CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

This chapter compiles the literature reviewed pertaining to the field of study. Initial review of the literature primarily focused on understanding the concept of microfinance, its evolution and its acceptance, applicability, impact and potential as a tool of financial inclusion and poverty alleviation in the global context. Post this, the literature review centred on studies relating to microfinance in India with focus on Self-Help Groups. The literature consists of both theoretical and empirical studies published in leading journals along with books and reports by government and recognised national and international agencies and institutions.

2.2 Microfinance Concept

Otero [196] defines Microfinance as “the provision of financial services to low-income poor and very poor self-employed people”. These financial services as per Ledgerwood [133] generally include savings and credit but can also include other financial services such as insurance and payment services. According to Schreiner and Colombet [252] microfinance is “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of loans, savings, remittance and insurance services to socially and economically disadvantaged poor people living in both urban and rural settings, who are unable to obtain such services from the formal financial sector.

The terms microcredit and microfinance are often used interchangeably, therefore it is important to highlight the difference between them. Sinha [266] states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFI s supplement the loans with other financial services (savings, insurance, etc.)”. In effect microcredit is a component of microfinance as it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services [195].

The Asian Development Bank defines microfinance as “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to the poor and low income households and their micro enterprises” [13]
According to Dokulilova [62] the poor, having no or very little income, cannot offer any collateral as required by banks, have no credit history, banks are too far away to verify and observe their behaviour (there is little information) and the loans are generally far too small compared to the cost of transaction. Here, Microfinance is an effective tool for these people. CGAP [136] defines microfinance as “a credit methodology that employs effective collateral substitutes to deliver and recover short-term working capital loans to micro entrepreneurs.”

2.3 Evolution of Microfinance

The genesis of microfinance can be traced to the early 1700s with the Irish loan fund system where micro-credit was provided to the rural poor without any requirement of collateral. This was followed by the emergence of larger and more formal savings and credit institutions in the 1800s in Europe, known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. In the early 1900s, different versions of the European model sprung up in Latin America. In the 1950s, the European model gradually evolved into the microfinance institutions in operation today.

The terms Microcredit and microfinance first came to be used prominently in the 1970s, according to Robinson [235] and Otero [196]. In fact the modern use of the expression microfinancing began in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, were starting and shaping the modern industry of microfinancing. Prior to that, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidised rural credit programmes, which often resulted in high loan defaults, high loses and an inability to reach poor rural households [235].

As mentioned earlier the origin of institutionalized or modern Microfinance can be credited to Professor Muhammad Yunus, head of Rural Economics Program at the University of Chittagong, Bangladesh who launched an action research project at Jobra (a village adjacent to Chittagong University) in 1976, to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. In the words of Muhammad Yunus (1995):
“Bangladesh had a terrible famine in 1974. I was teaching economics in a Bangladesh university at that time. You can guess how difficult it is to teach the elegant theories of economics when people are dying of hunger all around you. Those theories appeared like cruel jokes. I became a drop-out from formal economics. I wanted to learn economics from the poor in the village next door to the university campus”. [318]

Yunus discovered that most villagers were not able to obtain credit at reasonable rates, so he began by lending them money from his own pocket, enabling the villagers to buy materials for projects like weaving bamboo stools and making pots [285]. Ten years hence, he set up the Grameen bank, drawing on lessons from informal financial institutions to lend exclusively to groups of poor, especially to women, with saving mobilization as means to promote discipline. He proved that poor are not only bankable but also profitable business.

According to Robinson the 1980s represented a turning point in the history of microfinance when MFIs such as Grameen Bank and Bank Raykat Indonesia began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients [235]. Robinson states that microfinance had now turned into an industry and the 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale” [235, pp.54]. In fact, the 1990s is referred to as “the microfinance decade” by Dichter [59].

The launch of the Microcredit Summit in 1997 further reinforced the importance of microfinance in the field of development. The Summit aimed to reach 175 million of the world’s poorest families, especially the women of those families, with credit for the self-employed and other financial and business services, by the end of 2015 (Microcredit Summit, 2005). The United Nations declared 2005 as the International Year of Microcredit.

Also along with the growth in microcredit institutions, focus changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became apparent that the poor had a demand for these other services [172].

Microfinance was advocated to be one of the key factors in achieving the Millennium Development Goals in 2005. More recently, it is being touted as an
essential tool for the achievement of the Sustainable Development Goals (SGDs) set by the United Nations General assembly in September, 2015.

2.4 Microfinance in the Global Context

Former World Bank President James Wolfensohn said “Microfinance fits squarely into the Bank's overall strategy. As you know, the Bank's mission is to reduce poverty and improve living standards by promoting sustainable growth and investment in people through loans, technical assistance, and policy guidance. Microfinance contributes directly to this objective” [51]. The emphasis on microfinance is reflected in microfinance being a key feature in Poverty Reduction Strategy Papers (PRSPs). A 2005 IMF review of 56 PRSPs indicates microfinance as key component in 44 PRSPs [101].

In 2005 the UN Secretary General Kofi Annan said it was a critical anti-poverty tool, emancipating women and empowering the poor and their communities. Muhammad Yunus’s most famous claim was that thanks to micro credit the next generation will only find poverty in museums. It is claimed that the microfinance paradigm helps poor people take advantage of economic opportunities, expand their income, smoothen their consumption requirement, reduce vulnerability and also empowers them [3, 136].

Realising the importance of microfinance, World Bank has also taken major steps in developing the sector. Major landmarks are the formation of CGAP (Consultative Group to Assist the Poor) in 1995 and establishment of Microfinance Management Institute (MAFMI) in 2003. The CGAP was formed as a consortium of 33 Public and private development agencies and acts as a “resource centre for the entire microfinance industry, where it incubates and supports new ideas, innovative products, cutting-edge technology, novel mechanisms for delivering financial services, and concrete solutions to the challenges of expanding microfinance” [50]. MAFMI was established with support of CGAP and Open Society Institute for meeting the technical and managerial skills needed for the microfinance sector.

Regional multilateral development banks like Asian Development Bank also support the cause of commercial microfinance. ADB [13] outlining its policy for microfinance lends support to the logic by saying “to the poor, access to service is more important than the cost of services” and “the key to sustainable results seems to be the
adoption of a financial-system development approach”. The underlying logic is based on the universally twin arguments i.e., a) subsidized funds are limited and cannot meet the vast unmet demand, hence private capital must flow to the sector and b) the ability of the poor to afford market rates. However, various scholars like Morduch [178] have brought out the flaws of this Win-Win proposition like belief in congruence between commercial microfinance and poverty outreach.

The impact of microfinance has been questioned and many studies argue that the impact of microfinance is divergent between positive, no impact and even negative impact [8, 236]. The literature exhibits that the impact of microfinance works differently from one context to others and the impact is contingent upon the population density, group-cohesion, enterprise development, attitudes to debt, financial literacy, financial service providers and other [11, 250].

Inspite of the controversy surrounding the impact of microfinance, there is no doubt that microfinance can initiate a cyclical process of growth and development leading to poverty alleviation. Khandekar’s study [120] shows that microcredit in Bangladesh has led to women empowerment by enhancing their contribution to the household income and asset accumulation, which significantly improved the living standard of the family. Abdul Hayes, Ruhul Amin and Stan Becker [97] analysed the relationship between poor women's participation in micro credit programmes and their empowerment by comparing both SHG and non-SHG members in rural Bangladesh. The women empowerment concept was split into three components and measured separately to arrive at a better understanding of their underlying factors and their relationship to women's empowerment. The results showed that the SHG members were ahead of non-members in all the three indices of empowerment. Moreover, the non-members within NGO programme areas showed a higher level of empowerment on the autonomy and authority indices than do the non-member within the comparison areas. It was also observed that education, house type, annual income etc., tend to be positively associated with autonomy and authority indices along with the positive association of the duration of NGO membership and non-agricultural occupation. The implications of these findings have been that NGO credit programmes in rural Bangladesh brought rapid economic improvement for women as well as hastened their empowerment. The NGO credit members were reported to be more confident, assertive, intelligent, self-reliant and conscious of their rights. A suggestion regarding the complementary role of government along with the NGOs has also been made - the government must also have
a large network of credit programme for the rural poor women to increase their economic solvency and enhance their empowerment.

