFIs, particularly in the financially excluded region, where money lenders thrive. But Mrs Shashi Rajagopalan, member of Malegam committee expressed that the committee recommendation will help MFIs.

The Economic Times, dated 3rd Feb 2011, in the article entitled "MFIs: Malegam misses the point" narrated that though the committee deals with the issue of regulating MFIs it has not defined their role in financial inclusion. The panel's recommendations to tackle multiple lending and excess borrowing are difficult to enforce. The panel fails to appreciate the obvious fact that banks, not MFIs should lead the way to the goal of financial inclusion.

The Economic Times, dated 4th Feb 2011, in the article entitled "Financial Inclusion lies with MFIs" Mr Saurabh Tripathi stated that public sector and rural banks have not achieved the goal of financial inclusion because of their high human resource costs. Only MFIs provide a low-cost platform to achieve it.

The Economic Times, dated 8th Feb 2011, in the article entitled “Malegam report to hurt microfinance” the author Mr Subramanian K, expressed that an empirical investigation of 88 MFIs shows that Malegam committee recommendation have the potential to jack up their operating costs to an extent to makes all MFIs unprofitable.

The Economic Times, dated 10th Feb 2011, in an article stated that Mr Vijay Mahajan, Chairman of Basix (MFI) considered by many to be high priest of Indian Microfinance is taking the walking quite literally some 5000 Kms across rural hinterlands. He began his journey on Jan 30th Jan 2011 from Wardha, Gujarat on foot, public transport and by car. He wanted to meet and talk to poor borrowers and get the real grass roots level answers to an existential question-has microfinance been good for the poor or bad? The counterparts of him have commented by differently on the activity.

The Economic Times, dated 24th Feb 2011, in the article entitled “Microfinance for the urban Poor” states that there are millions of people in cities like Delhi, Kolkata and Pune who live a stone’s throw from bank branches and don’t have access to finance. Mr Samit Ghosh, founder of Ujivan, a microventure company lends sums of Rs 8000 to 25000 soles to women borrowers, depending on the borrowers’ credit history. Ujivan earned revenue of Rs158 crores in FY 11-12 and targeting Rs 225 crore in FY12-13. His aim for the coming years was to make the Ujivan model even more efficient.

The Economic Times, dated 5th Mar 2011, in the article entitled “Way forward for microfinance” Shri Sameer Sharma, an IAS officer expressed that MFIs must focus on livelihood, extending their partial use of social capital to access more funds and ideas. He also stressed that the MFIs can purposefully facilitate the development of meaningful bridging ties by working as intermediary organisations to help the poor to get ahead in life and move beyond the support networks that only help them to stay where they are and only cope with calamities of life.

The Economic Times, dated 17th Mar 2011, in an interview with Mr Mohammed Yunus deeply said that he feel sorry for the current situation in microfinance sector in India. And one reason that he said for that problem (in India) was some of these microfinance programs have taken a wrong turn. They see microcredit as a money making opportunity to make profit for them. That has shaken the trust of people who believed in its mission. We also said that in Grameen Bank, they never saw microcredit as an opportunity to make money out of the poor people.

The Economic Times, dated 6th Apr 2011, in an article by Mr Bibek Bebroy, Professor of Centre for policy research, highlighted that the Govt's heavy-handed regulations of microfinance will kit it and bring back the moneylenders.

The Economic Times, dated 17th May 2011, in its full page coverage entitled "On Borrowing Time" mentioned that recent SKS microfinance show Andhra Pradesh is a severe pain point for the sector. Neither banks nor the state government is keen to fix it. Since the beleaguered microfinance institutions can't fix it by themselves, the clock continues to tick for them. The Andhra crisis is now hurting MFI's national operations such as a) loan collections from Andhra, which accounts 40% of the sectors loans has fallen to 5-10%. b) with Rs 9000 crore of loans at risk in Andhra, banks have stopped giving fresh loans to MFIs. c) It business as usual in other states, but all cash from there is going to repay bank loans. d) the latest policy changes shrink the playing field for MFIs and caps their profits. The Principal Secretary of the state Mr Subramanyam Reddy in an interview with him stated that if MFIs vacate the space, somebody else will fill it.

The Hindu, dated 19th Sep 2011, in the article entitled "A slate for microfinance" highlighted that as part of the Technology for emerging market groups at Microsoft Research India, spent 15 months figuring out how to help local microfinance cooperatives improve the quality of their financial records. They have explored a low cost digital system that combines the convenience of writing on paper while simultaneously recording the handwritten entries and install storing them in a digital format.

The Microfinance Institutions (Development and Regulations) Bill, (2012) introduced in Lok Sabha, New Delhi, deals with a) constitution of Microfinance Development Council at national level, state level and district level, b) vesting of power to RBI to cancelation of license, give direction, regulate the MFIs, c) obligation to create reserve fund, d) delegation of certain powers of RBI to national bank, e) power of central Govt to call for information or statement, give direction to MFIs.

The Economic Times, dated 26th May 2012, in the article "MFI draft bill variations ring alarm bells in sector" stated that a last minute change in the bill to govern microfinance institutions has sent banks and the industry into a tizzy. The bill has raised the loan credit limit tenfold, a move that could alter the character of these lender from tiny loan providers to the poor to financiers of the relatively affluent.

The Hindu, dated 5th Jul 2012, in a article stated that as Stressed by Dr D Subbarao, Governor of Reserve bank of India, on financial inclusion is a necessity, a pre-requisite for growth. He also stressed that bank must look at last mile in microfinance.

3.5. Research Gap and Conclusion

The micro finance revolution, a recent product of development, ensures the availability of institutional credit and financial inclusion to the poor, who were excluded from the institutional credit system. The literature review has shown the impact of micro finance and self Help Groups as a mixed picture, but it is an effective instrument and tool to pull the poor households from poverty in developing countries where it becomes a philosophy and practice of poverty eradication, empowerment and inclusive growth, especially in Asia, Africa and Latin American countries. Studies carried out in India, as evident from the above literature review, indicated that micro finance and Self Help groups, by and large contributed to the development of beneficiaries in terms of economic well being, and empowerment leading to over all development of borrowers.

In India, most of the literature on micro finance revolves around four southern states where Governments and Non Governmental Organisations are taking lead in the spread of micro finance. The real impact of micro finance should result in the creation of employment opportunities and micro enterprises. In the light of the background and observations on various issues connected with micro finance and MFIs, the present study attempts to analyse the impact of microfinance on the beneficiaries with respect to microfinance institutions' lending in Kanchipuram district.