Mulunga [179] in his study relating to Growth of Microfinance Institutions in Namibia found that the availability of microfinance services had a positive impact on the lives of the poor. According to the Malegam committee report [144], microfinance promotes women entrepreneurship, by providing loans to the poor women enabling them to engage in productive activities and grow their tiny establishments, thus giving people the means to fight against poverty. Microfinance can also contribute towards solving the problem of insufficient housing and urban services as an integral part of poverty alleviation programmes [297].

Remenyi [228] observed that the household income of families with access to credit was significantly higher than for comparable households without access to credit. In Indonesia, a 12.9 per cent annual average rise in income from borrowers was observed as compared to a 3 per cent rise from non-borrowers (control group). In Bangladesh, a 29.3 per cent annual average rise in income was recorded as opposed to a 22 percent annual average rise in income from non-borrowers. Sri-Lanka indicated a 15.6 rise in income from borrowers and 9 per cent rise from non-borrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers with 24 per cent increase reported from non-borrowers.

Wright [314] says that there is an overwhelming amount of evidence substantiating a positive social and economic impact in terms of increase in income and reduction in vulnerability.

In a study in LDCs, Vincent [300] concluded that access to credit promotes a sense of entrepreneurship. Initial small loan of about $100 helped in reintegrating these entrepreneurs into formal networks and it promotes the structural and sustainable development of the communities. However, only 5% of the micro credit demand is fulfilled leaving a great potential to this sector to grow. The author is very optimistic about the role of microfinance and entrepreneurship and stated that “Despite several challenges ahead, this emerging industry, and the process of sustainable entrepreneurship combine to offer a potential alleviation solution to the poverty crisis of the 21st century, and into a sustainable future”.

In another empirical study done on 12 MFIs in four countries of West Africa [238], it was found that poor access to credit, poor training, lack of trust and cooperation and aversion to risk was most common factor restricting the success of
these microenterprises. They also stated that “The availability of microfinance will inevitably be an important part of the story. But it must be accessible to those who need it most, and the supporting social capital may need to be nurtured”.

In a similar study at Nicaragua on several micro entrepreneurs through in depth interviews, Pisani and Yoskowitz [204] revealed that access to microfinance, enhanced the chances of survival of these micro-entrepreneurs’ households. It was also found that income for self-employed micro-entrepreneurs was highly influenced by business sales volume, work experience, number of employees, and loan size.

On the other hand Adams and Pischke [2] argued that lack of fund was always perceived as the most important problems for the micro-entrepreneurs rather than product price, modern input costs, low yield etc. because it is easier for donors and government to give credit than providing other support. This is the dominant reason behind launch of so many microenterprise credit programmes. They also believe that reliable access to small and short term loan is more important for poor micro-entrepreneurs than large and long term loans and emphasized the role of expanding services to savings for formal financial institutions by two ways: i) Develop financial institutions which can deal in small transactions efficiently and ii) Innovation to assist more poor people to become credit worthy and to have long term relationship with formal financial institutions. In this respect evolution of microfinance and MFIs has been very useful because they are able to handle small transaction efficiently as well as they establish a long term relationships with the borrower. They focus on small and short term loans rather than big and long term loans. In this way it has the potential to overcome the problems of microenterprise finance programs launched by government.

Notwithstanding the positive impact, critics argue against the hyped effects of microfinance and cite modest benefits associated with microcredit, over-indebtedness, and a trend towards commercialization less focused on serving the poor. Bateman and Chang [30] reject the view that “reaching the poor” with a tiny microcredit will establish a sustainable economic and social development trajectory. According to them the edifice of microfinance began to crumble in 2007 and the hubris quickly turned to nemesis. Long-standing supporters of microfinance [96, 122, 260] openly expressed their concerns at the way the microfinance concept was being destroyed in the hands of neoliberals and hard-nosed investors.

Moreover ‘microfinance meltdowns’ taking place around the globe, as in Bolivia in 1999-2000 followed by a new round of even more destructive ‘microfinance
meltdowns’ in 2008 in Morocco, Nicaragua and Pakistan, marked out by huge client over-indebtedness, rapidly growing client defaults, massive client withdrawal, and the key MFIs plunging into loss or forced to close or merge, added impetus to the growing critique of the microfinance model [30]. These episodes were then followed in 2009 by the dramatic near-collapse of the hugely over-blown microfinance sector in Bosnia [32].

As a matter of fact, most advocates of microfinance do not completely disagree that microfinance alone cannot do the job. For example, Sam Daley-Harris, Director of the Microcredit Summit Campaign, writes, “Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool” [53]. In the words of Professor Yunus [317], “Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people’s potential, micro-credit is an essential tool in our search for a poverty-free world”.

As per Vijay Mahajan [141], a social entrepreneur and chairman of BASIX, India, “Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place.” Robert Pollin [205] has a similar view, and puts forth that: “micro enterprises run by poor people cannot be broadly successful simply because they have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers.”

Economist Robert Cull (Lead Economist, Research Department) summarized the findings of six experimental studies of microcredit ranging from Ethiopia to Morocco to Mexico [24] at the Financial Services for the Poor conference held in February 2015 at the World Bank, these studies pointed to increases in borrowing, self-employment activities, and some business investments. There were also modest reductions in wage
labour supply, while the impact on consumption was mixed. However, “you don’t see anything transformational in terms of household incomes, wealth, or poverty levels,” he said. He also suggested a variety of measures to help meet the challenge of reaching the poor and emphasized that microfinance is not just microcredit. He highlighted measures such as technological innovations like mobile banking services, offering agents as nearer points of contact, and a better understanding of client needs including savings devices, electronic payments, and more flexible loan repayment schedules. [313].

Despite the controversies, the microfinance sector continues to enjoy double-digit growth. In fact, global figures testify to significant levels of development, with a portfolio of US$87 billion and 111 million clients in 2014, and an estimated growth of 10% in outstanding portfolio and 15.8% in borrowers in 2015. Microfinance is a significant lever in the implementation of the 2030 Agenda (the adoption of the 17 Sustainable Development Goals by the UN General Assembly). By fostering financial inclusion and access to services in the fields of health, food security, education, energy and housing, the sector confirms its role as a catalyst in global and inclusive development [163].

The global microfinance market is expected to grow by 10-15% in 2016. Economic growth in the main microfinance markets will increase from 3.5% to 4.0% in 2016 and will be twice as high as in the developed economies. Led by India and Cambodia, which benefit from a more favourable regulatory environment and strong demand for microfinance services, Asia’s microfinance markets are experiencing the strongest growth momentum. Asia-Pacific is set to remain the world’s fastest-growing microfinance market with projected growth of 30% in 2016 [232].

2.5 Microfinance in India with focus on Self-Help Groups

This section is divided into two parts. The first part covers the evolution of microfinance in India followed by a year-wise review of empirical and contemporary works with focus on Self-help group studies in the second part.

2.5.1 Genesis in India

According to the Reserve Bank of India (RBI), Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counselling, etc. [230].
The origin of Microfinance in India lies in the early 1970s when the “Self Employed Women’s Association” (SEWA) of the state of Gujarat formed an urban cooperative bank, called the Shri Mahila Sewa Sahakari Bank. The main objective of SEWA bank was to provide banking services to the poor women employed in the unorganised sector in the city of Ahmedabad, Gujarat. The microfinance sector went on to develop in the 1980s with the concept of Self-Help Groups, informal bodies that would provide their clients with much-needed savings and credit services. The first official effort was undertaken by NABARD (National Bank for Agriculture and Rural Development) during 1986-87 when it partially financed MYRADA’s (The Mysore Resettlement and Development Agency) project on “Savings and Credit Management of SHGs [247]. From humble beginnings, the sector has grown significantly since then to become a multi-billion dollar industry, with significant financial resources being devoted to microfinance by bodies, such as, the Small Industries Development Bank of India and the National Bank for Agriculture and Rural Development.

The Evolution of MFI Sector in India happened mainly in four phases as shown below:

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<tr>
<th>Initial Phase</th>
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<td><strong>1974</strong>: Shri Mahila Sewa Sahakari Bank owned and managed by women to provide financial services to women in the unorganised sector.</td>
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<td><strong>1984</strong>: NABARD advocated SHG linkage as an important tool for poverty alleviation followed by other government agencies.</td>
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<th>Change</th>
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<tr>
<td><strong>2002</strong>: The provisioning norm for the unsecured lending to SHG brought on par with other secured loans.</td>
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<td><strong>2004</strong>: The RBI included MFI lending within the priority sector and recognised MFIs as a tool for financial inclusion.</td>
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<tr>
<td><strong>2006</strong>: The Government shut down branches of some microfinance companies due to allegations of high interest rates, unethical recovery practices and poaching SHG clients.</td>
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Growth and Crisis

- **2007**: Favourable regulations, economies of scale and significant growth drew Private Equity players into the market.
- **2009**: Microfinance Institutions Network (MFIN) was started, all NBFC-MFIs eligible for membership.
- **2010**: Andhra Pradesh Crisis – suicide by poor borrowers due to alleged coercive debt collection practices. Led to an ordinance from the Government and significant clampdown on MFI activities.

Consolidation and Maturity

- **2012**: The Malegam committee recommended significant changes in the sector and the RBI issued final notifications.
- **2014**: RBI gave universal banking license to Bandhan, the largest micro lender in India in terms of assets. MFIN was formally recognised by the RBI as a self-regulatory organisation (SRO).
- **2015**: The Government launched MUDRA (Micro Units Development and Refinance Agency) Bank to help finance small businesses.

Source: Evolving Landscape of Microfinance Institutions in India, July 2016 – Report by Ernst and Young LLP and Assocham, India [70]

MFIs currently operate in 29 States, 4 Union Territories and 588 districts in India. The reported 166 MFIs with a branch network of 12,221 employees have reached out to an all-time high of 39 million clients with an outstanding loan portfolio of Rs. 63,853 crore. Outreach grew by 8% and loan outstanding grew by 31% over the previous year. The average loan outstanding per borrower stood at Rs. 11,425 and 94% of loans were used for income generation purposes. The Southern region continues to have the highest share of both outreach and loans outstanding, followed by East. However growth rates are higher in the North-eastern and Central regions. Outreach proportion of urban clientele has decreased marginally as against the rural population. The proportion of urban clientele which was 67% in 2014-15 decreased to 62% in 2015-16. Women borrowers constitute 97% of the total clientele of MFIs, SC/ST borrowers constitute 30% and minorities 27% [36].
Indian microfinance is dominated by the SHG approach based on the group lending concept. One of the primary reasons is that there is a dearth of information about the credit history of the poor clients. Due to this the MFIs are subject to an environment of information asymmetric credit linked risk. These risks are mitigated by the MFIs through unconventional group-lending models that work on joint-liability principle, sans collateral.

Several authors [9, 35, 49, 80, 130] worked on peer monitoring in group lending, the pioneer being Stiglitz [273]. The joint liability in the group lending system “affects group formation, indues group members to influence the way other members select their projects, helps the lender avoid costly audits, and encourages borrowers to repay their loans without the lender imposing costly sanctions” [80]. The group members’ liability works as collateral and even more important than collateral is the incentive, the members have to monitor the other members (peer monitoring) and the threat of social sanctions the other members are able to exert on the defaulting member [35, 273].

However, the group lending method is not without its drawbacks. The group might decide to collude against the borrower and together default on their loan, or an individual member may be allured to default because the other members will then repay for his part [35, 130]. Group lending has also proved unsuitable for wealthier borrowers. As a result of this, many renowned institutions such as Grameen Bank in Bangladesh and BancoSol in Bolivia started offering individual loan contracts to their better-off clients. ACCION International network programs also started to turn towards individual lending [10]. Armendáriz and Morduch [11] also emphasized the importance of other microfinance mechanisms in addition to group lending. At times distance barrier makes it costly to attend group meetings and to do peer monitoring [11] and then this cost imposes risk on the borrowers [140]. Some other shortcomings of group lending method are cited by Rai and Sjostrom [214] in their work.

Since, there is no single approach or model that fits in all the circumstances, microfinance services are provided in India through a variety of delivery models ranging from very popular SHG model to Grameen methodology and non-profit corporate models [33].

At present, there are two main models of micro finance delivery in India: the SHGs – Bank Linkage Programme (SBLP) model and the Micro Finance Institutions (MFI) model. Prabhu [81] has stated that out of the two major models of microfinance in India, the SHG Bank Linkage Programme (SBLP) has been by far the dominant
model in terms of number of borrowers and loans outstanding. The cumulative number of SHGs linked has grown almost tenfold in the last five years, to achieve an outreach of about 31 million families through women's membership in about 2.2 million SHGs by March 2006. Though all SHGs have not been currently "linked" in the sense of having loans outstanding to the banks or federations, about 14 million poor households have been reached so far. In addition it was found that all the members have begun to save regularly, and have access to a ready source of small emergency and consumption loans in the form of loans extended out of the group's own funds. In terms of coverage, this model is considered to be the largest micro finance program in the world.

The details of the prominent Models of Microfinance are as follows:

**Individual Banking Based Model:**

This is a formal banking model in which individuals can get loans without any membership of a group. The financial institutions make close and frequent contact with individual clients to provide credit products customized to the specific needs of the individual. It is used most for larger, urban-based, production-oriented businesses. The model is followed by Self-Employment Women’s Association in India and financial institutions like Bank Rakyat Indonesia, Association for the Development of Micro-Enterprises (ADEMI) in Dominican Republic, Senegal Egypt, etc.

**Group Based Model:**

The Self Help Group (SHG) model and the Grameen Bank Model can be classified under this category. The SHG is the more popular and important model between the two models. The NABARD sponsored SBLP emerged as the most successful mode of credit delivery model. Many NGOs are also using this delivery mechanism with the help of apex institutes such as SIDBI, RMK etc. In the Grameen Bank model, the participants are organized into groups of five members. Each member makes mandatory contribution to group savings and insurance fund and maintains her individual saving and loan account with the bank. The group members become eligible for individual loans from the bank after contributing to the savings fund for a fixed time. This model has been replicated in more than 40 countries in Asia, Africa, and Latin America with modifications to suit local conditions and cultures [308]. Many MFIs such as SHARE microfinance ltd., CASPOR financial and technical services ltd, Activists for social alternatives (ASA) in India have also replicated this model.
**Non-Banking Financial Corporation (NBFC) Model:**

NBFC model is based on banking principles with focus on both saving and credit activities. In this model, financial services are provided to the clients either directly or through SHGs. Priority is given to profit making with strict financial discipline to reach unreachable. It is mainly used in corporate world. SKS microfinance, BASIX group, Sanghamithra rural financial services etc. are some examples.

**Wholesale Banking Model:**

Many NGOs working previously on non-financial development issues like poverty, health, literacy, eco-restorations etc., have now taken microfinance as an add-on programme. MFIs adopting this model act as second tier MFIs. They provide both loans facility and capacity building support. FWWB (Friends of Women’s World Banking) and RGVN (Rashtriya Gramin Vikas Nidhi) have adopted this model.

**Co-operative Model:**

In this model of credit delivery loans are given to individuals who are members of the co-operative. Co-operatives generally provide their members with a wide range of banking and financial services. Members participate in all the major decisions and democratically elect officers from among themselves to monitor the administration of the co-operative. In India, the organization which has vastly been successful in cooperative form is Saha-Vikas or Cooperative Development Foundation (CDF).

**Joint Liability Group (JLG) Model:**

This is a model of combined responsibility in which members are formed into groups, and the groups into a centre. Most preferred grouping is five members per group and 8 groups per centre. It focuses only on the financial matters and does not get involved in the social issues. When a member in the group defaults in repaying the loan, the group has to pay if it has funds. Otherwise, the centre has to pay from its funds. Regular group meetings are held to avoid the credit risks.

Most of the microfinance organisations in India use the self-help group-based model for service delivery. Apart from NABARD which is one of the largest promoters of SHGs, State governments have introduced various developmental schemes to promote SHGs across the country. The SHG-Bank Linkage (SBLP) program retains its
dominance across the country. However, reports indicate disproportionate concentration of SBL programme in the different states of India. According to the RBI Report, 2011 [230] “there is undue concentration of effort in the Southern region to the relative neglect of other regions”. Srinivasan [272], in his report on microfinance India-state of sector 2010, measured the Microfinance Penetration among Poor Index (MPPI), stated that penetration of SBLP in South was about four times more than the Western region and about 10 times higher than the least penetrated Central region. More than 50 per cent of the concentration of Microfinance Institution (MFI) portfolio was concentrated in the Southern region and the least concentration was in the North-East region. But, in the year 2010, there was 163.62 per cent growth in the North-East region, whereas, the growth rate during the same year in the Southern region was 37.09 per cent. Manohar [150] in his comparative study of the SBLP programme in six regions of India from 2007-08 to 2013-14, found that reach out and concentration of SHG-Bank Linkage Programme was found to be uneven among the six regions. The reach out in the Southern region was significantly very high and was significantly very low in the North-East region. The Southern region continues to have the highest share as per 2016 reports [36].

2.5.2 Review of research works in Indian context (Year-wise)

The following section covers a year-wise (1996-2016) review of literature relating to microfinance and SHGs in and across various states in India. The studies relate to performance of Self-help Groups, inter-linkages between microfinance, SHGs and women empowerment, microcredit to rural women, microfinance and its impact on poverty alleviation, financial inclusion and economic development. Since there is a vast array of literature due to the wide scope of microfinance, an attempt was made to cover as many relevant issues as possible.

Rengarajan (1996) in his paper “Linkage Banking for Micro-Finance in India: Some Models and Issues”, illustrated the system of linkages between the financial institutions and the various local institutions for reaching the poor people. According to him, each of the Indian villages could be treated as a social laboratory where various types of micro-level innovative experiments for development through credit could be conducted. According to him linking informal groups such as self-help groups and
involvement of Non-Governmental Organisations in micro-financing were vital experiments for sustaining poverty alleviation in India. [229]

Mehrotra (1997) analysed State Bank’s experience with self-help groups and found that the Bank’s experience in financing self-help groups had been quite encouraging. The branch officials had by themselves and with the help of Non-Governmental Organisations encouraged the poor to form self-help groups in a number of centres. Good progress was achieved in Tamil Nadu, Kerala, Karnataka and some parts of Andhra Pradesh due to the presence of some reputed Non-Governmental Organisations in these states. He found that the recovery rate in the branches ranged from 80 per cent to 90 cent from the self-help groups in small scale industrial sector. To sum up, the author stressed that every effort should be made to ensure that the Self-help group experiment succeeds and that self-help groups may eventually be the only viable units on accounts of low transaction cost, high percentage of recovery and mobilization of rural savings through the informal system. [160]

Hemalatha, Prasad (1997) carried out two studies, one in Salem district in Tamil Nadu and another in the Tribal Development Project area of Andhra Pradesh to understand the process of economic empowerment of women. The studies were in relation to the project under the International Fund for Agricultural Development programme (IFAD) in 11 blocks of Salem district. This project had broadly envisaged empowering rural women by expanding their resources, improving access to credit, raising the level of awareness, better access to health and establishment of a viable model for women's development. The findings of the study revealed that the intermediate objective of social enhancement through group dynamics and the entry of rural women into the mainstream of credit delivery seem to have been achieved with reasonable success. [208]

Moin Qasi (1997) in his study of the reasons for the linkage of members of Self-Help Groups in rural development finds that the members of self-help group were linked by a common bond like caste, sub-caste blood, community, place of origin or activity. He opined that women self-help groups were more effective and had better chances for survival. Although social homogeneity was used in establishing these groups, the real objective is purely economic. In his opinion while providing support to self-help groups, it was necessary to keep in mind the sentiments and emotional values of rural women. The support must be sensitive to their feelings, appropriate and timely without being overpowering. [176]
Nanda, Y. C. (1999) in his study of the role of linking banks, self-help groups and non-governmental organisations in India, observed that the model non-governmental organisations which act as facilitators continued to be the most popular as 42 per cent of the self-help groups were linked with banks by these non-governmental organisations. The analysis emphasized further on the need for adopting different strategies and approaches in different regions in India, ranging from consolidation and nurturing of emerging self-help group federations in Southern regions to expansion of the SHG programme through identifying and supporting new non-governmental organisations in Eastern, Western and Northern regions. [188]

Puhazhendhi, V. and Jayaraman, P.C. (1999) undertook a study on women’s participation and employment generation among the rural poor through informal groups in MYRADA (Mysore Resettlement and Area Development Agency) in Chitradma District in Karnataka and Periyar District in Tamil Nadu. The analysis of the groups in different stages of development revealed that there was a decrease in the share of loan for ‘non-productive’ purposes from 76 per cent in new groups to 43 per cent in the stabilized groups and an increase in the share of loan for ‘productive’ purposes from 24 per cent in new groups to 57 per cent in stabilized groups. An increase of about 0.57 times in the net income was also reported by 43 per cent of the households during the groups’ post formation stage. Also, additional employment of 172 days per member was generated through informal group lending. The deterrent factors, which hampered the performance of the groups, were found to be lack of effective leadership, less involvement of non-governmental organisations and consumption-oriented loans [210]. Puhazhendhi (1999) also evaluated the functioning of SHG’s in Tamil Nadu and observed that they are performing well towards social change and transformation. The emerging trends are leading to positive direction of empowerment of members and promotion of micro finance. [211]

Karmakar, K.G. (1999) in his study of rural credit and self-help groups, examined the importance of the micro-credit needs for tribal women in rural areas and the micro-enterprises in the non-farm sector in Orissa. The focus of the study was on the availability, credit requirements and the problems faced by the tribal people in availing it. It was felt that the setting up of micro-enterprises particularly in the non-farm sector would go a long way in reducing poverty in rural areas and the micro-credit approach through self-help group would be the only best mechanism to deliver credit to the rural poor. [116]
Sivasubramanian (1999) in his study had stressed the elimination of poverty as one of the principle objectives of Indian development strategy. The salient features of anti-poverty programmes are framed under various schemes to bring growth. In 1999, the reformed scheme of Swarnajayanthi Gram Swarozgar Yojana (SGSY) would be centered on the concept of SHGs and cluster approach for reaching out the poor as an effective vehicle. Poverty can be attentively eradicated only when the poor start contributing to the growth process through a process of social mobilization, participatory approach and empowerment of the poor. [267]

Jain’s (2000) case study on "Empowerment of women through NGOs—the SEWA (Self Employed Women's Association) Bank experience" observed that the bank had been providing banking services to the poor, illiterate and self-employed women. The study revealed that the bank had helped the women to acquire skills to make new products and identify work opportunities. Also the repayment rate had been excellent, (between 93 and 96 per cent) due to close monitoring by the bank, the good link between the group leaders and borrowers and constant communication between the bank and the village groups. The study concluded that, from the women's perspective, their involvement in and ownership of a successful institution had enhanced their collective strength and empowerment. From a wider perspective, member owned/controlled micro credit institution could help towards strengthening the country's democratic system. [103]

Mayoux, L. (2000) critically analysed fifteen case studies and opined that women's empowerment needs to be an integral part of policies. Empowerment cannot be assumed to be an automatic outcome of micro-finance programmes, whether designed for financial sustainability or poverty targeting. More research and innovation on conditions of micro-finance delivery is needed. Cost-effective ways of integrating micro-finance with other empowerment interventions, including group development and complementary services are still lacking. Unless empowerment is made an integral part of the planning process, the rapid expansion of micro-finance is likely to make only a limited contribution to empowerment. [156]

Murugan and Dharmalingam (2000) studied the collective organization of the activities of the self-help group members and their working pattern. The self-help groups under Mahalir Thittam of Tamil Nadu Women Development Corporation were studied. According to them, the self-help group members gained confidence because of the increase in their relative financial independence and security. The literacy skills of
the members of the self-help groups also improved and regular group meetings developed their ability to interact and communicate with each other. [180]

Manimekalai and Rajeswari (2000) analysed the women self-help groups formed by the Non-Governmental Organisations in rural areas of Tiruchirappalli District which were committed to promote rural women through self-employment. They found that the Non-Governmental Organisation namely Society for Education and Village Action and Empowerment (SEVAE) was working in about 362 villages and helping a total of one lakh women beneficiaries in different nature of self-employment like petty businesses, processing, production and service units. [148]

S. Mohanan (2000) discussed the relevance of micro-credit to women and their empowerment, considering the historical perspective of the involvement of women in the thrift and credit activity and the role of NGOs in the sphere of micro-credit. According to him, the rich experience of NGOs in the sphere of credit union and their grass-root level involvement with the poor and their problems is a potential factor that affirms their elevated role in the sphere of micro-credit. The specific task and role of NGOs in the sphere of micro-credit can be summarised as the formation and nurturing of self-help groups, facilitation role, mobilising resources and formation of people’s organisations. [174]

Shashi Rajagopalan (2001) in a research study, commissioned by the UNDP (United Nations Development Programme) to explore the linkages between microcredit and women’s empowerment, concluded that at the individual level, the women did appear to have gained very significantly in terms of self –confidence, mobility, widening of interests, access to financial services, building own savings, competence in public affairs and enhanced status at home and in the community. [215]

As per the Report on Trend and Progress of Banking in India, RBI Bulletin supplement (2001), development organizations and policy makers in India also felt that access to credit for poor people is a major aspect of many poverty alleviation programmes. The basic idea of micro-credit is simple, that if poor people are provided access to financial services, including credit, they may very well be able to set-up or expand a micro-enterprise that will allow them to break out of poverty. [231]

Gangi Reddy (2001) undertook a study on planning and implementation of Swarnajayanthi Gram Swarojgar Yojana (SGSY) in the district of Ludhiana in Punjab to identify the inhibiting factors for group approaches in entrepreneurship promotion
and management. It was observed that SGSY had created a positive impact on various aspects of enterprise promotion. [227]

According to Kant S. K. (2001), the process of women’s empowerment is multidimensional. In India, even though women form a significant part of the labour force, their contribution remains invisible and unrecognized. Women account for 90 per cent of labour force in the informal sector, which is neither captured in the country’s population census nor accounted in the National Accounts. Therefore, the productive capacities of women, who constitute almost half of the population, remain unaccounted further reinforcing their subordinate roles. It is estimated that nearly 1300 million persons in the world are poor and nearly two per cent of them are women. Today as many as 30 to 35 per cent rural households are women-headed and their low incomes make them vulnerable to the extremes of poverty and its consequences. [114]

According to Veluraj (2001), the Nobel Scholar and Indian Economist Amartya Sen expressed in his words, “Unless women are empowered, issues like literacy, health and population explosion will remain unresolved problems of the developing countries.” In India, the majority of the women still continue to perform their traditional roles in the household and in agriculture and as wives - the present scenario forces them to depend on men. Representation of women has never gone beyond eight per cent in parliament, ten per cent in the State Assemblies and 13 per cent in senior management and administrative posts of government. Hence, there is no equal opportunity. [296]

Self-Help Groups are encouraged to come together as cooperative societies at the village and Mandal level by organising them as federations under the mutually aided Cooperative Society Act (1995). These societies will be accessing credit from financial institutions, donor agencies, District Rural Development Agency (DRDA) and voluntary organisations and helping the women members of the Self-Help Groups in availing bigger loans for economic activities as well as assist in collective bargaining in the marketing of products and purchasing of raw materials. Due to this massive self-help movement, there is a perceptible improvement in the socio-economic status of the rural women. [280]

Gaonkar (2001) studied the impact of SHGs on women in Goa and found that the SHGs made a long lasting impact on poor people and their quality of life improved in terms of increase in income, savings, consumption expenditure, productive use of free time, getting opportunity to improve hidden talents etc. The study concluded that
the SHG movement could significantly contribute towards the reduction of poverty and unemployment in the rural sector of the economy. [79]

Prem Singh Dahiya et al. (2002) in their study on socio-economic upliftment through self-help groups in Solan District of Himachal Pradesh found that the SHG movement had a strong positive social impact as the male members of the SHG households were coerced into giving up alcoholism, a widely prevalent social evil in the area. The increased family incomes enabled the SHG households to send their wards to schools and build pucca residential houses. Microfinance and SHGs are the beacon of hope for taking the underprivileged and poor sections in the Solan district out of the abysmal morass of poverty. [52]

Khanka (2002) referred to women entrepreneurs as those who innovate, imitate or adopt a business activity. In Indian society, women have historically lived subordinate to women. However, lately, due to the changes in the socio-psycho-cultural and economic norms of our society, there is a growing sensitivity of the roles, responsibilities and economic status of women in general. It has now been recognised that to promote self-employment and to reduce poverty, drastic measures have to be adopted to accelerate self-employment of women. [121]

Punithavathy and Eswaran (2002) studied hundred women members of self-help groups selected using non-random sampling method from various villages of Sedapatti block of Madurai District, Tamil Nadu. The findings showed that only 32 per cent of the members had availed bank loans and majority of them (59%) were engaged in petty businesses like milk vending, petty shops, banana leaf cutting, vegetable vending, cloth selling and running tiffin centres. The study revealed that 95 per cent of women felt that self-help groups had enhanced their economic status and participation in decision making process. Increased access to microcredit had increased their monthly income and savings. Even though one fourth of them felt that there was no significant increase in their own income, 92 per cent of them were of the opinion that self-help groups had reduced their vulnerability towards famine, flood and unforeseen events. [198,199]

Gurulingaiah (2002) examined the effort made by an NGO, Abhiviruddi, to empower the tribal women in Gubbi Taluk of Tumkur District in Karnataka State and found that the NGO had helped the self-help groups to get financial assistance from the local credit institutions. The women members had also been continuously trained in the field of formation, organization and management of the group, leadership quality, role
and responsibilities, raw material procurement, marketing, revolving funds and institutional credit. [94]

Kurushreshta and Archana’s (2002) study supported the role of micro-credit in the generation of income and promotion of savings habit among the poor, especially rural women to help them uplift their economic status. The results of the study indicated that significant changes had taken place in the living standards of rural poor in terms of increase in income, employment, consumption, savings and borrowing capacity. [129]

Richard Meyer (2002) in his work on “Microfinance, poverty alleviation and improving food security: implications for India”, stated that India was attempting to expand microfinance through its large bank network as the primary way to supply microfinance services. He was of the opinion that the staff of NABARD, the banks, NGOs, and the SHG members themselves must all perform their respective tasks effectively if SHG members were to receive the financial services. He concluded that the SHG linkage strategy was complex with scope for failures, inefficiencies and unproductive rent-seeking behaviour. [162]

Agrawal (2003) advocated that the success of any economic development programme depends to a large extent upon the active involvement of both men and women. If rural women continue to be left out of mainstream economic development and are deprived of opportunities to realize their full potential, serious inefficiencies in the use of resources would persist. It is therefore, essential to implement programmes which would promote the role of rural women in economic growth. [6]

Bakshi and Sharma (2003) have observed that around 90 percent of female workers are engaged in rural areas and considering women as critical to the process of moving their families out of poverty, programmes like Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self-Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA) have expanded their activities in the areas of generating gainful wage and employment opportunities with 30-40% benefits reserved for women. The authors also emphasized the need to identify the inherent skills in rural women, enhance those skills and channelize them in the right direction. This requires changes in the existing institutional structure and also an attitudinal change in the mind-set of the planners and decision makers. [21]

Vyas’s (2003) research study on the influence of microfinance programme of SEWA Bank in India on women's financial decision making within the household has confirmed that clients have benefited from programme membership in terms of
improvement in their knowledge, skill, attitude and financial decision making power.

Chiranjeevulu (2003) in his study, “Empowering Women through Self-help Groups”, studied the microenterprises started by self-help groups in Warangal district, Andhra Pradesh. The micro-enterprises belong to chilly processing units. Srujana Mahilabhivridhi Upadhi Mutually Aided Cooperative 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. [44]

Ritu 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. The results showed a positive relationship between the self-help groups and the socio-economic status of women. [234]

Mohanan (2004) in his study concluded that the linkages between the cooperative societies and SHGs will open up a new pattern of relationship between formal and informal segments in the microenterprises in the coir sector and pave way for more productive linkages in the field of technology adoption and market expansion. [173]

With respect to Micro and small enterprises (MSEs) in India, Awasthi (2004) asserted that Micro and small enterprises (MSEs) constitute an important segment of the Indian economy, providing employment to nearly 25 million persons of the lower socio-economic strata. It aids economic diversification, utilization of otherwise dormant resources, balanced regional development, production of and demand for wage goods, equitable distribution of income, and widens the base of entrepreneurial supply. [17]

Schreiner (2004) defines support for microenterprise in terms of asset-building, highlighting that it helps to build human, financial, and social capital thereby improving people’s well-being. The success of any MEDP (microenterprise development program) depends on the availability of loan which can be provided by the micro-finance sector. [253]

In a study of LDCs (Less Developed Countries), Vincent (2004) concludes that access to credit promotes entrepreneurship. Initial small loans foster and promote the
structural and sustainable development of communities by helping people to start a
small business and repay the loan while still owning productive assets. This helps them
to overcome poverty. However, only 5% of the micro credit demand is fulfilled leaving
a great potential for growth in this sector. [300]

According to Malhotra (2004) micro-finance programs aim at greater economic
independence for women. They enable women’s access to networks and markets, access
to information and possibilities for development of other social and political roles. [145]

Vasudeva Rao (2004) in his study “Self- help groups and emancipation among
tribals in Andhra Pradesh” observed that the “group approach” has brought about
changes in the lives of the once passive women of the rural areas. This would have a
considerable effect on the effort towards integrating the tribals into the mainstream.
[224]

Frances Sinha’s (2005) study measured the contributions that MFIs and SHGs
make to income, savings, and household expenditures of clients, most of whom are
women. The study finds that microfinance groups don’t have enough outreach and have
some of the same problems as more traditional money lenders, which has negative
implications for empowerment. 83 clusters of about 130 clients, each from different
MFIs, using a random sample of MFIs taken from nine Indian states were surveyed.
Three types of MFIs: SHGs, MFIs in the style of the Grameen Bank, and individual
banking MFIs were examined. The study revealed that though most loans were
microcredit designed to help increase savings or provide credit, most of the MF groups
had high effective interest rates. In addition, while most of the MF groups had women
as clients, very few women were independent in taking the loans. In fact, they took joint
loans with men, and typically at a lower amount. The study ultimately indicated that
MFIs have been successful in the above-listed regions in contributing to the savings of
clients. [265]

Empowerment”, opined that the self- help groups currently undertake entrepreneurial
activities at a minor level with minimum possible capital requirements. In future, the
inbuilt strength of the Self-Help Groups will pave the way to undertake mega projects,
like projects undertaken by joint stock companies and public sector enterprises as the
SHGs have the power to create a socio-economic revolution in the rural areas of India.
[112]
Mahendra Varman (2005) in his study on impact of self-help groups on formal banking habits revealed that microfinance SHGs in India, classified as informal organizations, inculcated banking habits in rural people, especially the women. In this way, they intentionally or unintentionally helped formal banks by increasing the number of bank accounts. On the other hand, it has been observed that banking habits are a positive function of the years of experience of microfinance programmes through SHGs in that particular area. The analysis also reveals that leadership experience in SHGs would improve an individual’s banking habits much more than simply membership. Hence, if the leadership position of each SHG was systematically rotated over appropriate time, such that each one in the group has a leadership experience, people will have more exposure to formal banking systems. [294]

Soundarapandian (2006) made an attempt to analyse the growth of the SHGs and the role of microfinance in developing the rural entrepreneurship. The study titled “Microfinance for Rural Entrepreneurs Issues and Strategies”, suggests that though there is a positive growth rate of the SHGs in states, there is wide variation among states in terms of growth of the SHGs. [268]

Schechter (2007) studied the profile of some women clients of Mahasemam, an MFI (microfinance institution) in Tamil Nadu to understand the utilization and management of funds, repayment of loan and their experience of membership in a group. She found that the micro financing loans enables clients to run small businesses and make profits which are used to repay the loan and get higher loans to reinvest in the business. The clients manage to avoid default on their loans even if they have to borrow from a money lender to do so. [251]

Amarjeet Kaur (2008) in her study on self- help group and rural development found that respondents were not motivated properly for poverty alleviation and rural development through SHGs. The concept of SHGs was also found to be quite successful in many parts of India like Hyderabad, Tamil Nadu etc. where people, government and NGOs have come forward with strong motivation and interest. [117]

Sakthivel Murugan and Begum (2008) made an attempt to explain the predominant barriers to women entrepreneurs in a study is based on primary data collected from a sample of 100 entrepreneurs of Chennai City. The study reveals that social and cultural barriers are prominent formidable blocks for the development of women entrepreneurs and concluded that entrepreneurs with ability to plan and run a business can deliver quality products. [181]
Shiralashetti and Hugar (2008) reviewed the progress of SHGs and bank linkage in India with a reference to Karnataka State based on secondary data collected from annual reports of NABARD. The study included district-wise and bank-wise linkage of SHGs in Karnataka State. The researchers concluded that SHG movement is a powerful tool for alleviating the poverty of the people. [258]

Ganapathi and Sannasi (2008) highlighted the factors influencing the women entrepreneurs. The study focused attention on the common features of women entrepreneurs, challenges faced by them while undertaking the entrepreneurial activities and the necessary strategies to overcome the challenges. The study concluded that women must be motivated to establish business in the interest of the family income in particular and national income in general. [74]

Tangirala (2008) in his work on SHG is a tool of economic development of cooperatives and its members revealed that the cooperatives were playing an immense role in the economic development of its members and in alleviation of poverty in the country. With the advent of the SHGs, the cooperative has got another tool in its toolbox to quicken the process of developing the members financially. For the purpose of economic development, the cooperatives have to form the SHGs with the help of the members, increase their competencies and capabilities. [281]

Nagaraj, V.G. and Rajashree S.G. (Gudaganavar, 2009) have pointed out that the Self-help Group is a viable alternative to achieve the objectives of rural development and specially women empowerment. They also pointed out that no development could be achieved in rural India on a sustainable basis until and unless its women fold are developed and empowered socially and economically. [90]

Ranjula Bali Swain and Fan Yang Wallentin (2009) in their article examine the link between microfinance and women’s empowerment. Women's empowerment takes place when women challenge the existing social norms and culture that restrict their ability to develop and make choices. The study lent credence to this view and concluded that on average, there is a significant increase in the empowerment of women in the SHG members group due to participation in microfinance program. [23]

Hema Sundar Raju et al. (2009) in their article on Outreaching Unbanked Rural Marginalized Groups stated that the experiences show 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. [221]
Kumararaja (2009) in his article relating to performance of self-help groups in Tamil Nadu highlights that micro finance, through SHGs has reached millions of households and that there has been a steady progress in the number of SHGs and amount of loan sanctioned. The study concludes that a timely and regular check will lead to a healthy progress of overall development of rural women via provision of microcredit through SHGs. [128]

Mohanty (2009) in his article on “SHG movement-an emerging social innovation of micro financing in Orissa” pointed out that saving, which is as crucial as loans for the economically active rural poor, remains completely untapped as organized retail banking does not reach them. This is a good opportunity for the public sector banks to give a fillip to the SHG movement to enable the villages to absorb the benefits of globalization. [175]

Chandrashakar and Lokesh (2009) have highlighted the useful role played by NGOs in organizing Self-Help Groups, in capacity building and in developing access to the institutions and resources of the State. However, state officials are suspicious of the role of NGOs who are perceived as undermining their power. As a result there is too much bureaucratic meddling when NGOs are allowed to implement government projects. In the recently restructured self-employment programme in the form of the Swarnajayanthi Gram Swarojgar Yojana (SGSY), group schemes through the formation of SHGs have been overwhelmingly preferred. However, in none of the North-Eastern States Below Poverty Line (BPL) lists are ready to organize households into SHGs to implement the programme. [42]

Rao et al. (2009) in their article on Microfinance and support organizations in the southern states of India, reviewed the recent trends in the SHG-Bank linkage programme at national and state level, with special reference to Andhra Pradesh in detail, and certain aspects of Tamil Nadu, Karnataka, and Kerala. Sustainability, growth and diversification of activities to enter higher value-added areas for SHGs are to be given utmost attention by strengthening Federations and MFIs. The groups need support in term of credit plus services such as counselling services, expansion, technological upgradation, marketing linkages etc. Also, training and capacity building, sharing of best management practices, and exposure visits are needed to provide a healthy environment for SHGs. [224]

Lalitha and Prasad (2009) have analysed the empowerment of women through Development of Women and Children in Rural Areas (DWCRA) programme
implemented in the Guntur district of Andhra Pradesh. The analysis revealed that the income of an individual after joining DWCRA programme has increased comparatively. The study concludes that the potential of women is not fully tapped and utilized for the community. [131]

Tanmoyee Banerjee (2009) in his article on “Economic Impact of Self- Help Groups - A Case study” observed that more people have shifted to high-income levels from low-income group after joining self-help groups, thus leading to a reduction in inequality in the distribution of family monthly income. The rate of school dropouts also showed a significant reduction in families of group members as compared to the families who do not belong to self-help groups. The results showed that overall there has been some positive impact of the SGSY programme as poverty alleviation programme. [283]

NCSW Report, GOI (2009) states that Self-Help Groups have taken the form of a movement for women especially rural women’s social and economic development. SHGs have arisen out of the perceived problems of women’s lack of access to resources at both the household and the village level. In the past 20 years, Self-Help Groups have become significant institutions for rural development in India, particularly in the case of poor women. [192]

Nagaraj and Chandrakanth (2009) in their study of SHGs in Karnataka, explained that an SHG is a group of about 10 to 20 poor women or men from a similar class and region, forming a savings and credit organisation by pooling financial resources in order to extend loans to the members at low interest with far fewer procedural hassles. ‘Savings first’ is the prime ethic of SHGs. The National Bank for Agriculture and Rural Development (NABARD), Reserve of Bank of India (RBI) leading NGOs and multilateral agencies included SHG as a strategic component to mitigate poverty [188]. Bahir (2010) in his article on performance evaluation of SHGs in India, find that the southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh in the north lead the country in SHGs. [19]

Dinesh Raghuwanshi (2010) in his study on “Microfinance: Present Scenario and Emerging Challenges” revealed that the Government of India has initiated a number of subsidy-linked rural development programmes and involved formal financial institutions in the implementation of these programmes. After the pioneering efforts of the last ten years, the microfinance scene in India has reached a take-off point. [213].
Bohra and Johari (2010) advocated that the potential for growing microfinance institutions in India is very high. [125]

Parameswara Gupta et al. (2010) in their article “on impact of microfinance: a critical analysis” observe that microfinance could serve as a strategy to bring in the elusive financial inclusion (access). Special programmes clearly addressing the core poor as in the case of Bangladesh, wherein well known institutions like BRAC and ASA have initiated special support to the core poor may solve the problem. Fortunately commercial banks have made up their mind and their entry into this field may strengthen the cause. [93]

Rajeswari (2010) in her study on socio-economic status of women stated that empowerment of women is the process of controlling power and strengthening the vitality of the three broad categories of empowerment viz. economic, social and political. The first, i.e. economic, is the key which may lead to other kinds of empowerment. India still has a long way to go before Indian women are able to hold a pride of place in the society and in the functioning of the nation. [220]

Sinha and Parida (2010), undertook a study ‘Performance and sustainability of SHGs in India: A Gender Perspective’ through a primary sample survey in six states in India- Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam. The study found that all-female SHGs were performing better than all male SHGs in social and economic activities. Results also showed that only female SHGs are sustainable. [264]

Raya and Rajendran (2010) in their study of microfinance for rural women in Vellore District found that microfinance activities improved the knowledge and awareness of women on balanced food and nutrition to a considerable level. A significant relationship between the loan amount and improvements in awareness and capacity building was reported and the study concluded that the higher the loan amount the higher was the capacity building of rural women. [68]

Vidhya (2010) in her study on “Women Upliftment in Tamil Nadu” observed that the Tamil Nadu government has taken a series of steps to improve the women’s development through Mahalir Thittam (socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd.). It leads the women to think independently and helps to enrich their knowledge in each and every area resulting in their social upliftment. [298]
Kumar (2010) while comparing the differences in quality of SHGs between SHGs under the umbrella of federations and other SHGs which are not part of federation observes that federation type SHGs are functioning well. He assessed the quality of SHGs by using NABARD CRI (Critical Rating Index on which SHG rating tool is based) and also advised all banks to access the quality of SHGs using the CRI before every credit linkage. [127].

A study by Mishra and Chowbey (2011), on the scope for promoting microenterprise activities through SHGs in select districts of Bihar and Uttar Pradesh covering 456 respondents, covered under the Priyadarshini Programme, revealed that more than 90 per cent of the respondents were matured SHG members who had undergone Micro Enterprise Development Programmes (MEDP/REDP) training, 3.95 per cent respondents were NGOs who had conducted MEDP/REDP trainings and 5.70 per cent were NABARD and Bank officials. The study highlighted that hardly 15 per cent of the matured SHG members had graduated to microenterprises and that too at a lower level business. Difficulties in getting adequate credit, low level of awareness and lack of skills were the main reasons for this. Even the 15 per cent, who had graduated to microenterprises, were still at the nascent stage and their business size was not economically viable. [47]

Dr. K. Rajendran (2012), in his paper “Microfinance through self-help groups – a survey of recent literature in India” critically reviews 53 major studies carried out in India. The review reveals that in the development paradigm, micro-finance has evolved as a need-based programme for empowerment and alleviation of poverty to the so far neglected target groups (women, poor, deprived etc.) and that micro-finance has become one of the most effective interventions for economic empowerment of the poor. The experience across India and other countries has revealed the strong potential of microfinance to integrate with the development issues thereby significantly impacting the lives of the poor. [67]

(Tanmoyee) Banerjee (2012) studied the factors influencing different indicators of women empowerment among members of 26 matured all-woman SHGs. He opined that Self-employment held the key to continuity of employment and self-employed members of self-help groups fare better than their wage-earning counterparts when it came to continuity of employment. The study deduced that training significantly influenced various dimensions of empowerment, and the trained group members were more likely to be both empowered as well as employed. [282]
Jain and Nai (2013) studied the effectiveness of SHGs in empowering women as well as the interest of rural women towards SHGs. The study showed that women are taking interest in the SHGs programs and becoming self-dependent and self-employed which has ensured their well-being and growth. They have also learnt to take their own decisions. Most of the women agreed that the time association with SHGs increased the sense of social security and also created social awareness among the women members [65]. Yadav’s (2013) study on Women Empowerment through Self-Help-Group in Nagthane Village in District Sangli, Maharashtra also showed similar results. The income and expenditure pattern of SHG members increased after they become the member of the group. The result of the study showed a positive effect on the standard of living of SHG members. [315]

A study by Murlidhar Lokhande (2013) on women empowerment inferred that group association and access to financial services positively affects group members leading to their socio-economic empowerment. However, to implement empowerment in its true sense, long term policy measures like training, awareness and viability of the group activities need to be addressed. The study concluded that poor, discriminated and underprivileged women can come out of poverty if they join the self-help groups as these provide a favourable environment to give a boost to women. [138]

Some researchers however do not subscribe to the above view and feel that the SHG model is better in few aspects than the Grameen Model of microfinance as shown by Weaver’s study. Weaver (2016) examined studies relating to two most common types of microfinance models used in India - Grameen-model microfinance institutions (MFIs) and Self-Help groups (SHGs) through the SHG-Bank linkage model in order to determine if there is a general trend indicating that microfinance as a whole has a positive impact on women’s economic empowerment. The examination revealed that almost all of the studies conclude that both types of models significantly contribute to an increase in women’s income and savings. However, though the Grameen-model of microfinance has been successful at increasing women’s income and savings, which are the building blocks for greater economic empowerment, the SHG model was found to be more sustainable and more effective in economically empowering women. The study recommended Grameen-model MFIs adopt the SHG into their own models in order to encourage sustainability and women’s continued economic empowerment. [305]
2.6 SHG studies in Haryana

This section covers a review of the Self-help group studies pertaining to Haryana and its districts. A total of eleven studies were reviewed. Table 2.1 below shows the region-wise break-down of number of studies.

Table 2.1: Number of studies region-wise in Haryana

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>General on Haryana State</td>
<td>2</td>
</tr>
<tr>
<td>Mewat district</td>
<td>3</td>
</tr>
<tr>
<td>Mahendergarh district (Narnaul)</td>
<td>1</td>
</tr>
<tr>
<td>Kaithal district</td>
<td>1</td>
</tr>
<tr>
<td>Karnal district</td>
<td>1</td>
</tr>
<tr>
<td>Yamuna Nagar district</td>
<td>1</td>
</tr>
<tr>
<td>Rewari and Hisar district</td>
<td>1</td>
</tr>
<tr>
<td>Gurgaon district</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
</tr>
</tbody>
</table>

Out of the above, six studies are on impact of SHGs on women empowerment, three in Mewat district (Deepti Umashankar, P. Alam and Mohd. Nizam), one each in Kaithal (M Goel and Virander Goyal), Rewari-Hisar district (Preeti Sharma and Shashi Kant Verma) and Karnal district (Manju Panwar and Jitendra Kumar). Two studies, one each in Yamuna Nagar district (Rathore and Garg) and Narnaul Block in Mahendergarh (Bajrang) district are on financial inclusion through SHGs. One study is on Analysis of Trends, Patterns and Schemes of SHGs (V Batra). One study is on Assessment of economic development by SHGs in Haryana (Surender) and one study in Gurgaon district is on the Dimensions of Group Dynamics Effectiveness of SHGs of Rural women in Haryana (Vashisht, Khanna, Arora and Yadav). The following table 2.2 shows the number of studies in each research area.

Table 2.2: Number of studies research area wise in Haryana

<table>
<thead>
<tr>
<th>No. of studies</th>
<th>Research Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Impact of SHGs on women empowerment</td>
</tr>
<tr>
<td>2</td>
<td>Financial Inclusion through SHGs</td>
</tr>
<tr>
<td>1</td>
<td>Analysis of Trends, Patterns and Schemes of SHGs</td>
</tr>
<tr>
<td>1</td>
<td>Assessment of economic development by SHGs in Haryana</td>
</tr>
<tr>
<td>1</td>
<td>Dimensions of Group Dynamics Effectiveness of SHGs of Rural women</td>
</tr>
</tbody>
</table>
Women Empowerment:

Umashankar (2006) carried out a study in District Mewat in Haryana to explore the impact of participation in Self Help Groups on the empowerment of women, especially rural women living in the highly patriarchal and traditional societies of the northern Indian state of Haryana. Various dimensions of empowerment – material, cognitive, perceptual and relational were considered. The study concluded that access to credit has allowed women to start and expand small businesses, experience ‘Power within’: feelings of freedom, strength, self-identity, self-esteem and challenge the norm of purdah but social norms and perceptions are a major constraint. Gender discrimination is most deeply entrenched in the family, evident in attitudes towards daughters in law, daughters, gender based division of work, roles and responsibilities as well as the mind-set towards domestic violence and issues of ownership and inheritance of land. [290]

Sharma, Preeti and Varma, Shashi Kant (2008), conducted a study to examine women empowerment through entrepreneurial activities of self-help groups. The study was conducted in two districts of Haryana, Rewari and Hisar, in which Self Help Groups were formed under District Rural Development Agency’s (DRDA) Swarnajayanthi Gram Swarozgar Yojana. Increase in income, expenditure and saving habits of rural women were observed. The study revealed an increase in social recognition of self, status of family in the society, size of social circle and involvement in intra family and entrepreneurial decision making. [255]

Alam and Nizammudin (2012) examined women empowerment through self-help groups in the district of Mewat in Haryana. The study showed that the SHGs have had greater impact on both economic and social aspects of the beneficiaries by promoting self–reliance, self-confidence, self-dependence and educating them to realize their fundamental rights. Also, women’s empowerment is a continuous process and not a one-time affair. [203]

Goel, M.M. and Goyal, Virander Pal (2014) studied the impact of Microfinance on living standards, empowerment of women and poverty alleviation in Kaithal district of Haryana. The study found that there has been considerable increase in the income, savings and economic assets of the beneficiaries after joining the scheme. It has also resulted in increasing their confidence and has helped in social justice and empowerment of women. Also, the researchers advocated that microfinance can be a
success story if we adopt healthy practices adopted by Grameen bank of Bangladesh such as five members in SHGs. [83]

*Dimensions of Group Dynamics Effectiveness of SHGs of Rural women:*

Vashisht et al. (2008) carried out a study to ascertain group dynamics in self-help groups micro-enterprises in Gurgaon district in Haryana. The study revealed that the performance of individual member was found to be low, but the SHGs were found to be very dynamic, which indicate that they could take up all the activities to a high degree of satisfaction. On the contrary, individual member was not able to perform all the activities satisfactorily on her/his own. [295]

*Financial Inclusion through SHGs:*

Bajrang (2013), in his paper analysed the status of financial inclusion among rural women with special reference to SHG women members in Narnaul Block in Mahendergarh district. The study revealed that SHGs members got included in formal financial system after joining the SHGs. They had not opened separate bank accounts in any public or private bank before joining the SHGs. Although, even after joining the SHGs, 80 percent of women members have only group account. The result of survey also showed that not a single group member has an ATM card, Mobile banking, Net banking, and financial literacy. Although these women could not take decisions for domestic expenditure, but after joining the groups, they are able to spend money without any hesitations and restrictions of family. So it can be said that these women have improved their social and financial conditions after joining the SHGs. [20]

Rathore and Garg (2013) also studied the role of financial inclusion through SHGs in selected SHGs in Yamuna Nagar district. They focused on the problems faced by NABARD, NGOs, Banks and SHGs and gave suggestions for improvement in financial inclusion. They stressed on the importance of provision of multipurpose loan or composite credit for income generation, housing improvement and consumption support. [225]
The other three SHG studies are mentioned in subsequent chapters. Most of the studies have used both qualitative and quantitative tools except one which is purely qualitative (Deepti Umashankar, 2006). Studies are descriptive and exploratory in nature. Multi-stage random sampling method has been adopted in almost all the studies. The qualitative tools used are Structured Interview methods, Focused Group Discussion and Participant Observation method. Quantitative techniques used are percentage analysis, arithmetic mean, Karl Pearson’s correlation coefficient, t-test and f-test, pie charts, factor analysis and multiple regression analysis.

2.7 Research Gaps

After reviewing the literature, the following research gaps were identified:

1. It was observed that most of the literature on microfinance in India revolves around the four southern states of Andhra Pradesh, Kerala, Karnataka and Tamil Nadu (where governments and non-governmental organisations are taking lead in the spread area of microfinance), followed by Odisha, and Maharashtra.

2. Very few studies have been conducted in the northern region, especially in Haryana and the focus of these studies is mainly on impact of Self Help Groups on the women empowerment aspect.

3. Also, there is hardly any work related with the identification of factors or causes responsible for desired results not getting manifested in terms of income and employment level in poor and rural areas of Haryana like Mewat district.

4. Studies on the role of microfinance for microenterprise development for women in the Indian context are also relatively less and moreover not conducted for a backward area like Mewat.

Hence there is a case for conducting a qualitative as well as an empirical study for an area of about 1507 square km correlating microfinance with economic development through the self-help group model.
2.8 Concluding observations

The present chapter has reviewed the literature pertaining to microfinance and self-help groups with a view to study the current state of research. The available literature shows that microfinance through the Self-help group model encompasses a wide range of fields such as poverty alleviation, financial inclusion, women empowerment, microenterprise creation and economic development. More importantly, the literature exhibits that the impact of microfinance works differently from one context to other and the impact is contingent upon a number of factors and variables such as enterprise development, attitudes to debt, financial literacy, financial service providers etc. These factors become more significant and hence, deserve special attention and warrant empirical examination in the context of a backward district like Mewat.

It is imperative to acknowledge here the contribution made by the previous researchers in setting the groundwork for the current research initiative, to expand the body of knowledge further. This study is an effort to measure the impact of microfinance and women self-help groups in the development process of Mewat district in Haryana.